

## LEASE AND ASSET TRANSFER AGREEMENT

**THIS LEASE AND ASSET TRANSFER AGREEMENT** (“Lease”) is made as of the \_\_\_ day of \_\_\_\_\_, 2013, by and between The County of Centre, Pennsylvania, a fourth-class county (“Landlord”), and Centre Care Inc. d/b/a Centre Crest, a Pennsylvania non-profit corporation (“Tenant”).

### **BACKGROUND:**

**A.** Landlord is the owner of a certain parcel of land containing approximately \_\_\_ contiguous acres, as is more fully described on Exhibit “A” attached hereto and incorporated herein, which is located in Bellefonte, Pennsylvania (“Overall Tract”) and all the buildings and other improvements erected thereon including, but not limited to, that certain licensed 240-bed, skilled nursing care facility commonly known as the “Centre Crest” which is located at 502 E. Howard Street, Bellefonte, Pennsylvania 16823 (“Facility”).

**B.** The portion of the Overall Tract on which the Facility is located is comprised of approximately \_\_\_ contiguous acres, and is more fully described on Exhibit “B” attached hereto and incorporated herein (“Land”). Land and Facility are hereinafter collectively referred to herein as the “Premises.”

**C.** Landlord is also the owner of all of the personal property, fixtures, equipment, furnishing, automobiles, vehicles and inventory currently used in the operation of Facility (collectively, “Personal Property”).

**D.** Landlord desires to lease the Premises and assign ownership of the Personal Property to Tenant and Tenant desires to lease the Premises and receive the assignment of the Personal Property from Landlord, upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the respective promises and covenants herein contained, the parties hereto, intending to be legally bound, do hereby agree as follows:

### **WITNESSETH:**

**1. Premises and Personal Property.** For and in consideration of the above background recitals and the covenants and agreements to be performed by Tenant as hereinafter set forth, Landlord does hereby lease, demise and let unto Tenant the Premises and assign ownership of the Personal Property to Tenant and Tenant does hereby lease and accept from Landlord, the Premises and the assignment of the Personal Property.

**2. Condition of Premises and Personal Property.** Except as provided in Section 25 of this Lease (Representations and Warranties of Landlord, including, without limitation, Section 25(b) [Landlord's authority to lease] and Section 25(d) [title to the Transferred Assets]) Tenant hereby accepts the Premises and Personal Property in their present condition, without any representation or warranty of Landlord as to the condition of the Premises or Personal Property, or as to the use which may be made thereof. Tenant acknowledges that Landlord has not made, nor shall Landlord be deemed to have made, any representation or warranty, express or implied, with respect to this Lease or the Premises or Personal Property, except as otherwise provided herein.

**3. Term.** The term of this Lease ("Initial Term") shall commence at 12:01 a.m. on November 1, 2013 ("Commencement Date"), and shall expire at 11:59 PM local time on the last day of the sixtieth (60<sup>th</sup>) full consecutive calendar month after the Commencement Date, unless sooner terminated as provided for herein. In addition, Tenant shall have two (2) additional options to extend the Initial Term of this Lease or any renewal term (Initial Term and renewal terms, to the extent exercised, shall be collectively referred to herein as "Term") for separate sixty (60) month periods commencing upon the expiration of the Initial Term or any such extension term, upon the same terms and conditions as herein provided (except that each such extension will be for a period of sixty (60) months. The option(s) to extend the Term for an additional sixty (60) months shall be exercisable by Tenant giving Landlord written notice of its election to extend the Term no less than ninety (90) days prior to the expiration of the Initial Term or any such extension term, as the case may be.

**4. Use of Premises.** Tenant may use and occupy Premises for any legally permissible use and shall use Facility primarily for the operation and use of a long term care nursing facility and related uses.

**5. Rent.** During the Term (including the Initial Term and any renewal terms), Tenant shall pay to Landlord, no rent.

**6. Termination of Lease.** This Lease is subject to and conditioned upon Tenant obtaining a Certificate of Occupancy and Licensure to operate a 240 bed skilled nursing facility ("CO") from the Pennsylvania Department of Health. In the event a CO is not received on or before the Commencement Date, this Lease may, at Tenant's election, be terminated at any time prior to the Commencement Date, or by mutual agreement, the Commencement Date can be extended until such time that the CO is received by Tenant. In the event Tenant terminates this Lease pursuant to its rights herein, the Lease shall be null and void.

Should Tenant proceed with a Replacement Facility, Tenant can terminate lease effective upon the transfer of residents and operations to the Replacement Facility. Tenant shall provide ninety (90) days notice of estimated transfer date subject to DOH approval. In the event Tenant terminates the lease to transfer residents and operations to a Replacement Facility, the Transferred Assets, and any replacements or

renewals to or of the Transferred Assets, shall remain the property of Tenant and may be moved to the Replacement Facility.

**7. Utilities.** Tenant shall arrange for all utility services required by Tenant for its use of the Premises, and Tenant shall pay all charges of utility companies or public authorities for gas, water, steam, sewer services, trash removal or other services or utility furnished to the Premises. Landlord shall not be required to furnish any utilities or other service of any kind, including janitorial service, to the Premises or any part thereof, and Landlord does not represent, warrant or guarantee to Tenant the continuous availability of any utilities. Any interruption of the utilities supplied to the Premises shall, unless caused by Landlord, not be deemed or construed to be an interference with Tenant's right of possession, occupancy and use of the Premises, shall not render Landlord liable to Tenant for damages. Tenant shall comply with all such rules and regulations as may be promulgated from time to time by any governmental authority with respect to energy consumption, and during such period of time as such governmental authority may so require, Tenant shall reduce or curtail operations in the Premises as shall be directed by such governmental authority. Compliance with such rules and regulations and/or such reduction or curtailment of operation shall not constitute a breach of Landlord's covenant of quiet enjoyment or otherwise invalidate or affect this lease.

**8. Taxes.**

**(a) Generally.** Tenant shall pay to Landlord within thirty (30) days of Landlord's delivery of a bill to Tenant all Taxes (as hereinafter defined) which are charged or assessed against Premises for which a non-profit organization is generally liable for from the operation of a skilled nursing facility in the Commonwealth of Pennsylvania, for the use thereof during Term, unless such Taxes are billed directly to Tenant, in which case Tenant shall pay such Taxes directly to the taxing authority. Landlord shall obtain a separate tax assessment for the Premises which shall be done in consultation with Tenant and subject to Tenant's reasonable approval. For purposes hereof, the term "Taxes" shall mean: (i) all real estate taxes and assessments levied against the Premises; and (ii) any use/occupancy tax or Rent tax now in effect or hereafter enacted. If, due to a future change in the method of taxation or in the taxing authority, a new or additional real estate tax, or a franchise, income, transit, profit or other tax or governmental imposition, however designated, shall be levied against Landlord and/or the Premises, in addition to, or in substitution, in whole or in part, for any tax which would constitute "Taxes," or in lieu of additional taxes, such tax or imposition shall be deemed for the purposes hereof to be included within the term "Taxes."

**(b) County Real Estate Taxes.** Notwithstanding anything to the contrary contained in Section 8(a), the parties hereto intend that Tenant not be responsible for the payment of any Centre County real estate taxes and Landlord shall exercise its best efforts to classify the Premises as real estate tax exempt ("County R/E Taxes").

**9. Insurance.**

**(a) Property.** Tenant shall maintain and keep in effect throughout the Term, at Tenant's sole cost and expense, fire and extended coverage in an amount equal to the full replacement cost of the Facility, together with boiler insurance, plate glass insurance and other such property-related insurances normal and customary in the Commonwealth of Pennsylvania. Tenant shall name Landlord as an additional named insured under said policies.

**(b) Liability.** Tenant shall maintain and keep in effect throughout the Term at Tenant's sole cost and expense, insurance against liability for bodily injury (including death) or property damage: (i) in or about the Premises under a policy of comprehensive general public liability insurance, with such limits as to each as may be reasonably required by Landlord from time to time but not less than \$1,000,000 for each occurrence of bodily injury (including death) and not less than \$3,000,000 in the aggregate, and \$1,000,000 for property damage; and (ii) with respect to automobiles, liability and collision levels as normal and customary in the Commonwealth of Pennsylvania for similar vehicles.

**(c) Insurers; Replacement.** Each insurance policy shall provide that it shall not be cancelable without at least thirty (30) days' prior written notice to Landlord and to any mortgagee named in an endorsement thereto and each policy shall be issued by an insurer of recognized responsibility, licensed to do business in the Commonwealth of Pennsylvania and reasonably satisfactory to Landlord. Prior to the commencement of the Term, the original and a signed duplicate of each policy shall be delivered by Tenant to Landlord unless Landlord requests that they be delivered to the holder of any mortgage on the Premises, in which case Tenant shall deliver the policies to such holder and shall deliver to Landlord a certificate of the insurance carrier certifying that the policies so delivered have been issued and are in effect and the duration thereof. At least thirty (30) days before any policy shall expire, Tenant shall deliver to Landlord the original and a signed duplicate copy of a replacement policy, and at least ten (10) days prior to the date that the premium on any policy shall become due and payable, Landlord shall be furnished with evidence of its payment (which premium may be paid in installments). Each policy shall have attached thereto an endorsement to the effect that no act or omission of Tenant shall affect the obligation of the insurer to pay the full amount of any loss sustained. Each policy shall be in such form as Landlord may from time to time require.

**(d) Landlord as Additional Insured.** For the general liability insurance coverage and policies required to be held by Tenant pursuant to this Section 9(b) Tenant shall name Landlord as an additional insured party, if permitted by the insurance carrier at commercially reasonable rates.

**(e) Evidence of Payment.** If Tenant shall fail, refuse or neglect to obtain such insurance or maintain it, or to furnish Landlord with satisfactory evidence of payment of the premium of any policy within the time required as set forth above, Landlord shall have the right, at Landlord's option, to purchase such insurance and to

pay the premiums thereon or to pay the premiums on insurance which Tenant should have paid for. All such payments made by Landlord shall be recoverable by Landlord from Tenant on demand together with interest, at the rate of six percent (6%) per annum until paid.

(f) **Certificates.** Tenant, at its election, shall have the right to carry any such insurance under a blanket policy, applicable to the Premises and the Personal Property for the risks and in the minimum amounts above specified, in which event Tenant shall deliver the insurer's certificates thereof in lieu of the original, showing all of the terms of such coverage applicable to the Premises and the insured as aforesaid.

10. **Tenant's Fixtures.** Tenant shall have the right to install trade fixtures required by Tenant or used by it in its business and, if installed by Tenant, to remove any or all such trade fixtures from time to time during and upon termination of this Lease. Tenant shall repair and restore any damage or injury to the Premises caused by the installation and/or removal of any such trade fixtures. All Personal Property on the premises shall be the property of the Tenant.

