



XAVIER BECERRA
Attorney General

State of California
DEPARTMENT OF JUSTICE

300 SOUTH SPRING STREET, SUITE 1702
LOS ANGELES, CA 90013

Public: (213) 269-6000
Telephone: (213) 269-6637
Facsimile: (213) 897-2801
E-Mail: Anita.Velasco@doj.ca.gov

March 11, 2020

Jeff Maurer, Partner
Manatt, Phelps & Phillips, LLP
2049 Century Park East
Suite 1700
Los Angeles, CA 90067

Sent via Email and USPS

RE: Proposed Change in Control and Governance of The Reutlinger Community

Dear Mr. Maurer:

Pursuant to Corporations Code section 5920 *et seq.*, the Attorney General hereby conditionally consents to the proposed change in control and governance of The Reutlinger Community pursuant to the terms of the Affiliation Agreement dated September 11, 2019 between The Reutlinger Community, a California nonprofit public benefit corporation, to Eskaton, a California nonprofit public benefit corporation.

Corporations Code section 5920 and California Code of Regulations, title 11, section 999.5, subdivision (f) set forth factors that the Attorney General shall consider in determining whether to consent to a proposed transaction between a nonprofit corporation and another nonprofit corporation or entity. The Attorney General has considered such factors and consents to the proposed transaction subject to the attached conditions that are incorporated by reference herein.

Thank you for your cooperation throughout the review process.

Sincerely,

A handwritten signature in cursive script that reads "Anita Garcia Velasco".

ANITA GARCIA VELASCO
Deputy Attorney General

For XAVIER BECERRA
Attorney General

Conditions to Proposed Change in Control and Governance of The Reutlinger Community and Approval of the Affiliation Agreement by and between The Reutlinger Community and Eskaton

I.

These Conditions shall be legally binding on Eskaton, a California non-profit public benefit corporation, any other subsidiary, parent, general partner, limited partner, member, affiliate, successor, successor in interest, assignee, or person or entity serving in a similar capacity of any of the above-listed entities, any entity succeeding thereto as a result of consolidation, affiliation, merger, or acquisition of all or substantially all of the real property or operating assets of The Reutlinger Community or the real property on which The Reutlinger Community is located, any and all current and future owners, lessees, licensees, or operators of any of the facilities or units The Reutlinger Community, and any and all current and future lessees and owners of the real property on which The Reutlinger Community is physically located.

II.

The transaction approved by the Attorney General consists of the Affiliation Agreement by and between The Reutlinger Community and Eskaton dated September 11, 2019, and any and all amendments, agreements, or documents referenced in or attached to as an exhibit or schedule to these agreements. All entities listed in Condition I shall fulfill the terms of these agreements and any other agreements or documents referenced therein or attached thereto, and shall notify the Attorney General in writing of any proposed modification or rescission of any terms of these agreements. Such notifications shall be provided at least sixty days prior to their effective date in order to allow the Attorney General to consider whether they affect the factors set forth in Corporations Code section 5917.

III.

For five years from the closing date of the Affiliation Agreement, Eskaton and all owners, managers, lessees, or operators of The Reutlinger Community or any portion thereof shall be required to provide written notice to the Attorney General sixty days prior to entering into any agreement or transaction to do any of the following:

- (a) Sell, transfer, lease, exchange, option, convey, manage, or otherwise dispose of The Reutlinger Community or any portion thereof;
- (b) Transfer control, responsibility, management, or governance of The Reutlinger Community or any portion thereof. The substitution, merger or addition of a new member of the governing body, general partner, or limited partner of Eskaton that transfers the control of, responsibility for or governance of The Reutlinger Community or any portion thereof shall be deemed a

transfer for purposes of this Condition. The substitution or addition of one or more members of the governing body, general partner, or limited partners of Eskaton or any arrangement, written or oral, that would transfer voting control of the members of the governing body, general partner, or limited partners of Eskaton shall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Affiliation Agreement, The Reutlinger Community shall be operated and maintained as a skilled nursing facility with 60 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Eskaton or the operator or licensee of The Reutlinger Community shall not place all or any portion of The Reutlinger Community's skilled nursing licensed-bed capacity or services in voluntary suspension or surrender its license for any beds or services.

V.

For five years from the closing date of the Affiliation Agreement, Eskaton or the operator or licensee of The Reutlinger Community shall be certified to participate in the Medicare program and have a Medicare Provider Number (or provider number for any successor program to Medicare) to provide the same types and levels of skilled nursing services to Medicare beneficiaries (both Traditional and Managed Care) at The Reutlinger Community as required in these Conditions.

VI.

For five years from the closing date of the Affiliation Agreement, Eskaton shall maintain and operate The Reutlinger Community in a culturally sensitive manner to the Jewish community. A "culturally sensitive manner" means the existence of an environment that fosters an awareness and acceptance of the religious and cultural characteristics, history, values, belief systems and behaviors of the Jewish residents and families and community. Eskaton should continue to:

A) Provide Kosher and non-Kosher meals, but not permit shellfish or pork in the public dining areas. During Passover, all meals are prepared under Kosher law with matzo and other unleavened products throughout the holiday period,

B) Maintain an on-site synagogue and a full time Rabbi to provide religious and spiritual leadership, cultural teaching and pastoral services to those of all faiths, including the celebration of Shabbat and all of the major Jewish holidays,

C) Provide Jewish programming on a routine basis including music, lectures, classes, and special dinners and celebrations,

D) Maintain Torahs, prayer books and Chumashim and Mezuzzot on doorposts,

E) Maintain the Jewish Heritage Museum on site, maintain the Tree of Life display and other artifacts, and in the event that the museum can no longer be supported, the collection shall be donated to the Magnes Museum of Berkeley or another culturally appropriate Jewish organization,

F) Maintain membership in the Association of Aging Jewish Services,

G) Maintain the Financial Assistance Program including the services to Holocaust Survivors who are unable to pay the monthly or associated fees,

H) Establish a Commitment Committee tasked with ensuring the preservation of Jewish culture and heritage, appoint the Reutlinger Designee to the Eskaton Board, and comply with the commitment to fund any enforcement actions brought against Eskaton by the Commitment Committee or Reutlinger Designee,

I) Comply with all provisions as set forth in Section 1.4(a)-(j) and Exhibit 1.4(a) of the Affiliation Agreement attached hereto as Exhibit A, and

J) Hold a public information meeting within the first year of affiliation at a location within the East Bay community for the purpose of educating general public members of the East Bay Jewish community on how Eskaton will be preserving Jewish culture and heritage at the Reutlinger facility.

VII.

For five fiscal years from the closing date of the Affiliation Agreement, after The Reutlinger Community has expended its capital, Eskaton, from its own funds, shall undertake the phased capital improvements at The Reutlinger Community in an amount up to \$5,000,000 as set forth in the Affiliation Agreement, Section 1.4(b), Exhibit 1.4(b), (the "CapEx Plan"), Section XIV Deficiencies and Recommendations, and attached hereto as Exhibit B. Eskaton shall include an update on the progress of the work to address the building deficiencies in its annual compliance reports.

VIII.

For five years from the closing date of the Affiliation Agreement, Eskaton or operator or licensee of The Reutlinger Community shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Affiliation Agreement, a report describing in detail its compliance with each Condition set forth herein. The report will also include the most recent annual staffing audit received from the California Department of Public Health. The Chief Executive Officers or their equivalents at The Reutlinger Community and any operator or licensee of The Reutlinger Community shall each certify that the report is true, accurate, and complete.

IX.

At the request of the Attorney General, all parties listed in Condition I shall provide such information as is reasonably necessary for the Attorney General to monitor compliance with the terms and conditions of the transaction as set forth herein. The Attorney General shall, at the request of a party and, to the extent provided by law, keep confidential any information so produced to the extent that such information is a trade secret, or is privileged under state or federal law, or if the private interest in maintaining confidentiality clearly outweighs the public interest in disclosure.

