VOLUME I OF II

NOTICE TO

CALIFORNIA ATTORNEY GENERAL

OF

SALE OF CALIFORNIA-NEVADA METHODIST HOMES

PURSUANT TO 11 C.C.R. §999.5(d)

SECTIONS (1)(A) – (B)

Attorney General Notice Pursuant to 11 CCR §999.5(d)
Sale of California-Nevada Methodist Homes

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SECTION 999.5(d)(1)(A)

(A) A full description of the proposed agreement and transaction:

SUMMARY

California-Nevada Methodist Homes ("CNMH"), a California nonprofit public benefit corporation, owns and operates two continuing care retirement communities ("CCRC") in California: Lake Park located at 1850 Alice St, Oakland, CA 94612 and Forest Hill located at 551 Gibson Ave, Pacific Grove, CA 93950.

Lake Park consists of a residential care facility for the elderly ("RCFE") that includes 143 residential (independent) living units and 37 assisted living apartments, plus a 35-unit skilled nursing facility ("SNF"). Lake Park also has an underground parking lot with 62 parking spaces.

Forest Hill consists of an RCFE that includes 91 residential (independent) living units and 18 assisted living apartments, plus a 26-unit SNF. Forest Hill includes an underground parking lot with 29 parking spaces and an adjacent private resident above-ground parking garage with 32 parking spaces.

In addition, CNMH owns a 6,798 square-foot single-story office building (the "Office Building") at 201 19th Street, Oakland, CA 94612. The Office Building includes an above-ground parking lot with approximately 20 parking spaces.

Purchase and Sale Agreement. CNMH has entered into a Purchase and Sale Agreement ("Sale Agreement") with Pacifica Companies LLC ("Buyer") to enable Buyer or its designee(s) to purchase substantially all of CNMH's assets, including real and personal property, and to assume substantially all of CNMH's liabilities. The Sale Agreement is attached to this Notice.

Specifically, Buyer has agreed to pay thirty-four million dollars ($34,000,000) in cash, to assume entrance fee repayment liabilities not to exceed $20,731,738, and to assume all of CNMH's obligations under CNMH's residency agreements with current and former residents. The net sale proceeds will be used to discharge CNMH's obligations to the debtor-in-possession lender, pay the financial advisor's commission related to the sale of its assets, pay off its debt under tax-exempt bonds and a line of credit, both insured by the Cal-Mortgage insurance program, and cover other expenses. These debts and the use of the sale proceeds are described in more detail below. In addition, a "stalking horse bidder" fee of $1,000,000 payable to Buyers will be deducted from this sum. This transaction was approved by the United States Bankruptcy Court pursuant to an order entered on February 8, 2022. Please see below for more details.

Buyer has assigned the Sale Agreement to its designees: Pacific Grove Senior Living LLC will purchase Forest Hill and Lake Merritt Senior Living LLC will purchase Lake Park. Buyer and its designees are collectively referred to in this notice as "Buyers."

Buyers intend to operate both Forest Hill and Lake Park as CCRCs, including the RCFE and SNF levels of care. At Forest Hill, Pacific Grove Senior Living LLC plans to engage 551 Gibson Ave SNF, LLC, a subsidiary of Buena Vista Healthcare, LLC, to operate the SNF, and to engage California Senior Living Management LLC to manage the RCFE. At Lake Park, Lake Merritt Senior Living LLC plans to engage AOAS LLC, a new entity created by Aspen Skilled

Healthcare, to operate the SNF, and to engage Northstar Senior Living to manage the RCFE. The management and operating agreements are attached to this Notice. All of these operators have experience operating in California or were created by companies with such experience.

BACKGROUND AND DESCRIPTION OF TRANSACTION

History of CNMH

Properties. CNMH is a California nonprofit public benefit corporation and Section 501(c)(3) public charity formed in 1955 that owns and operates Lake Park (originally called "Lake Park Retirement Residence") and Forest Hill (originally called "Forest Hill Manor"). Forest Hill has been serving seniors on the Monterey Peninsula since 1955 and Lake Park has been serving seniors in the San Francisco Bay Area since 1965. Both communities provide residential living, assisted living, and skilled nursing facilities on one campus. Both were renovated using proceeds from a 2015 tax-exempt bond financing. CNMH purchased the Office Building in 1963 and has used it as its corporate office since that date.

Governance. CNMH has a self-perpetuating board of trustees ("Board"), including one resident trustee nominated by the resident association as provided in California's continuing care law. CNMH has no corporate members. CNMH was originally affiliated with the California-Nevada Conference, United Methodist Church (the "Conference"). However, in June 2019, that relationship was severed by mutual agreement of the parties.

Tax-exempt Bonds. In 2015, CNMH borrowed $32,920,000 in insured tax-exempt revenue bonds (1) to refinance prior bonds at more favorable rates and to extend the term, thus reducing annual debt service; and (2) to make over $6 million in renovations to the apartments and common areas at Lake Park and Forest Hill. The bonds are insured by the State of California's Cal-Mortgage insurance program. The Issuer is the California Health Facilities Financing Authority. The longest term bonds will mature in 2045. The official statement for this financing and other related information can be found at https://emma.msrb.org//IssueView/Details/ER371931. The current balance of the bonds is $29,595,000. CNMH is currently in default under the bonds: it has stopped making semi-annual debt service payments and its debt service reserve has been depleted.

Reasons for Selling CNMH's Assets. CNMH has had financial difficulties for several years, starting when CNMH expanded Forest Hill. The expansion opened in 2008, during the heart of the recession. Over the years, these vacancies have taken a severe toll on CNMH's revenues.

CNMH has also struggled with its size. In the competitive and expensive field of senior care and housing, it is exceedingly difficult for small continuing care providers to remain financially viable given the lack of economies of scale and limited clout in the marketplace. Starting in 2016 or 2017, CNMH encountered problems meeting its liquidity and debt service coverage obligations. CNMH disclosed these issues to the Cal-Mortgage Program within the Department of Health Care Access and Information ("HCAI") and the Continuing Care Bureau of the California Department of Social Services ("DSS"). DSS is the agency that regulates CNMH's CCRC and RCFE operations. Since that time, CNMH has worked closely with both agencies to address these concerns. Unfortunately, CNMH, in consultation with DSS and Cal-Mortgage, determined that it was unable to turn around its operating losses quickly. CNMH's board therefore voted to sell its assets to or merge or affiliate with an economically stronger entity.

CNMH first attempted to sell its assets in 2018. A sale that was slated to close in February 2020 was aborted at the beginning of the COVID pandemic. We previously notified the Attorney General's office of that transaction and received its approval (in January 2020). The full details of that proposed sale are contained in the 2019 Notice.

CNMH immediately issued a second Request for Proposal (on February 29, 2020); a response was originally due March 16, 2020 but was extended to March 31, 2020 at the request of several candidates. Unfortunately, as the COVID pandemic swept the nation and shelter-in-place orders were issued, all but one candidate withdrew from consideration. That candidate proposed joint exploration potentially leading to affiliation; however, after several weeks of due diligence and discussions with regulators, the parties agreed to discontinue their talks.

During the period from March 2020 to March 2021, CNMH's financial condition deteriorated further. CNMH already had difficulty selling new continuing care contracts, its monthly fee revenues were down, and families were concerned about the time it was taking CNMH to relet apartments. (Under the "repayable" continuing care contracts and California's continuing care law, no entrance fee repayment was owed to the departing resident or estate until the same apartment was occupied by a new continuing care resident.)

The pandemic, related lock-downs, and the ban on new admissions at long-term care communities greatly exacerbated CNMH's woes. During this period, CNMH continued to meet regularly with DSS and HCAI. CNMH sought relief from HCAI, including deferrals of missed bond covenants, exemption from monthly deposits to a revenue fund designed to pay semi-annual debt service, and, ultimately, use of the debt service reserve fund to make debt service payments. At the same time, DSS required CNMH to escrow all new entrance fees. DSS had previously recorded a statutory lien on CNMH's real property for the benefit of residents.

Bankruptcy Filing and Proceedings. Given the challenges described above, CNMH determined that the best way to protect residents and address its financial challenges was to commence a Chapter 11 bankruptcy case. On March 16, 2021, CNMH filed a voluntary Chapter 11 bankruptcy case in the United States Bankruptcy Court for the Northern District of California, Oakland Division (Case No. 21-40363). On April 8, 2021 and April 19, 2021, the United States Trustee for the Northern District of California appointed an Official Committee of Unsecured Creditors (the "Committee") for the bankruptcy case.

In the opinion of CNMH and its Chief Restructuring Officer, Steven Nerger of Silverman Consulting, CNMH's substantial operating losses could not be quickly and readily reversed. For CNMH to survive, it needed to enter into a sale, affiliation, or merger transaction as soon as possible with a highly qualified and financially sound entity.

In March and April, 2021, CNMH solicited bids from three investment banks with experience in senior care and housing: Cain Brothers, Piper Sandler & Co., and B.C. Ziegler and Company ("Ziegler"). CNMH selected Ziegler based on its experience, reputation, fees, and willingness to defer its compensation until the closing of a sale transaction.

On May 20, 2021, on CNMH's motion, the Bankruptcy Court entered an order authorizing CNMH to employ Ziegler as CNMH's exclusive financial advisor to develop and implement a sale, affiliation, or merger process in accordance with a letter agreement with Ziegler dated May 18, 2021. The letter agreement is attached to this Notice.

On June 15, 2021, Ziegler circulated a four-page executive summary of the opportunity to acquire CNMH's assets (the "Executive Summary") to about 100 prospects. The Executive Summary is attached at Section 999.5(d)(2)(D). Interested persons were asked to sign a nondisclosure agreement ("NDA") before being provided with a more detailed description of the opportunity. Fifty-five entities signed the NDA. Copies of the signed NDAs are attached hereto.

On June 15, 2021, Ziegler circulated a 61-page "Confidential Memorandum" entitled "Acquisition Opportunity." The Confidential Memorandum is attached at Section 999.5(d)(2)(D). In response to the Confidential Memorandum, Ziegler elicited non-binding letters of interest from ten potential purchasers or affiliation or merger partners.

With the assistance of CNMH's bankruptcy counsel, Ziegler conducted an extensive and exhaustive de facto auction process. In an informal but transparent manner, CNMH and Ziegler encouraged interested parties to enhance their proposals. In response, Buyer and other interested parties enhanced their proposals on two or more occasions. Ultimately, Buyer made what CNMH deemed the best proposal based on price and the following factors: Buyer's senior care experience, qualifications, financial strength, willingness and ability to assume and perform all contractual obligations to residents and former residents (or their successors), experience with California regulators, absence of third-party financing contingencies, and ability and willingness to close quickly.

On October 13, 2021, CNMH entered into a precursor of the Sale Agreement with Buyer. The Sale Agreement was amended on October 18, 2021 and was amended and restated again on November 16, 2021. (The Sale Agreement and amendments are attached at Section 999.5(d)(1)(B).) After performing an inspection of the two communities, on November 30, 2021, Buyer gave notice of its intent to terminate the Sale Agreement based on concerns it had about the physical condition of and need for substantial capital expenditures at Lake Park. Between December 1 and 3, 2021 CNMH and Buyer had several telephone meetings to discuss options to enable the transaction to proceed. On December 3, 2021, Buyer telephonically expressed its desire to end the initial Sale Agreement.

At this stage, based on consultations with counsel for HCAI, DSS, and other interested parties, CNMH decided to pursue an auction pursuant to Section 363 of the United States Bankruptcy Code. Buyer agreed to serve as the "stalking horse" bidder at a starting bid of $30,000,000.

The auction was conducted by Hanson Bridgett as debtor's counsel on February 2, 2022. The minimum bidding increment was $250,000. Buyer and Heritage Campus Group ("Heritage") bid against each other until Heritage submitted the final bid of $34,250,000. Ultimately, based on consultations with Ziegler and various interested parties, Buyer was selected as the winning bidder at $34,000,000 because of the factors recited above and because its offer was more aligned with CNMH's interests than Heritage's offer. Not only did Heritage's offer require the closing of a new bond financing, which could have delayed closing the sale, but the offer would have burdened the new provider with a substantial amount of new debt that could have compromised the financial viability and strength of the new provider.

On February 8, 2022, on CNMH's motion, the Bankruptcy Court entered an order approving the sale of CNMH's assets to Buyer on the terms set forth in a Sale Agreement dated December 17, 2021, as amended to reflect the winning bid ($34,000,000).

About the Buyer. Buyer is a privately-held real estate company that is based in San Diego, California. Affiliates of Buyer own and operate 84 senior living or retirement communities, of which 40 are located in California. They currently own and operate two CCRCs in California.

About the Managers and Operators. The proposed manager of the RCFE at Lake Park, Northstar Senior Living, was founded in 2008. Northstar is an experienced management company that operates 24 RCFEs in California and awaits permission from DSS to manage eight more California RCFEs. Northstar currently manages six properties owned by Buyer or its related entities. Five of these properties are located in California and one is located in Oregon.

The proposed licensee and operator of the SNF at Lake Park is a new California limited liability company ("LLC"), AOAS, LLC. Aspen Skilled Healthcare, Inc. ("Aspen"), founded in 2009, is the sole member of AOAS, LLC. Aspen is an experienced operator: it and its affiliates currently operate 27 SNFs in California. Aspen-affiliated entities operate three properties owned by Buyer or its affiliates.

The proposed manager of the RCFE at Forest Hill is California Senior Living Management LLC, a new LLC formed by and affiliated with Buyer.

The proposed licensee and operator of the SNF at Forest Hill is 551 Gibson Ave SNF, LLC, a California LLC ("Gibson") and new affiliate of Buena Vista Healthcare, LLC, a California LLC formed in 2019 ("BVHC"). BVHC operates eight SNFs in California.

SECTION 999.5(d)(1)(B)

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

The following documents have been or will be executed to effect the proposed transaction.

1. **Letter of Intent** from Buyer, dated July 23, 2021;
2. **DRAFT Purchase and Sale Agreement**, dated September 10, 2021;
3. **DRAFT Purchase and Sale Agreement**, dated October 5, 2021 (redline version);
4. **DRAFT Purchase and Sale Agreement,** dated October 13, 2021;
5. **Executed Purchase and Sale Agreement**, dated October 13, 2021;
6. **Executed Amendment to Purchase and Sale Agreement** (Lake Park and Forest Hill), extending due diligence period, dated October 18, 2021;
7. **DRAFT Amended and Restated Purchase and Sale Agreement**, dated November 17, 2021 (redline version);
8. **DRAFT Amended and Restated Purchase and Sale Agreement**, dated November 19, 2021 (redline version);
9. **DRAFT Proposed Revisions to Amended and Restated Purchase and Sale Agreement,** dated November 23, 2021;
10. **Executed Amended and Restated Purchase and Sale Agreement,** dated November 30, 2021;
11. **Intent to Terminate Amended and Restated Purchase and Sale Agreement**, pending receipt of Property Condition Report and concerns related to Lake Park, dated November 30, 2021;
12. **DRAFT Purchase and Sale Agreement – Stalking Horse Agreement,** dated December 13, 2021 (redline version);
13. **DRAFT Purchase and Sale Agreement – Stalking Horse Agreement**, dated December 14, 2021 (redline version);
14. **DRAFT CNMH Bidding Procedures,** dated December 15, 2021;
15. **DRAFT Purchase and Sale Agreement – Stalking Horse Agreement,** dated December 15, 2021 (redline version);

16. **DRAFT Purchase and Sale Agreement – Stalking Horse Agreement**, dated December 16, 2021 (redline version);

17. **DRAFT Purchase and Sale Agreement – Stalking Horse Agreement**, dated December 17, 2021 (redline version);

18. **DRAFT CNMH Bidding Procedures Motion**, dated December 17, 2021 (redline version);

19. **CNMH Motion for Entry of Order Approving Bidding Procedures, Approving Procedures for Assumption and Assignment of Executory Contracts and Unexpired Leases, Approving Stalking Horse Bidder and Break-Up Fee, and Granting Related Relief**, dated December 17, 2021;

20. **Notice of Hearing on CNMH's Motion for an Order Approving the Sale and Assumption and Assignment of Contracts, and Granting Related Relief**, dated January 14, 2022;

21. **CNMH's Motion for Order Approving Sale, Approving Assumption and Assignment of Contracts, and Granting Related Relief**, filed January 14, 2022

22. **Notice of Auction Results and Form of Purchase Agreement for Successful Bidder and Backup Bidder**, dated February 3, 2022;

23. **Notice of Successful Bidder**, dated February 3, 2022;

24. **U. S. Bankruptcy Court Order Approving Sale on Terms set forth in Stalking Horse Agreement and Stalking Horse Agreement**, dated February 8, 2022

25. **Executed Management Agreement between Pacific Grove Senior Living LLC (Owner) and California Senior Living Management LLC (Manager),** dated March 1, 2022 for management of RCFE at Forest Hill;

26. **Executed Lease and Operational Control Agreement between Pacific Grove Senior Living LLC and 551 Gibson Ave SNF, LLC** for operation of SNF at Forest Hill, dated April 1, 2022;

27. **Executed Management Agreement between Lake Merritt Senior Living LLC (Owner) and Northstar Senior Living Inc. (Manager),** dated February 25, 2022 for management of RCFE at Lake Park;

28. **Executed Lease and Operational Control Agreement between AOAS, LLC and Lake Merritt Senior Living LLC** for operation of SNF at Lake Park, dated April 1, 2022;

29. **Assignment and Assumption Agreement between Buyer as Assignor and Lake Merritt Senior Living LLC and Pacific Grove Senior Living LLC as Assignees**, dated March 1, 2022.

30. **Assignment and Assumption Agreement between Buyer as Assignor and Lake Merritt Senior Living LLC and Pacific Grove Senior Living LLC as Assignees**, dated March 1, 2022.

Letter of Intent from Buyer, dated July 23, 2021

PACIFICA
SENIOR LIVING

July 23, 2021

Dan Revie
Ziegler

RE: Offer for 2 California CCRC Communities

Dear Dan:

This letter of intent serves as an offer to purchase the above referenced property and sets forth the general terms. This offer is non-binding until the execution of the formal Purchase Agreement.

Seller:	Owning Entity
Buyer:	Pacifica Companies, LLC
Property:	The Senior Housing Assets known as "Lake Park" in Oakland, CA and "Forest Hill" in Pacific Grove, CA.
Purchase Price:	$30,000,000 cash and Buyer shall assume the outstanding refund liabilities.
Financing Terms:	None.
Buyer Deposit:	Upon the opening of Escrow, Buyer shall deposit with Escrow Company Five Hundred Thousand ($500,000) dollars applicable towards the Purchase Price. Such deposit shall be refundable until the expiration of the Due Diligence Period, at which time the deposit shall become non-refundable unless Buyer has properly canceled this transaction during the Due Diligence Period.
Contract Timing:	Within five (5) business days after mutual execution of this Letter of Intent, Buyer shall prepare a complete Purchase Agreement ("Purchase Agreement") for execution by Buyer and Seller.

Opening of Escrow:	Three (3) business days after execution of the Purchase Agreement, Buyer and Seller shall open Escrow to complete the transaction and Buyer shall deliver the Deposit to Escrow.
Close of Escrow:	Lake Park and Forest Hill shall close on or before 30 days after expiration of due diligence or as soon as permissible by State Licensure.
Title & Escrow:	Chicago Title, San Diego, California.
Due Diligence Period:	Buyer shall have Forty Five (45) days from the receipt of all due diligence materials to perform all inspections and tests as required by Buyer, to arrange financing, and to conduct any and all other due diligence as Buyer may desire in its absolute discretion. Buyer may cancel this transaction by written notice at any time during the Due Diligence Period for any reason in its sole and absolute discretion and receive a refund of the Deposit and all accrued interest thereon.
Seller's Documents:	Seller shall provide to Buyer, within three (3) days of Opening of Escrow, any and all due diligence materials as are reasonably requested by Buyer and which are in the possession of Seller. Buyer to submit a due diligence list to Seller in conjunction with the Purchase Agreement.
Operation of the Property:	During the pendency of this transaction, Seller agrees to refrain from entering into any non-resident related leases, contracts or modifications to the same that affect the Property.
Broker:	Buyer represents that it has only dealt with Dan Revie of Ziegler. Seller shall pay any and all Broker commission per separate agreement.
Representations and Warranties:	Seller represents to Buyer that Seller has no actual knowledge regarding any violations of applicable codes, laws, and statutes relating to the Property, including, but not limited to, building codes, all seismic codes and any environmental law. This representation shall not give rise to any duty of inquiry on the part of Seller but is limited to Seller actual knowledge.

Standard Contract Clauses:	The comprehensive contracts contemplated under this Letter of Intent shall all have standard contract clauses including, but not necessarily limited to, the following: Licensure provisions Attorneys fees to prevailing party in any legal dispute Integration Clause No amendment except by writing signed by all parties State law to govern Severability Execution in Counterparts Allowed Time of the Essence
Confidentiality:	Buyer and Seller agree that all terms of this Letter of Intent and the Purchase Agreement shall remain confidential and shall not be disclosed to third parties, excepting legal and financial advisors of Buyer and Seller, Escrow Company, staff personnel, and those parties necessary to arrange and fund the acquisition and development financing.

It is expressly agreed by Seller and Purchaser that this Letter of Intent is non-binding on Purchaser and Seller, and Purchaser and Seller will have no contractual obligation to purchase or sell the Property prior to the execution and delivery of the Purchase Agreement. No legal obligation is intended to be created by this Letter of Intent or by any written or oral statements, negotiations or promises between the parties hereto, directly or through any representatives, with the exception of statements and promises expressly set forth in the Purchase Agreement. Moreover, this Letter of Intent will not give rise to any rights based on any legal theory, it being intended that only the

subsequent formal written Purchase Agreement, executed and delivered by both parties hereof, will bind the parties with respect to any matter covered by this Letter of Intent. If this Letter of Intent is not executed by both parties with ten (10) days it will expire.

Sincerely,

Pacifica Companies LLC
A California limited liability company

By: _____
Adam Bandel

ACCEPTED AND AGREED TO:

Seller:

By:_____ Dated:_____

DRAFT Purchase and Sale Agreement, dated September 10, 2021

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this "Agreement") is as of September __, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation ("Seller").

RECITALS

A. Seller owns four parcels of improved real property as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park independent living, assisted living, congregate care and skilled nursing facility located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill independent living, assisted living, congregate care and skilled nursing facility located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto (Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Lake Park and Forest Hill are each improved with an independent living, assisted living, and skilled nursing facilities (the "Facilities" and each, a "Facility"). The Corporate Office, Lake Park, Forest Hill and the PG Parking Garage shall be referred to herein as the "Premises" and the Premises, the Facilities and certain other property and interests (as more particularly defined below) are hereinafter collectively referred to as the "Assets".

C. Seller wishes to sell the Assets to Buyer and Buyer wishes to purchase the Assets from Seller upon the terms and conditions more particularly set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Agreement, the following terms have the meanings specified below, and include the plural as well as the singular:

"*Action*" means that certain case filed in the Bankruptcy Court for the Northern District of California, Oakland Division identified as *In Re: California-Nevada Methodist Homes*, Case No. 21-40363.

"*Agencies*" means collectively any and all agencies and departments responsible for licensure of assisted living facilities, skilled nursing facilities and congregate care facilities in the State or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*Assets*" means (i) the Premises, (ii) the Facility, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facility, to the extent and only to the extent same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality privileges), and all books and records of the Facility existing and physically located at the Facility or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, (viii) all rights to telephone numbers used solely by the Facility, and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facility. The Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Assumed Contracts*" means (a) the obligations of Seller for the Resident CCRC Deposits, and (b) only those other contracts, commercial leases and other agreements which Buyer, prior to the expiration of the Due Diligence Period, agrees in writing to assume, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or expenses relating to the Assumed Contracts which accrue or are to be performed after the Closing Date. Notwithstanding the foregoing, or anything else set forth elsewhere herein, other than Seller's liability under the Resident CCRC Deposits, Buyer shall not be required to assume any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume any contracts, commercial leases and/or other agreements, then the same shall be listed on Schedule 1(b), initialed by Buyer and delivered along with Buyer's Approval Notice prior to the expiration of the Due Diligence Period.

"*Broker*" means the persons or entities identified in Section 19 of this Agreement.

"*Buyer's Approval Notice*" has the meaning given such term in Section 7.2 of this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be no later than thirty (30) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Due Diligence Period*" means the period beginning on the date of Buyer's receipt of all Due Diligence Materials and ending upon the completion of forty-four (44) days thereafter, during which Buyer may terminate this Agreement, as provided in Section 7.2 of this Agreement; provided, however, that, if property condition and environmental reports are not completed within the initial Due Diligence Period, Buyer shall deliver a conditional Election Notice prior to the expiration of initial Due Diligence Period identifying the incomplete report(s) and shall then have an additional fourteen (14) days within which to cancel this transaction, but only on the basis of material and significant issues arising under such report(s).

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 4 of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Excluded Items*" means all cash, cash equivalents, bank accounts or accounts receivable, as well as any item relating to the Facility or the Premises that is not an Asset.

"*Facility*" has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facility and physically located on the Facility as of the Effective Date, excluding the Excluded Items.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the actual knowledge of _____ ***[need to include property manager, asset manager and officers of seller entity]***.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facility from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of ten percent (10%) or more, for any reason, in the monthly occupancy and/or net operating income for the Property from the month immediately preceding the Effective Date compared to any month from the Effective Date to the Closing Date.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not a Permitted Encumbrance and which (i) materially and adversely affects the current use of the Premises, and (ii) the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Permitted Encumbrances*" has the meaning set forth in Section 6.1 of this Agreement.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement.

"*Regulatory Clearances*" means receipt by Buyer of (i) a license issued by the Agency to operate the Facility of the type and kind which is substantially consistent with the operations of the Facility as of the Effective Date, (ii) the Transfer of the Provider Agreements, and (ii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. In the event a new license to operate the skilled nursing components of the Facilities is not issued by the CA Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement pending such CDPH licensing at no cost to Buyer.

"*Resident CCRC Deposits*" means those deposits made by residents at the Facilities under continuing care contracts as set forth on **Schedule 2.5** attached hereto. Any refundable or non-refundable Resident deposits received from the Effective Date to the Closing, under continuing care contracts or otherwise, will be held in escrow and given to Buyer at the Closing.

"*Residents*" means residents in occupancy at the Facilities pursuant to residency agreements.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Transfer of the Provider Agreements*" means, collectively, (a) the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies), and (b) the issuance of (i) a Medi-Cal provider agreement to Buyer (or its designee) by the Medi-Cal Provider Certification office and (ii) a Medi-Cal billing number to Buyer (or its designee) by the Medi-Cal Provider Enrollment office for the Facility(ies).

Section 2. Sale and Purchase of Assets.

Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date.

2.1 Purchase Price. The total Purchase Price (the "Purchase Price") for the Assets is Thirty-Nine Million Three Hundred Thousand and No/100 Dollars ($39,300.000.00) payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration with Escrow Agent in accordance with Sections 4.1, 4.2 and 4.3;

(b) Buyer shall execute a note secured by the Assets in the principal amount of Twenty Million Six Hundred Twenty-Five Thousand and No/100 Dollars ($20,625,000.00) in favor of Seller ("the Note"), which Note shall be assigned by Seller to Cal-Mortgage. The Note will have a term of 5-years, bear a fixed interest rate of 3.00%, and be interest-only throughout the term.

(c) Buyer shall assume Seller's liability under the Resident CCRC Deposits in the maximum amount of $20,993,000, subject to audit, verification and proration at or prior to the Closing.

(d) The balance of the Purchase Price not covered by the Earnest Money, the Independent Consideration, the Note and assumption of the Resident CCRC Deposits shall be paid in cash by Buyer at the Closing.

(e) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (e) of Section 2.7. The provisions of this Subsection (e) of Section 2.7 shall survive the Closing.

Lake Park:

Real Property:	$_____
Personal Property:	$_____
Goodwill:	$_____
Total:	$_____

Forest Hill:

Real Property:	$_____
Personal Property:	$_____
Goodwill:	$_____
Total:	$_____

2.2 Assumption of Certain Contracts. Buyer expressly agrees to accept and assume the Assumed Contracts on the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts arising on or after the Closing Date.

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall include (i) copies of any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer.

(b) Resident Rents and Services Fees. Residents' rents and service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that all Resident rents and service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident rents and service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident rents shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of the Facility will be terminated by Seller effective on or before the Closing Date. At the time of termination, such terminated employees will receive a final paycheck in accordance with applicable law, and pursuant to Section 9.1 hereof.

2.5 Resident Deposits. With respect to any security deposits or similar amounts posted by Residents of the Facility with Seller prior to Closing, including, without limitation, the Resident CCRC Deposits and any other amounts collected by Seller attributable to a Resident's last month's rental payment pursuant to any applicable residency agreement with Seller (the "Last Month's Rent"), Buyer shall receive a credit for such amounts. A schedule showing the amounts of all such Last Month's Rent, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facility as of the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonably best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current rents due (and if collected in the month in which the Closing occurs, such rents shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

Section 3. Closing.

3.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail.

3.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) a Grant Deed (the "Deed") to the Premises, in the form attached hereto as **Schedule 3.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 3.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, in the form attached hereto as **Schedule 3.2(c)**, by which (i) Seller assigns to Buyer, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any Assumed Contract to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of Florida law, if any;

(e) written authorization from Cal-Fed that all conditions relating to the assignment of the Note and related documents have been assigned by Seller to Cal-Fed;

(f) a closing statement setting forth the Purchase Price, the amounts of all prorated items and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(g) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(h) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(i) Evidence of court approval, in the Action, of an Order for Sale under Section 363 of the US Bankruptcy Code as contemplated in Section 5.2 of this Agreement; and

(j) any other documents necessary to close Escrow.

3.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Seller Financing Documents;

(e) the Closing Statement;

(f) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(g) any other documents necessary to close Escrow.

3.4 Records and Resident Funds. At Closing, Seller shall deliver possession to Buyer at the Facility of any and all records or written documents located at the Facility or otherwise in Seller's possession or control and relating to Residents of the Facility, including, but not limited to, all contracts, applications, and correspondence relating to such Residents. For a period of three (3) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of three (3) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.4 shall survive the Closing.

3.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facility of any and all records or written documents physically located at the Facility and relating to employees of the Facility who are actually employed by Buyer on the Closing Date. For a period of three (3) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of three (3) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.5 shall survive the Closing.

Section 4. Earnest Money and Provisions Regarding the Escrow Agent.

4.1 Earnest Money. Seller acknowledges and agrees that within one (1) business day of the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of Five Hundred Thousand and No/100 Dollars ($500,000.00) ("Earnest Money"). Escrow Agent is hereby directed to deposit the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. If Buyer delivers to Escrow Agent Buyer's Approval Notice prior to or at the expiration of the Due Diligence Period, the Earnest Money shall become nonrefundable (except to the extent Seller defaults on its obligations hereunder or a condition precedent to Buyer's obligations is not satisfied or waived in writing by Buyer in accordance with the provisions of Section 13 hereof), and shall be held in escrow by Escrow Agent until Closing or the earlier termination of this Agreement. If this Agreement is terminated or deemed terminated during or at the end of the Due Diligence Period (or within the additional 14-day period described in the definition of *Earnest Money Deposit* in Section 1, above), Escrow Agent shall release the Earnest Money (and all interest earned thereon), or any portion thereof being held in Escrow, to Buyer. Following such release of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than those arising from a party's breach of this Agreement).

4.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

4.3 Independent Consideration. Buyer shall deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent

Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. If Buyer elects to terminate this Agreement for any reason other than Seller's default, Seller shall retain the Independent Consideration. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 5. Certain Actions Prior to Closing.

5.1 Governmental Approvals. Within thirty (30) days following the expiration of the Due Diligence Period, Buyer shall submit applications for the Regulatory Clearances to the Agencies and the Attorney General of the State of California, together with applications for any other licenses or permits that Buyer in its discretion deems may be necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date; provided, however, that Buyer shall have such additional time as reasonably necessary to submit the application(s) to the CDPH for the licenses needed to operate the skilled nursing components of the Facilities. Buyer shall pay all costs associated with such applications and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

5.2 Order for Sale. Within ten (10) days of the Effective Date, Seller shall file with the Court in the Action a motion for approval of sale under Section 363 of the U.S. Bankruptcy Code. Seller shall diligently prosecute such motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Approvals.

Section 6. Title Condition.

6.1 Premises Title Requirements. Within three (3) business days after the Effective Date, Seller shall deliver to Buyer a preliminary title report issued by Title Company describing the state of title of the Property, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Buyer shall notify Seller in writing ("Buyer's Title Objection Notice") of any objections Buyer may have to title exceptions contained in the Preliminary Title Report prior to the expiration of the Feasibility Period. Any and all exceptions to title that are capable of being removed as exceptions by payment of a fixed and liquidated sum of money shall be automatically deemed objected to by Buyer. Seller shall have a period of three (3) business days after receipt of Buyer's Title Objection Notice in which to deliver written notice to Buyer ("Seller's Title Notice") of Seller's election to either (i) agree to remove the objectionable items prior to the Close of Escrow, or (ii) decline to remove any such title exceptions. If Seller fails to deliver a Seller's Title Notice, Seller shall be deemed to have declined to remove any such objectionable items. If Seller notifies Buyer of its election to decline to remove any or all such objectionable items, Buyer shall have the right, by written notice delivered to Seller within five (5) business days after Buyer's receipt of Seller's Title Notice, to elect between either, (iii) accepting the cancellation of escrow, in which event the entire Deposit shall be immediately released to Buyer; or (iv) to agree to accept

the Property subject to the objectionable items, in which event Seller's election to terminate the Escrow shall be of no effect, and Buyer shall take title at the Close of Escrow subject to such objectionable items. Upon the issuance of any amendment or supplement to the Preliminary Title Report which adds additional exceptions, the foregoing right of review and approval shall also apply to said amendment or supplement (provided that the period for Buyer to review such amendment or supplement shall be the later of the expiration of the Feasibility Period or three (3) business days from receipt of the amendment or supplement) and Escrow shall be deemed extended by the amount of time necessary to allow such review and approval in the time and manner set forth above; provided, however, that in no event shall the Close of Escrow be extended as a result of such delay for more than thirty (30) days.

6.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture or Equipment from the Facility prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agency. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

6.3 Surveys. To the extent required by Lender, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 7. Inspections and Review - Due Diligence Period.

7.1 Documents to be Delivered to Buyer. Seller has delivered to Buyer or shall deliver within three (3) days following the Effective Date, the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, salary or pay rate, incentive compensation, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last five (5) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures and/or budgets for the three (3) year period prior to the Effective Date;

(k) any and all management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may request, relating to the Assets in Seller's possession or control; and

(m) most recent appraisal, if any, of the Facility and/or the Assets.

Prior to the Close of Escrow, Buyer shall have the right to request any additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

7.2 Refund of Deposit Upon Termination. Beginning on the Effective Date and continuing until the Close of Escrow or earlier termination of this Agreement, Buyer, at its expense, shall have access to, and the right to examine the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections). In the event that such examination of the Assets, the books and records, the Premises and such environmental assessments are satisfactory to Buyer, Buyer shall deliver to Escrow Agent and Seller, prior to the expiration of the Due Diligence Period, written notice that Buyer approves its feasibility analysis ("Buyer's Approval Notice"). If Buyer fails to deliver Buyer's Approval Notice prior to the expiration of the Due Diligence Period, Buyer shall be deemed to have disapproved its feasibility analysis, whereupon Buyer shall be entitled to

a refund of the Earnest Money, and this Agreement shall terminate and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof.

7.3 Access. At reasonable times and upon reasonable advance notice at all times during the Due Diligence Period and prior to Closing, Seller shall permit Buyer and Buyer's officers, directors, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facility, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 8. Certain Expenses and Closing Adjustments.

8.1 Expenses of Transaction. Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. Seller shall pay the cost of obtaining and recording any documents to release Liens encumbering the Premises which Seller is obligated to release hereunder. The Escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Escrow shall be paid in accordance with the custom of the County in which the Facility is located.

Section 9. Employment Matters.

9.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

9.2 Representations. Seller represents that, to its knowledge it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. There are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of

contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. There are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 9.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

9.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Seller agrees that Buyer may, in Buyer's sole and absolute discretion, offer employment and hire Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, if any, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion.

9.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that might lead Seller's employees to believe that Buyer is obligated to hire any of Seller's employees or that Buyer will provide any particular level of wages or benefits to the employees of Seller that Buyer elects to hire. Buyer acknowledges the existing but expires union collective bargaining contract at Lake Park, which contract shall not be assumed by Buyer. Buyer disclaims responsibility for any pension liabilities and shall not assume any withdrawal liability of Seller. Seller shall pay or discharge in the Action any and all employment liability including, by way of example and not by limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

9.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

9.6 WARN Act. To the extent applicable, Seller agrees to provide any required notice under the WARN Act and/or or any other applicable state law and to otherwise comply with any such statute(s) with respect to any "plant closing" or "mass layoff" (as defined in the WARN Act or any applicable state counterpart statute) affecting employees and occurring before or after the Closing Date. Seller shall indemnify and hold harmless Buyer with respect to any liability under the WARN Act or other applicable law arising from the actions take by Seller before or after the Closing Date.

Section 10. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facility or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facility or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement.

Section 11. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

11.1 Organization. Seller is a non-profit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

11.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the partners (whether general or limited) of Seller to authorize Seller to enter into and carry out this Agreement and to sell the Assets, have been properly taken. Other than obtaining Court approval in the Action, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder. Other than obtaining Court approval in the Action, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval in the Action, this Agreement is, and the other documents to be delivered by Seller pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

11.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

11.4 Taxes. To the best of Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facility have been paid current and there is no pending

claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facility.