11. **Signs.** Tenant may place, erect and maintain signage affixed to the interior or exterior of the Facility in its sole discretion. Notwithstanding the foregoing, no sign, advertising or notice shall be displayed on any part of the Premises that is not affixed to the Facility or any other part of the Land, except as approved in writing in advance by Landlord, which approval shall not be unreasonably withheld or conditioned. If any such sign, advertisement or notice is improperly exhibited, Landlord shall have the right to remove the same, and Tenant shall be liable for any and all expenses incurred by Landlord in connection with said removal. Tenant shall ensure that all signs shall comply with all applicable laws and regulations.

**12. Repairs, Maintenance and Snow Removal.**

(a) **Repairs, Maintenance.** Tenant, at its sole cost and expense and throughout the Term, shall make ordinary and routine repairs to the Premises.

(b) **Snow Removal.** Tenant shall keep all sidewalks in front of or abutting upon the Facility and all parking lots located on the Premises reasonably free and clear of snow, ice and obstructions.

**13. Alterations and Additions by Tenant.** Tenant shall not, without on each occasion first presenting to Landlord plans and specifications therefor and obtaining Landlord's prior written consent thereto, which consent shall not unreasonably be withheld, delayed or conditioned, make any structural alterations, improvements or additions to the Premises; except as provided in Section 10 relating to fixtures, and except that Tenant may, without Landlord's consent and without providing plans and specifications to Landlord, perform interior, non-structural alterations up to a value of One Hundred Fifty Thousand Dollars (\$150,000) in the aggregate to the Premises, in any one year. Any addition, alteration or improvement to the Premises done by Tenant under this Lease, shall be at Tenant's sole cost and expense and shall be in accordance with plans and specifications prepared by and at the expense of Tenant and consented to in writing by Landlord prior to the commencement of any work, unless consent of Landlord is not required for such work. Except as provided in Section 10 relating to fixtures, all improvements, repairs, alterations and additions and all other property attached to or used in connection with the Premises or any part thereof by or on behalf of Tenant shall be the property of Tenant until the expiration or sooner termination of this Lease, at which time all such alterations and additions permanently attached to the building shall remain on the Premises and become the property of Landlord without payment therefor by Landlord.

**14. Landlord's Right of Entry.** Subject to the requirements of law related to resident rights and privacy, including, without limitation, HIPAA, Tenant agrees to permit Landlord and the authorized representatives of Landlord and of the holder of any mortgage or any prospective mortgagee to enter the Premises at all reasonable times, upon at least forty-eight (48) hours prior notice, for the purpose of: (i) inspecting them; and (ii) making any repairs required to be made by Landlord hereunder and performing any work therein that may be necessary by reason of Tenant's default under the terms of this Lease. Nothing herein shall imply any duty upon the part of Landlord to do any such work which under any provision of this Lease Tenant may be required to perform and the performance thereof by Landlord shall not constitute a waiver of Tenant's default in failing to perform the same. Landlord is hereby given the right to: (i) use the ingress and egress roads located upon the Premises and other paved areas of the Premises at all times during the Term in order to access the Premises as long as such access does not interfere with Tenant's use of the Premises; and (ii) enter the Premises at all reasonable times and to exhibit the same for the purposes of sale or mortgage, or at any time after this Lease has been properly terminated as provided in this Lease, to exhibit the same to any prospective tenant. Landlord will be responsible for all damage to the Premises caused by it or its agents'

access.

**15. Personal Property.** All Personal Property at the Premises at the commencement of the Lease shall be assigned to the Tenant and shall thereafter be the property of the Tenant, as well as all replacements of and renewals to such personal property after the Commencement Date of the Lease. Subject to any requirements of law and with court approval, if required, at the end of the Term, or the earlier termination as provided for herein, the Personal Property shall assigned, without payment of consideration of any kind, by Tenant to Landlord, and be delivered into the possession and control of Landlord in substantially the same condition as such Personal Property was as the date of this Lease, normal wear and tear and damage by fire or other casualty excepted. Provided, however, that if the Lease is terminated because of a casualty or condemnation (see sections 46 or 47) or because Tenant constructs a Replacement Facility, then Tenant shall not be required to assign the Personal Property to Landlord at the expiration of the Lease. Notwithstanding the foregoing, Tenant shall have no obligation hereunder to replace any items of Personal Property damaged or destroyed or to make repairs to any item of Personal Property in excess of reasonable amounts.

**16. Transferred Assets.**

(a) On the Commencement Date, Landlord will assign and convey to Tenant all of Landlord's right, title and interest in and to the following assets (collectively, "Transferred Assets") used by or on behalf of Landlord in the nursing home business presently being conducted by Landlord at Facility ("Business"), free and clear of all claims, security interests, pledges, encumbrances or liens of any kind or nature except for outstanding accounts payable in the normal course of business as noted in Section 20 ("Liens"):

(i) All machinery, vehicles, equipment and other items of personal property which is used by Landlord for the maintenance of Facility described on Schedule 16(a)(i).

(ii) All medical apparatus, equipment and other items of personal property used by Landlord for the care of the Residents described on Schedule 16(a)(ii).

(iii) All inventories of every kind and nature located at Facility on the Closing Date, including, but not limited to, all pharmacy supplies, medical supplies, office supplies, prescription and non-prescription drugs or equipment, other supplies and foodstuffs ("Inventories").

(iv) All Resident files, Resident agreements, charts and records (to the extent transferable in accordance with applicable law) for those Residents of Facility that transfer to Tenant, including, but not limited to, all such Resident's records, medical records, therapy records, pharmacy records, including a complete computer printout of all clinical records and all financial, accounting and litigation records of all

such Residents, all medical staff records, policies and procedures and any other documents used in the operation of the Business and Facility, and all employment records for the Hired Employees, including all medical and all non-medical records, including evaluations, of the Hired Employees (collectively, "Records"). If any such Records have been removed from Facility, such Records shall be returned to Facility prior to the Commencement Date. All deliveries of the Records made by Landlord to Tenant shall be made in full compliance with all applicable Laws, including HIPAA.

(v) All assignable or transferable Licenses and Permits issued by any Governmental Authority relating to the operation of the Business, including two hundred forty (240) skilled nursing bed licenses.

(vi) All Resident Trust Funds.

(vii) All goodwill with respect to Facility and the rights to the use of the name "Centre Crest" or any derivation thereof.

(viii) All Accounts Receivable and other third party receivables outstanding as of the transfer date

(ix) All other assets set forth on Schedule 16(a)(ix), including the transfer of phone numbers and re-direction of website address if website domain is not transferrable.

(b) Landlord shall retain all assets of Facility not described in Section 16(a) ("Excluded Assets").

## **17. Medicare and Medicaid Provider Agreements.**

(a) Tenant hereby elects to assume and shall assume Landlord's rights and interests in and to Landlord's Medicare provider number and Medicare provider reimbursement agreement ("Landlord's Medicare Provider Agreement"). On the Commencement Date, Landlord shall assign to Tenant all of Landlord's right, title and interest in and to Landlord's Medicare provider number and Landlord's Medicare Provider Agreement.

(b) Landlord agrees to cooperate with Tenant in the assignment of Landlord's Medicare Provider Agreement to Tenant, including, completing those portions of Form 855A which confirm the change of ownership of Facility and the assignment by Landlord of Landlord's Medicare Provider Agreement to Tenant. The assumption by Tenant of Landlord's Medicare Provider Agreement shall not be construed to impose any duty upon Tenant to perform any Obligations under Landlord's Medicare Provider Agreements arising prior to the Commencement Date.

(c) Tenant hereby elects not to assume and shall not assume Landlord's rights and interests in and to Landlord's Medicaid provider number and Medicaid provider reimbursement agreement ("Landlord's Medicaid Provider Agreement"). Landlord shall terminate Landlord's Medicaid Provider Agreement and



surrender its Medicaid provider number to the Commonwealth of Pennsylvania as of the Closing Date.

(d) Promptly after the execution of this Lease, Landlord and Tenant shall each notify the Pennsylvania Department of Public Welfare advising of the change in ownership of the Facility from Landlord to Tenant, and shall include in such notices all information required to be provided to such department in connection with said change in ownership, in sufficient time to permit the Closing to occur on or before the intended Closing Date.

**18. Resident Agreements.** Not less than ten (10) days prior to the Commencement Date, Landlord shall provide Tenant with a list of all Residents residing at Facility as of such date. Landlord shall cooperate with Tenant to transfer all of the Residents of Facility to Tenant on or as soon as reasonably possible following the Commencement Date. Landlord shall provide Tenant with copies of the Resident Agreements with respect to those Residents which are to be transferred to Tenant and Tenant shall assume Landlord's obligations to said Residents under said Resident Agreements arising after the Commencement Date. Tenant shall have no responsibility to the applicable Resident for claims which arise out of, or relate to, facts, events or circumstances occurring before the Commencement Date or actions or omissions of Landlord with respect to the Resident or the Resident Agreements. Landlord shall have no responsibility to the applicable Resident for claims which arise from actions or omissions of Tenant with respect to the Resident Agreements occurring on or after the Commencement Date.

**19. Transfer of Resident Trust Funds.** On the Commencement Date, Landlord shall deliver to Tenant a list that will be a true, correct and complete description of any Resident trust funds and Resident property held by Landlord as of the Commencement Date for those Residents of Facility who are to be transferred to Tenant (collectively, "Resident Trust Funds"). , On the Commencement Date, Landlord shall transfer to Tenant all Resident Trust Funds for those Residents and Tenant shall accept the amount of Resident Trust Funds in trust for such Residents, and shall be solely accountable to the Residents for such Resident Trust Funds in accordance with the terms of this Lease, Resident Agreements and applicable statutory and regulatory requirements. Within ten (10) Business Days after the Commencement Date, Landlord shall prepare a final reconciliation comparing the actual Resident Trust Fund balances with Resident Trust Funds for the Residents transferred to Tenant on the Commencement Date and to the extent the former exceeds the latter, Landlord shall promptly remit such excess to Tenant or to the extent the latter exceeds the former, Tenant shall promptly remit such excess to Landlord. Tenant shall have no responsibility to the applicable Resident or regulatory authority with respect to any Resident Trust Funds in excess of the amount delivered by Landlord to Tenant for such Resident or for any claims which arise or from actions or omissions of Landlord with respect to Resident Trust Funds. Landlord shall have no responsibility to the applicable Resident or regulatory authority with respect to any Resident Trust Fund delivered to Tenant with respect to Resident Trust Funds occurring on or after the Commencement Date.

**20. Tenant's Obligations.** Notwithstanding anything to the contrary contained herein, except for the Obligations arising after the Commencement Date assumed by Landlord as expressly provided in Section 16(a) (iv) (with respect to Resident Agreements) and Section 16(a) (vi) (with respect to Resident Trust Funds), and as otherwise expressly set forth in this Lease, Tenant shall not assume, perform or be responsible for any Obligations of Landlord whether or not relating to the Transferred Assets, Facility or the Business except for (i) outstanding accounts payable of the Facility itemized on Schedule 20 (i); (ii) paid time off (vacation, sick leave in accordance with county policy, personal time, collectively "Paid Time Off"); (iii) obligations arising after the closing date under the Vendor Contracts set forth on Schedule 20 (iii) ("Assumed Vendor Contracts"), collectively ("Assumed Liabilities").