X.

At the close of the transaction, all parties listed in Condition I are deemed to have explicitly and implicitly consented to the applicability and compliance with each and every Condition and to have waived any right to seek judicial relief with respect to each and every Condition.

The Attorney General reserves the right to enforce each and every Condition set forth herein to the fullest extent provided by law. In addition to any legal remedies the Attorney General may have, the Attorney General shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of any of these Conditions. Pursuant to Government Code section 12598, the Attorney General's office shall also be entitled to recover its attorneys' fees and costs incurred in remedying each and every violation.

Exhibit A

things, (i) designate Eskaton, or an affiliate of Eskaton approved by Reutlinger, as its sole member, (ii) provide that the Directors of Reutlinger are identical to the Directors of Eskaton, including the Reutlinger Designee, described in **Section 1.3(b)** of this Agreement, and any person replacing the Reutlinger Designee from time to time and (iii) provide that a breach of any of Reutlinger's obligations pursuant to Section 1.4 shall be enforceable by the Reutlinger Designee or the Commitment Committee, as applicable, as a breach of a charitable trust under Section 5142 of the California Corporations Code.

(b) Effective as of the Closing Date, Reutlinger shall remain in existence as a California nonprofit public benefit corporation and an affiliate of Eskaton. All assets and liabilities of Reutlinger will remain the assets and liabilities of Reutlinger after closing of the Transaction, except to the extent the Parties agree in writing otherwise.

Section 1.3 Amendment of Eskaton Governing Documents.

(a) Effective as of the Closing Date, Eskaton shall remain in existence as a California nonprofit public benefit corporation.

(b) Effective on the Closing date and so long as Reutlinger remains a subsidiary of Eskaton, Eskaton shall, among other things, take such steps so as to (i) provide for a Director to the Eskaton Board who shall be nominated by the Board of Reutlinger as constituted immediately prior to the Closing of the Transaction (such designated Director and his or her replacement hereinafter are referred to as the "Reutlinger Designee") for a three-year term, subject to approval of the full Eskaton board, which approval shall not unreasonably be withheld, and subject to the limitation on successive terms applicable to all other Eskaton board members, (ii) provide that upon the death, incapacity, resignation, removal, or term limit of the Reutlinger Designee for any reason, the right to nominate his or her replacement, subject to the approval of the full Eskaton board, which approval shall not unreasonably be withheld, shall be vested in a committee established in accordance with Section 1.8 prior to the Closing Date (the "Commitment Committee") and (iii) provide that a breach of any of Eskaton's obligations pursuant to Section 1.4 shall be enforceable by the Reutlinger Designee or the Commitment Committee, as applicable, as a breach of a charitable trust under Section 5142 of the California Corporations Code. Notwithstanding anything in this Agreement or elsewhere to the contrary, Eskaton hereby approves Jordan Rose as the initial Reutlinger Designee.

Section 1.4 Additional Agreements

(a) Eskaton and Reutlinger will preserve the name and identity of Reutlinger as a skilled nursing and residential care facility with a commitment to the Jewish values, policies and practices that have defined Reutlinger since its inception. Reutlinger's mission statement, its written policies and its practices specifically designed to preserve Jewish values and practices, as in effect on the Closing Date, shall be maintained. Such policies and practices include (without limitation) the policies respecting the Residents' Assistance Fund and those respecting Holocaust Survivors. All of such policies and practices shall continue in full force and effect. No material modifications to said mission statement, written policies or practices may be made without the prior written consent of the Reutlinger Designee or the Commitment Committee, as applicable, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee or the Commitment Committee, as applicable. The full text of the mission statement and a description of all such written

policies and the practices relating to Reutlinger's Jewish values are attached hereto as **Exhibit 1.4(a)**.

(b) Eskaton and Reutlinger agree that (i) Reutlinger shall (A) operate in the manner specified in this Agreement, including, but not limited to as specified in this Section 1.4 and (B) expend its own capital to honor all of its obligations and to carry out the capital expenditures contemplated in Reutlinger's CAPEX plan and capital reserve study as in effect on the Closing Date, a copy of which is attached hereto as **Exhibit 1.4(b)** (the "CapEx Plan"), (ii) Eskaton will not exercise any reserved power to impede or prevent the expenditure by Reutlinger of its own capital to honor all of its obligations and/or to carry out the capital expenditures contemplated in the CapEx Plan, (iii) Eskaton will expend its own capital (to the extent Reutlinger's is insufficient) to honor all of Reutlinger's obligations and to carry out the capital expenditures contemplated in the CapEx Plan, provided that such expenditures by Eskaton of its own capital over the five (5) year period following the Closing Date shall not be required by reason of the foregoing to exceed Five Million Dollars (\$5,000,000.00), (iv) Eskaton shall cause Reutlinger to be operated in the manner specified in this Agreement, including but not limited to as specified in this Section 1.4, and (v) Reutlinger shall not, and Eskaton shall not cause Reutlinger to, distribute or otherwise transfer Reutlinger funds or assets to Eskaton or any of its affiliates during the five (5) year period following the Closing Date.

(c) Eskaton and Reutlinger will continue to operate the Reutlinger Facilities under the name "The Reutlinger Community." A change affecting such operating name shall only be made with the prior written consent of the Reutlinger Designee, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee.

(d) Eskaton and Reutlinger will honor the intent of and any restrictions imposed on any philanthropic gifts donated to Reutlinger.

(e) Neither Eskaton nor Reutlinger will sell, transfer, dispose of or otherwise change control of Reutlinger or its assets during the five (5) year period following the Closing Date.

(f) During the five (5) year period following the Closing Date, Eskaton and Reutlinger will cause the principal business and operations of Reutlinger to be conducted at the Reutlinger Facilities in a manner substantially similar to that conducted by Reutlinger immediately prior to the Closing Date and as specified in this Agreement, including but not limited to as specified in this Section 1.4. Eskaton and Reutlinger may, after the end of such 5-year period, relocate the principal business and operations of Reutlinger to another comparable facility located in the East Bay of the San Francisco Bay Area, provided that all of the then-residents of Reutlinger are provided comparable accommodations and services at comparable costs at such new facility and such new facility is operated as specified in this Agreement, including but not limited to as specified in this Section 1.4.

(g) If, at any time after the Closing Date, the Reutlinger Designee, or the Commitment Committee in the event that there is no Reutlinger Designee at such time for any reason (or no reason), determines that Eskaton and/or Reutlinger have breached their obligations and commitments described in this Section 1.4 (the "Fundamental Commitments"), then the Reutlinger Designee or the Commitment Committee, as applicable, shall provide written notice thereof to Eskaton and Reutlinger, describing in reasonable detail the nature of the alleged breach and other information

pertinent thereto (a "Breach Notice"). Upon receipt of a Breach Notice, representatives of Eskaton and Reutlinger, and the Reutlinger Designee or the Commitment Committee, as applicable, (along with their respective advisors) shall meet on a regular basis to discuss and resolve the alleged breach identified in the Breach Notice. If Eskaton and/or Reutlinger and the Reutlinger Designee or the Commitment Committee, as applicable, are unable to resolve the alleged breach by Eskaton and/or Reutlinger identified in the Breach Notice to the reasonable satisfaction of the Reutlinger Designee or the Commitment Committee, as applicable, within thirty (30) days of the delivery of the Breach Notice, then the Reutlinger Designee or the Commitment Committee, as applicable, may bring and pursue any lawsuit for equitable relief, or similar proceeding brought by, and at the election of, the Reutlinger Designee or the Commitment Committee, as applicable, pursuant to this Section 1.4(g) hereof in order to enforce one or more of the Fundamental Commitments (an "Enforcement Action"). In the event that equitable relief, or other expedited relief, is not sought or denied in respect of an Enforcement Action, then the parties shall engage in the arbitration procedures set forth in Section 15.10 of this Agreement to resolve such dispute. The Reutlinger Designee or the Commitment Committee, as applicable, shall have the exclusive right and authority to make any and all decisions with respect to the prosecution of such Enforcement Action, including the decision to engage or dismiss legal counsel representing the Reutlinger Designee or the Commitment Committee, as applicable, and Reutlinger in connection therewith and decisions to enter into settlement negotiations and to make and accept settlement offers with respect thereto. Eskaton and Reutlinger acknowledge and agree the Reutlinger Designee or the Commitment Committee, as applicable, has standing to assert and bring an Enforcement Action on behalf of Reutlinger.