11.5 No Condemnation Proceeding. There is not pending or, to the best of Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

11.6 Compliance with Licensure Requirements. To the best of Seller's knowledge, the Facility currently complies in all material respects with all standards and conditions for the operation and licensure of an assisted living facility imposed by the Agency to the extent such standards and conditions are applicable to the Facility. The physical condition of the Facility, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections.

11.7 Violations. There is no pending or, to the best of Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facility (including, but not limited to, any Department of Labor investigation or proceeding); and, to the best of Seller's knowledge, there is no condition existing with respect to the Premises or Facility that violates any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requiring any improvement, alteration, addition, correction or other work on or about the Premises or Facility, whether related to the Premises or Facility or to the activities of any owner or occupant thereof.

11.8 Litigation. Subject to the disclosures set forth on **Schedule 11.8** hereto, and other than the Action, there is no litigation, arbitration or proceeding pending, or to the best of Seller's knowledge, threatened, before any court or administrative agency or any other condition that relates to or affects the Premises or the Facility, Seller's performance hereunder, or which will result in a lien, charge, encumbrance or judgment against any part of or any interest in the Premises or the Facility.

11.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

11.10 No Other Representation and Warranties. NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY: (I) BUYER ACKNOWLEDGES AND AGREES THAT SELLER IS NOT MAKING (AND HAS NOT MADE) ANY REPRESENTATION OR WARRANTY WHATSOEVER, WHETHER EXPRESS OR IMPLIED (INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OR REPRESENTATION AS TO THE VALUE, CONDITION, MERCHANTABILITY OR SUITABILITY OF ANY OF THE ASSETS) OR CONTAINED, OR REFERRED TO, IN ANY MATERIALS (INCLUDING, WITHOUT LIMITATION, PROJECTIONS, FORECASTS, BUDGETS AND ESTIMATES) THAT HAVE BEEN PROVIDED TO BUYER, AGENTS OR REPRESENTATIVES BEYOND THOSE EXPRESSLY GIVEN BY THE SELLER IN THIS AGREEMENT, AND (II) IT IS UNDERSTOOD THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES CONTAINED HEREIN, BUYER TAKES THE ASSETS "AS IS," "WHERE IS" AND "WITH ALL FAULTS."

Section 12. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

12.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the States of California and Florida, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. Buyer has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agency for Buyer to operate the Facility. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

12.3 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

12.4 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution in order to fulfill its obligations hereunder.

Section 13. Conditions to Parties' Obligations.

13.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, which may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 11 above shall be true as of the date of Closing.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Action shall have granted Seller's motion for sale of the Assets as contemplated in Section 5.2 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has occurred with regards to the Premises, the Facility or the other Assets after the expiration of the Due Diligence Period.

(g) No MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

(h) If any of the conditions precedent set forth in set forth in this Section 13.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer and, if such failure of condition is as a result of a willful act of Seller, pay to Buyer its actual out-of-pocket expenses supported by copies of actual invoices incurred in investigating the Assets up to a maximum amount of $50,000, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

13.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, which may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 12 above shall be true as of the date of Closing.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations as set forth in this Agreement.

(c) Order of Sale. The Court in the Action shall have granted Seller's motion for sale of the Assets as contemplated in Section 5.2 of this Agreement.

(d) If any of the conditions precedent set forth in this Section 13.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 14. Indemnification.

14.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim, judgment, liability or expense, including court costs and reasonable actual attorneys' fees (collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the

Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any covenant, undertaking, agreement or other obligation of Seller under this Agreement.

14.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future director, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

14.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Article 14 shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 14.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

14.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a

complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

14.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment, subject to the Basket Amount and Cap. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

14.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 14 shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 14 to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 15. Conduct of Business Pending Closing.

15.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facility nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, and Seller shall ensure that the

goodwill and operations of the Facility and the relationships with Residents and employees are preserved in the ordinary course of the business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facility and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any contract, agreement, lease or other commitment with respect to the Facility, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any affirmative change in key personnel at the Facility, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements.

15.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may be required pursuant to Section 9.1 hereof.

15.3 Insurance. From the date hereof until the Closing Date, Seller shall continuously maintain insurance on the Facility at no less than the levels maintained on the date hereof. Seller shall maintain "tail" coverage with respect to its professional liability insurance policy for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 16. Transition.

16.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facility arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facility arising after the Closing which may be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to current obligations and then to delinquencies.

16.2 Cooperation. Seller and Buyer each agrees to cooperate with the other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facility.

16.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the Facilities as contemplated under this Agreement will constitute a change of ownership of the Facilities for purposes of participation in the Medicare program and will effect an automatic assignment of the Facility's Medicare provider agreement and provider number to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the Facility's Medicare provider agreement or provider number. Seller and Buyer (or its designee)

will act diligently to make all necessary notifications and filings required under Applicable Law for Buyer (or its designee) to become the Medicare provider at the Facility. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the Facilities as promptly as practicable following the expiration of the Due Diligence Period. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the Facility from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facility or (b) this Agreement is terminated in accordance with its terms.

16.4 New Medi-Cal Provider Applications. Seller and Buyer (or its designee) acknowledge that in order to allow Buyer (or its designee) to use Seller's Medi-Cal provider numbers with respect to the Facility until new Medi-Cal provider numbers are issued to Buyer (or its designee), Seller and Buyer (or its designee) are required to comply with the Medi-Cal program's successor liability and joint and several liability requirements pursuant to 22 CCR § 51000.32. No later than five (5) Business Days following the expiration of the Due Diligence Period, Seller and Buyer (or its designee) shall complete, execute and submit Successor Liability with Joint and Several Liability Agreements (Form DHS 6217) to the California Department of Health Care Services, and no later than thirty-five (35) days following the expiration of the Due Diligence Period, Buyer (or its designee) shall complete, execute and submit new Medi-Cal provider application packages and make all other necessary filings required under Applicable Law for Buyer (or its designee) to become the Medi-Cal provider at the Facility.

16.5 Interim Medi-Cal Provider Billing. Subject to the terms and provisions of this Agreement and to the extent permitted by Applicable Law, Buyer (or its designee) may bill under Seller's Medi-Cal provider enrollment agreement and use Seller's provider number for the Facilities from the Effective Date until the earlier of the date that (a) Buyer (or its designee) becomes the Medi-Cal provider at the Facilities or (b) this Agreement is terminated in accordance with its terms.

16.6 Cost Reports. Seller shall prepare and file any Medicare and/or Medi-Cal cost reports for the Facilities related to the period prior to the Effective Date. Following the Effective Date, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare and/or Medi-Cal cost reports with respect to claims filed with Medicare and/or Medi-Cal for the Facilities prior to the Effective Date, and Buyer (or its designee) shall provide Seller with such Facility Records as Seller reasonably requests to complete such final cost reports.

16.7 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services.

Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

16.8 Survival. The provisions of this Section 16 shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 17. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders.

Section 18. Default.

18.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 4, BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

18.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer, and Buyer shall be allowed to pursue a damage remedy against Seller; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

18.3 Survival. The provisions of this Section 18 shall survive the termination of this Agreement.

Section 19. Broker. Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie of Ziegler.com ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 20. Miscellaneous.

20.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

20.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

20.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire understanding and

agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

20.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 4 hereof.

20.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered, sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:

_____
_____
_____
_____
_____

If to Purchaser:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Phone: (619) 296-9000
Fax: (619) 296-9090
E-Mail: Disrani@pacificacompanies.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent

20.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

20.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

20.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

20.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

20.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

20.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Close of Escrow and delivery of the Deed.

20.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

20.14 Assignment. Buyer may assign Buyer's rights under this Agreement, in whole or in part, without the prior written consent of Seller, provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing. Seller shall have no right to assign Seller's right under this Agreement, in whole or in part, without the prior written consent of Buyer.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller

Purchaser

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By:_____
Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

SCHEDULE 2.5

Assumed Contracts

1. All residency agreements in effect as of the execution of this Agreement to the extent same have not been cancelled or terminated prior to the Closing, together with all residency agreements entered into by Seller during the term of this Agreement, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Rent (see attached rent roll)

3. Resident CCRC Deposits as follows:

	Forest Hill	Lake Park	Totals
Repayable	$ 5,985,251	$ 12,893,010	$ 18,878,261
Contingent		$ 2,115,126	$ 2,115,126
Total	**$ 5,985,251**	**$ 15,008,136**	**$ 20,993,387**

4. All commercial leases, contracts and agreements relating to the Facility shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the expiration of the Due Diligence Period, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 1(b):

[Buyer to list]

_____

_____

_____

SCHEDULE 2.7

Purchase Price Allocation

SCHEDULE 3.2(a)

GRANT DEED

To be provided by Title Company

SCHEDULE 3.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 2021.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture, Equipment and Inventory (as such terms are defined in that certain Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park independent living, assisted living, congregate care and skilled nursing facility located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill independent living, assisted living, congregate care and skilled nursing facility located at 511 Gibson Ave., Pacific Grove, CA 93950 (Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE 3.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 2021, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of September ___, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park independent living, assisted living, congregate care and skilled nursing facility located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill independent living, assisted living, congregate care and skilled nursing facility located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto (Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Agreement, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests' and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its best efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contract for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contract to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any

persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:

By: _____

By: _____

Its:

BUYER:

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By:_____
Deepak Israni, Secretary

SCHEDULE 11.8

Litigation

DRAFT Purchase and Sale Agreement, dated October 5, 2021
(redline version)

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this "Agreement") is as of October _, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case") that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities, in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto (Forest Hill" and, together with Lake Park, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items as defined below.

"*Assumed Contracts*" means (a) all residency agreements in effect as of the execution of this Agreement, including, without limitation, life care, continuing care, and monthly fee (non-continuing care) agreements, and any and all contractual obligations to repay all or a portion of entrance fees paid or deposited by residents, and (b) only those other contracts, commercial leases and other agreements which Buyer, prior to the expiration of the Due Diligence Period, as defined herein, agrees in writing to assume, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume any

contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume any contracts, commercial leases and/or other agreements, then the same shall be listed on Schedule 1(b), initialed by Buyer and delivered along with Buyer's Approval Notice prior to the expiration of the Due Diligence Period.

"*Broker*" means the persons or entities identified in Section 19 of this Agreement.

"*Buyer's Approval Notice*" has the meaning given such term in Section 7.2 of this Agreement.

"*Case*" means that certain voluntary chapter 11 case that was commenced by Seller on March 16, 2021 in the United States Bankruptcy Court for the Northern District of California, Oakland Division, identified as *In Re: California-Nevada Methodist Homes*, Case No. 21-40363.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Due Diligence Period*" means the period commencing upon September 20, 2021 and ending at 5:00 pm Pacific time upon ~~October 19~~November 11, 2021, during which Buyer may terminate this transaction without cause or penalty or forfeiture; ~~**provided, however that**, if Buyer orders or commissions property condition reports and/or environmental reports that have not been completed by October 19, 2021, the Due Diligence Period shall be extended for a period of fourteen (14) days ("Due Diligence Extension Period"), until the close of business on November 2, 2021 and, during such Due Diligence Extension Period, Buyer may terminate this transaction without penalty or forfeiture only upon a showing of significant and material issues arising under such property condition and/or environmental reports.~~

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 4 of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof.

The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Excluded Items*" means all cash, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, ~~–~~including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of ~~Robert Leeper,~~ the chief financial officer of the Seller~~,~~ and the executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, in the monthly occupancy and/or net operating income for the Property from the month immediately preceding the Effective Date compared to any month from the Effective Date to the Closing Date.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not a Permitted Encumbrance, which materially and adversely

affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Permitted Encumbrances*" has the meaning set forth in Section 6.1 of this Agreement.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"Provider Agreements" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of existing Provider Agreements or issuance of new Provider Agreements, and (ii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in Schedule __ and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the CA Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"Repayment Liability" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Repayments*" means those entrance fee payments made by residents at the Facilities under continuing care contracts as set forth on **Schedule 2.5** attached hereto. The repayable portion of any Resident Entrance Fee Repayments received from the Effective Date to the Closing, under continuing care contracts or otherwise, will be held in escrow and given to Buyer at the Closing.

"*Residents*" means residents in occupancy at the Facilities pursuant to residency agreements.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

~~*"Total Consideration"* means the Purchase Price defined in Section 2.1 plus the Repayment Liability defined in Section 2.2 of this Agreement. The Total Consideration shall be Sixty Million Two Hundred Ninety-Three Thousand and No/100 Dollars ($60,293,000.00).~~

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies). ~~[CNMH does not participate in the Medi-Cal program.]~~

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date.

2.1 Purchase Price. The total Purchase Price (the "Purchase Price") for the Assets shall be Thirty-Nine Million Three Hundred Thousand and No/100 Dollars ($39,300,000.00) payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration with Escrow Agent in accordance with Sections 4.1, 4.2 and Section 5. ~~4.3~~;

(b) Buyer shall execute a promissory note secured by a security interest and deeds of trust in the Assets in the principal amount of Twenty Million Six Hundred Twenty-Five Thousand and No/100 Dollars ($20,625,000.00) in favor of Seller ("the Note" and "Security Instruments"), which Note and Security Instruments shall be assigned by Seller to the California Office of Statewide Health Planning and Development ("OSHPD"). The Note will have a term of 5 years, bear a fixed interest rate of 3.00%, and be payable on an interest-only basis throughout the term. The form and substance of the Note and Security Instruments shall be reasonably acceptable to both Seller and OSHPD. If Buyer is an entity other than Pacifica Companies LLC, the latter shall provide a guaranty of the Note that is in form and substance reasonably acceptable to both Seller and OSHPD or shall provide other assurances that are reasonably acceptable to Seller and OSHPD;~~,~~

(c) The balance of the Purchase Price not covered by the Earnest Money, the Independent Consideration, and the Note shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be Eighteen Million Six Hundred Seventy-Five Thousand and No/100 Dollars ($18,675,000); and.

(d) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (e) of Section 2.7. The provisions of this Subsection (e) of Section 2.7 shall survive the Closing.

Lake Park:

Real Property:	$16,347,500
Goodwill:	$8,802,500
Total:	$25,150,000

Forest Hill:

Real Property excluding PG Parking Garage:	$8,197,500
PG Parking Garage:	$1,000,000——————[Please confirm.]
Goodwill:	$4,952,500
Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to accept and assume the Assumed Contracts on and after the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume Seller's liability for the Resident Entrance Fee Repayments (the "Repayment Liability") in the maximum amount of Twenty Million Nine Hundred Ninety-Three Thousand and No/100 Dollars ($20,993,000), subject to audit, verification and proration at or prior to the Closing.

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include of any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the Counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and

expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective on as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 9.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

Section 3. Closing.

3.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

3.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) a Grant Deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 3.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 3.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, in the form attached hereto as **Schedule 3.2(c)**, by which (i) Seller assigns to Buyer, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any Assumed Contract to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) written acknowledgment from the California Office of Statewide Health Facility Planning and Development ("OSHPD") that all conditions relating to the assignment of the Note, Security Instruments, and related documents to OSHPD have been satisfied ;

(f) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(g) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(h) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(i) Evidence of entry of a final Order approving the Sale in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 5.2 of this Agreement; and

(j) any other documents necessary to close Escrow.

3.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Seller Financing Documents;

(e) the Closing Statement;

(f) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(g) any other documents necessary to close Escrow.

3.4 Resident Records . At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.4 shall survive the Closing.

3.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.5 shall survive the Closing.

Section 4. Earnest Money and Provisions Regarding the Escrow Agent.

4.1 Earnest Money. Seller acknowledges and agrees that (i) within one (1) business day of the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of Five Hundred Thousand and No/100 Dollars ($500,000.00); and (ii) within one (1) business day of expiration of the Due Diligence Period and Due Diligence Extension Period, unless Buyer rightfully terminates this Agreement during the Due Diligence Period or Due Diligence Extension Period, Buyer shall deposit with Escrow Agreement an additional Five Hundred Thousand and No/100 Dollars ($500,000), for a total deposit of One Million Dollars ($1,000,000) (together, "Earnest Money"). Escrow Agent is hereby

directed to deposit each installment of the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. If Buyer delivers to Escrow Agent Buyer's Approval Notice (as defined in Section 7.2) prior to or at the expiration of the Due Diligence Period, both installments of the Earnest Money shall become nonrefundable (except to the extent Seller defaults on its obligations hereunder or a condition precedent to Buyer's obligations is not satisfied or waived in writing by Buyer in accordance with the provisions of Section 13 hereof), and shall be held in escrow by Escrow Agent until Closing or the earlier termination of this Agreement. If this Agreement is rightfully terminated or deemed terminated during or at the end of the Due Diligence Period or Due Diligence Extension Period, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in Escrow, to Buyer. Following such release of the first installment of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement).

4.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

~~4.2~~4.3 Independent Consideration. Buyer shall deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. If Buyer elects to terminate this Agreement for any reason other than Seller's default, Seller shall retain the Independent Consideration. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 5. Certain Actions Prior to Closing.

5.1 Governmental Approvals. Within thirty (30) days following the ~~expiration~~ entry of the Sale Order ~~of the Due Diligence Period~~ for the CCRC and RCFE licenses and within sixty (60) days following the ~~expiration of the Due Diligence Period~~ entry of the Sale Order for the SNF license, Buyer shall submit applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) ~~forty-five (45)~~ days following the ~~expiration of the Due Diligence Period~~entry of the Sale Order, ~~Buyer~~ Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer timely reviews the draft notice and timely provides all information reasonably requested by Seller. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable

cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

5.2 Order for Sale. Within ten (10) days of the Effective Date, Seller shall (a) amend its bankruptcy petition and schedules as necessary to include as a contingent claim the potential withdrawal liability to the Union Pension Fund (or any related entity), (b) serve the Union Pension Fund with its bankruptcy petition and schedules, and (c) file with the Court in the Case a motion for approval of sale under Section 363 of the U.S. Bankruptcy Code. Such sale motion shall specifically require that the Court approve the transfer of the Property to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances, specifically including, without limitation, any withdrawal liability to The Union Pension Fund (or any other related entity). Seller shall diligently prosecute such motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances.

Section 6. Title Condition.

6.1 Premises Title Requirements. Within five (5)) business days after the Effective Date, Seller shall deliver to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Property, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Buyer shall notify Seller in writing ("Buyer's Title Objection Notice") of any objections Buyer may have to title exceptions contained in the Preliminary Title Report(s) prior to the expiration of the Feasibility Period. Any and all exceptions to title that are capable of being removed as exceptions by payment of a reasonable fixed and liquidated sum of money shall be automatically deemed objected to by Buyer. Seller shall have a period of five (5) business days after receipt of Buyer's Title Objection Notice in which to deliver written notice to Buyer ("Seller's Title Notice") of Seller's election to either (i) agree to remove the objectionable items prior to the Close of Escrow, or (ii) decline to remove any such title exceptions. If Seller fails to deliver a Seller's Title Notice, Seller shall be deemed to have declined to remove any such objectionable items. If Seller notifies Buyer of its election to decline to remove any or all such objectionable items, Buyer shall have the right, by written notice delivered to Seller within five (5) business days after Buyer's receipt of Seller's Title Notice, to elect between either, (iii) accepting the cancellation of escrow, in which event the entire Deposit shall be immediately released to Buyer; or (iv) to agree to accept the Property subject to the objectionable items, in which event Seller's election to terminate the Escrow shall be of no effect, and Buyer shall take title at the Close of Escrow subject to such objectionable items. Upon the issuance of any amendment or supplement to the Preliminary Title Report which adds additional exceptions, the foregoing right of review and approval shall also apply to said amendment or supplement (provided that the period for Buyer to review such amendment or supplement shall be the later of the expiration of the Feasibility Period or three (3) business days from receipt of the amendment or supplement) and Escrow shall be deemed extended by the amount of time necessary to allow such review and approval in the

time and manner set forth above; provided, however, that in no event shall the Close of Escrow be extended as a result of such delay for more than thirty (30) days.

6.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture or Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agency. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

6.3 Surveys. To the extent required by OSHPD or any Agency, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 7. Inspections and Review - Due Diligence Period.

7.1 Documents to be Delivered to Buyer. Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has

knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them and provided, further, that no such request shall have the effect of extending the Due Diligence Period; and

(m)the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Close of Escrow, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

7.2 Refund of Deposit Upon Termination. Beginning on the Effective Date and continuing until the Close of Escrow or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 7.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections). In the event that such examination of the Assets, the books and records, the Premises and such environmental assessments are satisfactory to Buyer, Buyer shall deliver to Escrow Agent and Seller, prior to the expiration of the Due Diligence Period, written notice that Buyer approves its feasibility analysis ("Buyer's Approval Notice"). Buyer shall then pay the second installment of the Earnest Money as described in Section 4.1 above. If Buyer rightfully terminates this Agreement during the Due Diligence Period or Due Diligence Extension Period, in accordance with the terms and conditions hereof, Buyer shall be entitled to a refund of its Earnest Money Deposit and all interest accrued thereon.

7.3 Access. At reasonable times and upon reasonable advance notice at all times during the Due Diligence Period and prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 8. Certain Expenses and Closing Adjustments.

8.1 Expenses of Transaction. Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. Seller shall pay the cost of obtaining and recording any documents to release Liens encumbering the Premises which Seller is obligated to release hereunder. The Escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Escrow shall be paid in accordance with the custom of the County in which the Facilities are located.

Section 9. Employment Matters.

9.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

9.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in Schedule 9.2, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent

infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in Schedule 9.2, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 9.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

9.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment –to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 9.6 of this Agreement.

9.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the Union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

9.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

9.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 10. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion

thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 10, a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 11. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

11.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

11.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Action Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances . Other than obtaining Court approval of this Agreement in the Action, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Action, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

11.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

11.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

11.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

11.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

11.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof.

11.8 Litigation. Subject to the disclosures set forth on **Schedule 11.8** hereto, and other than the Action, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

11.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

11.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including,

without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Property or for any other purpose. Buyer hereby expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: _____ _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 11.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF

SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 11.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 12. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

12.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. Buyer has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

12.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Close of Escrow.

12.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

12.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution other than OSHPD's consent to the Note and Security Instruments in order to fulfill its obligations hereunder.

12.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agency or the Attorney General to delay or deny the Regulatory Clearances to Buyer.

12.7 Litigation. Subject to the disclosures set forth on Schedule 12.7 hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 13. Conditions to Parties' Obligations.

13.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 11 above shall be true in all material respects as of the date of Closing.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Action shall have granted Seller's motion for sale of the Assets as contemplated in Section 5.2 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the expiration of the Due Diligence Period.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 13.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition

precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

13.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 12 above shall be true in all material respects as of the date of Closing.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Action shall have granted Seller's motion for sale of the Assets as contemplated in Section 5.2 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 13.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 14. Indemnification.

14.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim, judgment, liability or expense, including court costs and reasonable actual attorneys' fees (collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

14.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and

collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

14.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Article 14 shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 14.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

14.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement;

or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

14.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment, subject to the Basket Amount and Cap. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

14.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 14 shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 14 to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 15. Conduct of Business Pending Closing.

15.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or

any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract , agreement, lease or other commitment (with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000)) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

15.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 9.1 hereof.

15.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 16. Transition.

16.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

16.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

16.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or

its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under Applicable Law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the expiration of the Due Diligence Period. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

16.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Effective Date. Following the Effective Date, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Effective Date, and Buyer (or its designee) shall provide Seller with such Facility Records as Seller reasonably requests to complete such final cost reports.

16.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

16.6 Survival. The provisions of this Section 16 shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 17. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders.

Section 18. Default.

18.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 4, BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

18.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

18.3 Survival. The provisions of this Section 18 shall survive the termination of this Agreement.

Section 19. Broker. Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 20. Miscellaneous.

20.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

20.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

20.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

20.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 4 hereof.

20.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally

delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:

CNMH_____
201 19th Street,
Oakland, CA 94612
Attn:
Phone:_____
Fax:_____
E-Mail:_____
_____

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

If to Purchaser:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Phone: (619) 296-9000
Fax: (619) 296-9090
E-Mail: Disrani@pacificacompanies.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at: _____[contact info.]

20.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

20.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

20.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

20.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

20.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

20.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Close of Escrow and delivery of the Deed.

20.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

20.14 Assignment. Buyer may assign Buyer's rights under this Agreement, in whole or in part, with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed .

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By:_____ Garrett B. Cross, Board Chair	By:_____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

SCHEDULE 2.5

Assumed Contracts

1. All residency agreements in effect as of the execution of this Agreement, including, without limitation, life care, continuing care, and monthly fee (non-continuing care) agreements, to the extent same have not been cancelled or terminated prior to the Closing, together with all residency agreements entered into by Seller during the term of this Agreement, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll)

3. Resident Entrance Fee Repayments as follows:

	Forest Hill	Lake Park	Totals
Repayable	$ 5,985,251	$ 12,893,010	$ 18,878,261
Contingent		$ 2,115,126	$ 2,115,126
Total	**$ 5,985,251**	**$ 15,008,136**	**$ 20,993,387**

4. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the expiration of the Due Diligence Period, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 1(b):

[Buyer to list]

_____

_____

_____

SCHEDULE 2.7

Purchase Price Allocation

SCHEDULE 3.2(a)

GRANT DEED

To be provided by Title Company

SCHEDULE 3.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture, Equipment and Inventory (as such terms are defined in that certain Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 (Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE 3.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of September ___, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto (Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Agreement, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests' and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contract for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contract to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:

California-Nevada Methodist Homes, a California nonprofit public benefit corporation

By: _____Garrett B. Cross

Its: Board Chair

BUYER:

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By:_____
Deepak Israni, Secretary

SCHEDULE 11.8

Litigation

DRAFT Purchase and Sale Agreement, dated October 13, 2021

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this "Agreement") is as of October _, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case") that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities, in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto (Forest Hill" and, together with Lake Park, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items as defined below.

"*Assumed Contracts*" means (a) all residency agreements in effect as of the execution of this Agreement, including, without limitation, life care, continuing care, and monthly fee (non-continuing care) agreements, and any and all contractual obligations to repay all or a portion of entrance fees paid or deposited by residents, and (b) only those other contracts, commercial leases and other agreements which Buyer, prior to the expiration of the Due Diligence Period, as defined herein, agrees in writing to assume, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume any contract, union collective bargaining agreement, pension liability, lease or

other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume any contracts, commercial leases and/or other agreements, then the same shall be listed on Schedule 1(b), initialed by Buyer and delivered along with Buyer's Approval Notice prior to the expiration of the Due Diligence Period.

"*Broker*" means the persons or entities identified in Section 19 of this Agreement.

"*Buyer's Approval Notice*" has the meaning given such term in Section 7.2 of this Agreement.

"*Case*" means that certain voluntary chapter 11 case that was commenced by Seller on March 16, 2021 in the United States Bankruptcy Court for the Northern District of California, Oakland Division, identified as *In Re: California-Nevada Methodist Homes,* Case No. 21-40363.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Due Diligence Period*" means the period commencing upon September 20, 2021 and ending at 5:00 pm Pacific time upon November 11, 2021, during which Buyer may terminate this transaction without cause or penalty or forfeiture;

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 4 of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Excluded Items*" means all cash, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor

restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or the Premises that is not an Asset.

"*Facility*" *or* "*Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, in the monthly occupancy and/or net operating income for the Property from the month immediately preceding the Effective Date compared to any month from the Effective Date to the Closing Date.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not a Permitted Encumbrance, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Permitted Encumbrances*" has the meaning set forth in Section 6.1 of this Agreement.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"Provider Agreements" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of existing Provider Agreements or issuance of new Provider Agreements, and (ii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in Schedule __ and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the CA Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"Repayment Liability" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Repayments*" means those entrance fee payments made by residents at the Facilities under continuing care contracts as set forth on **Schedule 2.5** attached hereto. The repayable portion of any Resident Entrance Fee Repayments received from the Effective Date to the Closing, under continuing care contracts or otherwise, will be held in escrow and given to Buyer at the Closing.

"*Residents*" means residents in occupancy at the Facilities pursuant to residency agreements.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. Purchase Price. The total Purchase Price (the "Purchase Price") for the Assets shall be Thirty-Nine Million Three Hundred Thousand and No/100 Dollars ($39,300,000.00) payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration with Escrow Agent in accordance with Sections 4.1, 4.2 and 4.3;

(b) Buyer shall execute a promissory note secured by a security interest and deeds of trust in the Assets in the principal amount of Twenty Million Six Hundred Twenty-Five Thousand and No/100 Dollars ($20,625,000.00) in favor of Seller ("the Note" and "Security Instruments"), which Note and Security Instruments shall be assigned by Seller to the California Office of Statewide Health Planning and Development ("OSHPD"). The Note will have a term of 5 years, bear a fixed interest rate of 3.00%, and be payable on an interest-only basis throughout the term. The form and substance of the Note and Security Instruments shall be reasonably acceptable to both Seller and OSHPD. If Buyer is an entity other than Pacifica Companies LLC, the latter shall provide a guaranty of the Note that is in form and substance reasonably acceptable to both Seller and OSHPD or shall provide other assurances that are reasonably acceptable to Seller and OSHPD;

(c) The balance of the Purchase Price not covered by the Earnest Money, the Independent Consideration and the Note shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be Eighteen Million Six Hundred Seventy-Five Thousand and No/100 Dollars ($18,675,000); and

(d) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (e) of Section 2.7. The provisions of this Subsection (e) of Section 2.7 shall survive the Closing.

Lake Park:

Real Property:		$16,347,500
Goodwill:		$8,802,500
	Total:	$25,150,000

Forest Hill:

Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to accept and assume the Assumed Contracts on and after the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume Seller's liability for the Resident Entrance Fee Repayments (the "Repayment Liability") in the maximum amount of Twenty Million Nine Hundred Ninety-Three Thousand and No/100 Dollars ($20,993,000), subject to audit, verification and proration at or prior to the Closing.

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment

or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include of any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the Counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective on as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 9.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law

and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

Section 3. Closing.

3.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

3.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) a Grant Deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 3.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 3.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, in the form attached hereto as **Schedule 3.2(c)**, by which (i) Seller assigns to Buyer, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any Assumed Contract to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) written acknowledgment from OSHPD that all conditions relating to the assignment of the Note, Security Instruments, and related documents to OSHPD have been satisfied ;

(f) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(g) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(h) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(i) Evidence of entry of a final Order approving the Sale in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 5.2 of this Agreement; and

(j) any other documents necessary to close Escrow.

3.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Seller Financing Documents;

(e) the Closing Statement;

(f) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(g) any other documents necessary to close Escrow.

3.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from

the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.4 shall survive the Closing.

3.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.5 shall survive the Closing.

Section 4. Earnest Money and Provisions Regarding the Escrow Agent.

4.1 Earnest Money. Seller acknowledges and agrees that (i) within one (1) business day of the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of Five Hundred Thousand and No/100 Dollars ($500,000.00); and (ii) within one (1) business day of expiration of the Due Diligence Period , unless Buyer rightfully terminates this Agreement during the Due Diligence Period , Buyer shall deposit with Escrow Agreement an additional Five Hundred Thousand and No/100 Dollars ($500,000), for a total deposit of One Million Dollars ($1,000,000) (together, "Earnest Money"). Escrow Agent is hereby directed to deposit each installment of the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. If Buyer delivers to Escrow Agent Buyer's Approval Notice (as defined in Section 7.2) prior to or at the expiration of the Due Diligence Period, both installments of the Earnest Money shall become nonrefundable (except to the extent Seller defaults on its obligations hereunder or a condition precedent to Buyer's obligations is not satisfied or waived in writing by Buyer in accordance with the provisions of Section 13 hereof), and shall be held in escrow by Escrow Agent until Closing or the earlier termination of this Agreement. If this Agreement is rightfully terminated or deemed terminated during or at the end of the Due Diligence Period or Due Diligence Extension Period, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in Escrow, to Buyer. Following such release of the first installment of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement).

4.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

4.3 Independent Consideration. Buyer shall deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. If Buyer elects to terminate this Agreement for any reason other than Seller's default, Seller shall retain the Independent Consideration. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 5. Certain Actions Prior to Closing.

5.1 Governmental Approvals. Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer shall submit applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer timely reviews the draft notice and timely provides all information reasonably requested by Seller. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

5.2 Order for Sale. Within ten (10) days of the Effective Date, Seller shall (a) amend its bankruptcy petition and schedules as necessary to include as a contingent claim the potential withdrawal liability to the Union Pension Fund (or any related entity), (b) serve the Union Pension Fund with its bankruptcy petition and schedules, and (c) file with the Court in the Case a motion for approval of sale under Section 363 of the U.S. Bankruptcy Code. Such sale motion shall specifically require that the Court approve the transfer of the Property to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances, specifically providing, without limitation, that any withdrawal liability to The Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute such motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances.

Section 6. Title Condition.

6.1 Premises Title Requirements. Within five (5)) business days after the Effective Date, Seller shall deliver to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Property, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Buyer shall notify Seller in writing ("Buyer's Title Objection Notice") of any objections Buyer may have to title exceptions contained in the Preliminary Title Report(s) prior to the expiration of the Feasibility Period. Any and all exceptions to title that are capable of being removed as exceptions by payment of a reasonable fixed and liquidated sum of money shall be automatically deemed objected to by Buyer. Seller shall have a period of five (5) business days after receipt of Buyer's Title Objection Notice in which to deliver written notice to Buyer ("Seller's Title Notice") of Seller's election to either (i) agree to remove the objectionable items prior to the Close of Escrow, or (ii) decline to remove any such title exceptions. If Seller fails to deliver a Seller's Title Notice, Seller shall be deemed to have declined to remove any such objectionable items. If Seller notifies Buyer of its election to decline to remove any or all such objectionable items, Buyer shall have the right, by written notice delivered to Seller within five (5) business days after Buyer's receipt of Seller's Title Notice, to elect between either, (iii) accepting the cancellation of escrow, in which event the entire Deposit shall be immediately released to Buyer; or (iv) to agree to accept the Property subject to the objectionable items, in which event Seller's election to terminate the Escrow shall be of no effect, and Buyer shall take title at the Close of Escrow subject to such objectionable items. Upon the issuance of any amendment or supplement to the Preliminary Title Report which adds additional exceptions, the foregoing right of review and approval shall also apply to said amendment or supplement (provided that the period for Buyer to review such amendment or supplement shall be the later of the expiration of the Feasibility Period or three (3) business days from receipt of the amendment or supplement) and Escrow shall be deemed extended by the amount of time necessary to allow such review and approval in the time and manner set forth above; provided, however, that in no event shall the Close of Escrow be extended as a result of such delay for more than thirty (30) days.

6.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture or Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agency. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

6.3 Surveys. To the extent required by OSHPD or any Agency, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 7. Inspections and Review - Due Diligence Period.

7.1 Documents to be Delivered to Buyer. Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them and provided, further, that no such request shall have the effect of extending the Due Diligence Period; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Close of Escrow, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

7.2 Refund of Deposit Upon Termination. Beginning on the Effective Date and continuing until the Close of Escrow or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 7.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections). In the event that such examination of the Assets, the books and records, the Premises and such environmental assessments are satisfactory to Buyer, Buyer shall deliver to Escrow Agent and Seller, prior to the expiration of the Due Diligence Period, written notice that Buyer approves its feasibility analysis ("Buyer's Approval Notice"). Buyer shall then pay the second installment of the Earnest Money as described in Section 4.1 above. If Buyer rightfully terminates this Agreement during the Due Diligence Period, in accordance with the terms and conditions hereof, Buyer shall be entitled to a refund of its Earnest Money Deposit and all interest accrued thereon.

7.3 Access. At reasonable times and upon reasonable advance notice at all times during the Due Diligence Period and prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 8. Certain Expenses and Closing Adjustments.

8.1 Expenses of Transaction. Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall

pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. Seller shall pay the cost of obtaining and recording any documents to release Liens encumbering the Premises which Seller is obligated to release hereunder. The Escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Escrow shall be paid in accordance with the custom of the County in which the Facilities are located.

Section 9. Employment Matters.

9.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

9.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in Schedule 9.2, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in Schedule 9.2, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 9.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

9.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such

employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 9.6 of this Agreement.

9.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the Union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

9.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

9.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 10. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 10, a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 11. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

11.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

11.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Action Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances . Other than obtaining Court approval of this Agreement in the Action, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Action, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

11.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

11.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

11.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

11.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related

inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

11.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof.

11.8 Litigation. Subject to the disclosures set forth on **Schedule 11.8** hereto, and other than the Action, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

11.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

11.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Property or for any other purpose. Buyer hereby expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: _____ _____

Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: _____ _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 11.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 11.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 12. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

12.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. Buyer has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to,

any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

12.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Close of Escrow.

12.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

12.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution other than OSHPD's consent to the Note and Security Instruments in order to fulfill its obligations hereunder.

12.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agency or the Attorney General to delay or deny the Regulatory Clearances to Buyer.

12.7 Litigation. Subject to the disclosures set forth on Schedule 12.7 hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 13. Conditions to Parties' Obligations.

13.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 11 above shall be true in all material respects as of the date of Closing.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Action shall have granted Seller's motion for sale of the Assets as contemplated in Section 5.2 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the expiration of the Due Diligence Period.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 13.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

13.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 12 above shall be true in all material respects as of the date of Closing.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Action shall have granted Seller's motion for sale of the Assets as contemplated in Section 5.2 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 13.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 14. Indemnification.

14.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim, judgment, liability or expense, including court costs and reasonable actual attorneys' fees (collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

14.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

14.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Article 14 shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 14.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

14.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

14.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment, subject to the

Basket Amount and Cap. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

14.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 14 shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 14 to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 15. Conduct of Business Pending Closing.

15.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract , agreement, lease or other commitment (with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

15.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or

retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 9.1 hereof.

15.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 16. Transition.

16.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

16.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

16.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under Applicable Law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the expiration of the Due Diligence Period. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

16.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Effective Date. Following the Effective Date, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain

information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Effective Date, and Buyer (or its designee) shall provide Seller with such Facility Records as Seller reasonably requests to complete such final cost reports.