**21. Landlord's Obligations.**

(a) Notwithstanding anything to the contrary contained herein, Landlord shall retain and timely pay, and in no event shall Tenant assume, perform or be responsible for any of, the following ("Excluded Liabilities"): (i) any Obligation of Landlord under the Medicare, Medicaid or any provider or other agreement relating to Facility, including, any amounts determined as a result of an audit or denial of a claim by Medicare or Medicaid because Landlord has been overpaid during the period prior to the Commencement Date or has received payments for which it is not entitled; (ii) except as provided in Section 20 with respect to the Obligations expressly assumed by Tenant under the Assumed Vendor Contracts arising after the Commencement Date; (iii) any malpractice or other tort claim based upon acts or omissions of or on behalf of Landlord, or with respect Facility prior to the Commencement Date; (iv) any claim for breach of Contract by, or acts or omissions of Landlord; (v) any wages or other employee benefits due to employees of Landlord as of the Commencement Date except for Paid Time Off provided in Section 20 (vi) any Obligation under the Resident Agreements arising prior to the Commencement Date or occurring or relating to occurrences prior to the Commencement Date; and (viii) any other Obligation of Landlord, or with respect to the Transferred Assets, the Business or Facility arising prior to the Commencement Date, based upon any facts, circumstances or events occurring prior to the Commencement Date or any acts or omissions of Landlord (or on behalf of Landlord).

(b) Without limiting the generality of the foregoing, and notwithstanding anything to the contrary contained in Section 2 of the Lease, Landlord shall be responsible to pay for the cost and expense of any repairs or improvements to Facility required to be made by the Pennsylvania Department of Health or any other Governmental Authority, in accordance with any survey or report, conducted or issued prior to the Commencement Date, or as otherwise required by any Governmental Authority in order for Landlord and Facility to maintain all required Permits to operate the Business. All such work shall be completed by Landlord on or before the Commencement Date or as soon thereafter as is reasonable possible.

**22. Continued Insurance Coverage.** In the event that Landlord's current professional and general liability policy is on a "claims-made" basis, Landlord shall

purchase and maintain "extended reporting" coverage under that policy for a term of not less than two (2) year from the Commencement Date. Proof of Landlord's obtaining of tail coverage will be provided to Tenant on the Commencement Date.

**23. Cost Reports.** Landlord shall timely prepare and file with the appropriate Medicare and Medicaid agencies any final cost reports with respect to its operation of Facility which are required to be filed by Law under the terms of the Medicare and Medicaid Programs.

**24. Commencement and Commencement Date.** The commencement ("Commencement") of the transactions contemplated under this Lease will take place at 12:01 a.m. on November 1, 2013, or at such later date as mutually agreed upon by the parties ("Commencement Date").

**25. Representations and Warranties of Landlord.** Landlord hereby represents and warrants to Tenant, as of the date of this Lease and the Closing Date, as follows:

(a) Landlord has full power and authority and possesses all material governmental Permits necessary to enable it to own, license, possess, lease or otherwise hold its properties and assets and to carry on the Business and to operate Facility as presently conducted.

(b) Landlord has the full right, power and authority to execute this Lease and to consummate the sale of the Transferred Assets and the other transactions contemplated by this Lease. The Persons executing this Lease on behalf of Landlord are authorized to do so. Landlord has duly executed and delivered this Lease, and this Lease constitutes the legal, valid and binding obligation of Landlord, enforceable against it in accordance with its terms. The execution and delivery by Landlord of this Lease and the other documents contemplated hereby do not, and the consummation of transactions contemplated by this Lease and compliance by Landlord with the terms hereof, do not, and will not, conflict with, or result in any violation of, or default under (with or without notice or lapse of time, or both), or result in the creation of any lien or encumbrance upon any of the assets or properties of Landlord under, any provision of: (i) any Contract to which Landlord is a party or by which any of its assets or properties is bound; or (ii) any judgment, writ, order or decree or Law that is applicable to Landlord or its assets or properties. Except as provided in Schedule 25(b), no Consent of, or registration, declaration or filing with: (i) any Governmental Authority; or (ii) any other Person, is required to be obtained or made by or with respect to Landlord, in connection with the execution, delivery and performance of this Lease or the consummation of the transactions contemplated hereby ("Prior Approvals"). All of the Prior Approvals have been obtained by Landlord.

(c) Except as set forth on Schedule 25(c) attached hereto, there are no Permits necessary or required to own, operate or use Facility or to operate the Business ("Required Permits"). Landlord has a current certificate of occupancy and it and/or Landlord's agents have all the other Required Permits necessary or required for

the ownership and operation of Facility and the Business. All Required Permits are in full force and effect and, to the knowledge of Landlord, are not subject to any claim, default, condition, sanction or penalty. Landlord has delivered to Tenant true, correct and complete copies of the most recent Required Permits necessary or required for the ownership and operation of Facility and the Business.

**(d)** Landlord has title to all Transferred Assets, free and clear of Liens, except as provided on Schedule 25(d). No Person has the right to purchase all or any of the Transferred Assets.

**(e)** Except as described on Schedule 25(e) attached hereto, there are no deficiencies described in any survey of Facility conducted by any Governmental Authority that have not been corrected or otherwise remedied.

**(f)** Except as set forth in Schedule 25(f) attached hereto, as of the date hereof, there are no actions, suits, material labor disputes or arbitrations, legal or administrative proceedings or investigations pending against Landlord in connection with or relating to the Business or Facility, and to the knowledge of Landlord, no actions, suits, material labor disputes or arbitrations, legal or administrative proceedings or investigations are contemplated or threatened against Landlord in connection with or relating to the Business or Facility, nor is any basis known by Landlord to exist for any such action or for any governmental investigations relating to the Business or Facility. Except as set forth on Schedule 25(f), there are no pending actions against Landlord or relating to Facility, the Transferred Assets or the Business and no such actions have been commenced within the last three (3) years.

**(g)** Except as provided in Schedule 25(g), to the knowledge of Landlord, Landlord has substantially complied with each, and is not in violation of any, Laws to which it or Facility or the Business is subject, and has not failed to obtain any Permit, or other governmental authorization or inspection necessary to the ownership or use of its assets or to the conduct of the Business, including, the Federal Medicare and Medicaid Statutes, including 42 U.S.C. sect. 1395, 1320a-7, 1320a-7(a) and 1230a-7(b). Landlord has not received any written notice of any violations of any Law, nor does Landlord have knowledge of any such violations relating to violations of state licensing requirements for operation of Facility as nursing facilities, safety, handicapped accessibility, ADA, health, environmental, fire, zoning or subdivision laws, ordinances, codes and regulations.

**(h)** Attached as Schedule 25(h) is a complete and accurate schedule of all the Residents at Facility as of the date set forth in the Schedule. Included on Schedule 25(h) is a list of all Resident Agreements, copies of which have previously been made available to Tenant, as of the date hereof. Landlord has not accepted any advance payment of more than thirty (30) days from any Resident.

**(i)** Attached as Schedule 25(i) is a copy of the statement of income and cash flows of Facility for the fiscal year ended December 31, 2012, and the statement of income and cash flows of Facility.

(i) The Financial Statements have been prepared, in all material respects, on a basis of accounting described therein, consistently applied, and reflect the financial condition, results of operations and cash flows of Landlord as of the respective dates thereof and for the respective periods indicated. Since December 31, 2012, there have been no changes in Landlord's methods of accounting for tax or financial statement purposes. Other than as set forth in the Financial Statements or arising in the ordinary course of business since such date, there are no other material Obligations of Landlord.

(ii) Since December 31, 2012, to the date of this Lease, Landlord has caused the Business to be conducted in the ordinary course and in substantially the same manner as previously conducted.

**(j)** In connection with Facility and the Business, Landlord and each employee or individual or entity furnishing healthcare related services under arrangement (collectively, "Health Care Providers"), to the extent required, is, to the knowledge of Landlord, licensed under the applicable Laws of the Commonwealth of Pennsylvania and, to the knowledge of Landlord, each Health Care Provider has complied with all Laws, relating to the rendering of health care services. To the knowledge of Landlord, no Health Care Provider has:

(i) had his or her professional license, Drug Enforcement Agency number or Medicare or Medicaid provider status, or participation in any other healthcare plan of a third-party payor suspended, relinquished, terminated or revoked;

(ii) been reprimanded, sanctioned or disciplined by any licensing board or any Federal, state or local society, agency, regulatory body, Governmental Authority, hospital, third-party payor or specialty board;

(iii) had a final judgment or settlement entered against him or her in connection with a malpractice or similar action; or

(iv) has engaged in, undertaken or accused, charged or convicted of criminal conduct or act.

**(k)** To the knowledge of Landlord, neither Landlord nor any of its respective employees or agents has offered, paid, or agreed to pay to any Person, including any governmental official, or solicited, received or agreed to receive from any such Person, directly or indirectly, any money or anything of value for the purpose or with the intent of obtaining or maintaining business for Landlord or any Affiliate or otherwise affecting the Business, operations, prospects, properties, or condition (financial or otherwise) of Landlord, and which is or was in violation of any Laws, or not properly and correctly recorded or disclosed on the books and records of Landlord.

**(l)** To the knowledge of Landlord, Landlord is in compliance in all material respects with all Laws respecting employment and employment practices, terms and conditions of employment, compensation, wages and hours, health and safety, labor relations and plant closings, including all applicable foreign laws, the Americans with Disabilities Act, the Age Discrimination in Employment Act, the Equal Pay Act, the Fair Labor Standards Act, the National Labor Relations Act, Occupational Safety and Health Act, Title VII of the Civil Rights Act of 1964, as amended, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act, and the Public Health Service Act.

**(m)** In connection with Facility, Landlord participates in the Medicare and Medicaid Programs (“Programs”). A list and copies of its existing Medicare and Medicaid contracts and reimbursement agreements and all business and provider numbers pertaining to Landlord or, if such Contracts do not exist, other documentation evidencing such participation (collectively, “Program Agreements”) are set forth on Schedule 25(m) attached hereto. Under the Programs, two hundred forty (240) beds are certified for participation in Medicare and, two hundred forty (240) beds are certified for participation in Medicaid. Landlord has not taken any action or failed to take any action which would result in the reduction of the number of beds that are certified for participation in Medicare or Medicaid. To the knowledge of Landlord and, except as identified in surveys of Facility by applicable licensing authorities attached hereto as Schedule 25(m), Landlord is in substantial compliance with all of the terms, conditions and provisions of the Program Agreements and the rules and policies respecting each Program Agreement and third-party payor Contracts, including all certification, billing, reimbursement and documentation requirements, and to the knowledge of Landlord, there is no threatened or pending revocation, suspension, termination, probation, restriction, limitation or non-renewal affecting any of Landlord’s Program Agreements or third-party payor Contracts.

**(n)** Schedule 25(n) contains an accurate and complete list and description of:

(i) all of the Employee Benefit Plans which Landlord, or any Benefit Plan Affiliate, sponsors, maintains, participates in, contributes to or is required to contribute to, or proposes to sponsor, maintain, participate in, contribute to, or has or could reasonably be expected to have any liability of any nature with respect to, whether known or unknown, direct or indirect, fixed or contingent, for the benefit of present or former employees of Landlord and/or its Benefit Plan Affiliates (referred to collectively as “Landlord Employee Benefit Plans” and individually as a “Landlord Employee Benefit Plan”); and

(ii) all Obligations thereunder as of the Closing Date.