(h) In the event that the Reutlinger Designee or the Commitment Committee, as applicable, incurs expenses following the submission of a Breach Notice to enforce the Fundamental Commitments, Eskaton shall be responsible for all expenses incurred by such person in connection therewith. As additional security for such obligation, Eskaton agrees to maintain a letter of credit in the amount of \$250,000, and to make such funds available to advance to the Reutlinger Designee or the Commitment Committee, as applicable, as and when required by such person following the submission of a Breach Notice to pursue the enforcement of such Fundamental Commitment. Upon each written request for funding of such expenses delivered by the Reutlinger Designee or the Commitment Committee, as applicable, (which shall be supported by invoices or other written documentation of such reasonable expenses) and subject to the aforementioned limitation, Eskaton shall either deposit the requested funds into a segregated bank account under the control of the Reutlinger Designee or the Commitment Committee, as applicable, within ten (10) days of such request or directly pay such expenses on behalf of such person as and when due. Notwithstanding anything in this Agreement or elsewhere to the contrary, there shall be no obligation on the part of Reutlinger, the Reutlinger Designee and/or the Commitment Committee to reimburse Eskaton for such funds advanced or paid by Eskaton in any dispute raised by it in respect of a Breach Notice in the event that the Reutlinger Designee or the Commitment Committee, as applicable, does not prevail in such dispute.

(i) Notwithstanding Section 1.4(j), the Reutlinger Designee and the Commitment Committee shall be afforded reasonable access to all information that is reasonably necessary for it to carry out its duties and responsibilities under this Section 1.4, and each of Eskaton and Reutlinger (as the case may be) shall provide or make available such information to the Reutlinger Designee and the Commitment Committee as is reasonably requested by such person to the extent such

information is available or reasonably accessible to such party. None of Eskaton, Reutlinger or their officers, directors or other agents will be deemed in violation of any agreement protecting the confidentiality of information as a result of providing information to the Reutlinger Designee or the Commitment Committee for proper purposes under this Section 1.4(i). Notwithstanding anything to the contrary, this Agreement and the organizational documents of Eskaton and Reutlinger shall not restrict the use or disclosure of any such information as may be necessary in connection with an Enforcement Action.

(j) For the avoidance of doubt, the Reutlinger Designee and the Commitment Committee are third party beneficiaries of this Agreement. Notwithstanding the foregoing or anything contained elsewhere in this Agreement to the contrary, including but not limited to Sections 1.2(a) or 1.3(b), the rights of the Commitment Committee, including the rights of enforcement hereunder, shall be effective only during, or with respect to legal actions or proceedings commenced during, such periods as there is no Reutlinger Designee. In the event of any conflict, whether expressed or implied, between the provisions of Section 1.4 and any other provision of this Agreement, including without limitation, Sections 4.23 and 15.10, the provision of this Section 1.4 shall in all cases control and prevail.

Section 1.5 Operational Management. After the Closing Date, all operations of Reutlinger shall be performed by and at the direction of the Board of Directors of Reutlinger, provided that certain operational tasks may be delegated to Eskaton or its affiliate pursuant to a written management agreement (the "Management Agreement") to be entered into between the Parties substantially in the form attached hereto as **Exhibit 1.5**, which agreement shall, among other things, (i) contain the same terms as all other management agreements between Eskaton and its subsidiaries; (ii) provide that donations to Reutlinger shall not be included in gross revenues for purposes of the calculation of management fees; (iii) provide that the Eskaton management fee shall be reduced to no less than four percent (4%) of gross revenue as necessary to cover any net operating margin deficit and any such fee reductions shall be considered advanced funds that may be recouped by Eskaton from any cumulative net operating margin surpluses of Reutlinger; (iv) provide that the aggregate amount of management fees received by Eskaton from Reutlinger shall be contributed as capital by Eskaton to Reutlinger, if and to the extent necessary, to satisfy or otherwise guarantee any Reutlinger liability or loss that impairs Reutlinger's ability to carry out the Fundamental Commitments and/or eliminate any cumulative net operating margin deficit; and (v) provide that the terms described in subclauses (i) through (iv) hereof shall not be amended without the consent of the Reutlinger Designee or the Commitment Committee, as applicable, and themselves shall be deemed Fundamental Commitments subject in all respects to the provisions of Section 1.4 hereof.

Section 1.6 Third Party Approvals; Further Assurances. Reutlinger and Eskaton agree to use their best efforts to obtain any and all necessary third party approvals or waivers, including approvals from the California Department of Social Services, the California Department of Public Health, and the California Attorney General's office. The Parties shall execute and deliver such documents and obtain such consents as are necessary to bring about the Affiliation set forth in this Agreement. The Parties shall cooperate reasonably with each other and with their respective representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall (a) furnish upon request to each other such further information; (b) execute and deliver to each other such other documents; and (c) do such other acts

Exhibit 1.4(a)

Reutlinger's Jewish Values, Practices and Policies

Reutlinger's Mission Statement

The mission of The Reutlinger Community is to provide high quality health care and social support services to seniors in a life-enhancing and stimulating environment with a commitment to Jewish values.

Policies and Practices

Financial Assistance Program: Since Reutlinger's founding in 1950, it has provided financial assistance to those individuals who, through no fault of their own, have outlived their financial assets. The Reutlinger Founders and subsequent Boards of Directors have also permitted "Holocaust Survivors" (meaning Nazi Victim, as defined on the attached definition developed by the National network of Jewish Children and Family Services organizations) to enter the community regardless of his/her ability to pay the monthly and associated fees. Attached is a copy of Reutlinger's current financial assistance policy.

Religious Practices:

Reutlinger has a long-standing practice of maintaining an on-site synagogue and a full-time Rabbi who provides religious and spiritual leadership, cultural teaching and pastoral services to those of all faiths. The sanctuary is a sacred place and is used for Shabbat (Sabbath) services every Friday night and Saturday morning, and, all of the major Jewish holidays, e.g., Rosh Hashanah, Yom Kippur, Sukkot (at such time a Sukkah is constructed), Hanukah, Simchat Torah, Passover, Shavuot, etc. The synagogue serves as a place for memorial services; morning -prayer for those who practice; and, celebrations and other ceremonies that require a sanctuary setting. After the Closing Date, the full-time Rabbi employed for religious, cultural and pastoral services shall be (a) Conservative, Reform or Reconstructionist and (b) selected from time to time by the Commitment Committee.

The community serves both Kosher and non-Kosher meals but does not permit shellfish or pork in public dining areas. During Passover, all meals are prepared under kosher law with matzo and other unleavened products throughout the holiday period.

Outside of the synagogue walls, Jewish programming occurs on a routine basis through music, lectures and classes; special dinners e.g., the Passover Seder; Yom Kippur "break the fast;" celebrations e.g., the Purim Festival, Hanukah Candle Lighting and services in the Sukkah.

Reutlinger maintains Torahs, prayer books and Chumashim and Mezuzzot on doorposts

The community is a Registered Jewish Heritage Museum (JHM) with a number of donated collections made to Reutlinger over the years. Should Eskaton determine that the museum can no longer be supported, the collection shall be donated to the Magnes Museum in Berkeley or some other appropriate Jewish organization selected by the Commitment Committee.