16.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

16.6 Survival. The provisions of this Section 16 shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 17. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and residents.

Section 18. Default.

18.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE.

ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 4, BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

18.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

18.3 Survival. The provisions of this Section 18 shall survive the termination of this Agreement.

Section 19. Broker. Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 20. Miscellaneous.

20.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

20.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

20.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

20.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 4 hereof.

20.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:

CNMH_____
201 19th Street,
Oakland, CA 94612
Attn:
Phone:_____
Fax:_____
E-Mail:_____
_____

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

If to Purchaser:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Phone: (619) 296-9000
Fax: (619) 296-9090
E-Mail: Disrani@pacificacompanies.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent
at: _____[contact info.]

20.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

20.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

20.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

20.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other

relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

20.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

20.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Close of Escrow and delivery of the Deed.

20.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

20.14 Assignment. Buyer may assign Buyer's rights under this Agreement, in whole or in part, with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed .

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By:_____ Steven P. Nerger Chief Restructuring Officer	By:_____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

SCHEDULE 2.5

Assumed Contracts

1. All residency agreements in effect as of the execution of this Agreement, including, without limitation, life care, continuing care, and monthly fee (non-continuing care) agreements, to the extent same have not been cancelled or terminated prior to the Closing, together with all residency agreements entered into by Seller during the term of this Agreement, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll)

3. Resident Entrance Fee Repayments as follows:

	Forest Hill	Lake Park	Totals
Repayable	$ 5,985,251	$ 12,893,010	$ 18,878,261
Contingent		$ 2,115,126	$ 2,115,126
Total	**$ 5,985,251**	**$ 15,008,136**	**$ 20,993,387**

4. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the expiration of the Due Diligence Period, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 1(b):

[Buyer to list]

_____

_____

_____

SCHEDULE 2.7

Purchase Price Allocation

CNMH000144

SCHEDULE 3.2(a)

GRANT DEED

To be provided by Title Company

SCHEDULE 3.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture, Equipment and Inventory (as such terms are defined in that certain Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 (Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE 3.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of September ___, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto (Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Agreement, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests' and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contract for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contract to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:

California-Nevada Methodist Homes, a California nonprofit public benefit corporation

By: _____
Garrett B. Cross

Its: Chairman of Board of Trustees

BUYER:

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By:_____
Deepak Israni, Secretary

SCHEDULE 11.8

Litigation

Executed Purchase and Sale Agreement, dated October 13, 2021

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this "Agreement") is as of October 13, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case") that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities, in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto (Forest Hill" and, together with Lake Park, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Agreement.

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NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items as defined below.

"*Assumed Contracts*" means (a) all residency agreements in effect as of the execution of this Agreement, including, without limitation, life care, continuing care, and monthly fee (non-continuing care) agreements, and any and all contractual obligations to repay all or a portion of entrance fees paid or deposited by residents, and (b) only those other contracts, commercial leases and other agreements which Buyer, prior to the expiration of the Due Diligence Period, as defined herein, agrees in writing to assume, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume any contract, union collective bargaining agreement, pension liability, lease or

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other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume any contracts, commercial leases and/or other agreements, then the same shall be listed on Schedule 1(b), initialed by Buyer and delivered along with Buyer's Approval Notice prior to the expiration of the Due Diligence Period.

"*Broker*" means the persons or entities identified in Section 19 of this Agreement.

"*Buyer's Approval Notice*" has the meaning given such term in Section 7.2 of this Agreement.

"*Case*" means that certain voluntary chapter 11 case that was commenced by Seller on March 16, 2021 in the United States Bankruptcy Court for the Northern District of California, Oakland Division, identified as *In Re: California-Nevada Methodist Homes*, Case No. 21-40363.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Due Diligence Period*" means the period commencing upon September 20, 2021 and ending at 5:00 pm Pacific time upon November 11, 2021, during which Buyer may terminate this transaction without cause or penalty or forfeiture;

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 4 of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Excluded Items*" means all cash, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor

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restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, in the monthly occupancy and/or net operating income for the Property from the month immediately preceding the Effective Date compared to any month from the Effective Date to the Closing Date.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not a Permitted Encumbrance, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Permitted Encumbrances*" has the meaning set forth in Section 6.1 of this Agreement.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

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"Provider Agreements" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of existing Provider Agreements or issuance of new Provider Agreements, and (ii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in Schedule __ and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the CA Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"Repayment Liability" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Repayments*" means those entrance fee payments made by residents at the Facilities under continuing care contracts as set forth on **Schedule 2.5** attached hereto. The repayable portion of any Resident Entrance Fee Repayments received from the Effective Date to the Closing, under continuing care contracts or otherwise, will be held in escrow and given to Buyer at the Closing.

"*Residents*" means residents in occupancy at the Facilities pursuant to residency agreements.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

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"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. Purchase Price. The total Purchase Price (the "Purchase Price") for the Assets shall be Thirty-Nine Million Three Hundred Thousand and No/100 Dollars ($39,300,000.00) payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration with Escrow Agent in accordance with Sections 4.1, 4.2 and Section 5. ;

(b) Buyer shall execute a promissory note secured by a security interest and deeds of trust in the Assets in the principal amount of Twenty Million Six Hundred Twenty-Five Thousand and No/100 Dollars ($20,625,000.00) in favor of Seller ("the Note" and "Security Instruments"), which Note and Security Instruments shall be assigned by Seller to the California Office of Statewide Health Planning and Development ("OSHPD"). The Note will have a term of 5 years, bear a fixed interest rate of 3.00%, and be payable on an interest-only basis throughout the term. The form and substance of the Note and Security Instruments shall be reasonably acceptable to both Seller and OSHPD. If Buyer is an entity other than Pacifica Companies LLC, the latter shall provide a guaranty of the Note that is in form and substance reasonably acceptable to both Seller and OSHPD or shall provide other assurances that are reasonably acceptable to Seller and OSHPD;

(c) The balance of the Purchase Price not covered by the Earnest Money, the Independent Consideration and the Note shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be Eighteen Million Six Hundred Seventy-Five Thousand and No/100 Dollars ($18,675,000); and

(d) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (e) of Section 2.7. The provisions of this Subsection (e) of Section 2.7 shall survive the Closing.

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Lake Park:

Real Property:		$16,347,500
Goodwill:		$8,802,500
	Total:	$25,150,000

Forest Hill:

Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to accept and assume the Assumed Contracts on and after the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume Seller's liability for the Resident Entrance Fee Repayments (the "Repayment Liability") in the maximum amount of Twenty Million Nine Hundred Ninety-Three Thousand and No/100 Dollars ($20,993,000), subject to audit, verification and proration at or prior to the Closing.

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment

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or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include of any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the Counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective on as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 9.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law

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and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

Section 3. Closing.

3.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

3.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) a Grant Deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 3.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 3.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, in the form attached hereto as **Schedule 3.2(c)**, by which (i) Seller assigns to Buyer, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any Assumed Contract to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) written acknowledgment from OSHPD that all conditions relating to the assignment of the Note, Security Instruments, and related documents to OSHPD have been satisfied ;

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(f) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(g) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(h) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(i) Evidence of entry of a final Order approving the Sale in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 5.2 of this Agreement; and

(j) any other documents necessary to close Escrow.

3.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Seller Financing Documents;

(e) the Closing Statement;

(f) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(g) any other documents necessary to close Escrow.

3.4 Resident Records . At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from

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the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.4 shall survive the Closing.

3.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.5 shall survive the Closing.

Section 4. Earnest Money and Provisions Regarding the Escrow Agent.

4.1 Earnest Money. Seller acknowledges and agrees that (i) within one (1) business day of the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of Five Hundred Thousand and No/100 Dollars ($500,000.00); and (ii) within one (1) business day of expiration of the Due Diligence Period , unless Buyer rightfully terminates this Agreement during the Due Diligence Period , Buyer shall deposit with Escrow Agreement an additional Five Hundred Thousand and No/100 Dollars ($500,000), for a total deposit of One Million Dollars ($1,000,000) (together, "Earnest Money"). Escrow Agent is hereby directed to deposit each installment of the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. If Buyer delivers to Escrow Agent Buyer's Approval Notice (as defined in Section 7.2) prior to or at the expiration of the Due Diligence Period, both installments of the Earnest Money shall become nonrefundable (except to the extent Seller defaults on its obligations hereunder or a condition precedent to Buyer's obligations is not satisfied or waived in writing by Buyer in accordance with the provisions of Section 13 hereof), and shall be held in escrow by Escrow Agent until Closing or the earlier termination of this Agreement. If this Agreement is rightfully terminated or deemed terminated during or at the end of the Due Diligence Period or Due Diligence Extension Period, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in Escrow, to Buyer. Following such release of the first installment of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement).

4.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

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4.3 Independent Consideration. Buyer shall deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. If Buyer elects to terminate this Agreement for any reason other than Seller's default, Seller shall retain the Independent Consideration. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 5. Certain Actions Prior to Closing.

5.1 Governmental Approvals. Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer shall submit applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer timely reviews the draft notice and timely provides all information reasonably requested by Seller. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

5.2 Order for Sale. Within ten (10) days of the Effective Date, Seller shall (a) amend its bankruptcy petition and schedules as necessary to include as a contingent claim the potential withdrawal liability to the Union Pension Fund (or any related entity), (b) serve the Union Pension Fund with its bankruptcy petition and schedules, and (c) file with the Court in the Case a motion for approval of sale under Section 363 of the U.S. Bankruptcy Code. Such sale motion shall specifically require that the Court approve the transfer of the Property to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances, specifically providing, without limitation, that any withdrawal liability to The Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute such motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances.

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Section 6. Title Condition.

6.1 Premises Title Requirements. Within five (5)) business days after the Effective Date, Seller shall deliver to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Property, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Buyer shall notify Seller in writing ("Buyer's Title Objection Notice") of any objections Buyer may have to title exceptions contained in the Preliminary Title Report(s) prior to the expiration of the Feasibility Period. Any and all exceptions to title that are capable of being removed as exceptions by payment of a reasonable fixed and liquidated sum of money shall be automatically deemed objected to by Buyer. Seller shall have a period of five (5) business days after receipt of Buyer's Title Objection Notice in which to deliver written notice to Buyer ("Seller's Title Notice") of Seller's election to either (i) agree to remove the objectionable items prior to the Close of Escrow, or (ii) decline to remove any such title exceptions. If Seller fails to deliver a Seller's Title Notice, Seller shall be deemed to have declined to remove any such objectionable items. If Seller notifies Buyer of its election to decline to remove any or all such objectionable items, Buyer shall have the right, by written notice delivered to Seller within five (5) business days after Buyer's receipt of Seller's Title Notice, to elect between either, (iii) accepting the cancellation of escrow, in which event the entire Deposit shall be immediately released to Buyer; or (iv) to agree to accept the Property subject to the objectionable items, in which event Seller's election to terminate the Escrow shall be of no effect, and Buyer shall take title at the Close of Escrow subject to such objectionable items. Upon the issuance of any amendment or supplement to the Preliminary Title Report which adds additional exceptions, the foregoing right of review and approval shall also apply to said amendment or supplement (provided that the period for Buyer to review such amendment or supplement shall be the later of the expiration of the Feasibility Period or three (3) business days from receipt of the amendment or supplement) and Escrow shall be deemed extended by the amount of time necessary to allow such review and approval in the time and manner set forth above; provided, however, that in no event shall the Close of Escrow be extended as a result of such delay for more than thirty (30) days.

6.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture or Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agency. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

6.3 Surveys. To the extent required by OSHPD or any Agency, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

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Section 7. Inspections and Review - Due Diligence Period.

7.1 Documents to be Delivered to Buyer. Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

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(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them and provided, further, that no such request shall have the effect of extending the Due Diligence Period; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Close of Escrow, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

7.2 Refund of Deposit Upon Termination. Beginning on the Effective Date and continuing until the Close of Escrow or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 7.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections). In the event that such examination of the Assets, the books and records, the Premises and such environmental assessments are satisfactory to Buyer, Buyer shall deliver to Escrow Agent and Seller, prior to the expiration of the Due Diligence Period, written notice that Buyer approves its feasibility analysis ("Buyer's Approval Notice"). Buyer shall then pay the second installment of the Earnest Money as described in Section 4.1 above. If Buyer rightfully terminates this Agreement during the Due Diligence Period, in accordance with the terms and conditions hereof, Buyer shall be entitled to a refund of its Earnest Money Deposit and all interest accrued thereon.

7.3 Access. At reasonable times and upon reasonable advance notice at all times during the Due Diligence Period and prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 8. Certain Expenses and Closing Adjustments.

8.1 Expenses of Transaction. Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall

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pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. Seller shall pay the cost of obtaining and recording any documents to release Liens encumbering the Premises which Seller is obligated to release hereunder. The Escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Escrow shall be paid in accordance with the custom of the County in which the Facilities are located.

Section 9. Employment Matters.

9.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

9.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in Schedule 9.2, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in Schedule 9.2, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 9.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

9.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such

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employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 9.6 of this Agreement.

9.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the Union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

9.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

9.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 10. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 10, a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

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Section 11. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

11.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

11.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Action Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances . Other than obtaining Court approval of this Agreement in the Action, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Action, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

11.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

11.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

11.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

11.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related

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inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

11.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof.

11.8 Litigation. Subject to the disclosures set forth on **Schedule 11.8** hereto, and other than the Action, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

11.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

11.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Property or for any other purpose. Buyer hereby expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

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Seller Buyer

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inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

11.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof.

11.8 Litigation. Subject to the disclosures set forth on **Schedule 11.8** hereto, and other than the Action, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

11.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

11.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Property or for any other purpose. Buyer hereby expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

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Seller Buyer

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RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

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NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 11.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 11.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 12. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

12.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. Buyer has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to,

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RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: _____ _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 11.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 11.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 12. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

12.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. Buyer has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to,

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any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

12.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Close of Escrow.

12.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

12.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution other than OSHPD's consent to the Note and Security Instruments in order to fulfill its obligations hereunder.

12.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agency or the Attorney General to delay or deny the Regulatory Clearances to Buyer.

12.7 Litigation. Subject to the disclosures set forth on Schedule 12.7 hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 13. Conditions to Parties' Obligations.

13.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 11 above shall be true in all material respects as of the date of Closing.

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(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Action shall have granted Seller's motion for sale of the Assets as contemplated in Section 5.2 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the expiration of the Due Diligence Period.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 13.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

13.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 12 above shall be true in all material respects as of the date of Closing.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Action shall have granted Seller's motion for sale of the Assets as contemplated in Section 5.2 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

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If any of the conditions precedent set forth in this Section 13.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 14. Indemnification.

14.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim, judgment, liability or expense, including court costs and reasonable actual attorneys' fees (collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

14.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

14.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Article 14 shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 14.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

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14.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

14.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment, subject to the

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Basket Amount and Cap. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

14.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 14 shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 14 to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 15. Conduct of Business Pending Closing.

15.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract , agreement, lease or other commitment (with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

15.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or

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retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 9.1 hereof.

15.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 16. Transition.

16.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

16.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

16.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under Applicable Law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the expiration of the Due Diligence Period. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

16.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Effective Date. Following the Effective Date, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain

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information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Effective Date, and Buyer (or its designee) shall provide Seller with such Facility Records as Seller reasonably requests to complete such final cost reports.

16.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

16.6 Survival. The provisions of this Section 16 shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 17. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and residents.

Section 18. Default.

18.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE.

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ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 4, BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER GBC **BUYER** _____

18.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

18.3 Survival. The provisions of this Section 18 shall survive the termination of this Agreement.

Section 19. Broker. Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

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Section 20. Miscellaneous.

20.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

20.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

20.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

20.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 4 hereof.

20.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

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If to Seller:

CNMH_____
201 19th Street,
Oakland, CA 94612
Attn:
Phone:_____
Fax:_____
E-Mail:_____
_____

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

If to Purchaser:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Phone: (619) 296-9000
Fax: (619) 296-9090
E-Mail: Disrani@pacificacompanies.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at: _____[contact info.]

20.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

20.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

20.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

20.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other

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relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

20.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

20.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Close of Escrow and delivery of the Deed.

20.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

20.14 Assignment. Buyer may assign Buyer's rights under this Agreement, in whole or in part, with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed .

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: Garrett B Cross Digitally signed by Garrett B. Cross DN: cn=Garrett B. Cross, o=California Nevada Methodist Homes, ou, email=cross2@pacbell.net, c=US Date: 2021.10.13 16:28:28 -07'00'	By:
Garrett B. Cross Chairman of Board of Trustees	Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

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CANVI-008186

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller

California-Nevada Methodist Homes, a California nonprofit public benefit corporation

By:_____
Steven P. Nerger
Chief Restructuring Officer

Purchaser

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By:_____
Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By: Renee Marshall /AS
Name: Renee Marshall
Its: Escrow Officer

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SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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CAM:60189

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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SCHEDULE 2.5

Assumed Contracts

1. All residency agreements in effect as of the execution of this Agreement, including, without limitation, life care, continuing care, and monthly fee (non-continuing care) agreements, to the extent same have not been cancelled or terminated prior to the Closing, together with all residency agreements entered into by Seller during the term of this Agreement, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll)

3. Resident Entrance Fee Repayments as follows:

	Forest Hill	Lake Park	Totals
Repayable	$ 5,985,251	$ 12,893,010	$ 18,878,261
Contingent		$ 2,115,126	$ 2,115,126
Total	**$ 5,985,251**	**$ 15,008,136**	**$ 20,993,387**

4. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the expiration of the Due Diligence Period, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 1(b):

[Buyer to list]

_____

_____

_____

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SCHEDULE 2.7

Purchase Price Allocation

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SCHEDULE 3.2(a)

GRANT DEED

To be provided by Title Company

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CAM:66194

SCHEDULE 3.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

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EXHIBIT "A"

All Fixtures, Furniture, Equipment and Inventory (as such terms are defined in that certain Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 (Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

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SCHEDULE 3.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of September ___, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto (Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

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1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Agreement, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests' and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contract for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contract to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

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1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:

California-Nevada Methodist Homes, a California nonprofit public benefit corporation

By: _____
Garrett B. Cross

Its: Chairman of Board of Trustees

BUYER:

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By:_____
Deepak Israni, Secretary

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CANVE-00199

SCHEDULE 11.8

Litigation

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Executed Amendment to Purchase and Sale Agreement (Lake Park and Forest Hill), extending due diligence period, dated October 18, 2021

AMENDMENT TO PURCHASE AND SALE AGREEMENT
(Lake Park and Forest Hill)

This *Amendment to Purchase and Sale Agreement* (this "**Amendment**") is entered into as of October 18, 2021 by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("**Buyer**"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation ("**Seller**").with regard to the following facts and circumstances:

Recitals

A. Seller and Buyer entered into a *Purchase and Sale Agreement* dated as October 13, 2021 (the "**Agreement**"), pursuant to which Seller agreed to sell, and Buyer agreed to purchase, that certain real property generally described as follows (the "**Property**");

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612;

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612;

c. Forest Hill, a continuing care retirement community including a residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950; and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950.

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

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

Agreement

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

2. **Due Diligence Period Extension.** The Due Diligence Period, as defined in Section 1 of the Agreement, is hereby extended to end at 5:00 pm Pacific time upon November 17, 2021.

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

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

Seller

California-Nevada Methodist Homes, a California nonprofit public benefit corporation

By: _____
Steven A. Nerger
Chief Restructuring Officer

Buyer

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By: _____
Deepak Israni, Secretary

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DRAFT Amended and Restated Purchase and Sale Agreement,
dated November 17, 20221 (redline version)

AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT

This Amended and Restated Purchase and Sale Agreement ~~(this "Agreement")~~ is as of ~~October 13,~~November , 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case~~")~~"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities, in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ~~("~~"Forest Hill~~" and, together with~~," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller ~~wishes~~and Buyer entered into that certain Purchase and Sale Agreement dated as of October 13, 2021 (the "Original PSA"), pursuant to which Seller agreed

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to sell ~~substantially all of its assets to Buyer~~, and Buyer ~~wishes~~agreed to purchase substantially all of Seller's assets ~~from Seller upon~~.

E. Seller and Buyer entered into that certain Amendment to Purchase and Sale Agreement dated as of October 18, 2021, pursuant to which Seller and Buyer agreed to certain amendments to the Original PSA.

F. Seller and Buyer have negotiated certain modifications to the Original PSA, as amended, and now wish to amend and restate the terms ~~and conditions more particularly~~of the Original PSA as set forth in this Agreement.

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NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Amended and Restated Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Amended and Restated Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, ~~and (ix~~(ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items as defined below.

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"*Assumed Contracts*" means (a) all ~~residency agreements~~Residency Agreements in effect as of the ~~execution of this Agreement, including, without limitation, life care, continuing care, and monthly fee (non-continuing care) agreements, and~~Closing Date, (b) any and all contractual obligations to repay all or a portion of ~~entrance fees paid or deposited by residents~~Resident Entrance Fee Payments, and (~~b~~c) only those other contracts, commercial leases and other agreements which Buyer, prior to the expiration of the Due Diligence Period, as defined herein, agrees in writing to assume, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume any contracts, commercial leases and/or other agreements, then the same shall be listed on Schedule 1(b), initialed by Buyer and delivered along with Buyer's Approval Notice prior to the expiration of the Due Diligence Period.

"*Broker*" means the persons or entities identified in Section 19 of this Agreement.

"*Buyer's Approval Notice*" has the meaning given such term in Section 7.2 of this Agreement.

~~"*Case*" means that certain voluntary chapter 11 case that was commenced by Seller on March 16, 2021 in the United States Bankruptcy Court for the Northern District of California, Oakland Division, identified as *In Re: California-Nevada Methodist Homes*, Case No. 21-40363.~~

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Due Diligence Period*" means the period commencing upon September 20, 2021 and ending at 5:00 pm Pacific time upon November ~~11~~30, 2021,

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during which Buyer may terminate this transaction without cause or penalty or forfeiture;.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 4 of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com;..

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

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-"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, ~~in~~when comparing the ~~monthly~~ occupancy ~~and/~~or net operating income for the ~~Property from~~Facilities during the month immediately preceding the Effective Date ~~compared to~~to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not ~~a~~one of the Permitted ~~Encumbrance~~Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Permitted Encumbrances*" has the meaning set forth in Section 6.1 of this Agreement.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of ~~existing~~the Provider Agreements or issuance of new Provider Agreements, and (~~ii~~iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing

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components of the Facilities is not issued by the ~~CA~~California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee* ~~*Repayments*~~*Payments*" means those entrance fee payments made by ~~residents~~ or on behalf of Residents at the Facilities under ~~continuing care contracts~~ Residency Agreements as set forth on **Schedule 2.5~~2~~2** attached hereto. ~~The repayable portion of any Resident Entrance Fee Repayments received from~~ On or before the Closing Date, Seller shall amend **Schedule 2.2** to include any Residency Agreements executed between the Effective Date ~~to the Closing, under continuing care contracts or otherwise, will be held in escrow~~ and ~~given to Buyer at~~ the Closing~~.~~ and the corresponding Repayment Liability for any continuing care contracts executed between the Effective Date and the Closing.

~~"*Residents*~~"*Residency Agreements*" means all contracts between Seller and residents or former residents at the Facilities for the occupancy of a unit at a Facility, including, without limitation, life care, continuing care, and monthly fee agreements.

"*Resident(s)*" means resident(s) in occupancy at the Facilities pursuant to ~~residency agreements~~Residency Agreements and any former resident(s) at the Facilities who resided at the Facilities at any time pursuant to Residency Agreements, including, without limitation, those former residents who are deceased as of the Closing Date.

"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

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"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. ~~Purchase Price.~~ The total ~~Purchase Price~~purchase price (the "Purchase Price") for the Assets shall be Thirty-Nine Million Three Hundred Thousand and No/100 Dollars ($39,300,000.00) payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 4.3) with Escrow Agent in accordance with Sections 4.1, 4.2 and 4.3;

(b) Buyer shall work with the California Department of Health Care Access and Information f/k/a Office of Statewide Health Planning and Development ("HCAI") to obtain pre-approval for financing by no later than 5:00 pm Pacific time on December 17, 2021, and Buyer shall execute a promissory note secured by a security interest and deeds of trust, which upon recording, to the Knowledge of Seller, shall hold a first priority lien in the Assets in the principal amount of Twenty Million Six Hundred Twenty-Five Thousand and No/100 Dollars

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($20,625,000.00) in favor of Seller ~~("~~(the "Note" and "Security Instruments"), which Note and Security Instruments shall be assigned by Seller ~~to~~on the ~~California Office~~Closing Date to HCAI. Subject to HCAI's pre-approval of ~~Statewide Health Planning~~Buyer as borrower under the Note and ~~Development ("OSHPD"). The~~Security Instruments, the Note will have a term of 5 years, bear a fixed interest rate of 3.00%, and be payable on an interest-only basis throughout the term. The form and substance of the Note and Security Instruments shall be reasonably acceptable to both Seller and ~~OSHPD~~HCAI. If Buyer is an entity other than Pacifica Companies LLC, the latter shall provide a guaranty of the Note that is in form and substance reasonably acceptable to both Seller and ~~OSHPD~~HCAI or shall provide other assurances that are reasonably acceptable to Seller and ~~OSHPD~~HCAI;

(c) The balance of the Purchase Price not covered by the Earnest Money, the Independent Consideration and ~~-~~the Note shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be ~~Eighteen~~Seventeen Million Six Hundred Seventy-~~Five~~Four Thousand Nine Hundred and No/100 Dollars ($~~18,675,000~~17,674,900); and

(d) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (~~e~~d) of Section 2.~~7~~1. The provisions of this Subsection (~~e~~d) of Section 2.~~7~~1 shall survive the Closing.

~~(d)~~

Lake Park:

Real Property:		$16,347,500
Goodwill:		$8,802,500
	Total:	$25,150,000

Forest Hill:

Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. ~~-~~Buyer expressly agrees to accept and assume the Assumed Contracts on and after the Closing Date and shall subsequently pay, honor and discharge

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when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee ~~Repayments (the "Repayment Liability")~~Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million ~~Nine~~Seven Hundred ~~Ninety-Three~~Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,~~993,000~~731,738), subject to audit, verification and proration at or prior to the Closing~~.~~ (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall ~~-~~(i) include~~ of~~ any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable

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organization that pays no or nominal property taxes but that pays assessments to the ~~Counties~~counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective ~~on~~ as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 9.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

Section 3. Closing.

3.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the

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transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

3.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) ~~a Grant Deeds~~grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 3.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 3.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, in the form attached hereto as **Schedule 3.2(c)**, by which (i) Seller assigns to Buyer, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed ~~Contract~~Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) written acknowledgment from ~~OSHPD~~HCAI that all conditions relating to the assignment of the Note, Security Instruments, and related documents to ~~OSHPD~~HCAI have been satisfied~~.~~;

(f) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(g) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(h) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(i) Evidence of entry of a ~~final~~Sale Order ~~approving the Sale~~ in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 5.2 of this Agreement; and

(j) any other documents necessary to close ~~Escrow~~escrow.

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3.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the ~~Seller Financing Documents~~Note;

~~(d)~~(e) the Security Instruments;

~~(e)~~(f) the Closing Statement;

~~(f)~~(g) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

~~(g)~~(h) any other documents necessary to close ~~Escrow~~escrow.

3.4 Resident Records~~-~~. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.4 shall survive the Closing.

3.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.5 shall survive the Closing.

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Section 4. Earnest Money and Provisions Regarding the Escrow Agent.

4.1 Earnest Money. Seller acknowledges and agrees that (i) ~~within one (1) business day of the execution and delivery of this Agreement,~~ Buyer ~~shall deposit~~has previously deposited with Escrow Agent the sum of Five Hundred Thousand and No/100 Dollars ($500,000.00); and (ii) within one (1) business day of ~~expiration~~entry of the ~~Due Diligence Period~~ Sale Order, unless Buyer rightfully terminates this Agreement ~~during the Due Diligence Period~~ prior thereto, Buyer shall deposit with Escrow ~~Agreement~~Agent an additional Five Hundred Thousand and No/100 Dollars ($500,000), for a total deposit of One Million Dollars ($1,000,000) (together, "Earnest Money"). Escrow Agent is hereby directed to deposit each installment of the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. If Buyer delivers to Escrow Agent Buyer's Approval Notice (as defined in Section 7.2) prior to or at the expiration of the Due Diligence Period, both installments of the Earnest Money shall become nonrefundable (except to the extent Seller defaults on its obligations hereunder or a condition precedent to Buyer's obligations is not satisfied or waived in writing by Buyer in accordance with the provisions of Section 13 hereof), and shall be held in escrow by Escrow Agent until Closing or the earlier termination of this Agreement. If this Agreement is rightfully terminated or deemed terminated during or at the end of the Due Diligence Period ~~or Due Diligence Extension Period~~, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in ~~Escrow~~escrow, to Buyer. Following such release of the first installment of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement).

4.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

4.3 Independent Consideration. Buyer ~~shall deposit~~deposited into escrow, concurrently with and in addition to the initial installment of Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. If Buyer elects to terminate this Agreement for any reason other than Seller's default, Seller shall retain the Independent Consideration. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

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Section 5. Certain Actions Prior to Closing.

5.1 Governmental Approvals. Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer shall submit applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer timely reviews the draft notice and timely provides all information reasonably requested by Seller. Both parties agree to cooperate with each other in the preparation and timely submission

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of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

5.2 Order for Sale. ~~Within ten (10) days of the Effective Date~~On September 27, 2021, Seller ~~shall (a) amend~~amended its bankruptcy ~~petition and~~ schedules ~~as necessary~~ to include as a contingent claim the potential withdrawal liability to the Union Pension Fund (or any related entity~~), (b) serve~~) and served the Union Pension Fund ~~with its bankruptcy petition and~~ those amended schedules~~, and (c) file~~ on September 28, 2021. On October 22, 2021, Seller filed with the Court in the Case a motion for approval of the sale of the Assets under Section 363 of the U.S. Bankruptcy Code~~. Such sale motion shall~~ (the "Sale Motion"). The Sale Motion specifically ~~require~~requests that the Court approve the transfer of the ~~Property~~Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances, specifically providing, without limitation, that any withdrawal liability to ~~The~~the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute ~~such motion~~the Sale Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances.

5.3 HCAI Approval. At least ten (10) business days prior to the Closing Date, Buyer shall obtain HCAI's written consent of the following:

(a) this Agreement, including any subsequent amendments thereto;

(b) the terms of and form of the Note;

(c) the terms of and form of the Security Instruments; and

(d) the creditworthiness of Buyer as borrower under the Note or the creditworthiness of Pacifica Companies LLC as guarantor of the Note if Buyer is not Pacifica Companies LLC.

Section 6. Title Condition.

6.1 Premises Title Requirements. Within five (5~~))~~) business days after the Effective Date, Seller shall deliver to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Buyer shall notify Seller in writing ("Buyer's Title Objection Notice") of any objections Buyer may have to title exceptions contained in the Preliminary Title Report(s) prior to the expiration of the ~~Feasibility~~Due Diligence Period. Any and all exceptions to title that are capable of being removed as exceptions by payment of a reasonable fixed and liquidated sum of money shall be automatically deemed objected to by Buyer. Seller shall have a period of five (5) business days after receipt of Buyer's Title Objection Notice in which to deliver written notice to Buyer ("Seller's Title Notice") of Seller's election to either

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(i)- agree to remove the objectionable items prior to the ~~Close of Escrow~~Closing, or (ii) decline to remove any such title exceptions. If Seller fails to deliver a Seller's Title Notice, Seller shall be deemed to have declined to remove any such objectionable items. If Seller notifies Buyer of its election to decline to remove any or all such objectionable items, Buyer shall have the right, by written notice delivered to Seller within five (5) business days after Buyer's receipt of Seller's Title Notice, to elect between either, (~~iii~~y) accepting the cancellation of escrow, in which event the entire ~~Deposit~~Earnest Money shall be immediately released to Buyer; or (~~iv) to agree~~z) agreeing to accept the Real Property Assets subject to the objectionable items~~,~~ (the "Permitted Encumbrances"), in which event Seller's election to terminate the ~~Escrow~~escrow shall be of no effect, and Buyer shall take title of the Real Property Assets at the ~~Close of Escrow~~Closing subject to such objectionable items. Upon the issuance of any amendment or supplement to the Preliminary Title Report which adds additional exceptions, the foregoing right of review and approval shall also apply to said amendment or supplement (provided that the period for Buyer to review such amendment or supplement shall be the later of the expiration of the ~~Feasibility~~Due Diligence Period or three (3) business days from receipt of the amendment or supplement) and ~~Escrow~~the Closing shall be deemed extended by the amount of time necessary to allow such review and approval in the time and manner set forth above; provided, however, that in no event shall the ~~Close of Escrow~~Closing be extended as a result of such delay for more than thirty (30) days.

6.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture ~~or~~and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the ~~Agency~~Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

6.3 Surveys. To the extent required by ~~OSHPD~~HCAI or any ~~Agency~~Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 7. Inspections and Review - Due Diligence Period.

7.1 Documents to be Delivered to Buyer. Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

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(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them and provided, further, that no such request shall have the effect of extending the Due Diligence Period; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the ~~Close of Escrow~~Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

7.2 Refund of Deposit Upon Termination. Beginning on the Effective Date and continuing until the ~~Close of Escrow~~Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 7.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer

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shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections). In the event that such examination of the Assets, the books and records, the Premises and such environmental assessments are satisfactory to Buyer, Buyer shall deliver to Escrow Agent and Seller, prior to the expiration of the Due Diligence Period, written notice that Buyer approves its feasibility analysis ("Buyer's Approval Notice"). ~~Buyer shall then pay the second installment of the Earnest Money as described in Section 4.1 above.~~ If Buyer rightfully terminates this Agreement during the Due Diligence Period, in accordance with the terms and conditions hereof, Buyer shall be entitled to a refund of its Earnest Money Deposit and all interest accrued thereon.

7.3 Access. At reasonable times and upon reasonable advance notice at all times during the Due Diligence Period and prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 8. Certain Expenses and Closing Adjustments.

~~8.1~~ ~~Expenses of Transaction.~~ Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. Seller shall pay the cost of obtaining and recording any documents to release Liens encumbering the Premises which Seller is obligated to release hereunder. The ~~Escrow~~escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of ~~Escrow~~Closing shall be paid in accordance with the custom of the ~~County~~counties in which the Facilities are located.

Section 9. Employment Matters.

9.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

9.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment,

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including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in Schedule 9.2, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in Schedule 9.2, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 9.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

9.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 9.6 of this Agreement.

9.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the ~~Union~~union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

9.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

9.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute.

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Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 10. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 10, a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 11. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

11.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

11.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the ~~Action~~Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances~~.~~. Other than obtaining Court approval of this Agreement in the ~~Action~~Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the ~~Action~~Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

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11.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

11.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

11.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

11.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

11.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof.

11.8 Litigation. Subject to the disclosures set forth on **Schedule 11.8** hereto, and other than the ~~Action~~Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

11.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

11.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has

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made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the ~~Property~~Assets or for any other purpose. Buyer hereby expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

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Seller Buyer

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NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 11.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 11.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 12. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

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12.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. Buyer has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

12.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the ~~Close of Escrow~~Closing.

12.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

12.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution other than ~~OSHPD's~~HCAI's consent to the Note and Security Instruments in order to fulfill its obligations hereunder.

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12.6 –Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any ~~Agency~~Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

12.7 Litigation. Subject to the disclosures set forth on Schedule 12.7 hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 13. Conditions to Parties' Obligations.

13.1 ~~13.1~~ Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 11 above shall be true in all material respects as of the ~~date of~~ Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the ~~Action~~Case shall have granted ~~Seller's motion for sale of~~ the ~~Assets~~Sale Motion as contemplated in Section 5.2 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the expiration of the Due Diligence Period.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

(h) HCAI Approval. Written consent of HCAI in satisfaction of Section 5.3 of this Agreement.

If any of the conditions precedent set forth in this Section 13.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive

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such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

13.2 ~~13.2~~ Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 12 above shall be true in all material respects as of the ~~date of~~ Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the ~~Action~~Case shall have granted ~~Seller's motion for sale of~~ the ~~Assets~~Sale Motion as contemplated in Section 5.2 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

~~(d)~~(e) HCAI Approval. Written consent of HCAI in satisfaction of Section 5.3 of this Agreement.

If any of the conditions precedent set forth in this Section 13.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 14. Indemnification.

14.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim, judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

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14.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

14.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Article 14 shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 14.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

14.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing

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to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

14.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment~~, subject to the Basket Amount and Cap.~~. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

14.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 14 shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 14 to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 15. Conduct of Business Pending Closing.

15.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

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(a) enter into any material contract~~(~~, agreement, lease or other commitment ~~(~~with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

15.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 9.1 hereof.

15.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 16. Transition.

16.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

16.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

16.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under ~~Applicable Law~~applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee)

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each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the expiration of the Due Diligence Period. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

16.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the ~~Effective Date.~~Closing. Following the ~~Effective Date~~Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the ~~Effective Date~~Closing, and Buyer (or its designee) shall provide Seller with such Facility ~~Records~~records as Seller reasonably requests to complete such final cost reports.

16.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

16.6 Survival. The provisions of this Section 16 shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 17. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and ~~residents~~Residents.

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Section 18. Default.

18.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 4, BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

18.2 Seller's Default.

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(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

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(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

18.3 Survival. The provisions of this Section 18 shall survive the termination of this Agreement.

Section 19. Broker.

~~**Section 19.**~~ Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 20. Miscellaneous.

20.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

20.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

20.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

20.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 4 hereof.