“Employee Benefit Plan” means any employee benefit plan as defined in Section 27 of ERISA, without regard to any exceptions contained in ERISA which provide that an Employee Benefit Plan is not subject to the provisions of ERISA, any “voluntary employees’ beneficiary association” within the meaning of Section 501(c)(9) of the Code, “welfare benefit fund” within the meaning of Section 419

of the Code, “qualified asset account” within the meaning of Section 419A of the Code, or “cafeteria plan” within the meaning of Section 125 of the Code, and any other plan, program, policy or arrangement for or regarding bonuses, commissions, incentive compensation, severance, vacation, deferred compensation, pensions, profit sharing, retirement, payroll savings, stock options, stock purchases, stock awards, stock ownership, phantom stock, stock appreciation rights, equity compensation, medical/dental expense payment or reimbursement, disability income or protection, sick pay, group insurance, self insurance, death benefits, employee welfare or fringe benefits of any nature, including those benefiting retirees or former employees. “Benefit Plan Affiliate” means any entity, trade or business (whether or not incorporated) that is part of the same controlled group with, common control with, part of an affiliated service group with, or part of another arrangement that includes, Landlord or any Benefit Plan Affiliate within the meaning of Code Section 414(b), (c), (m) or (o). None of Landlord Employee Benefit Plans that is a pension plan within the meaning of ERISA is a Multiple Employer Plan or Multiemployer Plan under Code Section 413(c) or 414(f). None of Landlord Employee Benefit Plans provides a self-insured benefit. None of Landlord Employee Benefit Plans promises or provides health, life or other welfare benefits to retirees or former employees, or severance benefits, except as required by Code Section 4980B, Sections 601 through 609 of ERISA, the Public Health Service Act, or comparable state statutes which provide for continuing health care coverage. With respect to Landlord Employee Benefit Plans, Landlord and each affiliate will have made, on or before the Closing Date, all payments (including premium payments with respect to insurance policies) required to be made by them on or before the Closing Date and will have accrued (in accordance with GAAP) as of the Closing Date all payments (including premium payments with respect to insurance policies) due but not yet payable as of the Closing Date. Except as set forth on Schedule 25(n), all of Landlord Employee Benefit Plans are, and have been, operated in compliance with their provisions and with all applicable Laws and the Code and the regulations and rulings thereunder and Landlord, its Benefit Plan Affiliates, and all fiduciaries of Landlord Employee Benefit Plans have complied in all material respects with the provisions of Landlord Employee Benefit Plans and with all applicable Laws including the Code and the regulations and rulings thereunder. There has been no termination or partial termination (including any termination or partial termination attributable to this transaction) of any of Landlord Employee Benefit Plans. Accurate and complete copies of all of Landlord Employee Benefit Plans have been provided to Tenant as well as the most recent determination letter issued, if any, or if none, Internal Revenue Service (“IRS”) opinion or advisory letter issued with respect to a Landlord Employee Benefit Plan that is intended to be a qualified plan within the meaning of Section 401(a) of the Code. None of Landlord Employee Benefit Plans is subject to any minimum funding requirements including Title IV of ERISA or Code Section 412. There are no pending actions, claims or lawsuits that have been asserted or instituted against any of Landlord Employee Benefit Plans, the assets of any of the trusts under such plans, the plan sponsor, the plan administrator or any fiduciary of any such plan (other than routine benefit claims), and, to the knowledge of Landlord, there are no facts which could form the basis for any such action, claim or lawsuit. There are no investigations or audits by any government agency of any of Landlord Employee Benefit Plans, any trusts under

such plans, the plan sponsor, the plan administrator or any fiduciary of any such plan that have been instituted or threatened and, to the knowledge of Landlord, there are no facts which could form the basis for any such investigation or audit.

**(o)** In connection with Facility, no written notice of suspension, cross-recoupment, sanction or any other material offsets against future reimbursements under or pursuant to the Programs has been received by Landlord, nor to the knowledge of Landlord, is there any basis therefore. With respect to the Programs, there are no pending appeals, adjustments, challenges, audits, litigation, notices of intent to recoup past or present reimbursements for any material amounts. Except as described on Schedule 25(o), Landlord has not been subject to or threatened with any loss as a result of any utilization review denials with respect to the Programs or any third-party payors during the past twelve (12) months, nor has Landlord received written notice of any pending, threatened or possible decertification or other loss of participation in, any of the Programs.

**(p)** Landlord has filed all material Tax returns that it was required to file for any taxable period beginning before the Closing Date for which the statutory period of limitations for the assessment of Tax has not yet expired and all material Taxes owed by Landlord for such taxable periods (whether or not shown as due on such Tax returns) have been paid. Landlord has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee or independent contractor for all periods for which the statutory period of limitations for the assessment of such tax has not yet expired and all IRS Tax returns required with respect thereto have been properly completed and timely filed. If at the Closing Date all or any part of the Transferred Assets is or has been affected by any one or more assessments which are or may become payable in annual installments of which the first installment is then a charge or lien, or has been paid, for the purpose of this Lease all of the unpaid installments of any such assessment, including those that are due and payable after the Closing Date, Landlord acknowledges that it shall be deemed to be due and payable and shall be paid and discharged by Landlord at the Closing Date.

**(q)** No representation or warranty by Landlord in this Lease, any Exhibit attached hereto or in any list, certificate, document or written statement delivered by Landlord to Tenant pursuant hereto, to the knowledge of Landlord, contains any untrue statement of fact or omits to state any material fact necessary to make any statement herein or therein, in the light of the circumstances under which it was made, not misleading. Except as described in the Schedules or Exhibits hereto or to be delivered, all documents and agreements described in such Exhibits are valid and effective in accordance with their respective terms and there is not under any of such documents or agreements, or any obligation, covenant or condition contained therein, any existing default by Landlord or any other party, or event which with notice, lapse of time, or both constitute a default. There is no fact within the knowledge of Landlord which Landlord has not disclosed, in writing, which adversely affects or, so far as Landlord can reasonably foresee, which may adversely affect, the continued operation of the Business. Landlord acknowledges that no investigation, due diligence or other



information gathered or received by or on behalf of Tenant will affect, limit or alter the representations or warranties given by Landlord in this Lease or any other document or instrument delivered in connection with this Lease.

**26. Representations and Warranties of Tenant.** Tenant hereby represents and warrants to Landlord, as of the date of this Lease and the Closing Date, as follows:

(a) Tenant is a non-profit corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has full power and authority and possesses, or will possess on the Closing, all governmental Permits necessary to enable it to own, lease or otherwise hold its respective properties and assets and to carry on its respective businesses as presently conducted.

(b) Tenant has full power and authority to execute this Lease and to consummate this Lease and the other transactions contemplated hereby. The execution and delivery by Tenant of this Lease and the performance by Tenant under this Lease, and the consummation by Tenant of the transactions contemplated hereby have been duly authorized by all necessary action. Tenant has duly executed and delivered this Lease, and this Lease constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms. The Person signing this Lease on behalf of Tenant is authorized to do so.

(c) There are no proceedings pending or, to the knowledge of Tenant, threatened against Tenant that, in any case, individually or in the aggregate, would have a Material Adverse Effect upon Tenant.

(d) Except as indicated on Schedule 26(d) hereto, to the knowledge of Tenant, no notice to, filing or registration with, or Consent of, any Person, entity or governmental or regulatory agency is necessary or required to be obtained by Tenant in connection with the execution, delivery or consummation by Tenant of this Lease or the consummation of the transactions contemplated hereby.

**27. Survival of Representations and Warranties.** All representations, warranties, covenants and agreements made by each Party in this Lease, in any Schedule or Exhibit hereto or in any list, certificate, document or written statement furnished or delivered by any such Party pursuant hereto shall survive the Closing, and shall remain in full force notwithstanding any investigation conducted before or after the Closing or the decision of any Party to complete the Closing for a period of the greater of three (3) years following the Closing Date or until the relevant statute of limitations has run; *provided, however*, that, if at the expiration of the appropriate period any claim or assessment for indemnification has been asserted but not fully determined, or any audit or other proceeding with respect to any Tax matter has been initiated, such period will be extended as to such claim, assessment, audit or other proceeding until it is finally determined or concluded, and each Party hereto shall be entitled to rely upon the representations, warranties and covenants of the other Party set forth in this Lease.

**28. Termination of Employees.** Landlord shall terminate all of the employees of Landlord who work at Facility on the day immediately prior to the Closing Date (“Facility Employees”), effective as of 11:59 p.m. on the day immediately prior to the Closing Date. Unless otherwise agreed by Landlord and Tenant as provided in Section 20, Landlord shall on the normal schedule of payment, pay directly to Facility Employees any unpaid wages and benefits which are due and payable to Facility Employees by Landlord as of the Closing Date. Landlord shall provide Tenant with a list of all Facility Employees at least ten (10) Business Days prior to the Closing Date and shall permit Tenant, in cooperation and coordination with Landlord, to meet with the Facility Employees prior to the Closing Date and to advise them of Tenant’s proposed plans with respect to the hiring of the Facility Employees and the benefits which will be offered to the Hired Employees as employees of Tenant.

**29. Offer of Employment.** Subject to the rights and obligations of the parties to the Collective Bargaining Agreement, on the Closing Date:

(a) Tenant shall offer to hire, on an “at-will basis,” a substantial number of the active Facility Employees; and

(b) any such offer of employment to the Facility Employees by Tenant shall be to perform comparable services, in such position as is comparable to the position such Facility Employees held with Landlord as of the Closing Date. Tenant agrees to cooperate with Landlord to provide information concerning which Facility Employees are to be retained by Tenant and the service descriptions and compensation levels for any such Facility Employees. Such Facility Employees whose employment is continued by Tenant and who become employees of Tenant in accordance with this Lease shall be referred to as “Hired Employees.” In addition to its other obligations contained in this Lease, Landlord shall retain all Obligations to the Facility Employees relating to Landlord Employee Benefit Plans, including Landlord’s pension plans and benefits thereunder for the Facility Employees.

**30. No Solicitation of Employees.** Landlord or its Affiliates shall have the right (but not the obligation) to employ or offer to employ any employee who declines Tenant’s offer of employment or any employee to whom continued employment with Tenant is not offered; *provided, however*, that Landlord shall not actively solicit such employees. For a period of two (2) years after the Closing Date, Landlord agrees not to solicit any of the Hired Employees while they remain in the employment of Tenant for employment at any other facility or location owned or operated by Landlord or its Affiliates; *provided, further however*, for purposes hereof the placement of an advertisement in a publication of general circulation which is seen by, but not provided directly to, such Hired Employees shall be not be deemed to be solicitation of such employees.