The maintenance of the Tree of Life wall display in the main lobby of the Reutlinger Facility (donor gifts in memoriam), along with other gifts of Judaica, artwork, books, etc. must continue to be adequately displayed, insured and safely stored if not displayed.

Maintain membership in AJAS (Association of Aging Jewish Services). This organization represents the 95+ Jewish senior living communities throughout the United States, Montreal and Toronto, Canada. In addition to an Annual Conference and several regional meetings throughout the year, AJAS is a source for funding projects that enhance the lives of the Reutlinger elderly residents. Over the past 3-years AJAS has donated \$50,000 dollars toward the purchase of new vehicles for the Reutlinger community transportation program, and, is currently funding the 1st-year of a 3-year funding cycle project for the development of a memory and music program for the Reutlinger residents suffering from dementia.



The Reutlinger Community

Financial Assistance Program

It is the desire of The Reutlinger Community ("Reutlinger") to provide financial assistance to residents ("Residents") that have outlived or depleted their financial resources and can no longer afford to pay the full current cost of residing at Reutlinger. The amount of funding available for the Financial Assistance Program ("Program") is determined annually by the Board ("Board"). Qualification for financial assistance is based on criteria and a screening process established by the Board. This document describes the Program, the application ("Application") needed for assistance and your responsibilities under the Program should you need or seek financial assistance from Reutlinger. Your signature at the end of this document signifies your understanding and agreement with the terms and conditions of the Program. Both Reutlinger and Residents agree that they will deal with each other honestly, fairly and in good faith.

1. Eligibility for Financial Assistance

- a. At the time Residents apply for admission to Reutlinger, they are assessed for their financial ability to pay privately using Finaid or other similar senior living software. Based on the results of their Finaid assessment, Prospective Residents must be able to prove they can pay privately all costs of residency at Reutlinger for their anticipated life expectancy. If and when Residents reach a sum equal to six (6) months of their current monthly rent in remaining assets, Residents become eligible to apply for financial assistance. Residents may also become eligible for financial assistance due to a significant negative change in assets or income that is beyond their control and as approved by Reutlinger. You agree to notify Reutlinger immediately of a material adverse change in your finances.
- b. Before you receive any financial assistance from Reutlinger, you must: (1) demonstrate your inability to pay your usual monthly fees and other charges at Reutlinger, including providing any financial statements Reutlinger reasonably requests documenting your financial activity in the current or previous years; (2) explore the availability of local, state and federal assistance, other public assistance programs, including Supplemental Security Income, and apply for such assistance; and (3) prove that you have exhausted all efforts to receive such assistance.
- c. If you are unable to pay your monthly fees or other charges promptly, Reutlinger may, in its sole discretion, grant you an extension of time to make payments that are due or work out another mutually acceptable arrangement for financial assistance. To qualify for and

maintain such assistance, you must comply with all the other provisions of the Program. You will not qualify for assistance if you: (1) have impaired your ability to meet your financial obligations by transferring your assets for less than their fair market value (e.g., by making gifts, bargain sales, bequests, donations, or other similar transfers); (2) encumber your assets or otherwise dilute their value; or (3) inappropriately spend your assets (e.g., by spending down, irresponsible expenditures, or waste) before or after you are accepted for residency at Reutlinger, which, in the reasonable judgment of Reutlinger, impairs your ability to pay all charges you may foreseeably incur while residing at Reutlinger.

- d. Except in certain cases, the maximum amount of financial assistance that may be provided to each applicant shall not exceed 33% of Resident's cost of care at Reutlinger.
- e. Residents and their responsible parties should anticipate a period of up to six (6) months between the time the application for financial assistance is submitted and the time the disposition of the application is provided. Accordingly, Residents and their responsible parties are encouraged to plan in advance and notify Reutlinger at least six months in advance of their anticipated need for financial assistance.
- f. To maintain any assistance arrangement, you must also report promptly to Reutlinger any material increase in your assets and their value, whether the increase occurs by way of gift, inheritance, appreciation in value, or otherwise.

2. Application for Financial Assistance

- a. Application forms may be obtained from the Reutlinger Administrator. By submitting an Application, you agree to move to the least expensive living accommodation available, which in some cases may be a shared apartment.
- b. The Application requires full disclosure of each Resident's income and assets for review to ensure that there has been no significant divestiture or waste of income and assets since the time Resident's financial ability to pay was initially assessed or since any subsequent disclosure of resident's assets or income. Resident and/or Resident's responsible party must certify that all information provided in the Application is complete, true, and correct, with the understanding that Reutlinger will rely on the provided information. In addition, Resident and/or Resident's responsible party agree to provide such additional and further information to Reutlinger upon request with respect to the information initially provided to Reutlinger in the Application. Reutlinger will do its best to promptly inform Residents and Residents' responsible party of the disposition of the Application.

3. Financial Assistance

- a. The amount of financial assistance will depend on the amount allocated by the Board, the availability of space in Program designated accommodations, need, medical acuity and anticipation of existing residents who may become eligible for financial assistance. If an

Application is approved, Reutlinger will provide financial assistance of up to one-third of the cost of Residents' current cost of care, including monthly rent, services and level of care fees. Financial assistance will not include incidental or other costs. Reutlinger retains full discretion in determining the percentage of financial assistance provided to each Resident. Reutlinger may increase its financial assistance if Resident's service needs increase or if the financial support of Resident's family members or others decrease. Reutlinger will provide such assistance only if it determines that it can do so without jeopardizing its own ability to operate on a sound financial basis.

- b. Reutlinger retains discretion to provide financial assistance of more than 33% of a resident's current cost of care for any resident who is a Holocaust Survivor.

4. Ongoing Obligations for Residents

- a. Residents who receive financial assistance agree to annual reviews of their financial status. The annual reviews shall occur during the period from October 1 through October 31 of each year that Residents reside at Reutlinger. During such reviews, recipients of financial assistance and/or their responsible parties must respond to a questionnaire regarding changes to income and/or transfers of assets, must provide financial statements, tax returns, banking and brokerage statements and any changes to their medical coverage and other verifying documents as required by Reutlinger.
- b. Residents of the Reutlinger Health Center receiving financial assistance must apply for Medi-Cal as soon as they become eligible.

5. Resident acknowledges and agrees that the following events may result in termination of Resident's Residency Agreement and Resident's residence at Reutlinger:

- a. Misrepresentations or omissions in the Application for residency at Reutlinger (including financial forms):
- b. Misrepresentations regarding Resident's financial condition after admission
- c. Breaches of the covenant of good faith and fair dealing as set forth above.
- d. Divestiture of assets or transfers for less than fair market value
- e. Failure to disclose material financial changes to Reutlinger in a timely manner
- f. Failure to furnish the financial information as required in section 4.a. above.

6. Repayment to Reutlinger

- a. You agree that the value of any subsidy or financial assistance that you receive through the Program shall be deemed a loan to you by Reutlinger at the maximum legal rate and

shall be a first lien against your estate. As such you agree to execute any instruments (including but not limited to promissory notes, assignments, security agreements and deeds of trust) that Reutlinger deems necessary to evidence or secure its claim for repayment of any sums due under the Program.

- b. If your financial situation improves while you are at Reutlinger, your financial assistance may be reduced or eliminated, as determined by Reutlinger in its sole discretion. In addition, if your financial situation improves to the extent that you are able to repay all or part of the value of the assistance, you will be required to make such repayment at a rate and on terms established by Reutlinger, in its sole discretion.