20.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered

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(including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:	If to Purchaser:
CNMH_____ 201 19th Street, Oakland, CA 94612 Attn: Phone:_____ Fax:_____ E-Mail:_____ _____	Pacifica Companies LLC 1775 Hancock Street, Suite 200 San Diego, CA 92110 Attn: Deepak Israni Phone: (619) 296-9000 Fax: (619) 296-9090 E-Mail: Disrani@pacificacompanies.com
and	and
Pamela S. Kaufmann, Esq. Hanson Bridgett LLP 415 Market Street, 26th floor San Francisco, CA 94105 Phone: (415) 995-5043 Fax: (415) 995-3449 E-mail: pkaufmann@hansonbridgett.com	Thomas P. Sayer, Jr., Esq. 9984 Scripps Ranch Blvd., #284 San Diego, CA 92131 Phone: (858) 335-9590 Fax: (619) 296-9090 E-Mail: tsayer1@gmail.com
	In each case with a copy to Escrow Agent at: _____[contact info.]

20.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

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20.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

20.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

20.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

20.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

20.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the ~~Close of Escrow~~Closing and delivery of the ~~Deed~~Deeds.

20.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

20.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

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~~20.14~~(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed~~-~~.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By:_____ Garrett B. Cross Chairman of Board of Trustees	By:_____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

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SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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~~SCHEDULE 2.5~~

SCHEDULE 1(e)

Attorney General Conditional Approval Letter

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SCHEDULE 2.2

Assumed Contracts

1. All ~~residency agreements~~Residency Agreements in effect as of the ~~execution of this Agreement, including, without limitation, life care, continuing care, and monthly fee (non-continuing care) agreements, to the extent same have not been cancelled or terminated prior to the~~ Closing~~, together with all residency agreements entered into by Seller during the term of this Agreement~~ Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll~~)~~).

3. ~~Resident~~ Non-Restricted Entrance Fee ~~Repayments~~Liability as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Repayable	$ 5,985,251	$ 12,893,010	$ 18,878,261
Contingent		$ 2,115,126	$ 2,115,126
Total	**$ 5,985,251**	**$ 15,008,136**	**$ 20,993,387**

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

~~4.~~5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the expiration of the Due Diligence Period, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule ~~1(b):~~2.2:

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[Buyer to list]

_____

_____

_____

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SCHEDULE 2.5

Resident Security Deposits

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SCHEDULE 2.7

Purchase Price Allocation

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SCHEDULE 3.2(a)

GRANT DEED

To be provided by Title Company

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SCHEDULE 3.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

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EXHIBIT "A"

All Fixtures, Furniture~~,~~ and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ~~(~~("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

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SCHEDULE 3.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Amended and Restated Purchase and Sale Agreement dated as of ~~September~~November ___, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ~~(~~("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

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1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned ~~Interests'~~Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed ~~Contract~~Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed ~~Contract~~Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

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1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:	BUYER:
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC
	By: PAC Investors Inc., its General Manager
By: _____	By:_____
Garrett B. Cross	Deepak Israni, Secretary
Its: Chairman of Board of Trustees	

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SCHEDULE 11.8

Litigation

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DRAFT Amended and Restated Purchase and Sale Agreement, dated November 19, 2021 (redline version)

AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT

This Amended and Restated Purchase and Sale Agreement is as of November __, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities, in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of October 13, 2021 (the "Original PSA"), pursuant to which Seller agreed to sell, and Buyer agreed to purchase substantially all of Seller's assets.

E. Seller and Buyer entered into that certain Amendment to Purchase and Sale Agreement dated as of October 18, 2021, pursuant to which Seller and Buyer agreed to certain amendments to the Original PSA.

F. Seller and Buyer have negotiated certain modifications to the Original PSA, as amended, and now wish to amend and restate the terms of the Original PSA as set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Amended and Restated Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Amended and Restated Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items as defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) any and all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to

the expiration of the Due Diligence Period, as defined herein, agrees in writing to assume, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume any contracts, commercial leases and/or other agreements, then the same shall be listed on Schedule 1(b), initialed by Buyer and delivered along with Buyer's Approval Notice prior to the expiration of the Due Diligence Period.

"*Broker*" means the persons or entities identified in Section 19 of this Agreement.

"*Buyer's Approval Notice*" has the meaning given such term in Section 7.2 of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Due Diligence Period*" means the period commencing upon September 20, 2021 and ending at 5:00 pm Pacific time upon November 30, 2021, during which Buyer may terminate this transaction without cause or penalty or forfeiture.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 4 of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof.

The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com..

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month ~~immediately preceding the Effective Date~~of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing

Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Permitted Encumbrances*" has the meaning set forth in Section 6.1 of this Agreement.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements as set forth on **Schedule 2.2** attached hereto. On or before the Closing Date, Seller shall amend **Schedule 2.2** to include any Residency Agreements executed between the Effective Date and the Closing and the corresponding Repayment Liability for any continuing care contracts executed between the Effective Date and the Closing.

"*Residency Agreements*" means all contracts between Seller and residents or former residents at the Facilities for the occupancy of a unit at a Facility, including, without limitation, life care, continuing care, and monthly fee agreements.

"*Resident(s)*" means resident(s) in occupancy at the Facilities pursuant to Residency Agreements and any former resident(s) at the Facilities who resided at the Facilities at any time pursuant to Residency Agreements, including, without limitation, those former residents who are deceased as of the Closing Date.

"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of

the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The total purchase price (the "Purchase Price") for the Assets shall be Thirty-Nine Million Three Hundred Thousand and No/100 Dollars ($39,300,000.00) payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 4.3) with Escrow Agent in accordance with Sections 4.1, 4.2 and 4.3;

(b) Buyer shall work with the California Department of Health Care Access and Information f/k/a Office of Statewide Health Planning and Development ("HCAI") to obtain pre-approval for financing by no later than 5:00 pm Pacific time on December 17, 2021, and Buyer shall execute a promissory note secured by a security interest and deeds of trust, which upon recording, to the Knowledge of Seller, shall hold a first priority lien in the Assets in the principal amount of Twenty Million Six Hundred Twenty-Five Thousand and No/100 Dollars ($20,625,000.00) in favor of Seller (the "Note" and "Security Instruments"), which Note and Security Instruments shall be assigned by Seller on the Closing Date to HCAI. Subject to HCAI's pre-approval of Buyer as borrower under the Note and Security Instruments, the Note will have a term of 5 years, bear a fixed interest rate of 3.00%, and be payable on an interest-only basis throughout the term. The form and substance of the Note and Security Instruments shall be reasonably acceptable to both Seller and HCAI. If Buyer is an entity other than Pacifica Companies LLC, the latter shall provide a guaranty of the Note that is in form and substance reasonably acceptable to both Seller and HCAI or shall provide other assurances that are reasonably acceptable to Seller and HCAI;

(c) The balance of the Purchase Price not covered by the Earnest Money, the Independent Consideration and the Note shall be paid in cash by Buyer at the Closing. Such

balance is currently estimated to be Seventeen Million Six Hundred Seventy-Four Thousand Nine Hundred and No/100 Dollars ($17,674,900); and

(d) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (d) of Section 2.1. The provisions of this Subsection (d) of Section 2.1 shall survive the Closing.

Lake Park:		
Real Property:		$16,347,500
Goodwill:		$8,802,500
	Total:	$25,150,000
Forest Hill:		
Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to accept and assume the Assumed Contracts on and after the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit, verification and proration at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial

Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 9.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

Section 3. Closing.

3.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

3.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 3.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 3.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, in the form attached hereto as **Schedule 3.2(c)**, by which (i) Seller assigns to Buyer, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) written acknowledgment from HCAI that all conditions relating to the assignment of the Note, Security Instruments, and related documents to HCAI have been satisfied;

(f) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(g) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(h) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(i) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 5.2 of this Agreement; and

(j) any other documents necessary to close escrow.

3.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Note;

(e) the Security Instruments;

(f) the Closing Statement;

(g) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(h) any other documents necessary to close escrow.

3.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.4 shall survive the Closing.

3.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.5 shall survive the Closing.

Section 4. Earnest Money and Provisions Regarding the Escrow Agent.

4.1 Earnest Money. Seller acknowledges and agrees that (i) Buyer has previously deposited with Escrow Agent the sum of Five Hundred Thousand and No/100 Dollars ($500,000.00); and (ii) within one (1) business day of entry of the Sale Order, unless Buyer rightfully terminates this Agreement prior thereto, Buyer shall deposit with Escrow Agent an additional Five Hundred Thousand and No/100 Dollars ($500,000), for a total deposit of One Million Dollars ($1,000,000) (together, "Earnest Money"). Escrow Agent is hereby directed to deposit each installment of the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. If Buyer delivers to Escrow Agent Buyer's Approval Notice (as defined in Section 7.2) prior to or at the expiration of the Due Diligence Period, both installments of the Earnest Money shall become nonrefundable (except to the extent Seller defaults on its obligations hereunder or a condition precedent to Buyer's obligations is not satisfied or waived in writing by Buyer in accordance with the provisions of Section 13 hereof), and shall be held in escrow by Escrow Agent until Closing or the earlier

termination of this Agreement. If this Agreement is rightfully terminated or deemed terminated during or at the end of the Due Diligence Period, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the first installment of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement).

4.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

4.3 Independent Consideration. Buyer deposited into escrow, concurrently with and in addition to the initial installment of Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. If Buyer elects to terminate this Agreement for any reason other than Seller's default, Seller shall retain the Independent Consideration. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 5. Certain Actions Prior to Closing.

5.1 Governmental Approvals. Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer shall submit applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer timely reviews the draft notice and timely provides all information reasonably requested by Seller. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

5.2 Order for Sale. On September 27, 2021, Seller amended its bankruptcy schedules to include as a contingent claim the potential withdrawal liability to the Union Pension Fund (or any related entity) and served the Union Pension Fund those amended schedules on September 28, 2021. On October 22, 2021, Seller filed with the Court in the Case a motion for approval of the sale of the Assets under Section 363 of the U.S. Bankruptcy Code (the "Sale Motion"). The Sale Motion specifically requests that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other

related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances.

5.3 HCAI Approval. No later than 5:00 p.m. Pacific Time on December 17, 2021, or as otherwise agreed between the Debtor, HCAI and Pacifica~~At least ten (10) business days prior to the Closing Date~~, Buyer shall obtain HCAI's written consent of the following:

(a) this Agreement, including any subsequent amendments thereto;

(b) the terms of and form of the Note;

(c) the terms of and form of the Security Instruments; and

(d) the creditworthiness of Buyer as borrower under the Note or the creditworthiness of Pacifica Companies LLC as guarantor of the Note if Buyer is not Pacifica Companies LLC.

Section 6. Title Condition.

6.1 Premises Title Requirements. Within five (5) business days after the Effective Date, Seller shall deliver to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Buyer shall notify Seller in writing ("Buyer's Title Objection Notice") of any objections Buyer may have to title exceptions contained in the Preliminary Title Report(s) prior to the expiration of the Due Diligence Period. Any and all exceptions to title that are capable of being removed as exceptions by payment of a reasonable fixed and liquidated sum of money shall be automatically deemed objected to by Buyer. Seller shall have a period of five (5) business days after receipt of Buyer's Title Objection Notice in which to deliver written notice to Buyer ("Seller's Title Notice") of Seller's election to either (i) agree to remove the objectionable items prior to the Closing, or (ii) decline to remove any such title exceptions. If Seller fails to deliver a Seller's Title Notice, Seller shall be deemed to have declined to remove any such objectionable items. If Seller notifies Buyer of its election to decline to remove any or all such objectionable items, Buyer shall have the right, by written notice delivered to Seller within five (5) business days after Buyer's receipt of Seller's Title Notice, to elect between either, (y) accepting the cancellation of escrow, in which event the entire Earnest Money shall be immediately released to Buyer; or (z) agreeing to accept the Real Property Assets subject to the objectionable items (the "Permitted Encumbrances"), in which event Seller's election to terminate the escrow shall be of no effect, and Buyer shall take title of the Real Property Assets at the Closing subject to such objectionable items. Upon the issuance of any amendment or supplement to the Preliminary Title Report which adds additional exceptions, the foregoing right of review and approval shall also apply to said amendment or supplement (provided that the period for Buyer to review such amendment or supplement shall be the later of the expiration of the Due Diligence Period or three (3) business days from receipt of the amendment or supplement) and the Closing shall be deemed extended by the amount of time necessary to allow such review and approval in the time and manner set forth above; provided, however, that in no event shall the Closing be extended as a result of such delay for more than thirty (30) days.

6.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

6.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 7. Inspections and Review - Due Diligence Period.

7.1 Documents to be Delivered to Buyer. Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies.

Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them and provided, further, that no such request shall have the effect of extending the Due Diligence Period; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

7.2 Refund of Deposit Upon Termination. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 7.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections). In the event that such examination of the Assets, the books and records, the Premises and such environmental assessments are satisfactory to Buyer, Buyer shall deliver to Escrow Agent and Seller, prior to the expiration of the Due Diligence Period, written notice that Buyer approves its feasibility analysis ("Buyer's Approval Notice"). If Buyer rightfully terminates this Agreement during the Due Diligence Period, in accordance with the terms and conditions hereof, Buyer shall be entitled to a refund of its Earnest Money Deposit and all interest accrued thereon.

7.3 Access. At reasonable times and upon reasonable advance notice at all times during the Due Diligence Period and prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 8. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. Seller shall pay the cost of obtaining and recording any documents to release Liens encumbering the Premises which Seller is obligated to release hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Section 9. Employment Matters.

9.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

9.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in Schedule 9.2, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in Schedule 9.2, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 9.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

9.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 9.6 of this Agreement.

9.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

9.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

9.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 10. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that

Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 10, a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 11. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

11.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

11.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

11.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

11.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

11.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

11.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable

to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

11.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof.

11.8 Litigation. Subject to the disclosures set forth on **Schedule 11.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

11.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

11.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: _____ _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 11.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 11.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 12. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

12.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. Buyer has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

12.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

12.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

12.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution other than HCAI's consent to the Note and Security Instruments in order to fulfill its obligations hereunder.

12.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

12.7 Litigation. Subject to the disclosures set forth on Schedule 12.7 hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 13. Conditions to Parties' Obligations.

13.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 11 above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 5.2 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the expiration of the Due Diligence Period.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

(h) HCAI Approval. Written consent of HCAI in satisfaction of Section 5.3 of this Agreement.

If any of the conditions precedent set forth in this Section 13.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

13.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 12 above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 5.2 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) HCAI Approval. Written consent of HCAI in satisfaction of Section 5.3 of this Agreement.

If any of the conditions precedent set forth in this Section 13.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 14. Indemnification.

14.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim, judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

14.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

14.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Article 14 shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly

given within such one (1) year period in accordance with Section 14.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

14.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

14.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that

the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

14.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 14 shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 14 to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 15. Conduct of Business Pending Closing.

15.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

15.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement

arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 9.1 hereof.

15.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 16. Transition.

16.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

16.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

16.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the expiration of the Due Diligence Period. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

16.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

16.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

16.6 Survival. The provisions of this Section 16 shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 17. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Section 18. Default.

18.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 4, BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT.

SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

18.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

18.3 Survival. The provisions of this Section 18 shall survive the termination of this Agreement.

Section 19. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 20. Miscellaneous.

20.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments

to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

20.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

20.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

20.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 4 hereof.

20.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:

CNMH_____
201 19th Street,
Oakland, CA 94612
Attn:
Phone:_____
Fax:_____
E-Mail:_____
_____

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

If to Purchaser:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Phone: (619) 296-9000
Fax: (619) 296-9090
E-Mail: Disrani@pacificacompanies.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at: _____[contact info.]

20.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

20.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

20.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

20.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

20.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

20.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

20.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

20.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By:_____ Garrett B. Cross Chairman of Board of Trustees	By:_____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

SCHEDULE 1(e)

Attorney General Conditional Approval Letter

SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the expiration of the Due Diligence Period, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

SCHEDULE 2.5

Resident Security Deposits

SCHEDULE 2.7

Purchase Price Allocation

SCHEDULE 3.2(a)

GRANT DEED

To be provided by Title Company

SCHEDULE 3.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE 3.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Amended and Restated Purchase and Sale Agreement dated as of November ___, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:	BUYER:
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: _____ Garrett B. Cross	By:_____ Deepak Israni, Secretary
Its: Chairman of Board of Trustees	

SCHEDULE 11.8

Litigation

DRAFT Proposed Revisions to Amended and Restated Purchase and Sale Agreement, dated November 23, 2021

Suggested Revisions to Amended and Restated Purchase and Sale Agreement.

Section 2.2

2.2 Repayment Liability. Buyer expressly agrees to accept and assume the Assumed Contracts on and after the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability to Residents for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification ~~and proration~~ at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

Schedule 2.2, Assumed Contracts.

3. Non-Restricted Entrance Fee Liability owed to those Residents identified as "Residents 1 through 105" in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162), as of the Effective Date as follows:

Schedule 3.2(c), Assignment and Assumption Agreement

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Seller as part of the Assumed Contracts.

Executed Amended and Restated Purchase and Sale Agreement
between CNMH and Buyer dated November 30, 2021

AMENDED AND RESTATED PURCHASE AND SALE AGREEMENT

This Amended and Restated Purchase and Sale Agreement is as of November __, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities, in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of October 13, 2021 (the "Original PSA"), pursuant to which Seller agreed to sell, and Buyer agreed to purchase substantially all of Seller's assets.

E. Seller and Buyer entered into that certain Amendment to Purchase and Sale Agreement dated as of October 18, 2021, pursuant to which Seller and Buyer agreed to certain amendments to the Original PSA.

F. Seller and Buyer have negotiated certain modifications to the Original PSA, as amended, and now wish to amend and restate the terms of the Original PSA as set forth in this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Amended and Restated Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Amended and Restated Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items as defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) any and all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to

the expiration of the Due Diligence Period, as defined herein, agrees in writing to assume, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume any contracts, commercial leases and/or other agreements, then the same shall be listed on Schedule 1(b), initialed by Buyer and delivered along with Buyer's Approval Notice prior to the expiration of the Due Diligence Period.

"*Broker*" means the persons or entities identified in Section 19 of this Agreement.

"*Buyer's Approval Notice*" has the meaning given such term in Section 7.2 of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Due Diligence Period*" means the period commencing upon September 20, 2021 and ending at 5:00 pm Pacific time upon November 30, 2021, during which Buyer may terminate this transaction without cause or penalty or forfeiture.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 4 of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof.

The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com..

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall

exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Permitted Encumbrances*" has the meaning set forth in Section 6.1 of this Agreement.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements as set forth on **Schedule 2.2** attached hereto. On or before the Closing Date, Seller shall amend **Schedule 2.2** to include any Residency Agreements executed between the Effective Date and the Closing and the corresponding Repayment Liability for any continuing care contracts executed between the Effective Date and the Closing.

"*Residency Agreements*" means all contracts between Seller and residents or former residents at the Facilities for the occupancy of a unit at a Facility, including, without limitation, life care, continuing care, and monthly fee agreements.

"*Resident(s)*" means resident(s) in occupancy at the Facilities pursuant to Residency Agreements and any former resident(s) at the Facilities who resided at the Facilities at any time pursuant to Residency Agreements, including, without limitation, those former residents who are deceased as of the Closing Date.

"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of

the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The total purchase price (the "Purchase Price") for the Assets shall be Thirty-Nine Million Three Hundred Thousand and No/100 Dollars ($39,300,000.00) payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 4.3) with Escrow Agent in accordance with Sections 4.1, 4.2 and 4.3;

(b) Buyer shall work with the California Department of Health Care Access and Information f/k/a Office of Statewide Health Planning and Development ("HCAI") to obtain pre-approval for financing by no later than 5:00 pm Pacific time on December 17, 2021, and Buyer shall execute a promissory note secured by a security interest and deeds of trust, which upon recording, to the Knowledge of Seller, shall hold a first priority lien in the Assets in the principal amount of Twenty Million Six Hundred Twenty-Five Thousand and No/100 Dollars ($20,625,000.00) in favor of Seller (the "Note" and "Security Instruments"), which Note and Security Instruments shall be assigned by Seller on the Closing Date to HCAI. Subject to HCAI's pre-approval of Buyer as borrower under the Note and Security Instruments, the Note will have a term of 5 years, bear a fixed interest rate of 3.00%, and be payable on an interest-only basis throughout the term. The form and substance of the Note and Security Instruments shall be reasonably acceptable to both Seller and HCAI. If Buyer is an entity other than Pacifica Companies LLC, the latter shall provide a guaranty of the Note that is in form and substance reasonably acceptable to both Seller and HCAI or shall provide other assurances that are reasonably acceptable to Seller and HCAI;

(c) The balance of the Purchase Price not covered by the Earnest Money, the Independent Consideration and the Note shall be paid in cash by Buyer at the Closing. Such

balance is currently estimated to be Seventeen Million Six Hundred Seventy-Four Thousand Nine Hundred and No/100 Dollars ($17,674,900); and

(d) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (d) of Section 2.1. The provisions of this Subsection (d) of Section 2.1 shall survive the Closing.

Lake Park:		
Real Property:		$16,347,500
Goodwill:		$8,802,500
	Total:	$25,150,000
Forest Hill:		
Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to accept and assume the Assumed Contracts on and after the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability to Residents for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 9.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

Section 3. Closing.

3.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

3.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 3.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 3.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, in the form attached hereto as **Schedule 3.2(c)**, by which (i) Seller assigns to Buyer, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) written acknowledgment from HCAI that all conditions relating to the assignment of the Note, Security Instruments, and related documents to HCAI have been satisfied;

(f) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(g) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(h) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(i) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 5.2 of this Agreement; and

(j) any other documents necessary to close escrow.

3.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Note;

(e) the Security Instruments;

(f) the Closing Statement;

(g) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(h) any other documents necessary to close escrow.

3.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.4 shall survive the Closing.

3.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 3.5 shall survive the Closing.

Section 4. Earnest Money and Provisions Regarding the Escrow Agent.

4.1 Earnest Money. Seller acknowledges and agrees that (i) Buyer has previously deposited with Escrow Agent the sum of Five Hundred Thousand and No/100 Dollars ($500,000.00); and (ii) within one (1) business day of entry of the Sale Order, unless Buyer rightfully terminates this Agreement prior thereto, Buyer shall deposit with Escrow Agent an additional Five Hundred Thousand and No/100 Dollars ($500,000), for a total deposit of One Million Dollars ($1,000,000) (together, "Earnest Money"). Escrow Agent is hereby directed to deposit each installment of the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. If Buyer delivers to Escrow Agent Buyer's Approval Notice (as defined in Section 7.2) prior to or at the expiration of the Due

Diligence Period, both installments of the Earnest Money shall become nonrefundable (except to the extent Seller defaults on its obligations hereunder or a condition precedent to Buyer's obligations is not satisfied or waived in writing by Buyer in accordance with the provisions of Section 13 hereof), and shall be held in escrow by Escrow Agent until Closing or the earlier termination of this Agreement. If this Agreement is rightfully terminated or deemed terminated during or at the end of the Due Diligence Period, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the first installment of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement).

4.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

4.3 Independent Consideration. Buyer deposited into escrow, concurrently with and in addition to the initial installment of Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. If Buyer elects to terminate this Agreement for any reason other than Seller's default, Seller shall retain the Independent Consideration. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 5. Certain Actions Prior to Closing.

5.1 Governmental Approvals. Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer shall submit applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer timely reviews the draft notice and timely provides all information reasonably requested by Seller. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

5.2 Order for Sale. On September 27, 2021, Seller amended its bankruptcy schedules to include as a contingent claim the potential withdrawal liability to the Union Pension Fund (or any related entity) and served the Union Pension Fund those amended schedules on September 28, 2021. On October 22, 2021, Seller filed with the Court in the Case a motion for

approval of the sale of the Assets under Section 363 of the U.S. Bankruptcy Code (the "Sale Motion"). The Sale Motion specifically requests that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances.

5.3 HCAI Approval. No later than 5:00 p.m. Pacific Time on December 17, 2021, or as otherwise agreed between the Debtor, HCAI and Pacifica, Buyer shall obtain HCAI's written consent of the following:

(a) this Agreement, including any subsequent amendments thereto;

(b) the terms of and form of the Note;

(c) the terms of and form of the Security Instruments; and

(d) the creditworthiness of Buyer as borrower under the Note or the creditworthiness of Pacifica Companies LLC as guarantor of the Note if Buyer is not Pacifica Companies LLC.

Section 6. Title Condition.

6.1 Premises Title Requirements. Within five (5) business days after the Effective Date, Seller shall deliver to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Buyer shall notify Seller in writing ("Buyer's Title Objection Notice") of any objections Buyer may have to title exceptions contained in the Preliminary Title Report(s) prior to the expiration of the Due Diligence Period. Any and all exceptions to title that are capable of being removed as exceptions by payment of a reasonable fixed and liquidated sum of money shall be automatically deemed objected to by Buyer. Seller shall have a period of five (5) business days after receipt of Buyer's Title Objection Notice in which to deliver written notice to Buyer ("Seller's Title Notice") of Seller's election to either (i) agree to remove the objectionable items prior to the Closing, or (ii) decline to remove any such title exceptions. If Seller fails to deliver a Seller's Title Notice, Seller shall be deemed to have declined to remove any such objectionable items. If Seller notifies Buyer of its election to decline to remove any or all such objectionable items, Buyer shall have the right, by written notice delivered to Seller within five (5) business days after Buyer's receipt of Seller's Title Notice, to elect between either, (y) accepting the cancellation of escrow, in which event the entire Earnest Money shall be immediately released to Buyer; or (z) agreeing to accept the Real Property Assets subject to the objectionable items (the "Permitted Encumbrances"), in which event Seller's election to terminate the escrow shall be of no effect, and Buyer shall take title of the Real Property Assets at the Closing subject to such objectionable items. Upon the issuance of any amendment or supplement to the Preliminary Title Report which adds additional exceptions, the foregoing right of review and approval shall also apply to said amendment or supplement (provided that the period for Buyer to review such amendment or supplement shall be the later of the expiration of the Due Diligence Period or three (3) business days from receipt of the amendment or supplement)

and the Closing shall be deemed extended by the amount of time necessary to allow such review and approval in the time and manner set forth above; provided, however, that in no event shall the Closing be extended as a result of such delay for more than thirty (30) days.

6.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

6.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 7. Inspections and Review - Due Diligence Period.

7.1 Documents to be Delivered to Buyer. Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller

has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them and provided, further, that no such request shall have the effect of extending the Due Diligence Period; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

7.2 Refund of Deposit Upon Termination. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 7.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections). In the event that such examination of the Assets, the books and records, the Premises and such environmental assessments are satisfactory to Buyer, Buyer shall deliver to Escrow Agent and Seller, prior to the expiration of the Due Diligence Period, written notice that Buyer approves its feasibility analysis ("Buyer's Approval Notice"). If Buyer rightfully terminates this Agreement during the Due Diligence Period, in accordance with the terms and conditions hereof, Buyer shall be entitled to a refund of its Earnest Money Deposit and all interest accrued thereon.

7.3 Access. At reasonable times and upon reasonable advance notice at all times during the Due Diligence Period and prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on

behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 8. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. Seller shall pay the cost of obtaining and recording any documents to release Liens encumbering the Premises which Seller is obligated to release hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Section 9. Employment Matters.

9.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

9.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in Schedule 9.2, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in Schedule 9.2, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 9.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and

monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

9.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 9.6 of this Agreement.

9.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

9.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

9.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 10. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights

with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 10, a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 11. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

11.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

11.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

11.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

11.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

11.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

11.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

11.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof.

11.8 Litigation. Subject to the disclosures set forth on **Schedule 11.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

11.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

11.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby

expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: _____ _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 11.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 11.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 12. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

12.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. Buyer has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

12.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

12.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

12.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution other than HCAI's consent to the Note and Security Instruments in order to fulfill its obligations hereunder.

12.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

12.7 Litigation. Subject to the disclosures set forth on Schedule 12.7 hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened,

before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 13. Conditions to Parties' Obligations.

13.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 11 above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 5.2 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the expiration of the Due Diligence Period.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

(h) HCAI Approval. Written consent of HCAI in satisfaction of Section 5.3 of this Agreement.

If any of the conditions precedent set forth in this Section 13.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

13.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance

prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 12 above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 5.2 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) HCAI Approval. Written consent of HCAI in satisfaction of Section 5.3 of this Agreement.

If any of the conditions precedent set forth in this Section 13.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 14. Indemnification.

14.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim, judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

14.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property

damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

14.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Article 14 shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 14.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

14.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

14.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

14.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 14 shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 14 to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 15. Conduct of Business Pending Closing.

15.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

15.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 9.1 hereof.

15.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 16. Transition.

16.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

16.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

16.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the expiration of the Due Diligence Period. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

16.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

16.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

16.6 Survival. The provisions of this Section 16 shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 17. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Section 18. Default.

18.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 4, BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

18.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

18.3 Survival. The provisions of this Section 18 shall survive the termination of this Agreement.

Section 19. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party

or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 20. Miscellaneous.

20.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

20.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

20.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

20.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

20.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 4 hereof.

20.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:

CNMH_____
201 19th Street,
Oakland, CA 94612
Attn:
Phone:_____
Fax:_____
E-Mail:_____
_____

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

If to Purchaser:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Phone: (619) 296-9000
Fax: (619) 296-9090
E-Mail: Disrani@pacificacompanies.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at: _____[contact info.]

20.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

20.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

20.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

20.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

20.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

20.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

20.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

20.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By:_____ Garrett B. Cross Chairman of Board of Trustees	By:_____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By:_____ Digitally signed by Garrett B. Cross DN: cn=Garrett B. Cross, o=California Nevada Methodist Homes, ou, email=cross2@pacbell.net, c=US Date: 2021.11.30 16:30:39 -08'00'	By:_____
Garrett B. Cross Chairman of Board of Trustees	Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12"‘ Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

APN: 008-0627-002-00

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15’ West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15’ West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified

copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

APN: 008-0627-038-03

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907", filed May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4' West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4' East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4' East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4' West, 18.94 feet to the point of beginning.

APN: 006-546-001

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907", filed for record May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

SCHEDULE 1(e)

Attorney General Conditional Approval Letter

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

January 7, 2020

Pamela S. Kaufmann
Partner
Hanson Bridgett LLP
425 Market Street, 26th Floor
San Francisco, CA 94105

Sent by U.S. Mail and Internet

RE: Proposed Sale of the Assets of California-Nevada Methodist Homes

Dear Ms. Kaufmann:

Pursuant to Corporations Code section 5914 *et seq.*, the Attorney General hereby conditionally consents to the proposed sale of California-Nevada Methodist Homes pursuant to the terms of the Asset Purchase Agreement dated March 7, 2019 between California-Nevada Methodist Homes, a California nonprofit public benefit corporation, and Bay Capital Co, LLC, a Delaware for-profit corporation.

Corporations Code section 5914 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 a for-profit 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,

Anita Garcia Velasco

ANITA GARCIA VELASCO
Deputy Attorney General

For XAVIER BECERRA
Attorney General

Attachment

Conditions to Proposed Sale of California-Nevada Methodist Homes and Approval of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC; the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC; Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC

I.

These Conditions shall be legally binding on Bay Capital Co, LLC, a Delaware limited liability company, Bay Senior Office PropCo LLC, a Delaware limited liability company, Lake Park PropCo LLC, a Delaware limited liability company, Lake Park OpCo LLC, a Delaware limited liability company, Lake Park Venture, LLC, a Delaware limited liability company, Lake Park OpCo Venture, LLC, a Delaware limited liability company, Lake Park OpCo Holding, LLC, a Delaware limited liability company, Forest Hill PropCo LLC, a Delaware limited liability company, Forest Hill OpCo LLC, a Delaware limited liability company, Forest Hill Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Holding, LLC, a Delaware limited liability company, Life Care Services, LLC, dba Life Care Services®, an Iowa limited liability company 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 Lake Park Facility[1] and the Forest Hill Facility[2] or the real property on which the Lake Park Facility and the Forest Hill Facility are located, any and all current and future owners, lessees, licensees, or operators of any of the facilities or units at the Lake Park Facility and the Forest Hill Facility,

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[1] Throughout this document "the Lake Park Facility" shall mean the RCFE- Continuing Care Retirement Community located at 1850 Alice Street, Oakland, CA, 94612 that includes 147 residential independent living units and 37 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 35 bed skilled nursing facility licensed by the California Department of Public Health effective November 1, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

[2] Throughout this document, "the Forest Hill facility" shall mean the RCFE-Continuing Care Retirement Community located at 551 Gibson Avenue, Pacific Grove, CA, 93950 that includes 91 residential living units and 18 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 26 bed skilled nursing facility licensed by the California Department of Public health effective January 16, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

and any and all current and future lessees and owners of the real property on which Lake Park and Forest Hill are physically located.

II.

The transaction approved by the Attorney General consists of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC dated March 7, 2019, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC, the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC, the Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC dated September 25, 2019; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC dated September 25, 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 Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC and all owners, managers, lessees, or operators of the Lake Park Facility and the Forest Hill Facility 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 Lake Park Facility or the Forest Hill Facility or any portion thereof;

(b) Transfer control, responsibility, management, or governance of the Lake Park Facility and the Forest Hill Facility or any portion thereof. The substitution, merger or addition of a new member of the governing body, general partner, or limited partner of Bay Capital Co, LLC; Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC that transfers the control of, responsibility for or governance of the Lake Park Facility and the Forest Hill Facility 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 the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or any arrangement, written or oral, that would transfer voting control of the members of the governing body, general partner, or limited partners of the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLCshall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Asset Purchase Agreement, the Lake Park Health Center[3] shall be operated and maintained as a skilled nursing facility with 35 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as November 1, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, and Life Care Services, LLC or the operator or licensee of the Lake Park Health Center shall not place all or any portion of the Lake Park Health Center'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 Asset Purchase Agreement, the Forest Hill Health Center[4] shall be operated and maintained as a skilled nursing facility with 26 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as of

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[3] Throughout this document, the term "Lake Park Health Center" shall mean the skilled nursing facility located at 1850 Alice Street, Oakland, CA, 94612 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

[4] Throughout this document, the term "Forest Hill Health Center" shall mean the skilled nursing facility located at 551 Gibson Avenue, Pacific Grove, CA, 93950 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

January 16, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center shall not place all or any portion of the Forest Hill Health Center's skilled nursing licensed-bed capacity or services in voluntary suspension or surrender its license for any beds or services.

VI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Lake Park Health Center 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 Lake Park Health Center as required in these Conditions.

VII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center 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 Forest Hill Health Center as required in these Conditions.

VIII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC and any other owner or operator of the Lake Park Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Boards shall consist of 7-12 residents at the Lake Park Facility chosen by the residents of the Lake Park Facility. The Community Advisory Board will provide advice and feedback on a

quarterly basis on the quality of care and quality of life being provided to the residents and patients.

IX.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC and any other owner or operator of the Forest Hill Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Board shall consist of 7-12 residents at the Forest Hill Facility chosen by the residents of the Forest Hill Facility. The Community Advisory Board will provide advice and feedback on a quarterly basis on the quality of care and quality of life being provided to the residents and patients.

X.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding shall undertake phased capital improvements at the facilities, Lake Park and Forest Hill inclusive, in the amount of approximately $7,000,000 as set forth in Section 9.19 of the Asset Purchase Agreement and attached hereto as Exhibit D.

XI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Lake Park OpCo and Life Care Services and any operator or licensee of the Lake Park Health Center shall each certify that the report is true, accurate, and complete.

XII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill

Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Forest Hill OpCo and Life Care Services and any operator or licensee of the Forest Hill Health Center shall each certify that the report is true, accurate, and complete.

XIII.

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.

XIV.

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 1

estimate of the Pension Fund Liability for the plan year ended December 31, 2019, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt. Thereafter, promptly following March 31 of each subsequent year until such time as the Closing occurs or this Agreement is terminated pursuant to Section 5.2, Seller shall obtain from the Existing Pension Fund an estimate of the withdrawal liability for the most recently ended plan year, and make its reasonable best efforts to obtain from the Existing Pension Fund an estimate of the Pension Fund Liability for the then-current plan, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt.

Section 9.19 Post-Closing Business Plans. From and after the Closing, Buyer or its Affiliates will continue to own and operate the Communities as senior housing communities and, in connection therewith, shall (i) undertake certain phased capital improvements at the Communities in the amount of approximately $7,000,000, and (ii) grant Residents of the Communities the option to either maintain their existing Residency Agreements or to receive a full repayment of the repayable portion of their Entrance Fees and convert their existing Resident Agreements to alternative rental arrangements.

Section 9.20 Regulatory Approvals. Not earlier than fifteen (15) Business Days following the later of (i) Buyer's receipt from Seller of evidence reasonably satisfactory to Buyer that Seller has submitted its complete notice to the Attorney in accordance with Section 5914 (as contemplated by Section 9.16), or (ii) the Due Diligence Expiration Date, Buyer shall provide Seller with evidence of Buyer's initial filings with the appropriate State Regulatory Agencies to obtain the Regulatory Approvals; provided, however, that notwithstanding the foregoing, at least forty five (45) days prior to the Closing Date (or such other time period as is required by the California Department of Social Services), Buyer OpCo shall file an abbreviated "co-licensing" application with the California Department of Social Services to become the co-licensee with Seller for the Communities pending receipt of a new RCFE license, it being understood that, in connection therewith, and as required by California Law, at least thirty (30) days prior to the Closing Date, Buyer Opco shall notify the California Department of Public Health of the change in licensure.

ARTICLE 10

EMPLOYEE BENEFITS AND EMPLOYEE MATTERS

Section 10.1 Seller's Employee Benefit Plans.

(a) Except for the Assumed Pension Fund Liability assumed by Buyer or its permitted assignee (including Buyer OpCo, as designated by Buyer) under Section 3.1(a), Seller shall retain all obligations and liabilities under or relating to the Employee Benefit Plans, and Buyer or such permitted assignee shall assume none thereof. Neither Buyer nor any permitted assignee thereof shall have any responsibility, liability or obligation, whether to Property Employees, former employees, their beneficiaries or to any other person (including, without limitation, the Internal Revenue Service, the U.S. Department of Labor and the PBGC), with respect to any Employee Benefit Plans (including with respect to the establishment, operation, funding or termination thereof) maintained by Seller.

SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the expiration of the Due Diligence Period, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

SCHEDULE 2.5

Resident Security Deposits

SCHEDULE 2.7

Purchase Price Allocation

SCHEDULE 3.2(a)

GRANT DEED

To be provided by Title Company

SCHEDULE 3.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE 3.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Amended and Restated Purchase and Sale Agreement dated as of November ___, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Seller as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:	BUYER:
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: _____ Garrett B. Cross	By:_____ Deepak Israni, Secretary
Its: Chairman of Board of Trustees	

SCHEDULE 11.8

Litigation

Intent to Terminate Amended and Restated Purchase and Sale Agreement, pending receipt of Property Condition Report and concerns related to Lake Park, dated November 30, 2021

homas P. Sayer, Jr.
Attorney at Law
Serving the Hospitality Industry

November 30, 2021

CNMH
201 19th Street
Oakland, CA 94612
Attn: Garrett B. Cross, Chairman

riginal Via FedEx
Copy Via E-mail
cross2@pacbell.net

CNMH
201 19th Street
Oakland, CA 94612
Attn: Steven A. Nerger, Chief Restructuring Officer

riginal Via FedEx
Copy Via E-mail
erger@silvermanconsulting.net

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
15 Market Street, 26th Floor
San Francisco, CA 94105

riginal Via FedEx
Copy Via E-mail
pkaufmann@hansonbridgett.com

Ashlie Smith
National Commercial Escrow Assistant
Chicago Title Company
2365 Northside Drive, Suite 600
San Diego, CA 92108

riginal Via FedEx
Copy Via E-mail
Ashlie.Smith@ctt.com

Re: November __, 2021 *Amended and Restated Purchase and Sale Agreement* (the "Agreement") between Pacifica Companies LLC ("Buyer") and California-Nevada Methodist Homes ("Seller") for the properties located at 201 19th Street, Oakland. CA 94612, 1850 Alice St., Oakland. CA 94612, 511 Gibson Ave., Pacific Grove, CA 93950 and 26 Sinex Ave., Pacific Grove, CA 93950; Escrow No. 00163233-004-RL1

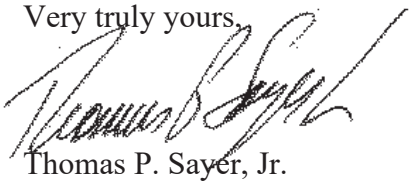
Greetings:

As you know, I represent Pacifica Companies LLC, the Buyer in the above transaction. As we have discussed with counsel, we have unfortunately still not received the Property Condition Report ("**PCR**") for the Oakland property. Without that report, Pacifica is not in a position to proceed with this transaction.

In order to protect its rights to the Earnest Money, this letter shall serve as a termination of the Agreement pursuant to Buyer's rights under Section 7.2 of the Agreement. Buyer is very interested in revisiting this transaction as soon as it has received and analyzed the PCR for Oakland.

If you have any questions, please do not hesitate to call.

Very truly yours,



Thomas P. Sayer, Jr.

cc: Deepak Israni
Adam Bandel

DRAFT Purchase and Sale Agreement – Stalking Horse Agreement,
dated December 13, 2021 (redline version)

~~AMENDED AND RESTATED~~ PURCHASE AND SALE AGREEMENT

This ~~Amended and Restated~~ Purchase and Sale Agreement is dated as of ~~November~~December __, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities~~,~~ that are located in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller ~~and Buyer entered into that certain Purchase and Sale Agreement dated as of October 13, 2021 (the "Original PSA"), pursuant to which Seller agreed~~wishes to sell~~,~~ substantially all of its assets to Buyer and Buyer ~~agreed~~wishes to purchase substantially all of ~~Seller's~~Seller's assets~~.~~

~~E.~~ from Seller ~~and Buyer entered into that certain Amendment to Purchase and Sale Agreement dated as of October 18, 2021, pursuant to which Seller and Buyer agreed to certain amendments to the Original PSA.~~

~~F. Seller and Buyer have negotiated certain modifications to the Original PSA, as amended, and now wish to amend and restate~~upon the terms ~~of the Original PSA as~~and conditions more particularly set forth in this Purchase and Sale Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this ~~Amended and Restated~~ Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this ~~Amended and Restated~~ Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items ~~as~~that are defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) ~~any and~~ all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other

contracts, commercial leases and other agreements which Buyer, prior to the ~~expiration of the Due Diligence Period~~Assumption Notice Deadline, as defined herein, agrees in writing to assume and have assigned to Buyer, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume or accept assignment of any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume and accept assignment of any contracts, commercial leases and/or other agreements, not on Schedule 2.2 as attached, then the same shall be ~~listed on~~added to **Schedule ~~1(b),~~2.2**, initialed by Buyer and delivered ~~along with Buyer's Approval Notice~~ to Seller prior to the ~~expiration of the Due Diligence Period~~Assumption Notice Deadline.

"*Assumption Notice Deadline*" means 11:59 p.m. on the day that is ten (10) business days after the Effective Date

"*Auction Process*" means a public, competitive auction for the purchase and sale of the Assets, conducted pursuant to procedures approved by the Court.

"*Broker*" means the persons or entities identified in ~~Section 19~~Section 20. ~~Section 20~~ of this Agreement.

~~"*Buyer's Approval Notice*" has the meaning given such term in Section 7.2 of this Agreement.~~

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

~~"*Due Diligence Period*" means the period commencing upon September 20, 2021 and ending at 5:00 pm Pacific time upon November 30, 2021, during which Buyer may terminate this transaction without cause or penalty or forfeiture.~~

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with ~~Section 4~~Section 5. ~~Section 5~~ of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com..

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or on the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section ~~2.2~~2.2 of this Agreement.

"*Permitted Encumbrances*" ~~has~~means any title exception listed on the ~~meaning set forth in Section 6.1 of this Agreement~~Preliminary Title Report.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" has the meaning set forth in Section ~~2.1~~2.1 of this Agreement.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the

Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section ~~2.2~~ 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements ~~as set forth on **Schedule 2.2** attached hereto. On or before the Closing Date, Seller shall amend **Schedule 2.2** to include any Residency Agreements executed between the Effective Date and the Closing and the corresponding Repayment Liability for any continuing care contracts executed between the Effective Date and the Closing~~.

"*Residency Agreements*" means all contracts between Seller and one or more residents and one or more former residents at the Facilities, including, without limitation, all contracts for the occupancy of a unit at a Facility, ~~including, without limitation,~~ all life care, all continuing care, and all monthly fee agreements.

"*Resident~~(s)~~*"" means ~~resident(s) in occupancy at the Facilities~~any person who now resides or ever resided at a Facility pursuant to a Residency ~~Agreements and any former resident(s) at the Facilities who resided at the Facilities at any time pursuant to Residency Agreements,~~Agreement including, without limitation, ~~those former residents~~a person who ~~are~~is deceased or no longer resides at a Facility as of the Closing Date.

"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section ~~2.2~~2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Sale Procedures Order*" means an order approving procedures for the sale of the Assets through a process that includes the Auction Process.

"*Successful Bidder*" means any person whose bid for the purchase of any part of the Assets was accepted by the Seller at the conclusion of the Auction Process, subject to the approval of the Court.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The total purchase price (the "Purchase Price") for the Assets shall be Thirty ~~Nine~~ Million ~~Three Hundred Thousand and No/100~~ Dollars ($~~39,300~~30,000,000.00) in cash payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section ~~4.3)~~5.3) with Escrow Agent in accordance with Sections 5.1~~45.1~~, 5.2~~45.2~~ and 5.3~~45.3~~;

~~(b) Buyer shall work with the California Department of Health Care Access and Information f/k/a Office of Statewide Health Planning and Development ("HCAI") to obtain pre-approval for financing by no later than 5:00 pm Pacific time on December 17, 2021, and Buyer shall execute a promissory note secured by a security interest and deeds of trust, which upon recording, to the Knowledge of Seller, shall hold a first priority lien in the Assets in the principal amount of Twenty Million Six Hundred Twenty-Five Thousand and No/100 Dollars ($20,625,000.00) in favor of Seller (the "Note" and "Security Instruments"), which Note and Security Instruments shall be assigned by Seller on the Closing Date to HCAI. Subject to HCAI's pre-approval of Buyer as borrower under the Note and Security Instruments, the Note will have a term of 5 years, bear a fixed interest rate of 3.00%, and be payable on an interest-only basis throughout the term. The form and substance of the Note and Security Instruments shall be reasonably acceptable to both Seller and HCAI. If Buyer is an entity other than Pacifica Companies LLC, the latter shall provide a guaranty of the Note that is in form and substance reasonably acceptable to both Seller and HCAI or shall provide other assurances that are reasonably acceptable to Seller and HCAI;~~

~~(c)~~(b) The balance of the Purchase Price ~~not covered by~~ that is due after payment of the Earnest Money~~,~~ and the Independent Consideration ~~and the Note~~ shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be ~~Seventeen~~Twenty-Eight Million ~~Six Hundred Seventy-Four Thousand~~ Nine Hundred Ninety-Nine Thousand Nine Hundred and No/100 Dollars ($~~17,674~~28,999,900); and

~~(d)~~(c) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (~~d~~c) of Section ~~2.1.~~2.1. The provisions of this Subsection (~~d~~c) of Section ~~2.1~~2.1 shall survive the Closing.

Lake Park:	
Real Property:	~~$16,347,500~~to be supplied
Goodwill:	~~$8,802,500~~to be supplied

	Total:	$~~25,150~~15,850,000

Forest Hill:

Real Property excluding PG Parking Garage:	$8,197,500
PG Parking Garage:	$1,000,000
Goodwill:	$4,952,500
Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to assume and accept ~~and assume~~ assignment of the Assumed Contracts on ~~and after~~ the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit~~, verification~~ and ~~proration~~verification at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such

tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section ~~2.3~~2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section ~~9.1~~10.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and

would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule ~~2.5.~~2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section ~~2.6~~2.6 shall survive the Closing.

Section 3. Buyer's Due Diligence Complete.

(a) Buyer's obligations pursuant to this Agreement are not subject to further "due diligence" on the part of the Buyer. Buyer expressly acknowledges and agrees that it has completed all due diligence it deems necessary.

~~Section 3.~~ Section 4. Closing.

~~3.1~~4.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

~~3.2~~4.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule ~~3.2(~~4.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule ~~3.2(~~4.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, substantially in the form attached hereto as **Schedule ~~3.2(~~4.2(c)**, by which (i) Seller assigns to Buyer and Buyer assumes, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

~~(e) written acknowledgment from HCAI that all conditions relating to the assignment of the Note, Security Instruments, and related documents to HCAI have been satisfied;~~

~~(f)~~(e) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

~~(g)~~(f) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

~~(h)~~(g) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

~~(i)~~(h) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 6.2~~5~~6.2 of this Agreement; and

~~(j)~~(i) any other documents necessary to close escrow.

~~3.3~~4.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money and Independent Consideration, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

~~(d) the Note;~~

~~(e) the Security Instruments;~~

~~(f)~~(d) the Closing Statement;

~~(g)~~(e) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

~~(h)~~(f) any other documents necessary to close escrow.

~~3.4~~4.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and/or its ~~representatives~~successors and assigns may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section ~~3.4~~4.4 shall survive the Closing.

~~3.5~~4.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section ~~3.5~~4.5 shall survive the Closing.

~~Section 4.~~ Section 5. Earnest Money and Provisions Regarding the Escrow Agent.

~~4.1~~5.1 Earnest Money. Seller acknowledges and agrees that ~~(i) Buyer has previously deposited with Escrow Agent the sum of Five Hundred Thousand and No/100 Dollars ($500,000.00); and (ii)~~ within one (1) business day ~~of entry of the Sale Order, unless Buyer rightfully terminates~~ after the execution and delivery of this Agreement ~~prior thereto~~, Buyer shall deposit with Escrow Agent ~~an additional Five Hundred Thousand and No/100 Dollars ($500,000), for a total deposit of~~ the sum of One Million and No/100 Dollars ($1,000,000~~) (together, ".00)~~ ("Earnest Money"). Escrow Agent is hereby directed to deposit ~~each installment of~~ the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. ~~If Buyer delivers to Escrow Agent Buyer's Approval Notice (as defined in Section 7.2) prior to or at the expiration of the Due Diligence Period, both installments of the~~The Earnest Money shall ~~become nonrefundable (except to the extent Seller defaults~~be refundable to Buyer if, and only if, Buyer has rightfully terminated this Agreement on ~~its obligations~~account of a material default hereunder ~~or a condition precedent to Buyer's obligations is not satisfied or waived in writing by Buyer in accordance with the provisions of Section 13 hereof),~~by the Seller, and shall be held in escrow by Escrow Agent until ~~Closing or~~ the earlier of (i) Closing, (ii) termination of this Agreement~~.~~ with the consent of Buyer and Seller, or (iii) an order of the Court.

If this Agreement is rightfully ~~terminated or deemed~~ terminated ~~during or at the end of the Due Diligence Period~~, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the ~~first installment of the~~ Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement). If there is any dispute regarding whether this Agreement was rightfully terminated, the Court will resolve such dispute.

~~4.2~~5.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

~~4.3~~5.3 Independent Consideration. Buyer ~~deposited~~will deposit into escrow, concurrently with and in addition to the ~~initial installment of~~ Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. ~~If Buyer elects to terminate this Agreement for any reason other than Seller's default, Seller shall retain the Independent Consideration.~~ The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

~~Section 5.~~ Section 6. Certain Actions Prior to Closing.

6.1 Sale Process. Within ten (10) days of the Effective Date, Seller shall file with the Court in the Case a motion for approval of procedures for the sale of the Assets through a process that includes the Auction Process (the "Sale Procedures Motion"). The Seller shall conduct a sale of the Assets consistent with the Sale Procedures Order, including, if necessary the Auction Process. This Agreement is subject to the terms and conditions of the Sale Procedures Order.

6.2 Order for Sale. The Sale Procedures Motion shall seek approval of the sale of the Assets under Sections 363 and 365 of the U.S. Bankruptcy Code and other applicable laws and rules and shall specifically request that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Procedures Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances and the terms and conditions of the Sale Procedures Order.

~~5.1~~6.3 Governmental Approvals. Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer shall submit applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer timely reviews the draft notice and timely provides all information reasonably requested by

Seller. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

5.2 Order for Sale. On September 27, 2021, Seller amended its bankruptcy schedules to include as a contingent claim the potential withdrawal liability to the Union Pension Fund (or any related entity) and served the Union Pension Fund those amended schedules on September 28, 2021. On October 22, 2021, Seller filed with the Court in the Case a motion for approval of the sale of the Assets under Section 363 of the U.S. Bankruptcy Code (the "Sale Motion"). The Sale Motion specifically requests that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances.

5.3 HCAI Approval. No later than 5:00 p.m. Pacific Time on December 17, 2021, or as otherwise agreed between the Debtor, HCAI and Pacifica, Buyer shall obtain HCAI's written consent of the following:

(a) this Agreement, including any subsequent amendments thereto;

(b) the terms of and form of the Note;

(c) the terms of and form of the Security Instruments; and

(d) the creditworthiness of Buyer as borrower under the Note or the creditworthiness of Pacifica Companies LLC as guarantor of the Note if Buyer is not Pacifica Companies LLC.

Section 6. Section 7. Title Condition.

6.17.1 Premises Title Requirements. Within five (5) business days after the Effective Date, Seller shall deliverhas previously delivered to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Buyer shall notify Seller in writing ("Buyer's Title Objection Notice") of any objections Buyer maySeller shall have to no obligation to remove any title exceptions contained inlisted on the Preliminary Title Report(s) prior to the expiration of the Due Diligence Period. Any and all exceptions to title that are capable of being removed as exceptions by payment of a reasonable fixed and liquidated sum of money shall be automatically deemed objected to by Buyer. Seller shall have a period of five (5) business

~~days after receipt of Buyer's Title Objection Notice in which to deliver written notice to Buyer ("Seller's Title Notice") of Seller's election to either (i) agree to remove the objectionable items prior to the Closing, or (ii) decline to remove any such title exceptions. If Seller fails to deliver a Seller's Title Notice, Seller shall be deemed to have declined to remove any such objectionable items. If Seller notifies Buyer of its election to decline to remove any or all such objectionable items, Buyer shall have the right, by written notice delivered to Seller within five (5) business days after Buyer's receipt of Seller's Title Notice, to elect between either, (y) accepting the cancellation of escrow, in which event the entire Earnest Money shall be immediately released to Buyer; or (z) agreeing to accept the Real Property Assets subject to the objectionable items (the "Permitted Encumbrances"), in which event Seller's election to terminate the escrow shall be of no effect, and Buyer shall .~~ Buyer shall take title of the Real Property Assets at the Closing subject to ~~such objectionable items. Upon the issuance of any amendment or supplement to~~all exceptions specified on the Preliminary Title Report ~~which adds additional exceptions, the foregoing right of review and approval shall also apply to said amendment or supplement (provided that the period for Buyer to review such amendment or supplement shall be the later of the expiration of the Due Diligence Period or three (3) business days from receipt of the amendment or supplement) and the Closing shall be deemed extended by the amount of time necessary to allow such review and approval in the time and manner set forth above; provided, however, that in no event shall the Closing be extended as a result of such delay for more than thirty (30) days~~unless such exceptions have been removed prior to the Closing.

~~6.2~~7.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

~~6.3~~7.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

~~Section 7.~~ Section 8. Inspections and Review~~ – Due Diligence Period~~.

~~7.1~~8.1 Documents to be Delivered to Buyer. Buyer acknowledges that Seller has previously delivered to Buyer~~–~~ the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy

statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them ~~and provided, further, that no such request shall have the effect of extending the Due Diligence Period~~; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

~~7.2~~8.2 ~~Refund~~Restoration of ~~Deposit Upon Termination~~Premises. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section ~~7.3~~8.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections~~). In the event that such examination of the Assets, the books and records, the Premises and such environmental assessments are satisfactory to Buyer, Buyer shall deliver to Escrow Agent and Seller, prior to the expiration of the Due Diligence Period, written notice that Buyer approves its feasibility analysis ("Buyer's Approval Notice"). If Buyer rightfully terminates this Agreement during the Due Diligence Period, in accordance with the terms and conditions hereof, Buyer shall be entitled to a refund of its Earnest Money Deposit and all interest accrued thereon~~.

~~7.3~~8.3 Access. At reasonable times and upon reasonable advance notice at all times ~~during the Due Diligence Period and~~ prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

~~Section 8.~~ Section 9. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. ~~Seller shall pay the cost of obtaining and recording any documents to release Liens encumbering the Premises which Seller is obligated to release hereunder.~~ The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

~~Section 9.~~ Section 10. Employment Matters.

~~9.1~~10.1Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation

and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section ~~2.4~~2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

~~9.2~~10.2Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in **Schedule** ~~9.2,~~**10.2**, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in **Schedule** ~~9.2,~~**10.2**, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section ~~9.1~~10.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

~~9.3~~10.3Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section ~~9.6~~10.6 of this Agreement.

~~9.4~~10.4Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without

limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

~~9.5~~10.5Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

~~9.6~~10.6WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

~~Section 10.~~ Section 11. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this ~~Section 10,~~Section 11. ~~Section 11~~, a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

~~Section 11.~~ Section 12. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

~~11.1~~12.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

~~11.2~~12.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power

and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

~~11.3~~12.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

~~11.4~~12.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

~~11.5~~12.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

~~11.6~~12.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

~~11.7~~12.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof.

~~11.8~~12.8 Litigation. Subject to the disclosures set forth on **Schedule ~~11.8~~12.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to

Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

~~11.9~~12.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

12.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby

~~11.10~~ expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE

RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: _____ _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION ~~11.10~~12.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION ~~11.10~~12.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

~~Section 12.~~ Section 13. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

~~12.1~~13.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

~~12.2~~13.2 Authority. Buyer has the full power ~~and~~, authority and financial and operational ability to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

~~12.3~~13.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate

any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

~~12.4~~13.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

~~12.5~~13.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution ~~other than HCAI's consent to the Note and Security Instruments~~ in order to fulfill its obligations hereunder.

~~12.6~~13.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

~~12.7~~13.7 Litigation. Subject to the disclosures set forth on **Schedule ~~12.7~~13.7** hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

~~Section 13.~~ Section 14. Conditions to Parties' Obligations.

~~13.1~~14.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in ~~Section 11~~Section 12. ~~Section 12~~ above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 6.2~~56.2~~ of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the ~~expiration of the Due Diligence Period~~Effective Date.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

~~(h) HCAI Approval. Written consent of HCAI in satisfaction of Section 5.3 of this Agreement.~~

If any of the conditions precedent set forth in this Section ~~13.1~~14.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

~~13.2~~14.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in ~~Section 12~~Section 13. ~~Section 13~~ above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 6.2~~56.2~~ of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

~~(e) HCAI Approval. Written consent of HCAI in satisfaction of Section 5.3 of this Agreement.~~

If any of the conditions precedent set forth in this Section ~~13.2~~14.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the

Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

~~Section 14.~~ Section 15. Indemnification.

~~14.1~~15.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim, judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

~~14.2~~15.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

~~14.3~~15.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this ~~Article 14~~Section 15. ~~Section 15~~ shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section ~~14.4~~15.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

~~14.4~~15.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's

becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

~~14.5~~15.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

~~14.6~~15.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this ~~Section 14~~Section 15. ~~Section 15~~ shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this ~~Section 14~~Section 15. ~~Section 15~~ to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

~~Section 15.~~ Section 16. Conduct of Business Pending Closing.

~~15.1~~16.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

~~15.2~~16.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section ~~9.1~~10.1 hereof.

~~15.3~~16.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

~~Section 16.~~ Section 17. Transition.

~~16.1~~17.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

~~16.2~~17.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

~~16.3~~17.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the ~~expiration of the Due Diligence Period.~~Effective Date. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

~~16.4~~17.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the

Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

~~16.5~~17.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

~~16.6~~17.6 Survival. The provisions of this ~~Section 16~~Section 17. ~~Section 17~~ shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

~~Section 17.~~ Section 18. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

~~Section 18.~~ Section 19. Default.

~~18.1~~19.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money, and all accrued interest thereon, shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED

DAMAGES THE EARNEST MONEY SPECIFIED IN ~~SECTION 4,~~SECTION 5. ~~SECTION 5~~, BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

~~18.2~~19.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

~~18.3~~19.3 Survival. The provisions of this ~~Section 18~~Section 19. ~~Section 19~~ shall survive the termination of this Agreement.

~~Section 19.~~ Section 20. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

~~Section 20.~~ Section 21. Miscellaneous.

~~20.1~~21.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

~~20.2~~21.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

~~20.3~~21.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

~~20.4~~21.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

~~20.5~~21.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects ~~Section 4~~Section 5. ~~Section 5~~ hereof.

~~20.6~~21.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:

CNMH_____
201 19th Street,
Oakland, CA 94612
Attn:
Phone:_____
Fax:_____
E-Mail:_____
_____

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

If to Purchaser:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Phone: (619) 296-9000
Fax: (619) 296-9090
E-Mail: Disrani@pacificacompanies.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at: _____[contact info.]

~~20.7~~21.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

~~20.8~~21.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

~~20.9~~21.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

~~20.10~~21.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the

prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

~~20.11~~21.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

~~20.12~~21.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

~~20.13~~21.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

~~20.14~~21.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By:_____ Garrett B. Cross Chairman of Board of Trustees	By:_____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12"' Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

APN: 008-0627-002-00

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15’ West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15’ West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a

municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

APN: 008-0627-038-03

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907", filed May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4' West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4' East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4' East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4' West, 18.94 feet to the point of beginning.

APN: 006-546-001

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907", filed for record May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

SCHEDULE 1(e)

Attorney General Conditional Approval Letter

SCHEDULE ~~2.2~~2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the ~~expiration of the Due Diligence Period~~Assumption Notice Deadline, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule ~~2.2:~~2.2:

[Buyer to list]

_____

_____

_____

SCHEDULE ~~2.5~~2.5

Resident Security Deposits

SCHEDULE ~~2.7~~4.2(a)

~~**Purchase Price Allocation**~~

~~**SCHEDULE 3.2(a)**~~

GRANT DEED

To be provided by Title Company

SCHEDULE ~~3.2(b)~~4.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE ~~3.2(c)~~4.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain ~~Amended and Restated~~ Purchase and Sale Agreement dated as of ~~November~~ December ___, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement and all applicable Court orders, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Buyer as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests, except as otherwise set forth herein and in the Agreement.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:	BUYER:
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: _____ Garrett B. Cross	By:_____ Deepak Israni, Secretary
Its: Chairman of Board of Trustees	

SCHEDULE ~~11.8~~12.8

Litigation

DRAFT Purchase and Sale Agreement – Stalking Horse Agreement, dated December 14, 2021 (redline version)

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of December ~~__~~ 15, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities that are located in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Purchase and Sale Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items that are defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to the Assumption Notice Deadline, as defined herein, agrees in writing to assume and have assigned to Buyer, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume or accept assignment of any contract,

union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume and accept assignment of any contracts, commercial leases and/or other agreements, not on Schedule 2.2 as attached, then the same shall be added to **Schedule 2.2**, initialed by Buyer and delivered to Seller prior to the Assumption Notice Deadline.

"*Assumption Notice Deadline*" means 11:59 p.m. on the day that is ten (10) business days after the Effective Date

"*Auction Process*" means a public, competitive auction for the purchase and sale of the Assets, conducted pursuant to procedures approved by the Court.

"*Broker*" means the persons or entities identified in Section 20. ~~Section 20~~ of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 5. ~~Section 5~~ of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com..

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts,

bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or on the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Permitted Encumbrances*" means any title exception listed on the Preliminary Title Report.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements.

"*Residency Agreements*" means all contracts between Seller and one or more residents and one or more former residents at the Facilities, including, without limitation, all contracts for the occupancy of a unit at a Facility, all life care, all continuing care, and all monthly fee agreements.

"*Resident*" means any person who now resides or ever resided at a Facility pursuant to a Residency Agreement including, without limitation, a person who is deceased or no longer resides at a Facility as of the Closing Date.

"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Sale Procedures Order*" means an order approving procedures for the sale of the Assets through a process that includes the Auction Process.

"*Successful Bidder*" means any person whose bid for the purchase of any part of the Assets was accepted by the Seller at the conclusion of the Auction Process, subject to the approval of the Court.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The total purchase price (the "Purchase Price") for the Assets shall be Thirty Million Dollars ($30,000,000.00) in cash payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 5.3) with Escrow Agent in accordance with Sections 5.1, 5.2 and 5.3;

(b) The balance of the Purchase Price that is due after payment of the Earnest Money and the Independent Consideration shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be Twenty-Eight Million Nine Hundred Ninety-Nine Thousand Nine Hundred and No/100 Dollars ($28,999,900); and

(c) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (c) of Section 2.1. The provisions of this Subsection (c) of Section 2.1 shall survive the Closing.

Lake Park:

Real Property: ~~to be supplied~~$7,047,500

Goodwill:		$8,802,500~~to be supplied~~
	Total:	$15,850,000

Forest Hill:		
Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to assume and accept assignment of the Assumed Contracts on the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior

to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 10.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and

would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

Section 3. Buyer's Due Diligence Complete.

(a) Buyer's obligations pursuant to this Agreement are not subject to further "due diligence" on the part of the Buyer. Buyer expressly acknowledges and agrees that it has completed all due diligence it deems necessary.

Section 4. Closing.

4.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

4.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 4.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 4.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, substantially in the form attached hereto as **Schedule 4.2(c)**, by which (i) Seller assigns to Buyer and Buyer assumes, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(f) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(g) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(h) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 6.2 of this Agreement; and

(i) any other documents necessary to close escrow.

4.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money and Independent Consideration, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Closing Statement;

(e) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(f) any other documents necessary to close escrow.

4.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and/or its successors and assigns may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and

regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.4 shall survive the Closing.

4.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.5 shall survive the Closing.

Section 5. Earnest Money and Provisions Regarding the Escrow Agent.

5.1 Earnest Money. Seller acknowledges and agrees that within one (1) business day after the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of One Million and No/100 Dollars ($1,000,000.00) ("Earnest Money"). Escrow Agent is hereby directed to deposit the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. The Earnest Money shall be refundable to Buyer if, and only if, Buyer has rightfully terminated this Agreement on account of a material default hereunder by the Seller, and shall be held in escrow by Escrow Agent until the earlier of (i) Closing, (ii) termination of this Agreement with the consent of Buyer and Seller, or (iii) an order of the Court. If this Agreement is rightfully terminated, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement). If there is any dispute regarding whether this Agreement was rightfully terminated, the Court will resolve such dispute.

5.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

5.3 Independent Consideration. Buyer will deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 6. Certain Actions Prior to Closing.

6.1 Sale Process. Within ten (10) days of the Effective Date, Seller shall file with the Court in the Case a motion for approval of procedures for the sale of the Assets through a process that includes the Auction Process (the "Sale Procedures Motion"). The Seller shall

conduct a sale of the Assets consistent with the Sale Procedures Order, including, if necessary the Auction Process. This Agreement is subject to the terms and conditions of the Sale Procedures Order.

6.2 Order for Sale. The Sale Procedures Motion shall seek approval of the sale of the Assets under Sections 363 and 365 of the U.S. Bankruptcy Code and other applicable laws and rules and shall specifically request that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Procedures Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances and the terms and conditions of the Sale Procedures Order.

6.3 Governmental Approvals. Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer shall submit applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer timely reviews the draft notice and timely provides all information reasonably requested by Seller. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof

Section 7. Title Condition.

7.1 Premises Title Requirements. Seller has previously delivered to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Seller shall have no obligation to remove any title exceptions listed on the Preliminary Title Report. Buyer shall take title of the Real Property Assets at the Closing subject to all exceptions specified on the Preliminary Title Report unless such exceptions have been removed prior to the Closing.

7.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under

applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

7.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 8. Inspections and Review.

8.1 Documents to be Delivered to Buyer. Buyer acknowledges that Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

8.2 Restoration of Premises. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 8.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections.

8.3 Access. At reasonable times and upon reasonable advance notice at all times prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 9. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Section 10. Employment Matters.

10.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

10.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in **Schedule 10.2**, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in **Schedule 10.2**, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 10.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

10.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 10.6 of this Agreement.

10.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific

Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

10.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

10.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 11. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 11. ~~Section 11~~, a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 12. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

12.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

12.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

12.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

12.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

12.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

12.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner

or occupant thereof. To the best of Seller's knowledge it is fully compliant with all regulations, restrictions, and other requirements that are associated with or related to two "affordable housing" units at Forest Hill.

12.8 Litigation. Subject to the disclosures set forth on **Schedule 12.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

12.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

12.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby

expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY

ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: _____ _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 12.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 12.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 13. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

13.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

13.2 Authority. Buyer has the full power, authority and financial and operational ability to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when

executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

13.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

13.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

13.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution in order to fulfill its obligations hereunder.

13.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

13.7 Litigation. Subject to the disclosures set forth on **Schedule 13.7** hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 14. Conditions to Parties' Obligations.

14.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 12. ~~Section 12~~ above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 6.2 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the Effective Date.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 14.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

14.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 13. ~~Section 13~~ above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 6.2 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 14.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 15. Indemnification.

15.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim, judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

15.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

15.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Section 15. ~~Section 15~~ shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 15.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

15.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies

as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

15.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

15.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 15. ~~Section 15~~ shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 15. ~~Section 15~~ to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of

any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 16. Conduct of Business Pending Closing.

16.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

16.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 10.1 hereof.

16.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 17. Transition.

17.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately

transmit to Seller any payments on accounts of the Facilities arising after the Closing which may be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

17.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

17.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the Effective Date. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

17.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

17.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

17.6 Survival. The provisions of this Section 17. ~~Section 17~~ shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 18. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Section 19. Default.

19.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money, and all accrued interest thereon, shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 5. ~~SECTION 5~~, BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

19.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

19.3 Survival. The provisions of this Section 19. ~~Section 19~~ shall survive the termination of this Agreement.

Section 20. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 21. Miscellaneous.

21.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

21.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

21.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire understanding and agreement between the parties concerning the subject matter of this Agreement,

and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

21.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 5. ~~Section 5~~ hereof.

21.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:	If to Purchaser:
CNMH_____	Pacifica Companies LLC
201 19th Street,	1775 Hancock Street, Suite 200
Oakland, CA 94612	San Diego, CA 92110
Attn:	Attn: Deepak Israni
Phone:_____	Phone: (619) 296-9000
Fax:_____	Fax: (619) 296-9090
E-Mail:_____	E-Mail: Disrani@pacificacompanies.com
_____	

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at: _____[contact info.]

21.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

21.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

21.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

21.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

21.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

21.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

21.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

21.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By:_____ Garrett B. Cross Chairman of Board of Trustees	By:_____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12"‘ Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

APN: 008-0627-002-00

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15’ West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15’ West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified

copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

APN: 008-0627-038-03

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907", filed May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4' West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4' East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4' East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4' West, 18.94 feet to the point of beginning.

APN: 006-546-001

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907", filed for record May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

SCHEDULE 1(e)

Attorney General Conditional Approval Letter

SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the Assumption Notice Deadline, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

SCHEDULE 2.5

Resident Security Deposits

SCHEDULE 4.2(a)

GRANT DEED

To be provided by Title Company

SCHEDULE 4.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE 4.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of December ___, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement and all applicable Court orders, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Buyer as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests, except as otherwise set forth herein and in the Agreement.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:	BUYER:
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: _____ Garrett B. Cross	By:_____ Deepak Israni, Secretary
Its: Chairman of Board of Trustees	

SCHEDULE 12.8

Litigation

DRAFT CNMH Bidding Procedures, dated December 15, 2021

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
ANTHONY J. DUTRA, SBN 277706
adutra@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES,[1] Debtor.	Case No. 21-40363 Chapter 11 **DEBTOR'S MOTION FOR ENTRY OF AN ORDER (I) APPROVING BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS; (II) APPROVING PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (III) APPROVING STALKING HORSE BIDDER AND BREAK-UP FEE; AND (IV) GRANTING RELATED RELIEF**

California-Nevada Methodist Homes (the "**Debtor**"), the debtor and debtor in possession in the above-captioned Chapter 11 case (the "**Chapter 11 Case**"), hereby files this motion (the "**Motion**") for entry of an order, pursuant to sections 105(a), 363, 365, 503, and 1129, as applicable, of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "**Bankruptcy Code**") and Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure ("**Bankruptcy Rules**") for an order (i) authorizing and approving the bidding procedures set

[1] The last four digits of the Debtor's federal tax identification number are 2411. The mailing address for the Debtor is 1850 Alice Street Oakland, CA 94612.

forth herein (the "**Bidding Procedures**"); (ii) approving the Assumption and Assignment Notice (as defined below), including the procedures and deadlines set forth therein; (iii) approving the Stalking Horse Bidder and Break-Up Fee (each as defined below); and (iv) granting related relief. In support of this Motion, the Debtor relies on the pleadings on file in this Chapter 11 Case and submits the *Declaration of Steven A. Nerger in Support of the Motion for Entry of an Order (I) Approving Bidding Procedures in Connection with the Sale of Substantially All of the Debtor's Assets; (II) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (III) Approving Stalking Horse Bidder And Break-Up Fee; and (IV) Granting Related Relief* (the "**Nerger Declaration**") filed contemporaneously herewith and incorporated herein by reference. A proposed form of order granting the relief requested herein (the "**Order**") is attached hereto as **Exhibit A**.

I. JURISDICTION

The United States Bankruptcy Court for the Northern District of California (this "**Court**") has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334, the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24 (N.D. Cal.), and Rule 5011-1(a) of the Bankruptcy Local Rules for the Northern District of California (the "**Bankruptcy Local Rules**"). This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

II. BACKGROUND

A. The Debtor's Bankruptcy Case

On March 16, 2021 (the "**Petition Date**"), the Debtor commenced this Chapter 11 Case by filing a voluntary petition under chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its property as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On April 8, 2021 and April 19, 2021, the United States Trustee for the Northern District of California appointed an Official Committee of Unsecured Creditors (the "**Committee**") in the Chapter 11 Case. No request has been made for the appointment of a trustee or examiner in the Chapter 11 Case.

Additional information about the Debtor's business and affairs, capital structure and prepetition indebtedness, and the events leading up to the Petition Date is set forth in the previously filed *Declaration of Steven A. Nerger in Support of Debtor's "First Day Motions"* [Dkt. No. 14].

B. Prior Sale Process

For a substantial period of time, the Debtor has been sustaining severe operating losses. *See* Nerger Declaration. In the opinion of the Debtor and its Chief Restructuring Officer, these substantial operating losses cannot quickly and readily be reversed or rectified and it is necessary that the Debtor expeditiously enter into a sale or merger transaction with a highly qualified and financially sound entity. *Id.*

On May 20, 2021, upon motion by the Debtor, the bankruptcy court entered an order authorizing the Debtor to employ B.C. Ziegler & Company ("**Ziegler**"), a highly qualified investment banking firm, to develop and implement a sale or merger process ("**Sale Process**"). Ziegler quickly went to work orchestrating that process. Ziegler contacted approximately one hundred potentially interested parties, entered into a nondisclosure agreement with and circulated a comprehensive "offering memorandum" to parties who expressed interest in a possible transaction, and engaged many of those parties in direct, one-on-one discussions. In response to the offering memorandum, Ziegler elicited non-binding letters of interest from ten potential purchasers or merger partners, including Pacifica Companies, LLC or its designee ("**Pacifica**"). *Id.*

With the assistance of the Debtor's counsel, Neal L. Wolf, Ziegler then conducted what the Debtor believes amounted to a *de facto* auction process for the sale of substantially all of the Debtor's assets (the "**Assets**"). The Debtor and Ziegler called upon and encouraged potential buyers and merger partners to enhance their respective proposals. In response, Pacifica and certain other interested purchasers enhanced their respective proposals on two or more occasions. Ultimately, Pacifica made what the Debtor determined to be the most advantageous proposal.