**31. Benefits.**

(a) Landlord shall offer and provide, as appropriate, group health plan continuation coverage pursuant to the requirements of Section 601, *et seq.* of the

Employee Retirement Income Security Act of 1974 (“ERISA”) and Section 4980B of the Internal Revenue Code (“COBRA”), and the Public Health Service Act to all of the employees, former employees and their dependents of Facility to whom it is required to offer the same under applicable Laws, including, without limitation, the Hired Employees and their Eligible Dependents.

(b) Landlord acknowledges and agrees that Tenant is not assuming any of Landlord’s Obligations to its employees under COBRA , the Public Health Service Act, or otherwise and, in addition to the Obligations of Landlord with respect to the Hired Employees, Landlord shall retain all benefit Obligations for any Facility Employees (and their eligible dependents) who are not Hired Employees.

**32. Accounts Receivable.** Landlord agrees to transfer to Tenant whatever right, title and interest it may have in and to all outstanding accounts receivable with respect to Facility which relate to the period prior to the Closing Date, including, but not limited to, any accounts receivable arising from rate adjustments which relate to the period prior to the Closing Date even if such adjustments occur after the Closing Date (“Landlord’s A/Rs”). Landlord acknowledges that Tenant owns all accounts receivable arising from services provided by or at Facility on or after the Closing Date (“New Operator’s A/Rs”). As soon as reasonably possible but not more than ten (10) days after the Closing, Landlord shall provide Tenant with a schedule setting forth by patient or Resident its outstanding accounts receivable and the respective payees with respect to Facility as of the Closing Date.

**33. Conduct of Business.** From the date of this Lease and until the Closing Date and after the Closing Date in the case of Section 33 (b) (ii) through (iv):

(a) Landlord shall operate and conduct the Business in the usual, customary and ordinary course of its business. Without limiting the generality of the foregoing, from the date of this Lease until the Closing Date, Landlord shall:

(i) Maintain the Business and Facility in existence and in good standing and in compliance with all Laws;

(ii) Maintain all Licenses and Permits necessary for the ownership and operation of Facility in full force and effect, and timely file all reports, statements, renewal applications and other filings, and timely pay all fees and charges in connection therewith that are required to keep such Permits in full force and effect;

(iii) Maintain in full force and effect substantially the same public liability and casualty insurance coverage and other insurance policies now in effect with respect to its assets and the Business;

(iv) Comply with all Environmental Laws applicable to its assets or the Business;

(v) Continue to perform all Obligations under all Vendor Contracts;

(vi) Maintain adequate food and medical supplies and other Inventory at Facility as required by the Commonwealth of Pennsylvania and Federal laws, standards rules and regulations; and

(vii) Provide for and/or cure deficiencies and all violations which may be cited by the Commonwealth of Pennsylvania or any other Governmental Authority having jurisdiction over Facility.

**(b)** Landlord shall not, directly or indirectly:

(i) Induce prior to the Closing Date any employee or independent contractor of Landlord whom or which Tenant desires to employ or engage to not transfer to Tenant after the Closing Date;

(ii) Induce, solicit or entice with offers of employment or otherwise employees or independent contractors of Tenant (including, without limitation, the Hired Employees) to leave Tenant's employ or to terminate or discontinue a relationship with Tenant. The foregoing provision shall not be violated by Landlord making any general advertisement for employment not directed to any particular employee or by a Hired Employee who voluntarily (without enticement or inducement from Landlord, directly or indirectly) contacts Landlord regarding employment with Landlord;

(iii) Induce, solicit or entice any patient or Resident to transfer or discontinue his/her relationships with Landlord prior to the Closing Date or Tenant after the Closing Date;

(iv) Otherwise interfere with or disrupt Tenant's relationship with any employee, patient or Resident of Tenant;

(v) Sell or otherwise dispose of, or agree to sell or dispose of, any of the Transferred Assets, except in the usual and normal course of business;

(vi) Accept any advance payment for more than thirty (30) days of any rent or Residents' occupancy fees under any lease or occupancy agreement; or waive, reduce or forgive any rent or occupancy fees required to be paid under any Resident Agreement, or grant any lease or other concessions or free rent periods under any Resident Agreement;

(vii) Make any commitments or representations to any applicable Governmental Authority, any adjoining or surrounding property owners, any civic association, any utility or any other person or entity that would in any manner be binding upon Tenant or upon the Business; or

(viii) Take any action prior to the Closing Date which would breach any of the representations and warranties contained in this Lease or otherwise take any action outside of the ordinary course of business of Landlord.

**34. Notice.** From the date of this Lease to the Closing Date, promptly (but in any event within two (2) Business Days) after Landlord's discovery or receipt of notice of:

- (a) any default under any Contract;
- (b) any violation or non-compliance with any applicable Law;
- (c) any threatened or pending action by any Governmental Authority;
- (d) any claim made by any Governmental Authority or third party relating to any environmental Laws; or
- (e) any other matter or event that has or could have a Material Adverse Effect upon Landlord, the Business or the Transferred Assets, Landlord shall deliver to Tenant a copy of all non-privileged correspondence, notice or legal pleading in connection therewith, together with a certificate of the chief executive officer of Landlord specifying the nature and period of the existence thereof and what actions Landlord has taken and proposes to take with respect thereto.

**35. Records Custodian; Access to Records.**

(a) After the Closing, Tenant shall serve as the records custodian for Landlord and shall retain and store all records of Landlord in accordance with the requirements of all applicable Laws governing the confidentiality of medical records.

(b) At the Closing, Landlord shall, to the extent permitted by applicable Laws, deliver to Tenant at Facility all of the medical records and any related financial or billing records for those Residents transferring to Tenant ("Transferred Records"). All other medical records and any other records of Facility not transferred to Tenant will remain the property and responsibility of Landlord.

(c) Subsequent to the Closing Date, Tenant shall allow Landlord and its agents and representatives to have reasonable access to (upon reasonable prior notice and during normal business hours), and to make copies of, at Landlord's expense, Transferred Records for any reasonable purpose including, but not limited to, matters relating to litigation involving a Resident to whom such record relates.

(d) Tenant agrees to maintain the Transferred Records as required by all applicable Laws.

(e) The Parties each agree to comply with the applicable provisions of the Administrative Simplification sections of the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. §1320d through d-8 ("HIPAA"), and

the requirements of any regulations promulgated thereunder, including, without limitation, the federal privacy regulations as contained in 45 CFR Parts 160 and 164 (“Federal Privacy Regulations”) and the federal security standards as contained in 45 CFR Parts 160, 162 and 164 (“Federal Security Regulations”). The Parties agree not to use or further disclose any protected health information as defined in HIPAA (collectively, “Protected Health Information”), concerning a patient other than as permitted by, or in connection with the performance of, this Lease or permitted under the requirements of HIPAA or regulations promulgated under HIPAA regarding such Protected Health Information, including without limitation the Federal Privacy Regulations, Federal Security Regulations and any related state rules or regulations.

**36. Conditions Precedent to Tenant’s Obligations.** Tenant’s obligation to consummate the transactions contemplated by this Lease is subject to the fulfillment or satisfaction in the sole discretion of Tenant, prior to or at the Closing, of each of the following conditions (any of which may be waived in writing in whole or in part by Tenant):

(a) The representations and warranties of Landlord contained in this Lease, the Schedules and Exhibits attached hereto and any list, certificate, document or written statement specifically referred to herein or furnished by Landlord to Tenant at the Closing shall be true and correct on and as of the date of this Lease and shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties were made on and as of the Closing Date.

(b) Landlord shall have performed or complied in all material respects with each of its agreements and covenants required by this Lease to be performed or complied with by it prior to or at the Closing.

(c) Landlord shall have executed and delivered to Tenant a Bill of Sale in the form of Exhibit D hereto (“Bill of Sale”) in respect of the Transferred Assets, and a certificate dated as of the Closing Date and signed by Landlord certifying those conditions specified in this Section that have been fulfilled and all such other documents required to be delivered by Landlord hereunder.

(d) Landlord shall have executed and delivered to Tenant an Assignment and Assumption Agreement in the form of Exhibit E hereto (“Assignment and Assumption Agreement”), assigning the Resident Agreements and Resident Trust Funds to Tenant, provided that the assumption of Obligations thereunder shall relate to periods arising after the Closing Date and be in accordance with this Lease.

(e) Landlord shall have executed and delivered the Lease to Tenant.

(f) Tenant shall have received the favorable written opinion dated the Closing Date of Landlord’s Solicitor, in the form Exhibit F attached hereto.

(g) Tenant shall have received any and all Permits required or necessary to permit Tenant to purchase the Transferred Assets and to operate the

Business and Facility as presently being conducted and to participate (and be entitled to reimbursement) as a provider in the Medicare and Medicaid Programs for at least two hundred forty (240) beds in the form satisfactory to Tenant; *provided, however*, Tenant shall have the right to seek and obtain a license for less than two hundred forty 240 beds.

(h) From and after this Lease until the Closing Date, there shall have been no Material Adverse Effect in the Business of Landlord, its assets, properties or results of operations.

(i) In the event that Landlord's current professional and general liability policy is on "claims made" basis, Landlord shall deliver to Tenant evidence that it has purchased and will maintain extended reporting coverage under that policy for a term of not less than two (2) year from the Closing Date.

(j) Landlord shall have furnished Tenant with all other documents, certificates and other instruments reasonably required to be furnished to Tenant by Landlord pursuant to the terms of this Lease.

**37. Conditions Precedent to Landlord's Obligations.** Landlord's obligation to consummate the transactions contemplated by this Lease is subject to the fulfillment or satisfaction in the sole discretion of Landlord, prior to or at the Closing, of each of the following conditions (any of which may be waived in writing in whole or in part by Landlord):

(a) The representations and warranties of Tenant contained in this Lease shall be true and correct on and as of the date of this Lease and shall be true and correct in all material respects on and as of the Closing Date with the same effect as though such representations and warranties were made on and as of the Closing Date.

(b) Tenant shall have performed or complied in all material respects with each of its agreements and conditions required by this Lease to be performed or complied with by it prior to or at the Closing.

(c) Tenant shall have executed and delivered the Assignment and Assumption Agreement and a certificate of Tenant certifying those conditions set forth in this Section 36 (c) that have been fulfilled.

(d) Tenant shall have executed and delivered the Lease to Landlord.

(e) Tenant shall have received a Permit from the Pennsylvania DOH and Pennsylvania Department of Public Welfare to operate Facility, or such department(s) otherwise shall have confirmed its approval for the issuance of such license to Tenant.

(f) Tenant shall have furnished Landlord with all other documents, certificates and other instruments reasonably required to be furnished to Landlord by Tenant pursuant to the terms of the Lease.