Resident/Responsible Party Signature

Reutlinger Witness

Date

Date

CLAIMS CONFERENCE
NAZI VICTIM DEFINITION

Updated January 2012

A Nazi victim is considered to be any Jew who lived in Germany, Austria or any other country occupied by the Nazis or their Axis allies during the dates below or who emigrated from any of the countries below after the beginning dates and before liberation:

- Germany – between 30 January 1933 and May 1945
- Austria – between July 1938 and May 1945
- Czechoslovakia – between October 1938 and liberation in May 1945
- Poland – between 1 September 1939 and liberation in January 1945 (NOTE: the city of Lvov (also known as Lemberg), formerly in Poland and now Ukraine was liberated in July 1944)
- Algeria – between July 1940 and November 1942
- Tunisia – between July 1940 and May 1943
- Morocco – between July 1940 and November 1942
- Denmark – between April 1940 and May 1945
- Norway – between April 1940 and May 1945
- Belgium – between May 1940 and February 1945
- Netherlands – between May 1940 and liberation in May 1945
- France – between May 1940 and liberation in September 1944
- Luxembourg – between May 1940 and February 1945
- Hungary – between April 1941 and liberation in Budapest in January 1945 (certain parts of Western Hungary were liberated in March 1945)
- Yugoslavia – between April 1941 and liberation in May 1945
- Greece – between April 1941 and November 1944 (liberation of some islands such as Rhodes was in May 1945)
- Libya – between February 1941 and February 1943
- Albania – between September 1943 and November 1944
- Italy – between 9 September 1943 and liberation in April 45 (NOTE: Rome was liberated in June 1944 and more southern parts of Italy were liberated even earlier.)
- Bulgaria – between April 1941 and September 1944
- Romania – between April 1941 and August 1944 (NOTE: Hungarian occupied Transilvania eg Satu Mare was liberated in October 1944)
- Former Soviet Union-occupied Western areas, which include:
 - Northern Caucasus between August 1942 and February 1943
 - Pskov Region, Russia between June 1941 and July 1944
 - Latvia and Lithuania between June 1941 and October 1944 (Kurland in Latvia was liberated in May 1945)
 - Estonia between June 1941 and October 1944
 - Belarus between June 1941 and July 1944
 - Moldova between June 1941 and August 1944
 - Ukraine between June 1941 and liberation in March 1944 (although the Eastern part of Ukraine was liberated earlier, such as Kiev, in November 1943, the former Polish parts of Galicia were liberated later in summer 1944 (e.g. Lwiw in July 1944) and the former Czechoslovakian Karpato-Ukraine was liberated in October 1944)
 - Leningrad/St Petersburg between June 1941 and January 1944

In addition, Jews who survived the Leningrad siege are eligible.

Included in the definition of Nazi victims are Jews that fled between June 22, 1941 and January 27, 1944 from areas of the Soviet Union that were up to 100 km from the most easterly advance of the German army (Wehrmacht) but were not later occupied by the Nazis. This covers cities such as Moscow and Stalingrad.

Further, Nazi victims include “fetus cases”, i.e., persons who were in utero at the time their mothers were persecuted. The Nazi victim’s mother must meet the above criteria.

Exhibit B

things, (i) designate Eskaton, or an affiliate of Eskaton approved by Reutlinger, as its sole member, (ii) provide that the Directors of Reutlinger are identical to the Directors of Eskaton, including the Reutlinger Designee, described in **Section 1.3(b)** of this Agreement, and any person replacing the Reutlinger Designee from time to time and (iii) provide that a breach of any of Reutlinger's obligations pursuant to Section 1.4 shall be enforceable by the Reutlinger Designee or the Commitment Committee, as applicable, as a breach of a charitable trust under Section 5142 of the California Corporations Code.

(b) Effective as of the Closing Date, Reutlinger shall remain in existence as a California nonprofit public benefit corporation and an affiliate of Eskaton. All assets and liabilities of Reutlinger will remain the assets and liabilities of Reutlinger after closing of the Transaction, except to the extent the Parties agree in writing otherwise.

Section 1.3 Amendment of Eskaton Governing Documents.

(a) Effective as of the Closing Date, Eskaton shall remain in existence as a California nonprofit public benefit corporation.

(b) Effective on the Closing date and so long as Reutlinger remains a subsidiary of Eskaton, Eskaton shall, among other things, take such steps so as to (i) provide for a Director to the Eskaton Board who shall be nominated by the Board of Reutlinger as constituted immediately prior to the Closing of the Transaction (such designated Director and his or her replacement hereinafter are referred to as the "Reutlinger Designee") for a three-year term, subject to approval of the full Eskaton board, which approval shall not unreasonably be withheld, and subject to the limitation on successive terms applicable to all other Eskaton board members, (ii) provide that upon the death, incapacity, resignation, removal, or term limit of the Reutlinger Designee for any reason, the right to nominate his or her replacement, subject to the approval of the full Eskaton board, which approval shall not unreasonably be withheld, shall be vested in a committee established in accordance with Section 1.8 prior to the Closing Date (the "Commitment Committee") and (iii) provide that a breach of any of Eskaton's obligations pursuant to Section 1.4 shall be enforceable by the Reutlinger Designee or the Commitment Committee, as applicable, as a breach of a charitable trust under Section 5142 of the California Corporations Code. Notwithstanding anything in this Agreement or elsewhere to the contrary, Eskaton hereby approves Jordan Rose as the initial Reutlinger Designee.

Section 1.4 Additional Agreements

(a) Eskaton and Reutlinger will preserve the name and identity of Reutlinger as a skilled nursing and residential care facility with a commitment to the Jewish values, policies and practices that have defined Reutlinger since its inception. Reutlinger's mission statement, its written policies and its practices specifically designed to preserve Jewish values and practices, as in effect on the Closing Date, shall be maintained. Such policies and practices include (without limitation) the policies respecting the Residents' Assistance Fund and those respecting Holocaust Survivors. All of such policies and practices shall continue in full force and effect. No material modifications to said mission statement, written policies or practices may be made without the prior written consent of the Reutlinger Designee or the Commitment Committee, as applicable, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee or the Commitment Committee, as applicable. The full text of the mission statement and a description of all such written

policies and the practices relating to Reutlinger's Jewish values are attached hereto as **Exhibit 1.4(a)**.

(b) Eskaton and Reutlinger agree that (i) Reutlinger shall (A) operate in the manner specified in this Agreement, including, but not limited to as specified in this Section 1.4 and (B) expend its own capital to honor all of its obligations and to carry out the capital expenditures contemplated in Reutlinger's CAPEX plan and capital reserve study as in effect on the Closing Date, a copy of which is attached hereto as **Exhibit 1.4(b)** (the "CapEx Plan"), (ii) Eskaton will not exercise any reserved power to impede or prevent the expenditure by Reutlinger of its own capital to honor all of its obligations and/or to carry out the capital expenditures contemplated in the CapEx Plan, (iii) Eskaton will expend its own capital (to the extent Reutlinger's is insufficient) to honor all of Reutlinger's obligations and to carry out the capital expenditures contemplated in the CapEx Plan, provided that such expenditures by Eskaton of its own capital over the five (5) year period following the Closing Date shall not be required by reason of the foregoing to exceed Five Million Dollars (\$5,000,000.00), (iv) Eskaton shall cause Reutlinger to be operated in the manner specified in this Agreement, including but not limited to as specified in this Section 1.4, and (v) Reutlinger shall not, and Eskaton shall not cause Reutlinger to, distribute or otherwise transfer Reutlinger funds or assets to Eskaton or any of its affiliates during the five (5) year period following the Closing Date.

(c) Eskaton and Reutlinger will continue to operate the Reutlinger Facilities under the name "The Reutlinger Community." A change affecting such operating name shall only be made with the prior written consent of the Reutlinger Designee, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee.

(d) Eskaton and Reutlinger will honor the intent of and any restrictions imposed on any philanthropic gifts donated to Reutlinger.

(e) Neither Eskaton nor Reutlinger will sell, transfer, dispose of or otherwise change control of Reutlinger or its assets during the five (5) year period following the Closing Date.