Significantly, Pacifica conditioned the amount of its final, and highest, proposal on the conduct of a "private sale" transaction by the Debtor. Pacifica indicated that, if there were to be a court-supervised auction process at which it were designated as merely a "stalking horse" bidder, the Pacifica offer would be reduced by approximately $2 million and Pacifica would require a $1.5 million "break-up fee." *Id.* Debtor and Pacifica subsequently executed a purchase and sale agreement for Pacifica's purchase of substantially all of the Debtor's assets (such agreement as subsequently amended by Debtor and Pacifica, the "**Original Purchase and Sale Agreement**").

On November 23, 2021 the Court entered an *Order Approving the Sale of Substantially All of Debtor's Assets to Pacifica Companies, LLC Free and Clear of Any Liens and Encumbrances* [Dkt. No. 348]. Unfortunately, however, on November 29, 2021, Pacifica exercised its right to terminate, without liability, the Original Purchase and Sale Agreement.

C. Proposed Sale Process

After Pacifica's termination of the Original Purchase and Sale Agreement, the Debtor determined in its business judgment to conduct a competitive bid-and-sale process for the orderly sale of substantially all of the Debtor's Assets under sections 363 and 365 of the Bankruptcy Code. After further arm's-length negotiations, the Debtor and Pacifica, as the stalking horse bidder (the "**Stalking Horse Bidder**," and Pacifica's bid, the "**Stalking Horse Bid**") entered into an that certain Purchase and Sale Agreement, dated as of December [●], 2021] (the "**Stalking Horse Agreement**").[2]

The terms and conditions identified in the Stalking Horse Agreement are subject to higher and better bids at an auction on either or both of the Debtor's facilities located at (a) 1850 Alice St., Oakland, CA 94612, along with the CNMH Corporate Office Building located at 201 19th Street, Oakland, CA 94612 (collectively, "**Lake Park**") and (b) 511 Gibson Ave., Pacific Grove, CA 93950, along with the Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (collectively, "**Forest Hill**" and, together with Lake Park, the

[2] Capitalized terms used but not otherwise defined herein will have the meanings ascribed to them in the Stalking Horse Agreement.

"**Facilities**"); *provided, however*, that if the Stalking Horse Bidder is the successful bidder on the Forest Hill property *alone*, the Stalking Horse Purchase Agreement shall be in effect for purposes of the acquisition of the Forest Hill Assets, assumption of the Assumed Forest Hill Residency Agreements and assumption of the Assumed forest Hill Repayable Entrance Fee Liabilities and not in connection with acquisition of the Lake Park Assets or assumption of the Lake Park Residency Agreements or Assumed Lake Forest Repayable Entrance Fee Liabilities.

As consideration for and as a material inducement to the Stalking Horse Bidder conducting its due diligence and entering into the Stalking Horse Agreement, the Debtor agreed to certain bid procedures and protections. Sale of each of the two Facilities is subject to a $500,000 break-up fee ("**Single Facility Break-up Fee**") in the event the Stalking Horse Bidder is not the Successful Bidder (as defined below) on one Facility and a $1,000,000 break-up fee (together with the Single Facility Break-up Fee the "**Break-up Fee**")[3] in the event the Stalking Horse Bidder is not the Successful Bidder on both Facilities, subject to approval of the Bankruptcy Court after notice and opportunity for hearing, which Break-Up Fee shall be payable from the sale proceeds at the time of closing. To the extent the Stalking Horse Bidder submits any Overbids (as defined below) and it overbids on one Facility on the approved terms for Overbids, it may apply the Single Facility Break-up Fee as a credit toward the purchase price of one facility, or may apply the Break-Up Fee as a credit toward the purchase price of both Facilities. Under this Motion, the Debtor seeks court approval of the sale procedures, sale, and bid protections as set forth herein.

D. Proposed Bidding Procedures

The Debtor believes that the Bidding Procedures will promote a transparent, competitive, and expedient sale process. If approved, the Bidding Procedures will allow the Debtor to solicit and identify bids from potential buyers, resulting in the highest or otherwise best offer for the Assets on a schedule consistent with the deadlines under the Stalking Horse Agreement and with

[3] The Single Facility Break-up Fee and Break-up Fee are inclusive of all fees and expenses. The Stalking Horse Bidder is not entitled to any additional expense reimbursement from the Debtor.

the Debtor's cash needs and overall chapter 11 strategy. The following sets forth a summary of the key provisions of the Bidding Procedures:

Stalking Horse Agreement. On December 15, 2021, the Debtor entered into the Stalking Horse Agreement with the Stalking Horse Bidder, pursuant to which the Stalking Horse Bidder has agreed to purchase substantially all of the Assets (other than the Excluded Items, as such term is defined in the Stalking Horse Agreement) for consideration consisting of[4]:

1. Cash. The Stalking Horse Bidder shall pay $30,000,000 cash at the Closing for both of the Facilities, including (a) a $1,000,000 Earnest Money deposit, to be deposited into escrow within one business day of execution and delivery of the Stalking Horse Agreement and (b) a $100 Independent Consideration deposit, to be deposited into escrow concurrently with and in addition to the Earnest Money.

2. Purchase Price Allocated to Each Facility. Of the total Purchase Price of $30,000,000, the Stalking Horse Bid allocates a purchase price of $14,150,000 to Forest Hill and related assets (collectively, "**Forest Hill Assets**") and $15,850,000 to Lake Park and related assets (collectively, "**Lake Park Assets**").

3. Contracts and Liabilities Assumed. The Stalking Horse Bidder will assume (a) all Residency Agreements for Lake Park in effect as of the Closing Date and all obligations thereunder without modification ("**Assumed Lake Park Residency Agreements**") pursuant to Section 365 of the Bankruptcy Code, (b) all Residency Agreements for Forest Hill in effect as of the Closing Date and all obligations thereunder without modification ("**Assumed Forest Hill Residency Agreements**," and collectively with the Assumed Lake Park Residency Agreements, ("**Assumed Residency Agreements**"), (c) all the Non-Restricted Entrance Fee Liability for Lake Park ("**Assumed Lake Park Non-Restricted Entrance Fee Liability**"), (d) all the Non-Restricted Entrance Fee Liability for Forest Hill ("**Assumed Forest Hill Repayable Entrance Fee Liabilities**"), and (e) the Restricted Entrance Fee Liability [5] (collectively with the Assumed Lake Park Non-Restricted Entrance Fee Liability, "**Assumed Lake Park Repayable Entrance Fee Liabilities**"), including without limitation as set forth in Sections 2.2 and 4.2 and Schedules 2.2 and 2.4 of the Stalking Horse Agreement.

4. Liabilities Not Assumed. No contracts or liabilities other than the Assumed Residency Agreements, the Assumed Forest Hill

[4] Parties are referred to the Stalking Horse Agreement for its complete terms. To the extent there are any inconsistencies between the terms of the Stalking Horse Agreement and the description in this Motion, the terms of the Stalking Horse Agreement prevail.

[5] The entire Restricted Entrance Fee Liability relates to Lake Park.

> Repayable Entrance Fee Liabilities, and the Assumed Lake Park Repayable Entrance Fee Liabilities (the Assumed Lake Park Repayable Entrance Fee Liabilities, together with the Assumed Forest Hill Repayable Entrance Fee Liabilities, the "**Assumed Repayable Entrance Fee Liabilities**") will be assumed, unless Pacifica designates additional executory contracts or unexpired leases it wishes to assume on or before the Assumption Notice Deadline. With the exception of the assumption and assignment of the Assumed Residency Agreements and the Assumed Repayable Entrance Fee Liabilities and Permitted Encumbrances, *the sale will be free and clear of all interests in, liens upon, or claims concerning the Debtor or its assets, including, but not limited to any claims or liabilities for the underfunded portion of the Debtor's multi-employer pension fund or any withdrawal liability that may arise from the Debtor's withdrawal from the multi-employer pension fund, if any.*

Bid Deadline. The "Bid Deadline" is January 20, 2022 at 11:59 p.m. (prevailing Pacific Time).

Due Diligence. To participate in the bidding process and to receive access to due diligence materials (the "**Diligence Materials**"), a party must submit or have previously submitted an executed NDA in connection with the Case in a form reasonably satisfactory to the Debtor. A party which qualifies for access to Diligence Materials is designated a "**Potential Bidder.**" Through and including the Bid Deadline, the Debtor and its advisors will afford all Potential Bidders the opportunity to conduct reasonable due diligence, including reasonable access to Debtor's management and its professionals, access to the electronic data room and other information reasonably requested. All due diligence requests must be directed to: Steven A. Nerger, Chief Restructuring Officer of the Debtor, at snerger@silvermanconsulting.net. Due diligence will close on January 20, 2022 at 5 p.m. (Pacific Standard Time).

Each Potential Bidder shall comply with all reasonable requests for additional information by the Debtor or its advisors regarding the ability of such Potential Bidder to consummate a purchase of the Assets.

Qualified Bid Requirements. To participate in the Auction (as defined below), a Qualified Bidder (as defined below), other than the Stalking Horse Bidder must, by the Bid Deadline, submit a bid that, as determined by the Debtor in its business judgment in consultation with California Department of Health Care Access and Information, f/k/a Office of Statewide Health Planning and Development ("**HCAI**"), Wilmington Trust, National Association ("**Wilmington**"), B.H. Capital Ventures, LLC ("**BHP**"), California Department of Social Services ("**CDSS**"), and the Committee (collectively, the "**Consultation Parties**"), satisfies each of the following conditions (the "**Bid Requirements**"), unless any such Bid Requirements are waived by the Debtor with the agreement of the Consultation Parties; *provided, however*, that (i) for any bid, the following conditions may not be waived: (1), (3), (5), (7), (8), (9), (11), (12), (13), (15), (18), (19), (20), (26), and (27) below (each such bid, a "**Qualified Bid**"):

1. Written Submission of a Purchase Agreement. Each bid must be in writing and include: (i) a clean purchase agreement signed by the bidder, accompanied by all exhibits and schedules contemplated by the purchase agreement and, to the extent required by the terms and conditions of the bid, any ancillary agreements described in the purchase agreement with all exhibits and schedules thereto (each such purchase agreement, together with its exhibits, schedules, and ancillary agreements, if any, a "**Modified Agreement**"); (ii) a redline reflecting the bidder's proposed changes to the Stalking Horse Agreement (including all exhibits and schedules thereto). Each Modified Agreement must conform in all material respects with the form and content of the Stalking Horse Bid, and each Modified Agreement and the Stalking Horse Agreement shall be a "**Purchase Agreement**" for purposes of the Bidding Procedures.

2. Commitment to Close. Each bid must contain a written statement that the bidder is willing to consummate and fund the sale of the Assets proposed in the Modified Agreement within three business days after satisfaction of the conditions to closing, and in any event by the close of business on April 8, 2022 (the "**Closing Deadline**").

3. Commitment to Serve as Backup Bidder. Each bid must contain a written statement that the bidder will serve as the Backup Bidder (as defined below).

4. Assets to be Acquired. Each bid must identify with reasonable particularity the Assets to be purchased (the "**Purchased Assets**") and the Excluded Items. The bid may offer to purchase substantially all of the Assets or only a portion of the Assets; *provided, however*, that a bid that offers to purchase only a portion of the Assets may only be a Qualified Bid to the extent that the value of such bid, in combination with the value of other bids for the remaining Assets, exceeds the Minimum Initial Overbid Amount (as defined below) applicable to Qualified Bids for substantially all of the Assets. The Debtor may waive or modify the application of the Qualified Bid conditions in respect of bids for a portion of the Assets (other than the requirement that the value of any such Qualified Bid, in combination with the value of other bids for Assets, exceeds the Minimum Initial Overbid Amount applicable to Qualified Bids for substantially all of the Assets).

5. Assumption of All Assumed Residency Agreements and Assumed Repayable Entrance Fee Liabilities. Each bid for substantially all of the Assets must agree to assume and accept the assignment of (a) all Assumed Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) the Assumed Repayable Entrance Fee Liabilities. Each bid for any portion of the Assets that includes Forest Hill must agree to assume and accept the

assignment of (a) all Assumed Forest Hill Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) all Assumed Forest Hill Repayable Entrance Fee Liabilities. Each bid for any portion of the Assets that includes Lake Park must agree to assume and accept the assignment of (a) all Assumed Lake Park Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) all Assumed Lake Park Repayable Entrance Fee Liabilities.

6. Executory Contracts, Leases and Liabilities to be Assumed and Assigned. Each bid must identify with reasonable particularity the executory contracts, unexpired leases and other liabilities of the Debtor that the bidder seeks to have the Debtor assume and assign to the bidder in addition to those set forth in [5] immediately above (collectively, with the Assumed Residency Agreements and Assumed Repayable Entrance Fee Liabilities, the "**Assumed Contracts**").

7. Irrevocable. Each bid (including the Stalking Horse Bid) must be irrevocable until (i) if such bidder is designated as a Successful Bidder (as defined below), the Closing of the sale of the Assets to such bidder, and (ii) if such bidder is designated as a Backup Bidder, the earlier to occur of (A) five days after the closing of the transaction(s) by which all of the Assets that were subject to the Backup Bid have been transferred to one or more Qualified Bidders at the closing of a sale or sales of the Assets conducted pursuant to these Bidding Procedures or (B) the Closing Deadline.

8. Earnest Money Deposit. Each bid must be accompanied by an Earnest Money deposit paid to the Debtor by certified funds or such other form acceptable to the Debtor in the amount of at least $500,000 for each of the Facilities, which Earnest Money will be held by the Debtor to be applied or returned, as applicable, pursuant to the terms of these Bidding Procedures.

9. Minimum Initial Overbid Amount. Each Overbid must offer to the Debtor aggregate value in an amount as determined by the Debtor, in its reasonable business judgment, that is greater than or equal to the sum of (i) the value offered under the Stalking Horse Agreement, *plus* (ii) cash (or, in the case of the Stalking Horse Bidder, a credit bid) in the amount of $500,000 for each Facility sought to be acquired, *plus* (iii) cash in the amount of at least $250,000 (the "**Minimum Initial Overbid Amount**"), regardless of whether the Overbid is for one or both of the Facilities. Subsequent Overbids shall be in increments of at least $250,000 unless the Court orders otherwise, provided however, the Debtor in consultation with the

Consultation Parties may change the minimum of such increments during the Auction.

10. Credit Bid. If any Overbids are submitted, Pacifica may credit bid $1,000,000 of the Break-Up Fee if it submits a subsequent Overbid on both Facilities. If Pacifica opts to overbid on only one of the Facilities, it may credit bid $500,000 and will waive the $500,000 remaining of the Break-Up Fee.

11. Contingencies. No bid may be conditioned on any due diligence, internal approval, financing, or regulatory or third-party approval contingencies of any kind (other than regulatory contingencies required by law or as set forth in the Stalking Horse Agreement).

12. Proof of Financial Ability to Perform. Each bid must contain written evidence, to the Debtor's reasonable satisfaction in consultation with the Consultation Parties, of a firm commitment for financing from a recognized banking institution or HCAI, as of the Bid Deadline, or other evidence of ability to consummate the sale of the Assets contemplated by the Modified Agreement, that will allow the Debtor and Consultation Parties to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transactions contemplated in such bidder's Modified Agreement (taking into account the conditions and third-party beneficiary rights, if any, in any such commitment). Each bid must also contain a commitment by the bidder that, if selected as a Backup Bidder, the bidder will continue to comply with the requirements of this Paragraph II.D.12 until the earlier to occur of (a) five days after the closing of the transaction(s) by which all of the Assets that we subject to the bidder's Backup Bid have been transferred to one or more Qualified bidders at the closing of a sale or sales of the Assets conducted pursuant to the Bidding Procedures or (b) the Closing Deadline. If the purchaser will be a newly formed entity, the bid must identify, among other things, the entity or entities that will provide backstops in the form of a guarantee and/or an equity commitment letter and describe the nature of such arrangement(s). Such information must additionally include the following:

    i. contact names and numbers for verification of financing sources, if applicable;

    ii. all equity commitments and other sources of cash in the amount equal to the cash component of the offered Purchase

Price or posting of an irrevocable letter of credit issued in favor of the Debtor in such amount;

iii. a description of the Potential Bidder's pro forma capital structure;

13. Financial Statements. To the extent not previously provided, each bid must include the latest audited financial statements and unaudited financial statements of the bidder or, if the bidder is an entity formed for the purpose of acquiring the Assets, the latest audited financial statements and unaudited financial statements of the direct and indirect equity holders or sponsors of the bidder who will guarantee the obligations of the bidder, or such other form of financial disclosure and/or credit support or enhancement, if any, that will allow the Debtor to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transactions contemplated in such bidder's Modified Agreement.

14. Identity of Purchaser. Each bid must, to the satisfaction of the Debtor, in consultation with the Consultation Parties, fully disclose (i) the identity of each person or entity that will be bidding for the Assets or otherwise participating in connection with such bid, (ii) the terms of any such participation, (iii) if any entity has been formed for the purpose of acquiring some, or all, of the Assets, the parties that will bear liability for any breach by such person or entity, and the financial capacity of such parties to satisfy such liability, and (iv) any connections between (x) the bidding party and its affiliates and related persons and (y) the Debtor and their primary creditors as identified by the Debtor.

15. Purchaser's Experience. Each bid must, to the satisfaction of the Debtor in consultation with the Consultation Parties, describe the experience of the bidder with respect to the ownership and management of senior living facilities in general and continuing care communities in particular in California and elsewhere; provided however, that a bidder need not have prior California experience for its bid to be a Qualified Bid.

16. Bidder's Business Plans. Each bid must contain detail regarding the planned operations and management of the Assets after the Closing and information explaining the bidder's ability to obtain necessary regulatory approvals, including any necessary licenses, to purchase and operate the Assets.

17. No Fees or Commissions. No bid (other than the Stalking Horse Bid) may (i) request or entitle the bidder to any break-up fee, expense reimbursement fee, or similar type of payment, or (ii) obligate the Debtor to pay commissions, fees, or expenses to any

agent or broker. Further, by submitting a bid, a bidder shall be deemed to waive its right to pursue a substantial contribution claim under section 503 of the Bankruptcy Code or in any way related to the submission of its bid or the Bidding Procedures.

18. As Is, Where Is. As set forth in the Stalking Horse Agreement, a bidder shall state in such bidder's Purchase Agreement that: "Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, bidder acknowledges and agrees that bidder is purchasing the Premises in its 'as-is, where is, with all faults' condition as of the Closing."

19. Adequate Assurance. Each bid must include evidence of the bidder's ability to comply with section 365 and/or section 1129 of the Bankruptcy Code (to the extent applicable), including providing adequate assurance of such bidder's ability to perform in the future under the Assumed Residency Agreements and all other executory contracts and unexpired leases proposed in its bid to be assumed by the Debtor and assigned to such bidder, in a form that will permit the immediate dissemination of such evidence to the counterparties to such contracts and leases and must consent to the filing of such information with the Court.

20. Corporate Authority. Each bid must include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission of the bid and the consummation of the transactions contemplated in such bidder's Purchase Agreement.

21. Employees. Each bid must contain a detailed description of how the Qualified Bidder intends to treat current employees of the Debtor and liabilities that may be owed by the Debtor to or for the benefit of current and past employees of the Debtor.

22. Privacy Policies. Each bid must provide to the Debtor's satisfaction that the bidder will adhere to the Debtor's prepetition privacy policies regarding personally identifiable information, except as may be modified pursuant to applicable user terms and applicable law.

23. Access to Books and Records. Each bid must contain provisions allowing the Debtor reasonable access to the Debtor's books and

records for the administration of its bankruptcy case if the bid provides for the purchase of such books and records

24. Consent to Jurisdiction: Each Potential Bidder must submit to the jurisdiction of the Court to enter final orders and judgments which in any way related to the Debtor, the Bid Procedures, the Auction, any Modified Agreement, or the construction and enforcement of all agreements, orders and pleadings which in any way relate to the Assets, Sale, Closing, Debtor, Bid Procedures and/or Auction.

25. Disclosure of Connections: Fully disclose any connections or agreements with the Debtor and/or any officer or director of the Debtor. Each Bid must be irrevocable through the entry of the Sale Order; provided, however, that a bid accepted as the Successful Bid or the Backup Bid (as each are defined below) shall remain irrevocable as set forth below.

26. Representations and Warranties: All bids must include the following representations and warranties:

a statement that the Potential Bidder has had an opportunity to conduct all due diligence regarding the Assets prior to submitting its Bid;

a statement that the Potential Bidder has relied solely upon its own independent review, investigation, and/or inspection of the Assets and all information related to the Assets in making its bid, and did not rely on any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express or implied, by operation of law or otherwise, regarding the Assets or the completeness of any information provided in connection therewith;

a statement that the Potential Bidder agrees to serve as Back-Up Bidder, if its bid is selected as the next highest or next best bid after the Successful Bid with respect to the applicable Assets;

a statement that the Potential Bidder has not engaged in any collusion with respect to the submission of its bid;

a statement that all proof of financial ability to consummate a Sale in a timely manner and all information provided to support adequate assurance of future performance is true and correct; and

a statement that the Bidder agrees to be bound by the terms of the Bid Procedures and any order approving a Sale.

27. Format. All documentation for each bid must be provided in electronic form.

Qualified Bidder. A "Qualified Bidder" is a Bidder that (i) submits a Qualified Bid by the Bid Deadline to the Debtor and each of the Consultation Parties (at the email addresses set forth on Schedule 1 to this Motion), and (ii) the Debtor determines, in the exercise of its business judgment and in consultation with the Consultation Parties, is reasonably likely (based on financial information submitted by the bidder, its pertinent experience and plans, and other considerations) to consummate the sale of the Assets if selected as a Successful Bidder or a Backup Bidder. As noted above, the Stalking Horse Bidder is deemed to be a Qualified Bidder. As promptly as practicable after the Bid Deadline (but in any event not less than one business day before the commencement of the Auction), the Debtor will notify (a) each bidder that submits a bid whether such bidder is a Qualified Bidder, and (b) the Stalking Horse Bidder and all other Qualified Bidders, if any, whether or not any bids (other than the Stalking Horse Agreement) constitute Qualified Bids and identify the Qualified Bidders, including the Stalking Horse Bidder, making any such Qualified Bids.

Auction. The Debtor will conduct an auction (the "**Auction**") to determine the Successful Bidder(s).

Auction Time and Location. The Auction shall take place on January 24, 2022 at 9:00 a.m. (prevailing Pacific Time) by Zoom or similar virtual process. The Auction may be adjourned from time to time by the Debtor with the agreement of the Consultation Parties or order of this Court in which event notice of such adjournment and the time and place for the resumption of the Auction will be filed with this Court and served promptly on (i) Qualified Bidders; (ii) Consultation Parties, (iii) any other parties who have provided written notice to Debtor's counsel no later than two days prior to the Auction of their intent to attend the Auction; and (iv) all other parties in interest who have requested notice pursuant to Bankruptcy Rule 2002 prior to the continued date and time of the Auction.

Participation at the Auction. Qualified Bidders shall virtually attend the Auction in person (via Zoom) or through a duly-authorized representative. Only the Stalking Horse Bidder and any other Qualified Bidder(s) (or their duly-authorized representatives) (collectively, the "**Bidder Participants**") are eligible to submit bids at the Auction. While only the Bidder Participants may submit bids at the Auction, the authorized representatives and respective counsel and advisors of each of the Qualified Bidder(s) (regardless of whether such representatives, counsel and advisors are serving as Bidder Participants), the Debtor, the United States Trustee, and the Consultation Parties[6] and any of the Debtor's creditors who notify the Debtor in writing no later than two days prior to the Auction of such creditors' intent to attend the Auction by contacting the Debtor's counsel, Neal L. Wolf, at nwolf@hansonbridgett.com, shall be permitted to attend the Auction; *provided, however*, that the Debtor may exclude parties whom the Debtor deems to be detrimental to the sale process other than any Consultation Parties. Each Qualified Bidder participating in the Auction (including any Qualified Bidder participating through a duly-authorized representative) will be required to confirm on the record that it has not engaged in any collusion regarding the Bidding Procedures, the Auction, or the sale of the Assets.

[6] If any Consultation Party seeks to be a Qualified Bidder, it shall cease being a Consultation Party until such time as it determines it will not bid on any of the Assets.

E. Auction Procedures.

If no Qualified Bids (other than the Stalking Horse Bid) are received by the Bid Deadline, the Auction will not be held and the Debtor will file a notice with the Court indicating that no Auction will be held within one business day after the Bid Deadline. If the Debtor receives one or more Qualified Bids (in addition to the Stalking Horse Bid) by the Bid Deadline, the Debtor will conduct an Auction for the Assets using the following Auction Procedures.

1. Opening Bid. At least one business day in advance of the Auction, the Debtor will notify each Qualified Bidder of the highest or otherwise best Qualified Bid or Qualified Bid(s), as determined by the Debtor (the "**Opening Bid**") and will provide copies of the applicable Purchase Agreement for such Opening Bid to each Qualified Bidder. The determination of which Qualified Bid constitutes the Opening Bid shall be determined after consultation with the Consultation Parties and take into account any factors the Debtor deems relevant to the value of the Qualified Bid to the estate, including, among other things, the following: (i) that the Bid satisfies the requirements to be a Qualified Bid as described above (and if a Bid does not do so, it will not be further considered); (ii) the amount and nature of the consideration offered; (iii) the proposed assumption of any liabilities in addition to those which must be assumed to be a Qualified Bid; (iv) the ability of the Qualified Bidder to close the proposed transaction on or before the Closing Deadline; (v) any Purchase Price adjustments; (vi) the impact of the contemplated transaction on any actual or potential litigation; (vii) the net economic effect of any changes from the Stalking Horse Agreement, if any; (viii) the net value to be received by the Debtor's estate including consideration of any amounts required to be paid to the Stalking Horse Bidder; (ix) the bidder's pertinent management and operations experience, and (x) such other considerations the Debtor and Consultation Parties deems relevant.

2. Debtor Shall Conduct the Auction. The Debtor's professionals shall direct and preside over the Auction on behalf of the Debtor via Zoom. At the start of the Auction, Debtor's counsel shall describe the terms of the Opening Bid. The Auction shall be transcribed by a court reporter. The Debtor shall maintain a written transcript of all bids made and announced at the Auction, including the Opening Bid, all applicable Overbids, and the Successful Bid.

3. Terms of Overbid. An "Overbid" is any bid made at the Auction subsequent to the announcement of the Opening Bid. To submit an

Overbid for purposes of the Auction, a Qualified Bidder must comply with the following conditions:

i. Minimum Overbid Increment and Deadline. After the Opening Bid is announced, all subsequent Overbids, if any, shall provide for total consideration to the Debtor (net of the amount for any Break-Up Fee) with a value that exceeds the value of the consideration under the Opening Bid by an incremental amount that is not less than $250,000 (the "**Minimum Overbid Increment**"), unless otherwise announced at the Auction, consistent with the terms of these Bidding Procedures. For all Qualified Bids, the Minimum Overbid Increment for each Overbid round must be made in cash.

ii. Conclusion of Each Overbid Round. Upon the solicitation of each round of applicable Overbids, the Debtor may announce a deadline (the "**Overbid Round Deadline**") by which time any Overbids must be submitted to the Debtor and Consultation Parties.

iii. Announcing Highest or Otherwise Best Bid. Subject to each Overbid Round Deadline, the Debtor shall announce whether it, in consultation with the Consultation Parties, has identified in the applicable Overbid round, one or more Overbids as being higher or otherwise better than the Initial Minimum Overbid for such asset package, or in subsequent rounds, the Overbid(s) previously designated as the prevailing highest or otherwise best bid for a given asset package (for each asset package, collectively, the "**Prevailing Highest Bid**"). After each round of bidding, including the initial round, the Debtor shall disclose to all Qualified Bidders the material terms of any Overbid(s) designated as the Prevailing Highest Bid, as well as the value attributed to such Prevailing Highest Bid.

iv. Bids for Less than Substantially All Assets. The Debtor may, in consultation with the Consultation Parties, consider and accept bids for any portion of the Assets, as well as bids for substantially all of the Assets, and hold separate Auctions for portions of the Assets; *provided*, *however*, that the Debtor, in consultation with the Consultation Parties may consider and accept bids for less than substantially all of the Assets only so long as the value of such bids, in combination, constitute an Overbid, taking into consideration that if there are no accepted Overbids on the Lake Park Assets alone, the Stalking Horse Agreement provides that Pacifica shall purchase all Assets

subject to the terms of the Stalking Horse Agreement and, in such circumstances, the Debtor shall seek Court approval to sell all Assets to the Stalking Horse Bidder at the Sale Hearing. There must be one or more buyers for all Assets at the completion of the Auction. The Debtor will not sell or seek Court authority to sell only one of the two Facilities.

4. Consideration of Overbids. The Debtor reserves the right, in its reasonable business judgment after consultation with the Consultation Parties, to adjourn the Auction one or more times to, among other things: (A) facilitate discussions between the Debtor and Qualified Bidders; (B) allow Qualified Bidders to consider how they wish to proceed; (C) consider and determine the current Prevailing Highest Bid at any given time during the Auction; and (D) give any Qualified Bidder the opportunity to provide the Debtor with such additional evidence as the Debtor, in its reasonable business judgment, may require that the Qualified Bidder (other than Stalking Horse Bidder) has sufficient internal resources, or has received sufficient debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing Overbid amount.

F. Closing the Auction.

1. The Auction shall continue until there is only one offer (which may consist of one Qualified Bid for substantially all of the Assets or more than one Qualified Bid for complementary portions of the Assets) that the Debtor determines, in the exercise of its business judgment and after consultation with the Consultation Parties, to be the highest or otherwise best offer for the Assets (one or more such Qualified Bids, the "**Successful Bid**," and the Qualified Bidder or Qualified Bidders making such Successful Bid, the "**Successful Bidder**").

2. After determining the Successful Bid and the Successful Bidder, the Debtor will also determine, in its business judgment and after consultation with the Consultation Parties, the Qualified Bidders(s) with the next highest or otherwise best bid(s) for the Assets (the "**Backup Bid**," andthe Qualified Bidder(s) making such Backup Bid, the "**Backup Bidder**"), at which point the Auction will be closed.

3. The Debtor shall not consider any bids or Overbids submitted afterthe closing of the Auction, and any such bids or Overbids shall be deemed untimely and shall not constitute Qualified Bids. The determination of the Successful Bid and Backup Bid at the

closing of the Auction shall be final, subject only to approval by this Court.

4. After the conclusion of the Auction, the Debtor shall ask that the Court declare the Successful Bidder and Backup Bidder and approve the sale. The Debtor shall thereafter file with this Court and serve upon all Qualified Bidders and parties that have requested notice inthis case a notice identifying the Successful Bidder and the Backup Bidder.

5. As promptly as practicable following the conclusion of the Auction, (i) the Successful Bidder will transfer via wire transfer of immediately available funds or such other form acceptable to the Debtor the amount of its Successful Bid net of its Earnest Money Deposit and Independent Consideration if applicable; and (ii) the Debtor shall cause the Purchase Agreements for the Successful Bidder and the Backup Bidder to be filed with this Court.

6. Following the approval of the sale of the Assets to the Successful Bidder, if such Successful Bidder (i) fails to consummate a sale of the Assets by the Closing Deadline, (ii) breaches such Successful Bidder's Purchase Agreement, or (iii) otherwise fails to perform, the Debtor shall be authorized, but not required, to deem the Backup Bid(s) the Successful Bid(s) and the Debtor shall be authorized, but not required, to consummate thesale with the Qualified Bidder(s) submitting such Backup Bid(s) without further notice or orders of the Court. In the event that thereare multiple Successful Bidders and/or Backup Bidders and only one of such Successful Bidders or Backup Bidders engages in the acts or omissions described in clauses (i) through (iii) of the foregoing sentence, the Debtor may elect to close the contemplated transactions with some or all of the other Successful Bidders or Backup Bidders, as applicable.

7. Nothing in these bid procedures will prevent the Debtor from exercising its fiduciary duties under applicable law.

III. PROPOSED NOTICE AND PROCEDURES FOR THE POTENTIAL ASSIGNMENT AND ASSUMPTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtor also requests approval of the notice of potential assumption and assignment of certain of the Debtor's executory contracts and unexpired leases pursuant to the terms set forth below ("**Assumption and Assignment Procedures**").

Notice to Residents of Assumed Repayable Entrance Fee Liabilities and Assumption and Assignment of Residency Agreements: On or before January 5, 2022, the Debtor shall provide (a) to each Resident whose respective portion of the Assumed Repayable Entrance Fee Liabilities, calculated as of December 31, 2021, is greater than zero individual notice of the amount of such Resident's respective portion of the Assumed Repayable Entrance Fee Liabilities (each an "**Entrance Fee Amount**") and (b) individual notice to each current Resident (i) alerting such Resident that the Debtor has sought to assume and assign that Resident's Residency Agreement to the Successful Bidder, (ii) providing the additional cure amount ("**Resident Cure Amount**"), if any, for assuming that Resident's Residency Agreement, and (iii) providing notification of the Resident's right to seek adequate assurance of future performance as contemplated in Section 365(f)(2)(B) of the Bankruptcy Code ("**Resident Notice**"). Any Resident that objects to the amount of the Entrance Fee Amount or Resident Cure Amount set forth in its Resident Notice must file an objection thereto by January19, 2022 and serve it on the Notice Parties (listed below) and otherwise in accordance with applicable rules ("**Service Requirements**").

If a Resident does not timely object to a Resident Notice, it will be barred from objection to its Entrance Fee Amount, Resident Cure Amount, or assumption and assignment of its Residency Agreement, other than based on a lack of adequate assurance of future performance. If an objection to an Entrance Fee Amount or Resident Cure Amount is timely filed and is not resolved prior to the Sale Hearing, it will be resolved at the Sale Hearing.

After the conclusion of the Auction, the Debtor shall file with the Court and serve on each current Resident a notice ("**Assumption and Assignment Notice**") identifying the Successful Bidder, identifying the executory contracts, unexpired leases and other liabilities of the Debtor that the Successful Bidder seeks to have the Debtor assume and assign to the Successful Bidder ("**Assumed Agreements**"), and providing the Successful Bidder's assurance of future performance of the Assumed Agreements, as applicable. Any Resident that objects to the adequacy of the assurance of future performance of his, her, or their respective Residency Agreement must file an objection with the Court ("**Resident Assurance Objection**") and serve it in accordance with the Service Requirements prior to the Sale Hearing. If a Resident does not timely file and serve a Resident Assurance Objection, such Resident will be barred from

objecting to the adequacy of the assurance of future performance and assignment of his, her, or their Residency Agreement to the Successful Bidder.

Notice of Cure Amounts for Executory Contracts Other than Assumed Residency Agreements: On or before January 9, 2022, the Debtor will file with the Court and serve a notice to contract counterparties under executory contracts and unexpired leases which are not Assumed Residency Agreements (collectively "**Non-Resident Contract Counterparties**"), setting forth the Debtor's calculation of each Non-Resident Contract Counterparty's cure amount, if any, that would be owed if the Debtor determines to seek to assume and assign its executory contract or unexpired lease, and alerting such Non-Resident Contract Counterparty that its agreement may be assumed and assigned to the Successful Bidder ("**Cure Notice**"). Any Non-Resident Contract Counterparty that objects to the cure amount set forth in the Cure Notice must file an objection on or before January 19, 2022 and serve in accordance with the Service Requirements. The Debtor's service of a Cure Notice on any party shall not constitute or be deemed a determination or admission by the Debtor and its estate or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code or that the Debtor will assume and assign any particular contract, lease, or other agreement.

If a Non-Resident Contract Counterparty does not timely object to a Cure Notice, it will be barred from objecting to the Debtor's designated cure amount and assumption and assignment of its executory contract or unexpired lease with the Debtor other than based on a lack of adequate assurance of future performance. If an objection to a Cure Notice is timely filed and is not resolved prior to the Sale Hearing, it will be resolved at the Sale Hearing.

Notice on the Non-Resident Contract Counterparties. After the conclusion of the Auction, the Debtor shall serve the Assumption and Assignment Notice on the Non-Resident Contract Counterparties. Any Non-Resident Contract Counterparty that objects to the adequacy of the assurance of future performance must file an objection with the Court ("**Non-Resident Assurance Objection**") and serve it in accordance with the Service Requirements prior to the Sale Hearing. If a Non-Resident Contract Counterparty does not file and serve a Non-Resident Assurance Objection prior to the Sale Hearing, such party will be forever barred from objecting to the adequacy of the assurance of future performance and assignment of its executory contract or unexpired lease to the Successful Bidder. The inclusion of a contract, lease, or other agreement on an Assumption and Assignment Notice shall not constitute or be deemed a

determination or admission by the Debtor and its estate or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code or that the Debtor will assume and assign any particular contract, lease, or other agreement.

In the event the Debtor seeks to close a sale to the Backup Bidder, the Debtor shall provide prompt written notice thereof to all recipients of Resident Notices and Cure Notices, which parties shall have three business days to object in accordance with the Service Requirements, solely on the basis of any changed circumstances since the date of the Sale Hearing.