**38. Indemnification by Landlord.** Landlord shall indemnify, defend and hold harmless Tenant, its Affiliates, officers, directors, members, partners, shareholders, employees, agents, and assigns (collectively, "New Operator Indemnified Parties") from any and all Obligations, damages or injury related to contamination of the Premises by hazardous substances which contamination occurred prior to the Closing Date, losses, demands, judgments, actions, suits, causes of action, claims, proceedings, investigations, citations, matters, damages, penalties, sanctions, costs, expenses, and disbursements (including, without limitation, reasonable attorneys' and consultants' fees and expenses), whether or not subject to litigation (hereinafter collectively referred to as "Claims"), of any kind or character imposed upon, arising out of, in connection with, incurred or in any way attributed or relating to the Transferred Assets or the operation of the Business prior to the Closing Date, any Excluded Liabilities or the breach, non-performance or default by Landlord of any representation, warranty, covenant or obligation of Landlord contained in this Lease or contained in any other agreement, certificate or document entered into in connection with this Lease, including, but not limited to, any Claims arising out of, in connection with, incurred or in any way attributed or relating to the Collective Bargaining Agreement of Landlord.

**39. Indemnification by Tenant.** Tenant shall indemnify, defend and hold harmless Landlord and its Affiliates, officers, commissioners, employees, agents, and assigns (collectively, "Landlord Indemnified Parties"), from any and all Claims, of any kind or character imposed upon, arising out of, in connection with, incurred or in any way attributed or relating to the Assumed Liabilities, the breach, non-performance or default by Tenant of any representation, warranty, covenant or obligation of Tenant that is contained in this Lease or contained in other agreement, certificate or document entered into in connection with this Lease.

**40. Notice to the Indemnifying Party.** Promptly after the assertion of any claim by a third-party against a Party or of a Party learning of the occurrence of any event which may give rise to a claim for indemnification from the other Party ("Indemnifying Party") under this Section 40, such Party ("Indemnified Party") shall notify the Indemnifying Party in writing of such claim ("Indemnity Notice") and, with respect to claims by third parties, advise the Indemnifying Party whether the Indemnified Party intends to contest same. The right to indemnification hereunder shall not be affected by any failure or delay of or by the Indemnified Party to give an Indemnity Notice unless, and then only to the extent that, the rights and remedies of the Indemnifying Party shall have been prejudiced (including the ability of the Indemnifying Party to obtain applicable insurance coverage) as a result of the failure of the Indemnified Party to give, or delay in giving, such Indemnity Notice.

**41. Rights of Parties to Defend and Settle.** The Indemnifying Party covenants and agrees to defend the Indemnified Party on account of any claim which



may give rise to indemnification hereunder. If the right of indemnity hereunder shall arise from the claim of a third party, the Indemnifying Party shall have the right to assume and control the defense (but not the settlement) of the claim, including the employment of counsel of its choosing, which counsel shall be reasonably acceptable to the Indemnified Party. The Indemnifying Party shall pay all costs and expenses relative to the conduct of such defense, including attorneys' fees and expenses, and the Indemnified Party shall cooperate fully with the Indemnifying Party in connection with the conduct of such defense. The Indemnified Party shall, nevertheless, have the right, if it so elects, to participate (at its own expense and with counsel of its choosing and at its own cost and expense) in the defense of any such claim without relieving the Indemnifying Party of its obligation to defend the same. If the Indemnifying Party fails to undertake the defense of such claim, then the Indemnified Party may take any and all necessary action to dispose of such claim, including, without limitation, the settlement or full payment thereof upon such terms as it shall deem appropriate, in its sole discretion, subject to the following with respect to any proposed settlement thereof. With respect to the settlement or compromise of Claims under this Section 41:

(a) if the Indemnified Party declines to accept a *bona fide* offer of settlement or compromise that is recommended by the Indemnifying Party, then the maximum liability of the Indemnifying Party for such Claim shall not exceed that amount for which the Indemnifying Party would have been liable had such settlement or compromise been accepted; and

(b) if the Indemnifying Party declines to accept a *bona fide* offer of settlement or compromise that is recommended by the Indemnified Party, then the Indemnifying Party shall be liable for whatever outcome results from such Claims; *provided, however*, that neither party may settle or compromise any Claims under this Section 41 without either the prior written consent of the other Party or a full and complete release of the other Party. Notwithstanding the foregoing:

(i) no settlement or compromise that proposes to impose any duty or obligation on any Party other than the payment of money, or that requires a Party to admit liability, responsibility or wrongdoing, may be proposed or accepted without the consent of the Party to be subject to such duty or obligation; and

(ii) the Indemnifying Party (or its insurance carrier) may settle any Claim under this Section 41, without the Indemnified Party's consent, so long as such settlement involves only the payment of money (for which the Indemnifying Party is entirely responsible), does not require the Indemnified Party to admit liability, responsibility or wrongdoing, and includes a full and complete release of the Indemnified Party.

**42. Reimbursement.** At the time that the Indemnified Party shall suffer a loss because of a breach of any warranty, representation or covenant by the Indemnifying Party or at the time the amount of any liability on the part of the Indemnifying Party

under this Section 42 is determined (which in the case of payments to third persons) shall be the earlier of:

(a) the date of such payments; or

(b) the date that a court of competent jurisdiction shall enter a final judgment, order or decree (after exhaustion of appeal rights establishing such liability)), the Indemnifying Party shall forthwith, upon notice from the Indemnified Party, pay to the Indemnified Party, the amount of the indemnity claim. If such amount is not paid forthwith, then the Indemnified Party may, at its option, take legal action against the Indemnifying Party for reimbursement in the amount of its indemnity claim.

**43. Period of Indemnity.** The aforesaid indemnities under Sections 38 and 39, shall remain in full force and effect:

(a) as they relate to a third-party claim against the indemnified party for a period equal to the applicable statute of limitation for such claim; and

(b) as they relate to breaches of representations, warranties or covenants made by the indemnifying party for the period provided in Section 27, *provided, however*, if at the expiration of the appropriate period any claim or assessment for indemnification has been asserted but not fully determined, or any audit or other proceeding with respect to any tax matter has been initiated, such period will be extended as to such claim, assessment, audit or other proceeding until it is finally determined or concluded.

**44. Governmental Regulations.** Except as otherwise provided in Section 12(a) above, Tenant shall throughout the Term, at Tenant's sole cost and expense, promptly comply with all laws and ordinances and notices, orders, rules, regulations and requirements of all federal, state and municipal governments and appropriate departments, commissions, boards and officers thereof, and notices, orders, rules and regulations of the National Board of Fire Underwriters, or any other body now or hereafter constituted exercising similar functions, relating to all or any part of the Premises. Tenant shall keep in force at all times all licenses, consents and permits necessary for Tenant's lawful use of the Premises for the purposes herein provided and Tenant shall pay all personal property taxes, income taxes, license fees, and other taxes which are or may be assessed, levied or imposed upon Tenant in connection with Tenant's operation of its business upon the Premises.

**45. Mechanics' Liens, etc.**

(a) **No Liens.** Tenant shall not create or permit to be created or remain, and will discharge, any such lien, encumbrance or charge (levied on account of any imposition or any mechanic's, laborer's or materialman's lien) which might be or become a lien, encumbrance or charge upon the Premises, or any part thereof or the income therefrom, having any priority or preference over or ranking on a parity with the

estate, rights and interest of Landlord in the Premises, or any part thereof or the income therefrom, and Tenant shall not suffer any other matter or thing whereby the estate, rights and interest of Landlord in the Premises or any part thereof might be impaired; provided that any mechanic's, laborer's or materialman's lien may be discharged in accordance with Subparagraph (b) of this Section 45.

**(b) Discharge of Liens.** If Tenant shall cause any mechanic's, laborer's or materialman's lien to be filed against the Premises or any part thereof, Tenant, within thirty (30) days after notice of the filing thereof, shall cause such lien to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. If Tenant shall fail to cause such lien to be discharged within the period aforesaid, then in addition to any other right or remedy, Landlord may, but shall not be obligated to, discharge such lien either by paying the amount claimed to be due or by procuring the discharge of such lien by deposit or by bonding proceedings, and in any such event, Landlord shall be entitled, if Landlord so elects, to compel the prosecution of any action for the foreclosure of such lien by the lienor and to pay the amount of the judgment in favor of the lienor with interest, costs and allowances. Any amount so paid by Landlord and all costs and expenses incurred by Landlord in connection therewith, together with interest thereon at the rate of six percent (6%) per annum from the respective dates of Landlord's making of the payments and incurring of the costs and expenses, shall be payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand.

**(c) Waiver of Liens.** Notwithstanding anything to the contrary set forth in this Section 45, prior to the making of any alterations, additions or improvements to the Premises, Tenant shall, if allowed by applicable law, cause to be duly filed and recorded in the appropriate offices a Waiver of Mechanics' and Materialmen's Liens in form satisfactory to Landlord's counsel, such waivers to be binding on all subcontractors and materialmen.

**(d) No Consent of Landlord Intended.** Nothing contained in this Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific alteration, addition, improvement or repair to the Premises or any part thereof, nor as giving Tenant any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any lien against the Premises, or any part thereof.

**46. Damage by Fire or Other Casualty.** If the Premises is destroyed or damaged by fire or other casualty that, in the opinion of an architect or engineer selected by Tenant, the same cannot be repaired or restored within sixty (60) days from the occurrence of such casualty, the lease of the Premises may be terminated at Tenant's option. If Tenant terminates the Lease, the insurance proceeds representing the replacement cost of the Premises, as provided by Tenant's insurance, will be assigned by Tenant to the Landlord. If Tenant continues the Lease, Tenant's insurance proceeds shall be used to rebuild the Premises. If in the opinion of an architect or

engineer selected by the Tenant, the Premises can be restored within sixty (60) days, Tenant shall promptly notify Landlord. The Landlord has the option to authorize the Tenant to repair, rebuild or replace the Premises, so as to restore the Premises to the extent permissible by law and to substantially restore the condition in which they were immediately prior to such damage or destruction, provided the cost of such repair or replacement is covered by the Tenant's insurance policy. The Landlord has the option to retain a qualified architect, engineer or project manager to oversee the aforementioned repairs.

**47. Condemnation.**

**(a) Termination.**

- (i) If all of the Premises are covered by a condemnation; or
- (ii) if any part of the Premises is covered by a condemnation and the remainder thereof is insufficient for the reasonable operation therein of Tenant's business in Tenant's sole opinion; then in any such event, this Lease shall terminate and all obligations hereunder shall cease as of the date upon which possession is taken by the condemner.

**(b) Partial Condemnation.**

(i) If there is a partial condemnation and this Lease has not been terminated pursuant to Subparagraph (a) of this Section 47, Tenant shall diligently restore the Premises to a condition and size as nearly comparable as reasonably possible to the condition and size thereof immediately prior to the date upon which possession shall have been taken by the condemner. If the condemnation proceeds are more than adequate to cover the cost of restoration and Tenant's expenses in collecting the condemnation proceeds, any excess proceeds shall be retained by Tenant.

(ii) If there is a partial condemnation and this Lease has not been terminated on the date upon which the condemner shall have obtained possession, the obligations of Landlord and Tenant under this Lease shall be unaffected by such condemnation.

**(c) Award.** Tenant shall have the right to make a claim against the condemner for the removal expenses, business dislocation damages, moving expenses, and the unamortized costs of any alterations made by Tenant. Except as aforesaid, Tenant hereby waives all claims against Landlord and all claims against the condemner, and Tenant hereby assigns to Landlord all claims against the condemner including, without limitation, all claims for leasehold damages and diminution in the value of Tenant's leasehold interest.