(f) During the five (5) year period following the Closing Date, Eskaton and Reutlinger will cause the principal business and operations of Reutlinger to be conducted at the Reutlinger Facilities in a manner substantially similar to that conducted by Reutlinger immediately prior to the Closing Date and as specified in this Agreement, including but not limited to as specified in this Section 1.4. Eskaton and Reutlinger may, after the end of such 5-year period, relocate the principal business and operations of Reutlinger to another comparable facility located in the East Bay of the San Francisco Bay Area, provided that all of the then-residents of Reutlinger are provided comparable accommodations and services at comparable costs at such new facility and such new facility is operated as specified in this Agreement, including but not limited to as specified in this Section 1.4.

(g) If, at any time after the Closing Date, the Reutlinger Designee, or the Commitment Committee in the event that there is no Reutlinger Designee at such time for any reason (or no reason), determines that Eskaton and/or Reutlinger have breached their obligations and commitments described in this Section 1.4 (the "Fundamental Commitments"), then the Reutlinger Designee or the Commitment Committee, as applicable, shall provide written notice thereof to Eskaton and Reutlinger, describing in reasonable detail the nature of the alleged breach and other information

XIV. DEFICIENCIES AND RECOMMENDATIONS

Recommendations for remedial work addressing significant building deficiencies are included in this section. Recommendations are divided into *Immediate Work Items* and *Capital Work Items*.

Immediate Work Items: Include items that correct safety and life-threatening building and/or fire code violations; items that, if left unrepaired over the next year, would result in serious damage to the building or its contents; and elements not compliant with federal accessibility regulations. These items should be undertaken on a priority basis taking precedence over routine preventive maintenance work.

Capital Work Items: Include items that are customarily repaired or replaced over several years due to economic considerations (e.g. paving, roofs, appliances), items which are currently in acceptable condition but will reach or exceed their useful economic service life during the term, and items that are periodic in nature but not considered normal maintenance (e.g. pavement seal coating, painting). Also included are significant energy-saving or operational improvements. These opinions of cost are generally based on industry-accepted life spans for these systems unless there are mitigating circumstances.

4000 CAMINO TASSAJARA
Danville, California

Safety and/or issues that left unresolved could result in further damage to the property. Higher priority maintenance/capital reserve issues recommended to maintain property and operations.		Normal operation/capital reserve work and costs				Comments
		Discretionary optional upgrades/improvements				
Description	Immediate	Years 1-3	Years 4-6	Years 7-10		
SITE						
1. Perform seal coat, and restripe of asphalt pavement.		9,200		9,200	Property Management reports asphalt paving was last resealed in 2015; work should be performed in conjunction with asphalt repairs. Cost based on Contractor bid provided by Property Management.	
2. Perform asphalt paving repairs, including crack repair, and remove and replace heavily cracked and damaged asphalt paving.		58,200			Drive aisle at the east and north east of the property was noted with heavily cracked asphalt paving. Additional select areas of damaged asphalt paving include the trash compactor area and alligatored drive aisles and parking space areas. Cost based on Contractor bid provided by Property Management.	
3. Replace damaged, bowed, or displaced wooden retaining wall sections.		5,000			Select locations include, but are not limited to, wood retaining wall along south perimeter of site near trail, and at hill base with wood bench/retaining wall near northeast area of site.	
4. Remove and replace sealants at sidewalk joints.		1,200		1,200	Sidewalk joints noted to be 1/2" wide or greater. Sealant joints are deteriorated or exhibiting adhesion and cohesion failure. Work is typically necessary every ±7 years.	
Remove and replace sealants at building to sidewalk joints.		20,000		20,000	Sealant joints are deteriorated or exhibiting adhesion and cohesion failure. Work is typically necessary every ±7 years.	
6. Replant barren landscape in localized area.		5,000			Noted at the northwest corner of the property near the facility vehicle parking area.	
7. Prepare and repaint miscellaneous metals.		1,500		1,500	Includes handrails located throughout property.	
8. Replace existing patio slab between Block 4 and 5 due to settlement. Provide new prepared subbase and drainage system.		7,200			Patio slab was observed to have excessive settlement. To restore the serviceability of the patio.	
9. Rebuild east side site interlocking block segmental retaining wall.		20,000			Displacement of block and soil was observed in open assembly segmental retaining wall on east side of site	
10. Perform nighttime light survey to determine appropriate light levels.		3,000			Property Management reports that the site lighting is inadequate and has poor distribution.	
11. Renovate and reconfigure trash area at rear of building. Install new canopy over area to allow for regular cleaning of wheelchairs.		60,000			Damage to compactor enclosure was noted, including damaged stucco, missing doors, and damaged concrete pad. Work includes canopy with footings, and redesign of trash area to better serve current operations.	
Site - Subtotal		\$0	\$190,300	\$0	\$31,900	
STRUCTURE						
12. Rout and seal exterior cracks at exterior perimeter foundation stemwalls.		2,000			Hairline to minor cracks were noted at a few various locations. To prevent moisture intrusion and rebar corrosion.	
13. Hire Geotechnical Engineer to assess existing soil conditions at building pad and perimeter and provide recommendations regarding ongoing building movement.		2,000			Cracks and movement suggesting settlement and/or expansive soils were observed in several areas in exterior stucco and at building joints	
Structure - Subtotal		\$0	\$4,000	\$0	\$0	

**4000 CAMINO TASSAJARA
Danville, California**

Safety and/or issues that left unresolved could result in further damage to the property.		Normal operation/capital reserve work and costs				Comments
Higher priority maintenance/capital reserve issues recommended to maintain property and operations.		Discretionary optional upgrades/improvements				
Description	Immediate	Years 1-3	Years 4-6	Years 7-10		Comments
ENVELOPE AND EXTERIOR						
14. Remove and replace built-up roofing membranes.		667,200				Roofs are approaching the end of their estimated useful life. Coating the roofs may be an option at a lower cost of approximately \$7/sf versus \$12/sf to reroof.
15. Remove and replace section of built-up roofing membrane which recently received a reinforced coating system.				44,000		Coating recently installed at the north wing of Block 1.
16. Regularly scheduled annual roof maintenance.		27,000	27,000	36,000		
17. Repair localized cracks throughout building exterior cement plaster.		25,000		6,300		Cracking is present throughout exterior elevations. Complete in conjunction with repainting. Fewer cracks anticipated in later term if all cracks are repaired in near term.
18. Remove and replace deteriorated sealant joints between windows and doors and cement plaster.		43,200				Sealant joints are in poor condition.
19. Prepare and repaint building exteriors utilizing a breathable elastomeric type paint.		175,000		175,000		Elastomeric paint will help bridge cracks in plaster due to on-going building movement.
Repair, prepare, and repaint inside faces of cement board and plywood parapet walls.		18,000		18,000		Cost includes re-nailing loose boards, replacing sealants at mansard access doors, and repainting access doors.
21. Reserve to replace deteriorated plywood at inside faces of parapet walls with new plywood or cement board panels.		4,800				Plywood exhibits varying amounts of weathering. Cost assumes approximately 25% of sheathing requires replacement.
22. Install waterproof coating at exterior side of concrete masonry unit (CMU) wall between generator enclosure and utility rooms to mitigate moisture intrusion at the base of the walls.	3,000					Existing wall is not painted/waterproofed, allowing moisture into the electrical and telecom rooms.
23. Reserve for repair/replacement of residential-type, aluminum-framed insulated windows.		27,000	27,000	36,000		Cost assumes repair/replacement of 5% per year. Engineer reports that repairs are regularly required, and parts are available.
24. Prepare and repaint window frames; finish is weathering and chalking to various degrees.		36,000	36,000			Aesthetic issue only. Completion of this work is discretionary.
25. Repair two areas of damaged elastomeric pedestrian coating at exterior stair landings.	10,000					Underlying plywood has failed at one location, split/low spot in coating at second location.
26. Prepare and reapply elastomeric pedestrian coat at exterior common area stairs and landings.		9,000	9,000	9,000		Recoating should be anticipated more frequently due to UV exposure and higher traffic.
27. Prepare and reapply elastomeric pedestrian coating at covered unit and common area balconies.		6,500		6,500		Generally in good condition. Recoating required approximately every 5 years.
Envelope and Exterior - Subtotal		\$13,000	\$1,038,700	\$99,000	\$330,800	