The Notice Parties are: The Notice Parties are: (i) the Debtor, California-Nevada Methodist Homes, Attention: Steven A. Nerger, Email: SNerger@silvermanconsulting.net; (ii) counsel to the Debtor, Neal L. Wolf, Email: nwolf@hansonbridgett.com; (iii) Office of the United States Trustee, Attn: Trevor Fehr, Esq., 450 Golden Gate Avenue, 5th Floor, Suite #05-0153, San Francisco, CA 94102, Email: Trevor.Fehr@usdoj.gov; (iv) counsel to the Committee, Sara L. Chenetz, Email: SChenetz@perkinscoie.com; (v) counsel to HCAI, Cara Porter, Email: cara.porter@doj.ca.gov; (vi) counsel to the California Department of Social Services, Anjana Gunn, Email: Anjana.Gunn@doj.ca.gov; (vii) counsel to Wilmington, Kristin K. Going, Email: kgoing@mwe.com; (viii) counsel to B.H. Capital Ventures, LLC, Sharon Weiss, Email: sharon.weiss@bclplaw.com; and as to the Assumption and Assignment Notice additionally (ix) each Successful Bidder at the address provided in the applicable Stalking Horse Agreement or Modified Agreement.

The Debtor submits that compliance with the requirements above is sufficient notice of parties rights under Section 365 of the Bankruptcy Code.

IV. SALE MOTION

At the Sale Hearing, the Debtor will present the Successful Bid to the Court for approval. The Debtor shall file a separate motion ("**Sale Motion"**) seeking authority to sell the Assets on or before the date ordered by the Court at the hearing held on this Motion.

Objections, if any, to the Sale Motion shall (i) be in writing; (ii) state the name and address of the objecting party and the amount and nature of the Claim or other interest of such party in the Case; (iii) state with particularity the basis and nature of any objection; (iv) conform to the

Bankruptcy Rules and the Local Rules; (v) be filed with the Court and served on the Consultation Parties, Successful Bidder(s), Back-up Bidder and all parties requesting notice in the Case by January 19, 2022 ("**Sale Objection Deadline**").

Any party which fails to file with the Court and serve an objection or response to the Sale Motion by the Sale Objection Deadline may be barred from asserting at the Sale Hearing or thereafter any objection to approval of the Sale, other than as set forth in the Assumption and Assignment Procedures.

V. THE CONSULTATION PARTIES

The Debtor and its advisors will continue to regularly and timely consult with the Consultation Parties and their advisors about the sale process, inquiries and information the Debtor and its advisors receive from potential bidders and confer with the Consultation Parties about responses thereto, except to the extent any Consultation Party seeks to become or becomes a Qualified Bidder.

The Debtor agrees to promptly provide copies of all Bids (if not simultaneously delivered to any Consultation Party) and all expressions or indication of interest the Debtor receives for some or all Assets to the Consultation Parties, but in no event later than one calendar day after receipt by the Debtor thereof.

VI. BASIS FOR RELIEF REQUESTED

A. Sufficient Business Justification Exists for Consummation of a Sale under Sections 105(a), 363(b), and/or 1129 of the Bankruptcy Code

Pursuant to section 105(a) of the Bankruptcy Code, a "[c]ourt may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." Section 363(b) of the Bankruptcy Code provides that a debtor, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." Although section 363(b) does not specify a standard for determining when it is appropriate for a court to authorize the use, sale, or lease of property of the estate, courts have required that such use, sale, or lease be based upon the sound business judgment of the debtor. *See Walter v. Sunwest Bank (In re Walter)*, 83 B.R. 14, 19 (B.A.P. 9th Cir. 1988) ("[T]here must be some articulated business

justification for using, selling, or leasing the property outside the ordinary course of business.") (internal citations omitted).

In determining whether the debtor has complied with the sound business judgment rule, the Court must consider whether: (a) there has been "[a]ny improper or bad motive," (b) "[t]he price is fair and the negotiations or bidding has occurred at arm's length" and (c) the sale followed "[a]dequate procedures, including proper exposure to the market and accurate and reasonable notice to all parties in interest." *In re Castre*, 312 B.R. 426, 428 (Bankr. D. Colo. 2004). When applying the rule, "the bankruptcy court should presume that the debtor-in-possession acted prudently, on an informed basis, in good faith, and in the honest belief that the action taken was in the best interests of the bankruptcy estate." *Agarwal v. Pomona Valley Med. Group, Inc. (In re Pomona Valley Med. Group, Inc.)*, 476 F.3d 665, 670 (9th Cir. 2007). In the context of this rule, courts often approve overbid procedures. *See, e.g., In re Crown Corp.*, 679 F.2d 774, 777 (9th Cir. 1982) (discussing the overbid procedures approved by the bankruptcy court).

Additionally, the Debtor believes that the presence of the Stalking Horse Bidder will not chill competitive bidding. To the contrary, the Debtor believes that the presence of the Stalking Horse Bidder combined with a fair and open process will increase interest and drive the value of the Assets for the stakeholders. In consideration for acting as the Stalking Horse Bidder, and in consideration of the extensive time and diligence costs incurred and to be incurred in negotiating and preparing the Stalking Horse Agreement and any ancillary agreements, the Debtor requests that the Court approve the Break-Up Fee.

Break-up fees are a normal and, in many cases, necessary component of significant sales conducted under section 363 of the Bankruptcy Code. "Break-up fees are important tools to encourage bidding and to maximize the value of the debtor's assets. . . . In fact, because the directors of a corporation have a duty to encourage bidding, break-up fees can be *necessary* to

discharge [such] duties to maximize value." *In re Integrated Resources*, 147 B.R. 650, 659–60 (S.D.N.Y. 1992) (emphasis in original). Specifically, "[b]reak-up fees and other strategies may be legitimately necessary to convince a 'white knight' bidder to enter the bidding by providing some form of compensation for the risks it is undertaking." *In re 995 Fifth Ave. Assocs., L.P.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1989) (quotations omitted); *Integrated Resources*, 147 B.R. at 660–61 (breakup fees can prompt bidders to commence negotiations and "ensure that a bidder does not retract its bid"); *In re Hupp Industries, Inc.*, 140 B.R. 191, 194 (Bankr. N.D. Ohio 1992) ("[W]ithout such fees, bidders would be reluctant to make an initial bid for fear that their first bid will be shopped around for a higher bid from another bidder who would capitalize on the initial bidder's . . . due diligence.").

Break-up fees are proper and necessary tools to ensure lively bidding, protect the auction process, and avoid potential litigation. *See In re Texas Rangers Baseball Partners*, 431 B.R. 706, 715 (Bankr. N.D. Tex. 2010) (finding that a break-up fee was "provided as an alternative to litigation" and that "[a]voidance of litigation and the inherent benefits of having a stalking horse . . . justify a breakup fee in this case"). As a consequence, bankruptcy courts frequently approve break-up fees in connection with proposed bankruptcy sales. In the process, courts generally consider "(1) whether the relationship of the parties who negotiated the fee is marked by self-dealing or manipulation; (2) whether the fee hampers, rather than encourages, bidding; and (3) whether the amount of the fee is reasonable in relation to the proposed purchase price." *In re Twenver, Inc.*, 149 B.R. 954, 956 (Bankr. D. Colo. 1992); *In re Bidermann Industries US.A., Inc.*, 203 B.R. 547, 552 (Bankr. S.D.N.Y. 1997).

The Debtor believes that the proposed Break-Up Fee is reasonable and appropriate in this Case for, among others, the following reasons: (a) the Break-Up Fee is well within the range approved by bankruptcy courts in similar circumstances; (b) the Break-Up Fee would be paid by any successful higher bidder at the Auction through the initial Overbid at the time of Closing, as opposed to being paid directly by the estate; (c) there is no self-dealing or manipulation, but rather arm's-length negotiations; and (d) the dollar amount of the Stalking Horse Bid sets a floor

price—not a ceiling—for the sale of the Assets, which will ensure that the estate preserves, and hopefully maximizes, the value of the Assets.

As additional support, as mentioned above, section 105(a) of the Bankruptcy Code provides that the Court "may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of this title."

The Debtor has marketed the Assets post-petition. The open and fair sale process contemplated by the Bidding Procedures will ensure that the Debtor's estate receives the highest or otherwise best value available for the Assets by allowing the market to determine the value of such Assets. Furthermore, compliance with the Bidding Procedures will ensure the fairness and reasonableness of the consideration to be paid by the Stalking Horse Bidder (or other Successful Bidder or Backup Bidder), and establish that the Debtor and such bidder have proceeded in good faith. Depending on the results of the Auction, a sale conducted in accordance with the Bidding Procedures may represent the best path forward for maximizing recoveries to the Debtor's estate, the Debtor's creditors, and all parties in interest, given both the open nature of the proposed process and the Debtor's need to move forward with a transaction and conclude this Chapter 11 Case as soon as possible, as outlined herein and in the Nerger Declaration. The Debtor submits that ample business justification exists for conducting the Auction in accordance with the Bidding Procedures and, therefore, requests that the Court grant the requested relief herein, including (i) approval of the Bidding Procedures; (ii) authorization for the Debtor to enter into the Stalking Horse Agreement on an interim basis for purposes of the Auction; and (iii) approval of the protections afforded the Stalking Horse Bidder by the Break-Up Fee.

B. The Court Should Approve the Bidding Procedures

The key objective in any sale of property of a debtor's estate is to maximize the value received by the estate. Here, the Debtor has designed the Bidding Procedures to promote a competitive and fair bidding process and, thus, to maximize value for the Debtor's estate and creditors. The Bidding Procedures will allow the Debtor to conduct any sale in a controlled, fair, and open fashion that will encourage participation by financially capable bidders, thereby

increasing the likelihood that the Debtor will receive the highest or otherwise best possible consideration for the Assets. The Bidding Procedures provide an appropriate framework for the Debtor to review, analyze, and compare any bids received and ultimately determine which bids are in the best interests of the Debtor's estate and creditors in a fair and objective manner. The Debtor submits that the Bidding Procedures strike an appropriate balance between expediency, on the one hand, and fairness and transparency, on the other. As such, an Auction conducted in accordance with the Bidding Procedures will encourage bidding and derive the highest or otherwise best bids for the Assets with minimal risk of delay-related value destruction.

Therefore, the Debtor requests that the Court approve the Bidding Procedures, including, without limitation, the timing proposed therein for the Auction and the Sale Hearing, the Stalking Horse Bidder, and the Break-Up Fee.

C. The Assumption and Assignment Notice and Proposed Procedures Therein Comport with Section 365 of the Bankruptcy Code and Bankruptcy Rule 2002

Section 365(a) of the Bankruptcy Code provides, in pertinent part, that a debtor in possession, "subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor." In the Ninth Circuit, courts apply the business judgement standard to determine whether or not to authorize the assumption of a contract or an unexpired lease and need only "engage in a cursory review" of the debtor-in-possession's decision. *Pomona Valley Med. Group*, 476 F.3d at 670.

Here, the Debtor has exercised its sound business judgment in determining that assumption and assignment of the certain executory contracts in connection with a sale may be in the best interests of the Debtor and its estate and, accordingly, the Court should approve the procedures governing the potential assumption and assignment of the Assumed Contracts under section 365(a) of the Bankruptcy Code, as set forth on the Assumption and Assignment Procedures.

As set forth above, the Debtor believes that a sale may yield the maximum value for the Debtor's estate. To that end, the assumption, assignment, and sale of the Assumed Contracts

will be necessary for the Debtor to obtain the benefits of the Stalking Horse Agreement or any topping purchase agreement. In addition, under section 365(k) of the Bankruptcy Code, a debtor's assignment of a contract or lease "relieves the trustee and the estate from any liability for any breach of such contract or lease occurring after such assignment." Thus, following an assignment to the Successful Bidder of any Assumed Contracts, the Debtor will be relieved from any liability for any subsequent breach associated therewith, providing additional value to the Debtor's estate.

Moreover, as set forth above and in the Bidding Procedures, for a bid to qualify as a Qualified Bid, a Qualifying Bidder must include evidence supporting its ability to comply with the requirements of adequate assurance of future performance under section 365(f)(2)(B) and, if applicable, section 365(b)(3) of the Bankruptcy Code. Appropriate procedures to comply with these requirements is contained in the Assumption and Assignment Procedures.

The Debtor submits that the procedures set forth in the Assumption and Assignment Procedures are in the best interest of the Debtor's estate, and, as such, should be approved. The Debtor further submits that the proposed notice procedures fully comply with Bankruptcy Rule 2002 and are reasonably calculated to provide timely and adequate notice of the relief sought through this Motion.

The Debtor reserves all of its rights under the Bankruptcy Code.

VII. NOTICE

The Debtor will serve notice of the hearing on this Motion by email, facsimile, or overnight courier to: (i) the Office of the United States Trustee; (ii) counsel to the Committee; (iii) the California Health Facilities Financing Authority; (iv) HCAI; (v) Wilmington; (vi) Pacifica; (vii) all other entities that submitted a letter of intent in connection with the Sale Process; (viii) SEIU National Industry Pension Fund; (ix) B.H. Capital Ventures, LLC; (x) the California Department of Social Services; (xi) all creditors known to the Debtor; and (xii) all parties who have formally appeared in this Chapter 11 Case and requested service pursuant to

Bankruptcy Rule 2002. The Debtor submit that, in light of the nature of the relief requested, no other or further notice is required.

VIII. NO PRIOR REQUEST

No prior request for the relief sought in this Motion has been made by the Debtor to this or any other court.

IX. CONCLUSION

WHEREFORE, the Debtor respectfully requests entry of the Order, substantially in the form attached hereto as **Exhibit A,** granting the relief requested herein and granting such other relief as is just and proper.

[Signature on Following Page]

Dated: December [●], 2021

HANSON BRIDGETT LLP

By: _____
NEAL L. WOLF
ANTHONY J. DUTRA

Attorneys for Debtor and Debtor in Possession

DRAFT Purchase and Sale Agreement – Stalking Horse Agreement,
dated December 15, 2021 (redline version)

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of December 15, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities that are located in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Purchase and Sale Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Definitions.

As used in this Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*All Assets Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement..

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items that are defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to the Assumption Notice Deadline, as defined herein, agrees in writing to assume and have assigned to Buyer, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or

expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume or accept assignment of any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume and accept assignment of any contracts, commercial leases and/or other agreements, not on Schedule 2.2 as attached, then the same shall be added to **Schedule 2.2**, initialed by Buyer and delivered to Seller prior to the Assumption Notice Deadline.

"*Assumption Notice Deadline*" means 11:59 p.m. on the day that is ten (10) business days after the Effective Date.

"*Auction ~~Process~~*" means a public, competitive auction for the purchase and sale of the Assets, conducted pursuant to procedures approved by the Court.

"*Broker*" means the persons or entities identified in Section 20. of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 5. of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com..

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or on the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Forest Hill Assets*" means (i) Forest Hill, (ii) the Fixtures, Furniture and Equipment at Forest Hill, (iii) the Inventory at Forest Hill, (iv) all rights to all transferable licenses, warranties and permits with respect to Forest Hill, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Forest Hill (subject to Resident confidentiality rights and privileges), and all books and records of Forest Hill existing and physically located at Forest Hill or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Forest Hill, (vii) all rights to telephone numbers used solely by Forest Hill, and (viii) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Forest Hill. The Forest Hill Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Forest Hill Purchase Price*" has the meaning set forth in Section 2.7(b) of this Agreement.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the

executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lake Park Assets*" means (i) Lake Park, (ii) the Fixtures, Furniture and Equipment at Lake Park, (iii) the Inventory at Lake Park, (iv) all rights to all transferable licenses, warranties and permits with respect to Lake Park, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Lake Park (subject to Resident confidentiality rights and privileges), and all books and records of Lake Park existing and physically located at Lake Park or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Lake Park, (vii) all rights to telephone numbers used solely by Lake Park, (viii) the Restricted Repayable Resident Entrance Fee Payments and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Lake Park. The Lake Park Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Overbids*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Permitted Encumbrances*" means any title exception listed on the Preliminary Title Report.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

~~"*Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement.~~

"*Purchase Price*" means (a) the Forest Hill Purchase Price if Buyer is not the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets, and (b) the All Assets Purchase Price if the Buyer is the Successful Bidder on all Assets.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements.

"*Residency Agreements*" means all contracts between Seller and one or more residents and one or more former residents at the Facilities, including, without limitation, all contracts for the occupancy of a unit at a Facility, all life care, all continuing care, and all monthly fee agreements.

"*Resident*" means any person who now resides or ever resided at a Facility pursuant to a Residency Agreement including, without limitation, a person who is deceased or no longer resides at a Facility as of the Closing Date.

"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Sale Procedures Motion*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Sale Procedures Order*" means an order approving procedures for the sale of the Assets through a process that includes the Auction ~~Process~~.

"*Successful Bidder*" means any person whose bid for the purchase of any part of the Assets was accepted by the Seller at the conclusion of the Auction ~~Process~~, subject to the approval of the Court.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The ~~total~~ purchase price (the "All Assets Purchase Price") for all of the Assets shall be the greater of: (x) Thirty Million Dollars ($30,000,000.00) in cash, and (y) if an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that the Buyer is the Successful Bidder for all of the Assets at the Auction, the price at which the Court finds and orders the Buyer is the Successful Bidder for all of the Assets, payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 5.3) with Escrow Agent in accordance with Sections 5.1, 5.2 and 5.3;

(b) The balance of the Purchase Price that is due after payment of the Earnest Money and ~~-~~the Independent Consideration shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be, if there are no Overbids (as defined in Section 2.7(a) below), Twenty-Eight Million Nine Hundred Ninety-Nine Thousand Nine Hundred and No/100 Dollars ($28,999,900); and

(c) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below~~:~~ if the Purchase Price is $30,000,000.00, and shall be allocated in such greater amounts for each Asset listed below in this 2.1(c) as is agreed by Buyer and Seller. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (c) of Section 2.1. The provisions of this Subsection (c) of Section 2.1 shall survive the Closing. ~~If, at~~

~~the conclusion of the Auction Process, the Debtor (and subsequently, the Court) determines that Lake Park will be sold to an entity other than Buyer, Buyer shall purchase Forest Hill on terms and conditions substantially in accordance with the terms and conditions of this Agreement, taking into account the appropriate reduction in the purchase price and adjustment of the amount of Assumed Contracts.~~

Lake Park:

Real Property:		$7,047,500
Goodwill:		$8,802,500
	Total:	$15,850,000

Forest Hill:

Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to assume and accept assignment of the Assumed Contracts on the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the

Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such

reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 10.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

2.7 Possible Overbids and Auction.

(a) With the consent of the Buyer, the sale of the Assets contemplated herein is subject to the possible receipt by the Seller of overbids ("Overbids") for all or part of the Assets and the Auction conducted in accordance with the Sales Procedures Order. With the consent of the Buyer, the Seller shall file a motion (the "Sale Procedures Motion") with the Court in the Case seeking approval of procedures for the sale of the Assets through a process that includes the Auction and seeking entry of the Sales Procedures Order substantially in the form attached to Schedule 2.7 hereof, within two (2) business days of the Effective Date. The Sale Procedures Motion shall seek approval of the sale of the Assets under Sections 363 and 365 of the U.S. Bankruptcy Code and other applicable laws and rules and shall specifically request that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Procedures Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances and the terms and conditions of the Sale Procedures Order

(b) This Agreement is subject to the terms and conditions of the Sale Procedures Order. The Sale Procedures Order may provide that bidders, including the Buyer, may bid at the Auction on the Lake Park Assets and/or on the Forest Hill Assets. If an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and

orders that a party other than the Buyer is the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets and the Court does not find and order that a party other than the Buyer is the Successful Bidder on the Forest Hill Assets, then the Buyer shall (i) purchase the Forest Hill Assets on the terms set forth herein at a price that is the greater of: (x) $14,150,000.00, and (y) the highest and best bid the Buyer bid for the Forest Hill Assets at the Auction (such greater amount, the "Forest Hill Purchase Price"), and the Buyer shall assume and accept assignment of all the Assumed Forest Hill Residency Agreements (as defined in the Procedures Motion) and assume the Assumed Forest Hill Repayable Entrance Fee Liabilities (as defined in the Procedures Motion) on the terms set forth in this Agreement and in such circumstances shall not assume or accept assignment of the Lake Park Assumed Residency Agreements (as defined in the Procedures Motion) and not assume the Lake Park Repayable Entrance Fee Liabilities (as defined in the Procedures Motion).

Buyer's Due Diligence Complete.

~~(a)~~ –Buyer's obligations pursuant to this Agreement are not subject to further "due diligence" on the part of the Buyer. Buyer expressly acknowledges and agrees that it has completed all due diligence it deems necessary.

Closing.

4.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

4.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 4.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 4.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, substantially in the form attached hereto as **Schedule 4.2(c)**, by which (i) Seller assigns to Buyer and Buyer assumes, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(f) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(g) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(h) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 0 of this Agreement; and

(i) any other documents necessary to close escrow.

4.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money and Independent Consideration, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Closing Statement;

(e) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(f) any other documents necessary to close escrow.

4.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by

an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and/or its successors and assigns may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.4 shall survive the Closing.

4.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.5 shall survive the Closing.

Earnest Money and Provisions Regarding the Escrow Agent.

5.1 Earnest Money. Seller acknowledges and agrees that within one (1) business day after the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of One Million and No/100 Dollars ($1,000,000.00) ("Earnest Money"). Escrow Agent is hereby directed to deposit the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. The Earnest Money shall be refundable to Buyer if, and only if, Buyer has rightfully terminated this Agreement on account of a material default hereunder by the Seller, and shall be held in escrow by Escrow Agent until the earlier of (i) Closing, (ii) termination of this Agreement with the consent of Buyer and Seller, or (iii) an order of the Court. If this Agreement is rightfully terminated, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement). If there is any dispute regarding whether this Agreement was rightfully terminated, the Court will resolve such dispute.

5.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

5.3 Independent Consideration. Buyer will deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

~~**Certain Actions Prior to Closing.**~~

~~6.1 Sale Process. Within ten (10) days of the Effective Date, Seller shall file with the Court in the Case a motion for approval of procedures for the sale of the Assets through a process that includes the Auction Process (the "Sale Procedures Motion"). The Seller shall conduct a sale of the Assets consistent with the Sale Procedures Order, including, if necessary the Auction Process. This Agreement is subject to the terms and conditions of the Sale Procedures Order.~~

~~6.2 Order for Sale. The Sale Procedures Motion shall seek approval of the sale of the Assets under Sections 363 and 365 of the U.S. Bankruptcy Code and other applicable laws and rules and shall specifically request that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Procedures Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances and the terms and conditions of the Sale Procedures Order.~~

Governmental Approvals~~.~~ Prior to Closing.

~~6.3~~ Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer shall submit the referenced applications for the Regulatory~~-~~ Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60)~~-~~ days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that ~~Buyer timely reviews~~ Seller provides the draft notice ~~and timely provides~~ of the sale to Buyer with at least __ days for Buyer's review. Buyer shall timely provide all information reasonably requested by Seller and shall not unreasonably withhold, condition or delay review or approval of the draft notice of sale. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof

Title Condition.

7.1 Premises Title Requirements. Seller has previously delivered to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Seller shall have no obligation to remove any title exceptions listed on the Preliminary Title Report.

Buyer shall take title of the Real Property Assets at the Closing subject to all exceptions specified on the Preliminary Title Report unless such exceptions have been removed prior to the Closing.

7.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

7.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Inspections and Review.

8.1 Documents to be Delivered to Buyer. Buyer acknowledges that Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller

has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

8.2 Restoration of Premises. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 8.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections.

8.3 Access. At reasonable times and upon reasonable advance notice at all times prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Employment Matters.

10.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

10.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in **Schedule 10.2**, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in **Schedule 10.2**, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 10.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

10.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 10.6 of this Agreement.

10.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

10.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

10.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds,

respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 11. , a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

12.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

12.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

12.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

12.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

12.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

12.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof. To the best Knowledge of ~~Seller's knowledge~~Seller, it is fully compliant with all regulations, restrictions, and other requirements that are associated with or related to two "affordable housing" units at Forest Hill.

12.8 Litigation. Subject to the disclosures set forth on **Schedule 12.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

12.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

12.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby

expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: _____ _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 12.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 12.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

13.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

13.2 Authority. Buyer has the full power, authority and financial and operational ability to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

13.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

13.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

13.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution in order to fulfill its obligations hereunder.

13.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

13.7 Litigation. Subject to the disclosures set forth on **Schedule 13.7** hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened,

before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Conditions to Parties' Obligations.

14.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 12. above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the Effective Date.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 14.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

14.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 13. above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 14.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Indemnification.

15.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim, judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

15.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

15.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Section 15. shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 15.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

15.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

15.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts

required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

15.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 15. shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 15. to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Conduct of Business Pending Closing.

16.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

16.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 10.1 hereof.

16.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Transition.

17.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

17.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

17.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the Effective Date. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive

reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

17.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

17.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

17.6 Survival. The provisions of this Section 17. shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Default.

19.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money, and all

accrued interest thereon, shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 5. , BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

19.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

19.3 Survival. The provisions of this Section 19. shall survive the termination of this Agreement.

Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler

& Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Miscellaneous.

21.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

21.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

21.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

21.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 5. hereof.

21.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary

business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:

CNMH_____
201 19th Street,
Oakland, CA 94612
Attn:
Phone:_____
Fax:_____
E-Mail:_____
_____

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

If to Purchaser:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Phone: (619) 296-9000
Fax: (619) 296-9090
E-Mail: Disrani@pacificacompanies.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at: _____[contact info.]

21.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

21.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

21.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

21.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

21.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

21.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

21.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

21.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By:_____ Garrett B. Cross Chairman of Board of Trustees	By:_____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12"‘ Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

APN: 008-0627-002-00

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15’ West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15’ West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a

municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

APN: 008-0627-038-03

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907", filed May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4' West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4' East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4' East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4' West, 18.94 feet to the point of beginning.

APN: 006-546-001

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907", filed for record May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

SCHEDULE 1(e)

Attorney General Conditional Approval Letter

SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the Assumption Notice Deadline, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

SCHEDULE 2.5

Resident Security Deposits

SCHEDULE 4.2(a)

GRANT DEED

To be provided by Title Company

SCHEDULE 4.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE 4.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of December ___, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement and all applicable Court orders, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Buyer as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests, except as otherwise set forth herein and in the Agreement.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:	BUYER:
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: _____ Garrett B. Cross	By:_____ Deepak Israni, Secretary
Its: Chairman of Board of Trustees	

SCHEDULE 12.8

Litigation

DRAFT Purchase and Sale Agreement – Stalking Horse Agreement, dated December 16, 2021 (redline version)

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of December ~~15~~16, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities that are located in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of ~~Seller's~~Seller's assets from Seller upon the terms and conditions more particularly set forth in this Purchase and Sale Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*All Assets Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement..

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items that are defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to the Assumption Notice Deadline, as defined herein, agrees in writing to assume and have assigned to Buyer, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or

expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume or accept assignment of any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume and accept assignment of any contracts, commercial leases and/or other agreements, not on Schedule 2.2 as attached, then the same shall be added to **Schedule 2.2**, initialed by Buyer and delivered to Seller prior to the Assumption Notice Deadline.

"*Assumption Notice Deadline*" means 11:59 p.m. on the day that is ten (10) business days after the Effective Date.

"*Auction*" means a public, competitive auction for the purchase and sale of the Assets, conducted pursuant to procedures approved by the Court.

"*Broker*" means the persons or entities identified in Section 20. of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 5. of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or on the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Forest Hill Assets*" means (i) Forest Hill, (ii) the Fixtures, Furniture and Equipment at Forest Hill, (iii) the Inventory at Forest Hill, (iv) all rights to all transferable licenses, warranties and permits with respect to Forest Hill, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Forest Hill (subject to Resident confidentiality rights and privileges), and all books and records of Forest Hill existing and physically located at Forest Hill or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Forest Hill, (vii) all rights to telephone numbers used solely by Forest Hill, and (viii) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Forest Hill. The Forest Hill Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Forest Hill Purchase Price*" has the meaning set forth in Section 2.7(b) of this Agreement.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the

executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lake Park Assets*" means (i) Lake Park, (ii) the Fixtures, Furniture and Equipment at Lake Park, (iii) the Inventory at Lake Park, (iv) all rights to all transferable licenses, warranties and permits with respect to Lake Park, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Lake Park (subject to Resident confidentiality rights and privileges), and all books and records of Lake Park existing and physically located at Lake Park or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Lake Park, (vii) all rights to telephone numbers used solely by Lake Park, (viii) the Restricted Repayable Resident Entrance Fee Payments and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Lake Park. The Lake Park Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any ~~attorneys'~~attorneys' fees or costs or other ~~consultants'~~consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Overbids*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Permitted Encumbrances*" means any title exception listed on the Preliminary Title Report.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" means (a) the Forest Hill Purchase Price if Buyer is not the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets, and (b) the All Assets Purchase Price if the Buyer is the Successful Bidder on all Assets.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements.

"*Residency Agreements*" means all contracts between Seller and one or more residents and one or more former residents at the Facilities, including, without limitation, all contracts for the occupancy of a unit at a Facility, all life care, all continuing care, and all monthly fee agreements.

"*Resident*" means any person who now resides or ever resided at a Facility pursuant to a Residency Agreement including, without limitation, a person who is deceased or no longer resides at a Facility as of the Closing Date.

"*Restricted Account Order*" means the ~~Court's~~Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Sale Procedures Motion*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Sale Procedures Order*" means an order approving procedures for the sale of the Assets through a process that includes the Auction.

"*Successful Bidder*" means any person whose bid for the purchase of any part of the Assets was accepted by the Seller at the conclusion of the Auction, subject to the approval of the Court.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The purchase price (the "All Assets Purchase Price") for all of the Assets shall be the greater of: (x) Thirty Million Dollars ($30,000,000.00) in cash, and (y) if an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that the Buyer is the Successful Bidder for all of the Assets at the Auction, the price at which the Court finds and orders the Buyer is the Successful Bidder for all of the Assets, payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 5.3) with Escrow Agent in accordance with Sections 5.1, 5.2 and 5.3;

(b) The balance of the Purchase Price that is due after payment of the Earnest Money and the Independent Consideration shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be, if there are no Overbids (as defined in Section 2.7(a) below), Twenty-Eight Million Nine Hundred Ninety-Nine Thousand Nine Hundred and No/100 Dollars ($28,999,900); and

(c) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below if the Purchase Price is $30,000,000.00, and shall be allocated in such greater amounts for each Asset listed below in this 2.1(c) as is agreed by Buyer and Seller. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (c) of Section 2.1. The provisions of this Subsection (c) of Section 2.1 shall survive the Closing.

Lake Park:

Real Property:		$7,047,500
Goodwill:		$8,802,500
	Total:	$15,850,000

Forest Hill:

Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to assume and accept assignment of the Assumed Contracts on the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification at or prior to the Closing (the ~~"~~"Non-Restricted Entrance Fee Liability~~")~~") and (b) ~~Seller's~~Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the ~~"~~"Restricted Entrance Fee Liability~~,"~~," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 10.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

2.7 Possible Overbids and Auction.

(a) With the consent of the Buyer, the sale of the Assets contemplated herein is subject to the possible receipt by the Seller of overbids ("Overbids") for all or part of the Assets and the Auction conducted in accordance with the Sales Procedures Order. With the consent of the Buyer, the Seller shall file a motion (the "Sale Procedures Motion") with the Court in the Case seeking approval of procedures for the sale of the Assets through a process that includes the Auction and seeking entry of the Sales Procedures Order substantially in the form attached to Schedule 2.7 hereof, within two (2) business days of the Effective Date. The Sale Procedures Motion shall seek approval of the sale of the Assets under Sections 363 and 365 of the U.S. Bankruptcy Code and other applicable laws and rules and shall specifically request that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances and Assumed Contracts, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Procedures Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances and the terms and conditions of the Sale Procedures Order

(b) This Agreement is subject to the terms and conditions of the Sale Procedures Order. The Sale Procedures Order may provide that bidders, including the Buyer, may bid at the Auction on the Lake Park Assets and/or on the Forest Hill Assets. If an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that a party other than the Buyer is the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets and the Court does not find and order that a party other than the Buyer is the Successful Bidder on the Forest Hill Assets, then the Buyer shall (i) purchase the Forest Hill Assets on the terms set forth herein at a price that is the greater of: (x) $14,150,000.00, and (y) the highest and best bid the Buyer bid for the Forest Hill Assets at the Auction (such greater amount, the "Forest Hill Purchase Price"), and the Buyer shall assume and accept assignment of all the Assumed Forest Hill Residency Agreements (as defined in the Procedures Motion) and

assume the Assumed Forest Hill Repayable Entrance Fee Liabilities (as defined in the Procedures Motion) on the terms set forth in this Agreement and in such circumstances shall not assume or accept assignment of the Lake Park Assumed Residency Agreements (as defined in the Procedures Motion) and not assume the Lake Park Repayable Entrance Fee Liabilities (as defined in the Procedures Motion).

Section 3. Buyer's Due Diligence Complete.

Buyer's obligations pursuant to this Agreement are not subject to further "due diligence." on the part of the Buyer. Buyer expressly acknowledges and agrees that it has completed all due diligence it deems necessary.

Section 4. Closing.

4.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

4.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 4.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 4.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, substantially in the form attached hereto as **Schedule 4.2(c)**, by which (i) Seller assigns to Buyer and Buyer assumes, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(f) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(g) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(h) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 0 of this Agreement; and

(i) any other documents necessary to close escrow.

4.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money and Independent Consideration, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Closing Statement;

(e) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(f) any other documents necessary to close escrow.

4.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and/or its successors and assigns may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.4 shall survive the Closing.

4.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.5 shall survive the Closing.

Section 5. Earnest Money and Provisions Regarding the Escrow Agent.

5.1 Earnest Money. Seller acknowledges and agrees that within one (1) business day after the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of One Million and No/100 Dollars ($1,000,000.00) ("Earnest Money"). Escrow Agent is hereby directed to deposit the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. The Earnest Money shall be refundable to Buyer if, and only if, Buyer has rightfully terminated this Agreement on account of a material default hereunder by the Seller, and shall be held in escrow by Escrow Agent until the earlier of (i) Closing, (ii) termination of this Agreement with the consent of Buyer and Seller, or (iii) an order of the Court. If this Agreement is rightfully terminated, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement). If there is any dispute regarding whether this Agreement was rightfully terminated, the Court will resolve such dispute.

5.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

5.3 Independent Consideration. Buyer will deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 6. Governmental Approvals Prior to Closing.

Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer shall submit the referenced applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that ~~Seller provides the draft notice of~~

~~the sale to~~ Buyer ~~with at least __ days for Buyer's review. Buyer shall~~has timely ~~provide~~provided all information ~~reasonably~~ requested by Seller ~~and shall~~to make the notice complete. Seller agrees to provide a draft notice to Buyer for Buyer's approval no later than 55 days after the entry of the Sale Order. Buyer agrees not to unreasonably withhold, condition, or delay the provision of information to Seller or review or approval of the draft notice of sale. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

Section 7. Title Condition.

7.1 Premises Title Requirements. Seller has previously delivered to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Seller shall have no obligation to remove any title exceptions listed on the Preliminary Title Report. Buyer shall take title of the Real Property Assets at the Closing subject to all exceptions specified on the Preliminary Title Report unless such exceptions have been removed prior to the Closing.

7.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

7.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 8. Inspections and Review.

8.1 Documents to be Delivered to Buyer. Buyer acknowledges that Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

8.2 Restoration of Premises. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 8.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections.

8.3 Access. At reasonable times and upon reasonable advance notice at all times prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 9. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Section 10. Employment Matters.

10.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

10.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment,

including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in **Schedule 10.2**, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in **Schedule 10.2**, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 10.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

10.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 10.6 of this Agreement.

10.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

10.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

10.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 11. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 11. , a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 12. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

12.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller

pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

12.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

12.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

12.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

12.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

12.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof. ~~To the best Knowledge of Seller, it is fully compliant with all regulations, restrictions, and other requirements that are associated with or related to two "affordable housing" units at Forest Hill~~To Seller's Knowledge, it complies in all material respects with the City of Pacific Grove's conditions to provide two "affordable housing" units at Forest Hill, both of which are currently unoccupied. Seller has not received written notice from the City of Pacific Grove that Seller is not in compliance with such conditions. Between the Effective Date and Closing, Seller will attempt in good faith to market the two "affordable housing units" to potential residents who qualify for the City of Pacific Grove's below market rent program.

12.8 Litigation. Subject to the disclosures set forth on **Schedule 12.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will

result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

12.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

12.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby

expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: _____ _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 12.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 12.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 13. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

13.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

13.2 Authority. Buyer has the full power, authority and financial and operational ability to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

13.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property

or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

13.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

13.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution in order to fulfill its obligations hereunder.

13.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

13.7 Litigation. Subject to the disclosures set forth on **Schedule 13.7** hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 14. Conditions to Parties' Obligations.

14.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 12. above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the Effective Date.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 14.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

14.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 13. above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 14.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 15. Indemnification.

15.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim,

judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

15.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

15.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Section 15. shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 15.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

15.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling

manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

15.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

15.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 15. shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 15. to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 16. Conduct of Business Pending Closing.

16.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

16.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 10.1 hereof.

16.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 17. Transition.

17.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may

be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

17.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

17.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the Effective Date. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

17.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

17.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

17.6 Survival. The provisions of this Section 17. shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 18. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Section 19. Default.

19.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money, and all accrued interest thereon, shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 5. , BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

19.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

19.3 Survival. The provisions of this Section 19. shall survive the termination of this Agreement.

Section 20. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 21. Miscellaneous.

21.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

21.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

21.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire

understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

21.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 5. hereof.