**(d) Temporary Taking.** If the condemner should take only the right to possession for a fixed period of time or for the duration of an emergency or other

temporary condition, then, notwithstanding anything hereinabove provided, this Lease shall continue in full force and effect.

**48. Quiet Enjoyment.** Tenant, upon paying the charges herein provided for and observing and keeping all covenants, agreements and conditions of this Lease on its part to be kept, shall quietly have and enjoy the Premises during the Term without hindrance or molestation by anyone claiming by or through Landlord, subject, however, to the exceptions, reservations and conditions of this Lease. Tenant will recognize any party taking possession of the Premises as security for the debt of the Landlord; provided however, that the Lease remains in full force and effect and Tenant's rights under the Lease are not disturbed.

**49. Certificate.** Landlord and Tenant agree at any time and from time to time, within twenty (20) days after written request, to execute, acknowledge and deliver to the requesting party a written instrument in recordable form certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that it is in full force and effect as modified and stating the modifications); that Tenant has accepted possession of the Premises and the date on which the Term commenced; the dates to which other charges have been paid in advance, if any, and stating whether or not to the best knowledge of the signer of such certificate Landlord or Tenant are in default in the performance of any covenant, agreement or condition contained in this Lease, and, if so, specifying each such default of which the signer may have knowledge; and stating that it is understood that such instrument delivered pursuant to this Section 49 may be relied upon by any prospective purchaser of the Premises, any mortgagees thereof or any assignee of Landlord's or Tenant's interest in this Lease, or any part thereof. Landlord agrees upon the request of Tenant to execute and deliver a memorandum of Lease in recordable form and providing such summary of the terms of this Lease as Tenant shall specify.

**50. Curing Tenant's Defaults.** If Tenant shall be in default after the expiration of all applicable notice and cure periods, in the performance of any of its obligations hereunder, Landlord may (but shall not be obligated to do so), in addition to any other rights it may have in law or equity, and after written notice to Tenant, except in the case of emergency, cure such default on behalf of Tenant, and Tenant shall reimburse Landlord upon demand for any sums paid or costs incurred by Landlord in curing such default, including interest at the rate of six percent (6%) per annum, from the respective dates of Landlord's making of the payments and incurring of the costs, on all sums advanced by Landlord as aforesaid, which sums and costs together with interest thereon shall be deemed payable hereunder and shall be payable within thirty (30) days after demand.

**51. Notices.** All notices, demands, requests, consents, certificates and waivers required or permitted hereunder from either party to the other shall be in writing and sent by United States registered mail, return receipt requested, postage prepaid or by a nationally recognized overnight courier (*i.e.*, Federal Express). Either party may at any time, in the manner set forth for giving notices to the other, set forth a different

address to which notices to it shall be sent. Such notice or demand shall be given, and shall be deemed to have been served and given:

- (a) when received by hand-delivery or personal service;
- (b) the day after deposit with a nationally recognized overnight courier service; or
- (c) five (5) days after mailed by registered or certified mail, return, receipt requested, postage prepaid, addressed to either party at its address below:

If to Landlord:       The County of Centre, Pennsylvania  
Office of the Commissioners  
Willowbank Office Building  
420 Holmes St  
Bellefonte, PA 16823-1488

With a copy to:       \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

If to Tenant:         Centre Care, Inc.  
Attn: Betsy Boyer  
502 E. Howard Street  
Bellefonte, PA 16823

With a copy to:       Daniel E. Bright, Esq.  
McQuaide Blasko  
811 University Drive  
State College, PA 16801

**52. Surrender.** Tenant agrees, at the expiration or earlier termination of the term hereof, promptly to yield up, and in the condition required to be maintained by Tenant hereunder, (reasonable wear and tear and damage by fire or other casualty excepted), the Premises. Tenant further agrees that this Lease shall, unless sooner terminated, pursuant to the provisions hereof, expire absolutely on the expiration of the term hereof without the requirement of any notice from Landlord to Tenant. If Tenant holds over after the expiration of the Term, Tenant shall be deemed to be a month-to-month upon the same terms and conditions as existed at the expiration of the Term.

**53. Defaults—Remedies.**

**(a)** The occurrence of any of the following shall constitute a default by Tenant under this Lease, each an “Event of Default;”

(i) if Tenant shall fail to pay any sum payable to Landlord hereunder when due, and such default shall continue uncured for more than ten (10) days after receipt of written notice that the same is due;

(ii) if Tenant shall fail to perform or observe any of the other covenants, terms or conditions contained in this Lease for more than forty-five (45) days after written notice from Landlord, or such longer period as is reasonably required to correct any such default, provided that Tenant promptly commences and diligently continues to effectuate a cure; or

(iii) the filing of a petition by or against Tenant for adjudication as a bankruptcy or insolvency or for its reorganization or for the appointment pursuant to any local, state or federal bankruptcy or insolvency law of a receiver or trustee of Tenant’s property; or, an assignment by Tenant for the benefit of creditors; or, the taking possession of the property of Tenant by any local, state or federal governmental officer or agency or court-appointed official for the dissolution or liquidation of Tenant or for the operating, either temporary or permanent, of Tenant’s business; provided, however, that if any such action is commenced against Tenant the same shall not constitute a default if Tenant causes the same to be dismissed, stayed or discharged within ninety (90) days after the filing of same.

**(b)** Upon the occurrence of an Event of Default, Landlord may:

(i) re-enter the Premises and remove all persons and all or any property therefrom, either by summary dispossession proceedings or by any suitable action or proceeding at law, and repossess and enjoy the Premises, together with all additions, alterations and improvements. Upon recovering possession of the Premises by reason of or based upon or arising out of an Event of Default on the part of Tenant, Landlord may, at Landlord’s option, either terminate this Lease or make such alterations and repairs as may be reasonably necessary in order to relet the Premises and relet the Premises or any part or parts thereof, either in Landlord’s name or otherwise, for a term or terms which may at Landlord’s option be less than or exceed the period which would otherwise have constituted the balance of the term of this Lease and upon such other terms and conditions as in Landlord’s sole discretion may seem advisable and to such person or persons as may in Landlord’s discretion seem best.

(ii) terminate this Lease and the term hereby created without any right on the part of Tenant to waive the forfeiture by payment of any sum due or by other performance of any condition, term or covenant broken; whereupon Landlord shall be entitled to recover damages for violation of Tenant’s obligations

(c) No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy herein or by law provided but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity or by statute.

(d) No waiver by Landlord of any breach by Tenant of any of Tenant's obligations, agreements or covenants herein shall be a waiver of any subsequent breach or of any obligation, agreement or covenant, nor shall any forbearance by Landlord to seek a remedy for any breach by Tenant be a waiver by Landlord of any rights and remedies with respect to such or any subsequent breach.

**54. No Services by Landlord.** Except as otherwise expressly provided for herein, Landlord is not and shall not be required to render any services of any kind to Tenant.

**55. Loss and Damage.** Landlord shall not be liable to Tenant or responsible in any way for any death or injury arising from or out of any occurrence in or upon the Premises or for damage to property of Tenant or others located on the Premises, nor shall it be responsible in the event of damage to any property of Tenant or others from any cause whatsoever, unless damage, loss, injury or death results from the negligence or willful misconduct of Landlord, its agents, contractors, servants or employees or others for whom it may be responsible. Without limiting the generality of the foregoing, Landlord shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain, snow or leaks from any part of the Premises or from the pipes, appliances, or plumbing works, roof, street, or subsurface of any floor or ceiling or from any other place or because of dampness or climatic conditions from any other cause of whatsoever kind. Landlord shall not be liable for any damage whatsoever caused by any other tenant or persons at the Premises, or by an occupant of adjacent property thereto, or the public, or construction of any private, public or quasi-public work. All property of Tenant kept or stored on the Premises shall be kept or stored at the risk of Tenant only.

**56. Environmental Matters.**

(a) Tenant shall conduct all of its operations on the Premises in compliance with all statutes, ordinances, regulations and orders now existing or hereafter enacted concerning:

- (i) its operations;
- (ii) construction of any improvements;
- (iii) handling of any materials;
- (iv) discharge of any emission; or



(v) storage, treatment, or disposal of any waste at or connected with Tenant's operations at the Premises ("Environmental Statutes").

Tenant shall obtain all permits, licenses or approvals and shall make all notifications as required by Environmental Statutes with respect to Tenant's operation of the Premises. Tenant shall at all times comply with the terms and conditions of any such permits, licenses, approvals or notifications. In addition, Tenant shall take similar precautions in connection with materials and substances used in Tenant's operations on the Premises which even if not regulated by law or requirements as aforesaid, may or could pose a hazard to the health or safety of the current or future occupants of the Premises or the owners or occupants of property adjacent to or in the vicinity of the Premises ("Restricted Activities").

**(b)** Tenant shall provide to Landlord copies of:

(i) applications or other materials submitted by Tenant to any governmental agency in compliance with Environmental Statutes;

(ii) any notification submitted by Tenant to any person pursuant to Environmental Statutes;

(iii) any permit, license, approval, or amendment or modification thereto granted to Tenant pursuant to Environmental Statutes; (iv) any record or manifest required to be maintained by Tenant pursuant to Environmental Statutes; and (v) any correspondence, notice of violation, summons, order, complaint or other document received by Tenant pertaining to compliance with Environmental Statutes or in connection with Restricted Activities.

**(c)** Tenant shall not cause contamination by Tenant of the Premises arising from Restricted Activities or by "hazardous substances" within the meaning of the federal Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601-9657, as amended by the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499, 100 Stat. 1613 (Oct. 17, 1986), "regulated substances" as defined in title I of the federal Resource Conservation and Recovery Act, 42 U.S.C. §§ 6991-6991i, as amended by Section 205 of the Superfund Amendments and Reauthorization Act of 1986, and "hazardous waste" as defined under the Pennsylvania Solid Waste Management Act, Pa. Stat. Ann. tit. 35 §§ 6018.101 to 6018.1003 (Purdon Supp. 1986), as amended from time to time or any laws which may be enacted in the future concerning protection of the environment by federal, state or local governmental authorities. Tenant shall at all times handle hazardous substances, regulated substances, hazardous wastes and materials and substances in connection with Restricted Activities in a manner which will not cause an undue risk of contamination of the Premises. For purposes of this Section, the term "contamination" shall mean the uncontained presence of hazardous substances, regulated substances, hazardous waste or damage resulting from Restricted Activities at the Premises.

**57. Definition of “Landlord”.** The word “Landlord” is used herein to include Landlord named above as well as its successors and assigns, and any other subsequent owner of the Premises, as well as the heirs, personal representatives or successors and assigns of any such subsequent owner, each of whom shall have the same rights, remedies, powers, authorities and privileges as he would have had had he originally signed this Lease as Landlord, but any such person, whether or not named herein, shall have no liability hereunder after it ceases to hold title to the Premises, except for obligations which may have theretofore accrued. Neither Landlord nor any partners or principals of Landlord, whether disclosed or undisclosed, shall have any personal liability with respect to any of the provisions of this Lease or the Premises, and if Landlord is in breach or default with respect to Landlord’s obligations under this Lease or otherwise, Tenant shall look solely to the Premises and the rents, issues, profits and proceeds thereof for the satisfaction of Tenant’s remedies; provided however, that such limitation shall not apply to any breach by Landlord of its obligations.