4000 CAMINO TASSAJARA
Danville, California

Safety and/or issues that left unresolved could result in further damage to the property. Higher priority maintenance/capital reserve issues recommended to maintain property and operations.		Normal operation/capital reserve work and costs				Comments
		Discretionary optional upgrades/improvements				
Description	Immediate	Years 1-3	Years 4-6	Years 7-10		
INTERIOR IMPROVEMENTS						
28.	Prepare and repaint walls and ceilings in common areas including hallways, and amenity spaces (in Skilled Nursing area).		15,900		15,900	Walls and ceilings should be repainted every ±7 years.
29.	Remove and replace vinyl sheet flooring in Skilled Nursing common areas.			28,200		Vinyl sheet flooring should be replaced every ±7 years.
30.	Prepare and repaint walls and ceilings, in common areas including hallways, and amenity spaces (in Assisted Living area).			67,500		Walls and ceilings should be repainted every ±7 years.
31.	Remove and replace vinyl wall coverings Assisted Living common areas.				50,000	Vinyl wall covering should be replaced every ±10 years.
32.	Remove and replace commercial carpet flooring within Assisted Living common areas.			100,000		Carpet flooring should be replaced every ±7 years.
33.	Remove and replace vinyl sheet flooring within Assisted Living common areas.			40,000		Vinyl sheet flooring should be replaced every ±7 years.
34.	Prepare and repaint walls and ceilings, within unit/rooms at Skilled Nursing area.		48,800		48,800	Walls and ceilings should be repainted every ±7 years. Assumes 30 Skilled Nursing rooms.
	Remove and replace vinyl sheet flooring within unit/rooms at Skilled Nursing areas.			45,000		Flooring should be replaced every ±7 years. Assumes 30 Skilled Nursing rooms.
36.	Allowance: Renovate Assisted Living Unit, including repainting walls, replacing carpet flooring, installing new light fixtures, new toilet and bathroom fixtures, new tile at shower perimeter, removing and replacing laminate kitchenette cabinetry, kitchen sink, and faucet, and installing new granite countertops.		1,548,000	1,032,000		Assumes 8 or 9 Assisted Living Units will be turned over each year, and that 21 of the 64 total units have already been renovated per Property Management. Totals do not include Enhanced Assisted Living or Memory Care units. Cost based on recent management reported cost/unit.
37.	Allowance: Remove and replace roll-in shower unit within Assisted Living Units.		192,000	192,000	256,000	Replacement is needed due to parts no longer available, resulting in complete replacement. Assumes 3 or 4 of the 64 total Assisted living units will be replaced each year. Totals do not include Enhanced Assisted Living or Memory Care units.
38.	Install fiber-reinforced panels (FRP) at kitchen walls. Includes removal and reinstallation of existing shelving/equipment.		15,000			FRP is recommended at all walls due to high humidity of kitchen and is more durable, with easier maintenance. Cost assumes all work is done at the same time, and includes moving equipment as required.
39.	Grind out/replace existing grout at kitchen tile floors.		20,000			Grout at ceramic tile is in poor condition.
40.	Remove and replace suspended ceiling tile framing grid within kitchen.		14,400			Framing grid noted to be very rusted. Coordinate with kitchen flooring replacement.
41.	Prepare and repaint kitchen service hallway.		2,500		2,500	Walls should be repainted every ±7 years.
42.	Remove and replace vinyl composition flooring at kitchen service hallway.		4,000			Flooring is worn and should be replaced.
43.	Prepare and repaint walls in laundry service room		2,200		2,200	Walls should be repainted every ±7 years.
	Install vinyl composition tile flooring at laundry service room floor.		7,500		7,500	Exposed concrete floors should be protected for heavy use. Vinyl composition tile flooring is recommended.
Interior Improvements - Subtotal		\$0	\$1,870,300	\$1,504,700	\$382,900	

4000 CAMINO TASSAJARA
Danville, California

Safety and/or issues that left unresolved could result in further damage to the property.		Normal operation/capital reserve work and costs				Comments
Higher priority maintenance/capital reserve issues recommended to maintain property and operations.		Discretionary optional upgrades/improvements				
Description	Immediate	Years 1-3	Years 4-6	Years 7-10	Comments	
MECHANICAL/ELECTRICAL						
45.	Replace 90 residential packaged terminal heat pumps (PTHP), based upon expected useful life (EUL) and existing condition. Replacement should be phase through the term.		13,500	13,500	18,000	PTHPs have an EUL of 15 years. The existing units are now beyond their EUL and several have already been replaced.
46.	Replace AC-1; 50-ton packaged unit, based upon EUL and existing condition.		125,000			Roof-mounted large packaged air conditioners have an EUL of 20 to 30 years. It was reported that the existing unit has experienced issues and that one of the two compressors has already been replaced.
47.	Replace 20 packaged air conditioners, totaling approximately 136 tons, based upon EUL and existing condition. Packaged unit AC-8 should be installed such that the natural gas flue provides a clearance of at least 15 feet horizontal or 3 feet vertical from the outside air (OA) intake hood for AC-21. Packaged unit AC-18 should be installed such that its OA hood provides the above mentioned clearance from exhaust fan EF-14.		115,000	105,000	120,000	Roof-mounted packaged air conditioners have an EUL of 20 years. Twenty existing units will reach their EUL during the term and replacement should be anticipated.
	Replace two natural gas-fired boilers, based upon EUL and existing condition.				100,000	Natural gas-fired boilers have an EUL of 25 years. The two existing units will reach their EUL during the term and replacement should be anticipated.
49.	Replace two 119-gallon insulated hot water storage tanks, based upon EUL and existing condition.				2,000	Insulated storage tanks have an EUL of 20 to 25 years, the two existing tanks are showing signs of wear, and replacement should be anticipated.
50.	Replace two natural gas-fired makeup air units, based upon EUL and existing condition.				30,000	Natural gas-fired duct furnaces have an EUL of 25 years. The two existing units will reach their EUL during the term and replacement should be anticipated.
51.	Continue to upgrade building automation system (BAS). The existing system is somewhat obsolete and several major pieces of equipment are no longer controlled by the system. Building management has secured a bid of \$87,480 for system upgrade.		87,500			BAS systems typically have an EUL of 15 years, after which a system upgrade is required. It was reported that the existing system is somewhat obsolete and several major pieces of equipment are no longer under its control.
52.	Replace two 500-MBH natural gas-fired domestic water heating boilers, based upon EUL and existing condition.		30,000			Natural gas-fired domestic water boilers have an EUL of 20 years. The two existing units will reach their EUL during the term and replacement should be anticipated.
53.	Replace three 1,825-MBH natural gas fired domestic water heating boilers, based upon EUL and existing condition.		110,000	55,000		Natural gas-fired domestic water boilers have an EUL of 20 years. The three existing units will reach their EUL during the term and replacement should be anticipated.
54.	Replace 460-gallon insulated hot water storage tank, based upon EUL and existing condition.		15,000			Insulated storage tanks have an EUL of 20 to 25 years, the existing tank is starting to leak, and replacement should be anticipated.
55.	Replace one commercial eight burner range top, based upon EUL and existing condition.		10,000			Commercial grade cooking equipment has an EUL of 20 years. The existing range will reach its EUL during the term and replacement should be anticipated.

4000 CAMINO TASSAJARA
Danville, California

Safety and/or issues that left unresolved could result in further damage to the property. Higher priority maintenance/capital reserve issues recommended to maintain property and operations.		Normal operation/capital reserve work and costs				Comments
		Discretionary optional upgrades/improvements				
Description		Immediate	Years 1-3	Years 4-6	Years 7-10	
56.	Replace one commercial gas-fired griddle, based upon EUL and existing condition.		7,000			Commercial grade cooking equipment has an EUL of 20 years. The existing griddle will reach its EUL during the term and replacement should be anticipated.
57.	Replace one commercial gas-fired combination range and griddle, based upon EUL and existing condition.		10,000			Commercial grade cooking equipment has an EUL of 20 years. The existing range/griddle will reach its EUL during the term and replacement should be anticipated.
58.	Replace one commercial convection oven, based upon EUL and existing condition.		10,000			Commercial grade cooking equipment has an EUL of 20 years. The existing convection oven will reach its EUL during the term and replacement should be anticipated.
59.	Replace one commercial double convection oven unit, based upon EUL and existing condition.		15,000			Commercial grade cooking equipment has an EUL of 20 years. The existing convection ovens will reach their EUL during the term and replacement should be anticipated.
60.	Replace one natural gas-fired fryer, based upon EUL and existing condition.		7,500			Commercial grade cooking equipment has an EUL of 20 years. The existing fryer will reach its EUL during the term and replacement should be anticipated.
	Replace one steam kettle, based upon EUL and existing condition.		15,000			Commercial grade cooking equipment has an EUL of 20 years. The existing steam kettle will reach its EUL during the term and replacement should be anticipated.
62.	Replace one commercial dishwasher, based upon EUL and existing condition. The existing dishwasher arrangement should be modified to allow for a wash sink.		25,000			Commercial grade dishwashers have an EUL of 20 years. The existing unit will reach its EUL during the term and replacement should be anticipated.
63.	Replace two commercial refrigeration evaporators and condensers, based upon EUL and existing condition.		20,000			Commercial refrigeration systems have an EUL of 20 years. The existing system will reach its EUL during the term and replacement should be anticipated.
64.	Replace one 35-lb commercial washing machine, based upon EUL and existing condition.			12,500		Commercial grade washing machines have an EUL of 20 years. The existing unit will reach its EUL during the term and replacement should be anticipated.
65.	Replace two 55-lb commercial washing machines, based upon EUL and existing condition.			30,000		Commercial grade washing machines have an EUL of 20 years. The two existing units will reach their EUL during the term and replacement should be anticipated.
66.	Replace one 75-lb commercial clothes dryer, based upon EUL and existing condition.			7,500		Commercial grade natural gas-fired clothes dryers have an EUL of 20 years. The existing unit will reach its EUL during the term and replacement should be anticipated.
67.	Replace two 120-lb commercial clothes dryer, based upon EUL and existing condition.			24,000		Commercial grade natural gas-fired clothes dryers have an EUL of 20 years. The two existing units will reach their EUL during the term and replacement should be anticipated.
	Replace four light fixtures in each of the 30 skilled nursing rooms, based upon existing conditions. Issues have been reported with existing light levels within the rooms.		30,000			It was reported that light levels within the rooms did not seem adequate. New fixtures should provide the desired light levels.

4000 CAMINO TASSAJARA
Danville, California

Safety and/or issues that left unresolved could result in further damage to the property.		Normal operation/capital reserve work and costs				Comments
Higher priority maintenance/capital reserve issues recommended to maintain property and operations.		Discretionary optional upgrades/improvements				
Description	Immediate	Years 1-3	Years 4-6	Years 7-10	Comments	
69. Consider installation of one additional 120/208-volt electrical distribution panel in electrical room 5. It was reported that the lack of electrical capacity has limited projects within this area of the building.		25,000			The three existing panels were observed with all 42 spaces full. One additional panel would allow flexibility to add future loads.	
70. It is recommended to perform infrared (IR) scan services on building electrical panels every three years. Services should include repair of identified issues.		15,000	15,000	15,000	IR scan services should be performed early in the term and repeated, on regular intervals, as part of routine maintenance.	
71. Reserve to thoroughly clean metal surfaces at the base of the emergency generator, then apply a coat of epoxy based paint.	2,000				The existing generator base and diesel storage tank were observed with corrosion to metal surfaces. Painting should allow continued generator operation through the term.	
72. Replace one fire alarm panels, based upon EUL and existing condition. It was reported that efforts are currently underway to replace the panels.		25,000			Fire alarm panels have an EUL of 15 years and plans are underway to replace one of the original panels. The second existing panel is beyond its EUL and replacement should be anticipated.	
73. Continue to replace existing fire alarm devices, as needed. It was reported that some of the original devices are obsolete and can no longer communicate with the existing panels.		maint.			Work is currently underway, however the percentage of completion is unknown.	
74. Install combination carbon monoxide (CO)/smoke detectors at all residential units.	22,500				It was reported that efforts are underway to install detectors in each residence by April 2018.	
75. Reserve an annual allowance to replace piping drops and elbows serving in-ceiling sprinkler heads. Allowance is for three additional repairs per year.		7,500	7,500	10,000	It was reported that there have been several leaks at threaded joints in the sprinkler drop piping and elbows. Five year sprinkler inspection and testing report also referenced several issues.	
76. Reserve an allowance to replace piping joints in the underground fire sprinkler water loop.		10,000	10,000	10,000	It was reported that one of the existing joints has already failed. Allowance is for one additional repair every three years.	
77. Continue efforts to replace existing nurse call system. It was reported that system replacement is currently underway.		Underway			Several residential rooms have already been upgraded with new nurse call devices.	
78. Continue efforts on pending solar panel installation project.		Underway			No costs included as it is assumed the project is already under contract.	
Mechanical/Electrical - Subtotal		\$24,500	\$728,000	\$280,000	\$305,000	
BUILDING EQUIPMENT						
79. Reserve to modernize two hydraulic passenger elevators, based upon EUL and existing condition. Modernization includes upgrades to the drive machine and a new controller.				400,000	Hydraulic passenger elevators have an EUL of 25 years. The two existing units will reach their EUL during the term and modernization should be anticipated.	
Building Equipment - Subtotal		\$0	\$0	\$0	\$400,000	
CODE REVIEW						
80. Install new directional egress signage in Skilled Nursing area.	1,600				Egress signage is faded and illegible.	
Code Review - Subtotal		\$1,600	\$0	\$0	\$0	

4000 CAMINO TASSAJARA
Danville, California

Safety and/or issues that left unresolved could result in further damage to the property.		Normal operation/capital reserve work and costs				
Higher priority maintenance/capital reserve issues recommended to maintain property and operations.		Discretionary optional upgrades/improvements				
Description	Immediate	Years 1-3	Years 4-6	Years 7-10	Comments	
DISABLED ACCESSIBILITY						
81.	Reslope disabled-accessible parking aisles, located east and west of the main building entrance.	10,000				Cross slopes within the parking aisles exceed the maximum 2% allowed per ADA Standards. Current slopes were noted between 3.5%-4.2%.
82.	Lower paper towel dispenser in single-occupancy restrooms located within the Skilled Nursing area.	200				Dispensers are mounted higher than the maximum allowed 48" and sensor is currently located at 56".
83.	Replace pipe insulators underneath sinks in single-occupancy restrooms located within the Skilled Nursing area.	200				Pipes should be insulated to provide knee protection for wheelchair users.
84.	Relocate mailboxes outside the allowable 28"-54" reach range required by the USPS and FHA. <i>Subject to Readily Achievable Barrier Removal Standards</i>	3,000				With side approach, the maximum height allowed is 54", with the lowest operable part allowed at 28". Current maximum height noted at 66.5". Approximately 40-50 mailboxes are affected.
	Not applicable.	0	0	0	0	
	Disabled Accessibility - Subtotal	\$13,400	\$0	\$0	\$0	
	TOTAL	\$52,500	\$3,831,300	\$1,883,700	\$1,450,600	Note: Advisory cost items are not included in totals.