**58. Definition of “Tenant”.** The word “Tenant” is used herein to include Tenant named above as well as its successors and assigns, each of which shall be under the same obligations, liabilities and disabilities and have only such rights, privileges and powers as it would have possessed had it originally signed this Lease as Tenant. Each and every of the persons named above as Tenant shall be bound formally and severally by the terms, covenants and agreements contained herein. However, no such rights, privileges or powers shall inure to the benefit of any assignee of Tenant immediate or remote, unless the assignment to such assignee is permitted or has been approved in writing by Landlord as aforesaid. Any notice required or permitted by the terms of this Lease may be given by or to any one of the persons named above as Tenant, and shall have the same force and effect as if given by or to all thereof.

**59. Definitions.** For purposes of this Agreement the following terms shall have the means ascribed below:

“Agreement” shall mean this Lease and Asset Transfer Agreement including all Exhibits and Schedules attached hereto or referred to herein.

“Assignment and Assumption Agreement” shall have the meaning set forth in Section 36(d).

“Assumed Liabilities” shall mean the Obligations arising after Closing expressly assumed by the Tenant but only to the extent provided in Section 20.

“COBRA” shall have the meaning set forth in Section 31.

“Commencement Date” shall have the meaning set forth in Section 3.

“Contract” shall mean any contract, lease, license, indenture, agreement, commitment or other legally binding arrangement to which the Landlord is a party

or by which any of its properties or assets is or are bound, including the Vendor Contracts and the Resident Agreements.

“DOH” means the Pennsylvania Department of Health.

“Eligible Dependents” shall have the meaning set forth in Section 31(a).

“Employee Benefit Plan” shall have the meaning set forth in Section 25(n)(ii).

“ERISA” shall have the meaning set forth in Section 25(n)(ii).

“Excluded Assets” shall mean the assets which are not being transferred to the Tenant from the Landlord as described in Section 16(b).

“Excluded Liabilities” shall have the meaning set forth in Section 21(a).

“Facility Employees” shall have the meaning set forth in Section 28.

“Federal Privacy Regulations” shall have the meaning set forth in Section 36(e).

“Federal Security Regulations” shall have the meaning set forth in Section 36(e).

“Financial Statements” shall have the meaning set forth in Section 25(i)(i).

“Governmental Authority” shall mean any Federal, state, local or foreign government or any court of competent jurisdiction, administrative agency or commission or other governmental or quasi-governmental authority or instrumentality, domestic or foreign.

“Health Care Provider” shall have the meaning set forth in Section 25(j).

“HIPAA” shall have the meaning set forth in Section 36(e).

“Hired Employees” shall have the meaning set forth in Section 31(a).

“Indemnity Notice” shall have the meaning set forth in Section 44.

“Indemnified Party” shall have the meaning set forth in Section 44.

“Indemnifying Party” shall have the meaning set forth in Section 44.

“Internal Revenue Code” shall mean the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

“Knowledge” shall mean that no information has come to the attention of any individual employed by the Person with respect to whom knowledge is being measured that would give such individual actual knowledge or actual notice that the matter in question is not accurate.

“Landlord” shall mean The County of Centre, Pennsylvania.

“Landlord Employee Benefit Plan(s)” shall have the meaning set forth in Section 25(n)(i).

“Landlord Indemnified Parties” shall have the meaning set forth in Section 39.

“Landlord’s A/Rs” shall have the meaning set forth in Section 33.

“Landlord’s Medicaid Provider Agreement” shall have the meaning set forth in Section 17(c).

“Landlord’s Medicare Provider Agreement” shall have the meaning set forth in Section 17(a).

“Law” or “Laws” shall mean any law (including decisional law), statute, regulation, code, ordinance, interpretation of any Federal, state or local agency, government, authority, commission, board, bureau, administrative or other entity or body.

“Lease” shall have the meaning set forth in the first paragraph of this Agreement.

“Liens” shall have the meaning set forth in Section 49 of this Agreement.

“Life Safety Violations” shall have the meaning set forth in Section 25(g).

“Material Adverse Effect” shall mean a material adverse effect: (i) upon the Business, Transferred Assets or results of operations of the Landlord or the Tenant; or (ii) on the ability of the Landlord or the Tenant, as the case may be, to consummate this Agreement and the other transactions contemplated hereby.

“Obligations” shall mean any claim, debt, liability, judgment, commitment or obligation of any nature, whether secured, recourse, nonrecourse, liquidated, unliquidated, accrued, absolute, fixed, contingent, ascertained, unascertained, known, unknown or otherwise.

“Overall Tract” shall have the meaning set forth in Paragraph A of the Background Section of this Agreement.

“Permit” shall mean all certificates, licenses, permits, authorizations, registrations, approvals or similar documents or instruments issued or granted to the Landlord or the Tenant.

“Person” shall mean any individual, firm, corporation, partnership, limited liability company, trust, joint venture, Governmental Authority or other entity whatsoever.

“Prior Approvals” shall have the meaning as defined in Section 25(b).

“Program Agreements” shall have the meaning set forth in Section 25(m).

“Programs” shall have the meaning set forth in Section 25(m).

“Protected Health Information” shall have the meaning set forth in Section 35(e).

“Records” shall have the meaning set forth in Section 16(iv).

“Required Permits” shall have the meaning set forth in Section 25(c).

“Resident” shall mean an individual living and residing in the Existing Facility.

“Resident Agreement” shall mean the agreement between the Transferor and a Resident pursuant to which the Transferor agrees to provide the Resident with occupancy in the Existing Facility and to provide certain services to the Residents at the Existing Facility.

“Resident Trust Funds” shall have the meaning set forth in Section 19.

“Taxes” shall mean all Federal, state, local, foreign and other taxes, assessments, duties or similar charges of any kind whatsoever, including all corporate franchise, income, sales, use, ad valorem, receipts, value added, profits, license, withholding, payroll, employment, excise, property, net worth, capital gains, transfer, stamp, documentary, social security, payroll, environmental, alternative minimum, occupation, recapture, unclaimed property and other taxes, and including any interest, penalties and additions imposed with respect to such amounts.

“Tenant” shall mean Centre Care, Inc., a Pennsylvania non-profit corporation as set forth in the first paragraph of this Agreement.

“Tenant’s A/Rs” shall have the meaning set forth in Section 33.

39. “Tenant Indemnified Parties” shall have the meaning set forth in Section

“Transferred Assets” shall have the meaning set forth in Section 16(a).

“Transferred Records” shall have the meaning set forth in Section 35(b).

“Vendor Contracts” shall have the meaning set forth in Section 20.

**60. Entire Lease; Interpretation.** This Lease and the documents referenced herein represent the entire Lease between the parties hereto and there are no collateral or oral agreements or understandings between Landlord and Tenant with respect to the Premises. This Lease shall not be modified in any manner except by an instrument in writing executed by the parties. The masculine (or neuter) pronoun, singular number shall include the masculine, feminine and neuter genders and the singular and plural number. Nothing herein expressed or implied shall be construed to confer upon or to give to any person or entity, other than the parties hereto, their respective heirs, administrators, executors, personal representatives, successors and assigns or any of them, any rights or remedies under or by reason of this Lease.

**61. Captions.** The captions in this Lease are for convenience only and are not a part of this Lease and do not in any way define, limit, describe or amplify the terms and provisions of this Lease or the scope or intent thereof.

**62. Severability.** If any term, condition, clause or provision of this Lease is determined to be invalid or unenforceable, then all other terms, conditions, clauses or provisions herein set forth shall nevertheless be valid and continue in full force and effect.

**63. Governing Law; Jurisdiction.** This Lease and the interpretation and construction thereof shall be governed exclusively by the substantive laws of the Commonwealth of Pennsylvania, with respect to contracts executed in, and to be wholly performed in such State.

**64. Counterparts.** This Lease may be executed in multiple counterparts with the same effect as if all the parties had signed the same document.

**65. Covenants of Tenant.** Tenant covenants that following the Closing:

(a) Tenant will participate in the Medicare and Medicaid programs, maintain Medicare and Medicaid certification of beds and make best efforts to maintain a majority of Medicaid and Medicare occupancy.

(b) Tenant will continue to provide care (for as long as such care is required and the Resident continues to qualify for skilled nursing home care) for all current Residents of Facility as of the Closing Date.

(c) Tenant will provide priority admission for Centre County residents. Subject to bed availability and Facility's ability to provide the care needed, Tenant will give priority of admission to Facility to Residents of Centre County, Pennsylvania.

(d) With respect to the financially and medically indigent in Centre County, Tenant will provide Charity/Indigent Care (care for individuals who have no financial resources to pay for their care and after cooperation with the Medicaid application process, are unable to qualify for assistance) to those who require and qualify for nursing home services.

(e) Tenant, during the Term of this Lease and any extensions thereof, will continue the operation of Facility as a skilled nursing facility.

(f) Tenant's owners shall conduct-at least annually a meeting at Facility with the residents of Facility and their families for purpose of advising them of (and permitting them to comment on) any areas of concern about Facility or operations of Facility, which meetings shall be scheduled in the evenings to maximize participation.

**66. Landlord Representation.** Landlord represents and warrants to Tenant that Landlord has legal power, right and authority to enter into this Lease. Furthermore, Landlord represents and warrants that all requisite action has been taken by Landlord in connection with entering into this Lease. Landlord shall indemnify and hold Tenant harmless for any losses, causes of actions or damages sustained by Tenant as a result of Landlord's breach of the foregoing representations.

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.

**LANDLORD: THE COUNTY OF CENTRE, PENNSYLVANIA**

By: \_\_\_\_\_  
Steven G. Dershem, Chairman

By: \_\_\_\_\_  
C. Chris Exarchos, Commissioner

By: \_\_\_\_\_  
Michael Pipe, Commissioner

**TENANT: CENTRE CARE, INC. d/b/a Centre Crest**  
a Pennsylvania non-profit

By: \_\_\_\_\_  
Betsy Boyer; President

**EXHIBIT "A"**

**Legal Description of Overall Tract**

**EXHIBIT "B"**

**Legal Description of Land**

**EXHIBIT "C"**

**Landlord Repairs**

**EXHIBIT "D"**

**Bill of Sale**

**EXHIBIT "E"**

**Assignment and Assumption Agreement**

**EXHIBIT "F"**

**Opinion of Landlord's Counsel**



## SCHEDULES

**Schedule 16(a)(i)**

**Schedule 16(a)(ii)**

**Schedule 16(a)(ix)**

**Schedule 20(iii)**

**Schedule 25(b)**

**Schedule 25(c)**

**Schedule 25(d)**

**Schedule 25(e)**

**Schedule 25(f)**

**Schedule 25(g)**

**Schedule 25(h)**

**Schedule 25(i)**

**Schedule 25(m)**

**Schedule 25(n)**

**Schedule 25(o)**

**Schedule 26(d)**