21.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:	If to Purchaser:
CNMH_____	Pacifica Companies LLC
201 19th Street,	1775 Hancock Street, Suite 200
Oakland, CA 94612	San Diego, CA 92110
Attn:	Attn: Deepak Israni
Phone:_____	Phone: (619) 296-9000
Fax:_____	Fax: (619) 296-9090
E-Mail:_____	E-Mail: Disrani@pacificacompanies.com
_____	

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

~~In each case with a copy to Escrow Agent at: _____[contact info.]~~

In each case with a copy to Escrow Agent at:

Linda Menasche
2365 Northside Drive, Suite 500
San Diego, CA 92108
Phone: (619) 521-3521
Email: MenasheL@ctt.com

21.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

21.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

21.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

21.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

21.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and

words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

21.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

21.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

21.14 Assignment.

(a) ~~Buyer's~~Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) ~~Seller's~~Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By:_____ Garrett B. Cross Chairman of Board of Trustees	By:_____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12"‘"’‘ Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

APN: 008-0627-002-00

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15’ West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15’ West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a

municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

APN: 008-0627-038-03

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "“Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907",”, filed May 6, 1907 in Volume 1, Maps of "“Cities and Towns",”, at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "“Cities and Towns",”, at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4'4’ West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4'4’ East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4'4’ East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4'4’ West, 18.94 feet to the point of beginning.

APN: 006-546-001

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, ""Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907",", filed for record May 6, 1907 in Volume 1, Maps of ""Cities and Towns",", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

SCHEDULE 1(e)

Attorney General Conditional Approval Letter

SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the Assumption Notice Deadline, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

SCHEDULE 2.5

Resident Security Deposits

SCHEDULE 4.2(a)

GRANT DEED

To be provided by Title Company

SCHEDULE 4.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE 4.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of December ~~___,~~16, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement and all applicable Court orders, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Buyer as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests, except as otherwise set forth herein and in the Agreement.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:	BUYER:
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: _____ Garrett B. Cross	By:_____ Deepak Israni, Secretary
Its: Chairman of Board of Trustees	

SCHEDULE 12.8

Litigation

DRAFT Purchase and Sale Agreement – Stalking Horse Agreement, dated December 17, 2021 (redline version)

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of December ~~16~~17, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities that are located in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Purchase and Sale Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*All Assets Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement..

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items that are defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to the Assumption Notice Deadline, as defined herein, agrees in writing to assume and have assigned to Buyer, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or

expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume or accept assignment of any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume and accept assignment of any contracts, commercial leases and/or other agreements, not on Schedule 2.2 as attached, then the same shall be added to **Schedule 2.2**, initialed by Buyer and delivered to Seller prior to the Assumption Notice Deadline.

"*Assumption Notice Deadline*" means 11:59 p.m. on the day that is ten (10) business days after the Effective Date.

"*Auction*" means a public, competitive auction for the purchase and sale of the Assets, conducted pursuant to procedures approved by the Court.

"*Broker*" means the persons or entities identified in Section 20. ~~Section 20~~ of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 5. ~~Section 5~~ of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or on the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Forest Hill Assets*" means (i) Forest Hill, (ii) the Fixtures, Furniture and Equipment at Forest Hill, (iii) the Inventory at Forest Hill, (iv) all rights to all transferable licenses, warranties and permits with respect to Forest Hill, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Forest Hill (subject to Resident confidentiality rights and privileges), and all books and records of Forest Hill existing and physically located at Forest Hill or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Forest Hill, (vii) all rights to telephone numbers used solely by Forest Hill, and (viii) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Forest Hill. The Forest Hill Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Forest Hill Purchase Price*" has the meaning set forth in Section 2.7(b) of this Agreement.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the

executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lake Park Assets*" means (i) Lake Park, (ii) the Fixtures, Furniture and Equipment at Lake Park, (iii) the Inventory at Lake Park, (iv) all rights to all transferable licenses, warranties and permits with respect to Lake Park, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Lake Park (subject to Resident confidentiality rights and privileges), and all books and records of Lake Park existing and physically located at Lake Park or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Lake Park, (vii) all rights to telephone numbers used solely by Lake Park, (viii) the Restricted Repayable Resident Entrance Fee Payments and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Lake Park. The Lake Park Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Overbids*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Permitted Encumbrances*" means any title exception listed on the Preliminary Title Report.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" means (a) the Forest Hill Purchase Price if Buyer is not the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets, and (b) the All Assets Purchase Price if the Buyer is the Successful Bidder on all Assets.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements.

"*Residency Agreements*" means all contracts between Seller and one or more residents and one or more former residents at the Facilities, including, without limitation, all contracts for the occupancy of a unit at a Facility, all life care, all continuing care, and all monthly fee agreements.

"*Resident*" means any person who now resides or ever resided at a Facility pursuant to a Residency Agreement including, without limitation, a person who is deceased or no longer resides at a Facility as of the Closing Date.

"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Sale Procedures Motion*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Sale Procedures Order*" means an order approving procedures for the sale of the Assets through a process that includes the Auction.

"*Successful Bidder*" means any person whose bid for the purchase of any part of the Assets was accepted by the Seller at the conclusion of the Auction, subject to the approval of the Court.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The purchase price (the "All Assets Purchase Price") for all of the Assets shall be the greater of: (x) Thirty Million Dollars ($30,000,000.00) in cash, and (y) if an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that the Buyer is the Successful Bidder for all of the Assets at the Auction, the price at which the Court finds and orders the Buyer is the Successful Bidder for all of the Assets, payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 5.3) with Escrow Agent in accordance with Sections 5.1, 5.2 and 5.3;

(b) The balance of the Purchase Price that is due after payment of the Earnest Money and the Independent Consideration shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be, if there are no Overbids (as defined in Section 2.7(a) below), Twenty-Eight Million Nine Hundred Ninety-Nine Thousand Nine Hundred and No/100 Dollars ($28,999,900); and

(c) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below if the Purchase Price is $30,000,000.00, and shall be allocated in such greater amounts for each Asset listed below in this 2.1(c) as is agreed by Buyer and Seller. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (c) of Section 2.1. The provisions of this Subsection (c) of Section 2.1 shall survive the Closing.

Lake Park:

Real Property:		$7,047,500
Goodwill:		$8,802,500
	Total:	$15,850,000

Forest Hill:

Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to assume and accept assignment of the Assumed Contracts on the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 10.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

2.7 Possible Overbids and Auction.

(a) With the consent of the Buyer, the sale of the Assets contemplated herein is subject to the possible receipt by the Seller of overbids ("Overbids") for all or part of the Assets and the Auction conducted in accordance with the Sales Procedures Order. With the consent of the Buyer, the Seller shall file a motion (the "Sale Procedures Motion") with the Court in the Case seeking approval of procedures for the sale of the Assets through a process that includes the Auction and seeking entry of the Sales Procedures Order substantially in the form attached to Schedule 2.7 hereof, within two (2) business days of the Effective Date. The Sale Procedures Motion shall seek approval of the sale of the Assets under Sections 363 and 365 of the U.S. Bankruptcy Code and other applicable laws and rules and shall specifically request that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances and Assumed Contracts, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Procedures Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances and the terms and conditions of the Sale Procedures Order

(b) This Agreement is subject to the terms and conditions of the Sale Procedures Order. The Sale Procedures Order may provide that bidders, including the Buyer, may bid at the Auction on the Lake Park Assets and/or on ~~all of the Assets (i.e., both the Lake Park Assets and the Forest Hill Assets) but NOT solely on~~ the Forest Hill Assets. If an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that a party other than the Buyer is the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets and the Court does not find and order that a party other than the Buyer is the Successful Bidder on the Forest Hill Assets,, then the Buyer shall (i) purchase the Forest Hill Assets on the terms set forth herein at ~~the price of $14,150,000.00 (~~a price that is the greater of: (x) $14,150,000.00, and (y) the highest and best bid the Buyer bid for the Forest Hill Assets at the Auction (such greater amount, the "Forest Hill Purchase Price"), and the Buyer shall

assume and accept assignment of all the Assumed Forest Hill Residency Agreements (as defined in the Procedures Motion) and assume the Assumed Forest Hill Repayable Entrance Fee Liabilities (as defined in the Procedures Motion) on the terms set forth in this Agreement and in such circumstances shall not assume or accept assignment of the Lake Park Assumed Residency Agreements (as defined in the Procedures Motion) and not assume the Lake Park Repayable Entrance Fee Liabilities (as defined in the Procedures Motion). For the avoidance of doubt, Seller will not accept any bid at the Auction from any party other than the Buyer for Forest Hill Assets unless another party has made an offer that exceeds the Minimum Initial Overbid Amount (as that term is defined in the Sales Order) on the Lake Park Assets.

Section 3. Buyer's Due Diligence Complete.

Buyer's obligations pursuant to this Agreement are not subject to further "due diligence" on the part of the Buyer. Buyer expressly acknowledges and agrees that it has completed all due diligence it deems necessary.

Section 4. Closing.

4.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

4.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 4.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 4.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, substantially in the form attached hereto as **Schedule 4.2(c)**, by which (i) Seller assigns to Buyer and Buyer assumes, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(f) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(g) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(h) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 06~~.2~~ of this Agreement; and

(i) any other documents necessary to close escrow.

4.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money and Independent Consideration, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Closing Statement;

(e) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(f) any other documents necessary to close escrow.

4.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and/or its successors and assigns may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees

to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.4 shall survive the Closing.

4.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.5 shall survive the Closing.

Section 5. Earnest Money and Provisions Regarding the Escrow Agent.

5.1 Earnest Money. Seller acknowledges and agrees that within one (1) business day after the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of One Million and No/100 Dollars ($1,000,000.00) ("Earnest Money"). Escrow Agent is hereby directed to deposit the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. The Earnest Money shall be refundable to Buyer if, and only if, Buyer has rightfully terminated this Agreement on account of a material default hereunder by the Seller, and shall be held in escrow by Escrow Agent until the earlier of (i) Closing, (ii) termination of this Agreement with the consent of Buyer and Seller, or (iii) an order of the Court. If this Agreement is rightfully terminated, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement). If there is any dispute regarding whether this Agreement was rightfully terminated, the Court will resolve such dispute.

5.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

5.3 Independent Consideration. Buyer will deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 6. Governmental Approvals Prior to Closing.

Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer

shall submit the referenced applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer has timely provided all information requested by Seller to make the notice complete. Seller agrees to provide a draft notice to Buyer for Buyer's approval no later than 55 days after the entry of the Sale Order. Buyer agrees not to unreasonably withhold, condition, or delay the provision of information to Seller or review or approval of the draft notice of sale. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

Section 7. Title Condition.

7.1 Premises Title Requirements. Seller has previously delivered to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Seller shall have no obligation to remove any title exceptions listed on the Preliminary Title Report. Buyer shall take title of the Real Property Assets at the Closing subject to all exceptions specified on the Preliminary Title Report unless such exceptions have been removed prior to the Closing.

7.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

7.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 8. Inspections and Review.

8.1 Documents to be Delivered to Buyer. Buyer acknowledges that Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer

copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

8.2 Restoration of Premises. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 8.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections.

8.3 Access. At reasonable times and upon reasonable advance notice at all times prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 9. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Section 10. Employment Matters.

10.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

10.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in **Schedule 10.2**, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in **Schedule 10.2**, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 10.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

10.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 10.6 of this Agreement.

10.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

10.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

10.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 11. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 11. ~~Section 11~~, a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 12. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

12.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller

pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

12.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

12.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

12.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

12.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

12.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof. To Seller's Knowledge, it complies in all material respects with the City of Pacific Grove's conditions to provide two "affordable housing" units at Forest Hill, both of which are currently unoccupied. Seller has not received written notice from the City of Pacific Grove that Seller is not in compliance with such conditions. Between the Effective Date and Closing, Seller will cause the two "affordable housing units" to be fully available to potential residents who qualify for the City of Pacific Grove's below market rent program, and at or prior to the Closing Seller shall certify to Buyer that the two "affordable housing units" are fully compliant in all material respects with all conditions relating to affordability.

12.8 Litigation. Subject to the disclosures set forth on **Schedule 12.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will

result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

12.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

12.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby

expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: _____ _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 12.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 12.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 13. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

13.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

13.2 Authority. Buyer has the full power, authority and financial and operational ability to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

13.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property

or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

13.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

13.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution in order to fulfill its obligations hereunder.

13.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

13.7 Litigation. Subject to the disclosures set forth on **Schedule 13.7** hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 14. Conditions to Parties' Obligations.

14.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 12. ~~Section 12~~ above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0~~6.2~~ of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the Effective Date.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 14.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

14.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 13. ~~Section 13~~ above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0~~6.2~~ of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 14.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 15. Indemnification.

15.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim,

judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

15.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

15.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Section 15. ~~Section 15~~ shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 15.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

15.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling

manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

15.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

15.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 15. ~~Section 15~~ shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 15. ~~Section 15~~ to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 16. Conduct of Business Pending Closing.

16.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

16.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 10.1 hereof.

16.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 17. Transition.

17.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may

be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

17.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

17.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the Effective Date. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

17.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

17.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

17.6 Survival. The provisions of this Section 17. ~~Section 17~~ shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 18. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Section 19. Default.

19.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money, and all accrued interest thereon, shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 5. ~~SECTION 5~~, BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

19.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

19.3 Survival. The provisions of this Section 19. ~~Section 19~~ shall survive the termination of this Agreement.

Section 20. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 21. Miscellaneous.

21.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

21.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

21.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire

understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

21.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 5. ~~Section 5~~ hereof.

21.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:	If to Purchaser:
CNMH_____	Pacifica Companies LLC
201 19th Street,	1775 Hancock Street, Suite 200
Oakland, CA 94612	San Diego, CA 92110
Attn:	Attn: Deepak Israni
Phone:_____	Phone: (619) 296-9000
Fax:_____	Fax: (619) 296-9090
E-Mail:_____	E-Mail: Disrani@pacificacompanies.com
_____	

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at:

Linda Menasche
2365 Northside Drive, Suite 500
San Diego, CA 92108
Phone: (619) 521-3521
Email: MenasheL@ctt.com

21.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

21.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

21.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

21.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

21.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

21.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

21.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

21.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By:_____ Garrett B. Cross Chairman of Board of Trustees	By:_____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12”‘ Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

APN: 008-0627-002-00

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15’ West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15’ West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a

municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

APN: 008-0627-038-03

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907", filed May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4' West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4' East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4' East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4' West, 18.94 feet to the point of beginning.

APN: 006-546-001

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907", filed for record May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

SCHEDULE 1(e)

Attorney General Conditional Approval Letter

SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the Assumption Notice Deadline, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

SCHEDULE 2.5

Resident Security Deposits

SCHEDULE 4.2(a)

GRANT DEED

To be provided by Title Company

SCHEDULE 4.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE 4.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of December ~~16~~17, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement and all applicable Court orders, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Buyer as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests, except as otherwise set forth herein and in the Agreement.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:	BUYER:
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: _____ Garrett B. Cross	By:_____ Deepak Israni, Secretary
Its: Chairman of Board of Trustees	

SCHEDULE 12.8

Litigation

DRAFT CNMH Bidding Procedures Motion, dated December 17, 2021
(redline version)

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
ANTHONY J. DUTRA, SBN 277706
adutra@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES,[1] Debtor.	Case No. 21-40363 Chapter 11 **DEBTOR'S MOTION FOR ENTRY OF AN ORDER (I) APPROVING BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS; (II) APPROVING PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (III) APPROVING STALKING HORSE BIDDER AND BREAK-UP FEE; AND (IV) GRANTING RELATED RELIEF**

California-Nevada Methodist Homes (the "**Debtor**"), the debtor and debtor in possession in the above-captioned Chapter 11 case (the "**Chapter 11 Case**"), hereby files this motion (the "**Motion**") for entry of an order, pursuant to sections 105(a), 363, 365, 503, and 1129, as applicable, of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "**Bankruptcy Code**") and Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure ("**Bankruptcy Rules**") for an order (i) authorizing and approving the bidding procedures set

[1] The last four digits of the Debtor's federal tax identification number are 2411. The mailing address for the Debtor is 1850 Alice Street Oakland, CA 94612.

forth herein (the "**Bidding Procedures**"); (ii) approving the Assumption and Assignment Notice (as defined below), including the procedures and deadlines set forth therein; (iii) approving the Stalking Horse Bidder and Break-Up Fee (each as defined below); and (iv) granting related relief. In support of this Motion, the Debtor relies on the pleadings on file in this Chapter 11 Case and submits the *Declaration of Steven A. Nerger in Support of the Motion for Entry of an Order (I) Approving Bidding Procedures in Connection with the Sale of Substantially All of the Debtor's Assets; (II) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (III) Approving Stalking Horse Bidder And Break-Up Fee; and (IV) Granting Related Relief* (the "**Nerger Declaration**") filed contemporaneously herewith and incorporated herein by reference. A proposed form of order granting the relief requested herein (the "**Order**") is attached hereto as **Exhibit A**.

I. JURISDICTION

The United States Bankruptcy Court for the Northern District of California (this "**Court**") has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334, the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24 (N.D. Cal.), and Rule 5011-1(a) of the Bankruptcy Local Rules for the Northern District of California (the "**Bankruptcy Local Rules**"). This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

II. BACKGROUND

A. The Debtor's Bankruptcy Case

On March 16, 2021 (the "**Petition Date**"), the Debtor commenced this Chapter 11 Case by filing a voluntary petition under chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its property as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On April 8, 2021 and April 19, 2021, the United States Trustee for the Northern District of California appointed an Official Committee of Unsecured Creditors (the "**Committee**") in the Chapter 11 Case. No request has been made for the appointment of a trustee or examiner in the Chapter 11 Case.

Additional information about the Debtor's business and affairs, capital structure and prepetition indebtedness, and the events leading up to the Petition Date is set forth in the previously filed *Declaration of Steven A. Nerger in Support of Debtor's "First Day Motions"* [Dkt. No. 14].

B. Prior Sale Process

For a substantial period of time, the Debtor has been sustaining severe operating losses. *See* Nerger Declaration. In the opinion of the Debtor and its Chief Restructuring Officer, these substantial operating losses cannot quickly and readily be reversed or rectified and it is necessary that the Debtor expeditiously enter into a sale or merger transaction with a highly qualified and financially sound entity. *Id.*

On May 20, 2021, upon motion by the Debtor, the bankruptcy court entered an order authorizing the Debtor to employ B.C. Ziegler & Company ("**Ziegler**"), a highly qualified investment banking firm, to develop and implement a sale or merger process ("**Sale Process**"). Ziegler quickly went to work orchestrating that process. Ziegler contacted approximately one hundred potentially interested parties, entered into a nondisclosure agreement with and circulated a comprehensive "offering memorandum" to parties who expressed interest in a possible transaction, and engaged many of those parties in direct, one-on-one discussions. In response to the offering memorandum, Ziegler elicited non-binding letters of interest from ten potential purchasers or merger partners, including Pacifica Companies, LLC or its designee ("**Pacifica**"). *Id.*

With the assistance of the Debtor's counsel, Neal L. Wolf, Ziegler then conducted what the Debtor believes amounted to a *de facto* auction process for the sale of substantially all of the Debtor's assets (the "**Assets**"). The Debtor and Ziegler called upon and encouraged potential buyers and merger partners to enhance their respective proposals. In response, Pacifica and certain other interested purchasers enhanced their respective proposals on two or more occasions. Ultimately, Pacifica made what the Debtor determined to be the most advantageous proposal.

Significantly, Pacifica conditioned the amount of its final, and highest, proposal on the conduct of a "private sale" transaction by the Debtor. Pacifica indicated that, if there were to be a court-supervised auction process at which it were designated as merely a "stalking horse" bidder, the Pacifica offer would be reduced by approximately $2 million and Pacifica would require a $1.5 million "break-up fee." *Id.* Debtor and Pacifica subsequently executed a purchase and sale agreement for Pacifica's purchase of substantially all of the Debtor's assets (such agreement as subsequently amended by Debtor and Pacifica, the "**Original Purchase and Sale Agreement**").

On November 23, 2021 the Court entered an *Order Approving the Sale of Substantially All of Debtor's Assets to Pacifica Companies, LLC Free and Clear of Any Liens and Encumbrances* [Dkt. No. 348]. Unfortunately, however, on November 29, 2021, Pacifica exercised its right to terminate, without liability, the Original Purchase and Sale Agreement.

C. Proposed Sale Process

After Pacifica's termination of the Original Purchase and Sale Agreement, the Debtor determined in its business judgment to conduct a competitive bid-and-sale process for the orderly sale of substantially all of the Debtor's Assets under sections 363 and 365 of the Bankruptcy Code. After further arm's-length negotiations, the Debtor and Pacifica, as the stalking horse bidder (the "**Stalking Horse Bidder**," and Pacifica's bid, the "**Stalking Horse Bid**") entered into an that certain Purchase and Sale Agreement, dated as of December ~~[●],~~ 17, 2021~~]~~ (the "**Stalking Horse Agreement**").[2]

The terms and conditions identified in the Stalking Horse Agreement are subject to higher and better bids at an auction on either~~, (a)~~ or both of the Debtor's ~~facility~~ facilities located at (a) 1850 Alice St., Oakland, CA 94612, along with the CNMH Corporate Office Building located at 201 19th Street, Oakland, CA 94612 (collectively, "**Lake Park**"), ~~or~~ and (b)~~ on both Lake Park and the Debtor's facility~~ 511 Gibson Ave., Pacific Grove, CA 93950, along with the Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (collectively,

[2] Capitalized terms used but not otherwise defined herein will have the meanings ascribed to them in the Stalking Horse Agreement.

"**Forest Hill**" and, together with Lake Park, the "**Facilities**"); *provided, however*, that if the Stalking Horse Bidder is the successful bidder on the Forest Hill property *alone*, the Stalking Horse Purchase Agreement shall be in effect for purposes of the acquisition of the Forest Hill Assets, assumption of the Assumed Forest Hill Residency Agreements and assumption of the Assumed forest Hill Repayable Entrance Fee Liabilities and not in connection with acquisition of the Lake Park Assets or assumption of the Lake Park Residency Agreements or Assumed Lake Forest Repayable Entrance Fee Liabilities.

As consideration for and as a material inducement to the Stalking Horse Bidder conducting its due diligence and entering into the Stalking Horse Agreement, the Debtor agreed to certain bid procedures and protections. Sale of each of the ~~Lake Park Facility~~two Facilities is subject to a $500,000 break-up fee ("**Single Facility Break-up Fee**") in the event the Stalking Horse Bidder is not the Successful Bidder (as defined below) on ~~the Lake Park~~one Facility and a $1,000,000 break-up fee (together with the Single Facility Break-up Fee the "**Break-up Fee**")[3] in the event the Stalking Horse Bidder is not the Successful Bidder on both Facilities, subject to approval of the Bankruptcy Court after notice and opportunity for hearing, which Break-Up Fee shall be payable from the sale proceeds at the time of closing. To the extent the Stalking Horse Bidder submits any Overbids (as defined below) and it overbids on one Facility on the approved terms for Overbids, it may apply the Single Facility Break-up Fee as a credit toward the purchase price of one Facility, or may apply the Break-up Fee as a credit toward the purchase price of both Facilities. Under this Motion, the Debtor seeks court approval of the sale procedures, sale, and bid protections as set forth herein.

D. Proposed Bidding Procedures

The Debtor believes that the Bidding Procedures will promote a transparent, competitive, and expedient sale process. If approved, the Bidding Procedures will allow the Debtor to solicit and identify bids from potential buyers, resulting in the highest or otherwise best offer for the Assets on a schedule consistent with the deadlines under the Stalking Horse Agreement and with

[3] The Single Facility Break-up Fee and Break-up Fee are inclusive of all fees and expenses. The Stalking Horse Bidder is not entitled to any additional expense reimbursement from the Debtor.

the Debtor's cash needs and overall chapter 11 strategy. The following sets forth a summary of the key provisions of the Bidding Procedures:

Stalking Horse Agreement. On December ~~15~~17, 2021, the Debtor entered into the Stalking Horse Agreement with the Stalking Horse Bidder, pursuant to which the Stalking Horse Bidder has agreed to purchase substantially all of the Assets (other than the Excluded Items, as such term is defined in the Stalking Horse Agreement) for consideration consisting of[4]:

1. Cash. The Stalking Horse Bidder shall pay $30,000,000 cash at the Closing for both of the Facilities, including (a) a $1,000,000 Earnest Money deposit, to be deposited into escrow within one business day of execution and delivery of the Stalking Horse Agreement and (b) a $100 Independent Consideration deposit, to be deposited into escrow concurrently with and in addition to the Earnest Money.

2. Purchase Price Allocated to Each Facility. Of the total Purchase Price of $30,000,000, the Stalking Horse Bid allocates a purchase price of $14,150,000 to Forest Hill and related assets (collectively, "**Forest Hill Assets**") and $15,850,000 to Lake Park and related assets (collectively, "**Lake Park Assets**").

3. Contracts and Liabilities Assumed. The Stalking Horse Bidder will assume (a) all Residency Agreements for Lake Park in effect as of the Closing Date and all obligations thereunder without modification ("**Assumed Lake Park Residency Agreements**") pursuant to Section 365 of the Bankruptcy Code, (b) all Residency Agreements for Forest Hill in effect as of the Closing Date and all obligations thereunder without modification ("**Assumed Forest Hill Residency Agreements**," and collectively with the Assumed Lake Park Residency Agreements, ("**Assumed Residency Agreements**"), (c) all the Non-Restricted Entrance Fee Liability for Lake Park ("**Assumed Lake Park Non-Restricted Entrance Fee Liability**"), (d) all the Non-Restricted Entrance Fee Liability for Forest Hill ("**Assumed Forest Hill Repayable Entrance Fee Liabilities**"), and (e) the Restricted Entrance Fee Liability [5] (collectively with the Assumed Lake Park Non-Restricted Entrance Fee Liability, "**Assumed Lake Park Repayable Entrance Fee Liabilities**"), including without limitation as set forth in Sections 2.2 and 4.2 and Schedules 2.2 and 2.4 of the Stalking Horse Agreement.

[4] Parties are referred to the Stalking Horse Agreement for its complete terms. To the extent there are any inconsistencies between the terms of the Stalking Horse Agreement and the description in this Motion, the terms of the Stalking Horse Agreement prevail.

[5] The entire Restricted Entrance Fee Liability relates to Lake Park.

4. Liabilities Not Assumed. No contracts or liabilities other than the Assumed Residency Agreements, the Assumed Forest Hill Repayable Entrance Fee Liabilities, and the Assumed Lake Park Repayable Entrance Fee Liabilities (the Assumed Lake Park Repayable Entrance Fee Liabilities, together with the Assumed Forest Hill Repayable Entrance Fee Liabilities, the "**Assumed Repayable Entrance Fee Liabilities**") will be assumed, unless Pacifica designates additional executory contracts or unexpired leases it wishes to assume on or before the Assumption Notice Deadline. With the exception of the assumption and assignment of the Assumed Residency Agreements and the Assumed Repayable Entrance Fee Liabilities and Permitted Encumbrances, *the sale will be free and clear of all interests in, liens upon, or claims concerning the Debtor or its assets, including, but not limited to any claims or liabilities for the underfunded portion of the Debtor's multi-employer pension fund or any withdrawal liability that may arise from the Debtor's withdrawal from the multi-employer pension fund, if any.*

Bid Deadline. The "Bid Deadline" is January 20, 2022 at 11:59 p.m. (prevailing Pacific Time).

Due Diligence. To participate in the bidding process and to receive access to due diligence materials (the "**Diligence Materials**"), a party must submit or have previously submitted an executed NDA in connection with the Case in a form reasonably satisfactory to the Debtor. A party which qualifies for access to Diligence Materials is designated a "**Potential Bidder.**" Through and including the Bid Deadline, the Debtor and its advisors will afford all Potential Bidders the opportunity to conduct reasonable due diligence, including reasonable access to Debtor's management and its professionals, access to the electronic data room and other information reasonably requested. All due diligence requests must be directed to: Steven A. Nerger, Chief Restructuring Officer of the Debtor, at snerger@silvermanconsulting.net. Due diligence will close on January 20, 2022 at 5 p.m. (Pacific Standard Time).

Each Potential Bidder shall comply with all reasonable requests for additional information by the Debtor or its advisors regarding the ability of such Potential Bidder to consummate a purchase of the Assets.

Qualified Bid Requirements. To participate in the Auction (as defined below), a Qualified Bidder (as defined below), other than the Stalking Horse Bidder must, by the Bid Deadline, submit a bid that, as determined by the Debtor in its business judgment in consultation with California Department of Health Care Access and Information, f/k/a Office of Statewide Health Planning and Development ("**HCAI**"), Wilmington Trust, National Association ("**Wilmington**"), B.H. Capital Ventures, LLC ("**BHP**"), California Department of Social Services ("**CDSS**"), and the Committee (collectively, the "**Consultation Parties**"), satisfies each of the following conditions (the "**Bid Requirements**"), unless any such Bid Requirements are waived by the Debtor with the agreement of the Consultation Parties; *provided, however*, that (i) for any bid, the following conditions may not be waived: (1),

(3), (5), (7), (8), (9), (11), (12), (13), (15), (18), (19), (20), (26), and (27) below (each such bid, a "**Qualified Bid**"):

1. Written Submission of a Purchase Agreement. Each bid must be in writing and include: (i) a clean purchase agreement signed by the bidder, accompanied by all exhibits and schedules contemplated by the purchase agreement and, to the extent required by the terms and conditions of the bid, any ancillary agreements described in the purchase agreement with all exhibits and schedules thereto (each such purchase agreement, together with its exhibits, schedules, and ancillary agreements, if any, a "**Modified Agreement**"); (ii) a redline reflecting the bidder's proposed changes to the Stalking Horse Agreement (including all exhibits and schedules thereto). Each Modified Agreement must conform in all material respects with the form and content of the Stalking Horse Bid, and each Modified Agreement and the Stalking Horse Agreement shall be a "**Purchase Agreement**" for purposes of the Bidding Procedures.

2. Commitment to Close. Each bid must contain a written statement that the bidder is willing to consummate and fund the sale of the Assets proposed in the Modified Agreement within three business days after satisfaction of the conditions to closing, and in any event by the close of business on April 8, 2022 (the "**Closing Deadline**").

3. Commitment to Serve as Backup Bidder. Each bid must contain a written statement that the bidder will serve as the Backup Bidder (as defined below).

4. Assets to be Acquired. Each bid must identify with reasonable particularity the Assets to be purchased (the "**Purchased Assets**") and the Excluded Items. The bid may offer to purchase substantially all of the Assets or only ~~that~~ a portion of the Assets ~~associated with the Lake Park Facility~~; *provided, however*, that a bid that offers to purchase only a portion of the Assets may only be a Qualified Bid to the extent that the value of such bid, in combination with the value of other bids for the remaining Assets, exceeds the Minimum Initial Overbid Amount (as defined below) applicable to Qualified Bids for substantially all of the Assets. The Debtor may waive or modify the application of the Qualified Bid conditions in respect of bids for a portion of the Assets (other than the requirement that the value of any such Qualified Bid, in combination with the value of other bids for Assets, exceeds the Minimum Initial Overbid Amount applicable to Qualified Bids for substantially all of the Assets). ~~No~~ For the avoidance of doubt, no bid from any party other than the ~~Pacifica~~ Stalking Horse Bidder (pursuant to the Stalking Horse Bid) shall be accepted for that portion of the Assets that includes only Forest Hill unless another party has made an offer that exceeds the Minimum

Initial Overbid Amount on a portion of the Assets that includes Lake Park.

5. Assumption of All Assumed Residency Agreements and Assumed Repayable Entrance Fee Liabilities. Each bid for substantially all of the Assets must agree to assume and accept the assignment of (a) all Assumed Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) the Assumed Repayable Entrance Fee Liabilities. Each bid for ~~that~~ any portion of the Assets that includes Forest Hill must agree to assume and accept the assignment of (a) all Assumed Forest Hill Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) all Assumed Forest Hill Repayable Entrance Fee Liabilities. Each bid for any portion of the Assets that includes Lake Park must agree to assume and accept the assignment of (a) all Assumed Lake Park Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) all Assumed Lake Park Repayable Entrance Fee Liabilities.

6. Executory Contracts, Leases and Liabilities to be Assumed and Assigned. Each bid must identify with reasonable particularity the executory contracts, unexpired leases and other liabilities of the Debtor that the bidder seeks to have the Debtor assume and assign to the bidder in addition to those set forth in [5] immediately above (collectively, with the Assumed Residency Agreements and Assumed Repayable Entrance Fee Liabilities, the "**Assumed Contracts**").

7. Irrevocable. Each bid (including the Stalking Horse Bid) must be irrevocable until (i) if such bidder is designated as a Successful Bidder (as defined below), the Closing of the sale of the Assets to such bidder, and (ii) if such bidder is designated as a Backup Bidder, the earlier to occur of (A) five days after the closing of the transaction(s) by which all of the Assets that were subject to the Backup Bid have been transferred to one or more Qualified Bidders at the closing of a sale or sales of the Assets conducted pursuant to these Bidding Procedures or (B) the Closing Deadline.

8. Earnest Money Deposit. Each bid must be accompanied by an Earnest Money deposit paid to the Debtor by certified funds or such other form acceptable to the Debtor in the amount of at least $500,000 for each of the Facilities, which Earnest Money will be held by the Debtor to be applied or returned, as applicable, pursuant to the terms of these Bidding Procedures.

9. Minimum Initial Overbid Amount. Each Overbid must offer to the Debtor aggregate value in an amount as determined by the Debtor, in its reasonable business judgment, that is greater than or equal to

the sum of (i) the value offered under the Stalking Horse Agreement, *plus* (ii) cash (or, in the case of the Stalking Horse Bidder, a credit bid) in the amount of $500,000 for each Facility sought to be acquired, *plus* (iii) cash in the amount of at least $250,000 (the "**Minimum Initial Overbid Amount**"), regardless of whether the Overbid is for one or both of the Facilities. Subsequent Overbids shall be in increments of at least $250,000 unless the Court orders otherwise, provided however, the Debtor in consultation with the Consultation Parties may change the minimum of such increments during the Auction.

10. Credit Bid. If any Overbids are submitted, Pacifica may credit bid $1,000,000 of the Break-Up Fee if it submits a subsequent Overbid on both Facilities. If Pacifica opts to overbid on only one of the Facilities, it may credit bid $500,000 and will waive the $500,000 remaining of the Break-Up Fee.

11. Contingencies. No bid may be conditioned on any due diligence, internal approval, financing, or regulatory or third-party approval contingencies of any kind (other than regulatory contingencies required by law or as set forth in the Stalking Horse Agreement).

12. Proof of Financial Ability to Perform. Each bid must contain written evidence, to the Debtor's reasonable satisfaction in consultation with the Consultation Parties, of a firm commitment for financing from a recognized banking institution or HCAI, as of the Bid Deadline, or other evidence of ability to consummate the sale of the Assets contemplated by the Modified Agreement, that will allow the Debtor and Consultation Parties to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transactions contemplated in such bidder's Modified Agreement (taking into account the conditions and third-party beneficiary rights, if any, in any such commitment). Each bid must also contain a commitment by the bidder that, if selected as a Backup Bidder, the bidder will continue to comply with the requirements of this Paragraph II.D.12 until the earlier to occur of (a) five days after the closing of the transaction(s) by which all of the Assets that we subject to the bidder's Backup Bid have been transferred to one or more Qualified ~~bidders~~ Bidders at the closing of a sale or sales of the Assets conducted pursuant to the Bidding Procedures or (b) the Closing Deadline. If the purchaser will be a newly formed entity, the bid must identify, among other things, the entity or entities that will provide backstops in the form of a guarantee and/or an equity commitment letter and describe the nature of such arrangement(s). Such information must additionally include the following:

    i. contact names and numbers for verification of financing sources, if applicable;

ii. all equity commitments and other sources of cash in the amount equal to the cash component of the offered Purchase Price or posting of an irrevocable letter of credit issued in favor of the Debtor in such amount;

iii. a description of the Potential Bidder's pro forma capital structure;

13. Financial Statements. To the extent not previously provided, each bid must include the latest audited financial statements and unaudited financial statements of the bidder or, if the bidder is an entity formed for the purpose of acquiring the Assets, the latest audited financial statements and unaudited financial statements of the direct and indirect equity holders or sponsors of the bidder who will guarantee the obligations of the bidder, or such other form of financial disclosure and/or credit support or enhancement, if any, that will allow the Debtor to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transactions contemplated in such bidder's Modified Agreement.

14. Identity of Purchaser. Each bid must, to the satisfaction of the Debtor, in consultation with the Consultation Parties, fully disclose (i) the identity of each person or entity that will be bidding for the Assets or otherwise participating in connection with such bid, (ii) the terms of any such participation, (iii) if any entity has been formed for the purpose of acquiring some, or all, of the Assets, the parties that will bear liability for any breach by such person or entity, and the financial capacity of such parties to satisfy such liability, and (iv) any connections between (x) the bidding party and its affiliates and related persons and (y) the Debtor and their primary creditors as identified by the Debtor.

15. Purchaser's Experience. Each bid must, to the satisfaction of the Debtor in consultation with the Consultation Parties, describe the experience of the bidder with respect to the ownership and management of senior living facilities in general and continuing care communities in particular in California and elsewhere; provided however, that a bidder need not have prior California experience for its bid to be a Qualified Bid.

16. Bidder's Business Plans. Each bid must contain detail regarding the planned operations and management of the Assets after the Closing and information explaining the bidder's ability to obtain necessary regulatory approvals, including any necessary licenses, to purchase and operate the Assets.

17. No Fees or Commissions. No bid (other than the Stalking Horse Bid) may (i) request or entitle the bidder to any break-up fee,

expense reimbursement fee, or similar type of payment, or (ii) obligate the Debtor to pay commissions, fees, or expenses to any agent or broker. Further, by submitting a bid, a bidder shall be deemed to waive its right to pursue a substantial contribution claim under section 503 of the Bankruptcy Code or in any way related to the submission of its bid or the Bidding Procedures.

18. As Is, Where Is. As set forth in the Stalking Horse Agreement, a bidder shall state in such bidder's Purchase Agreement that: "Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, bidder acknowledges and agrees that bidder is purchasing the Premises in its 'as-is, where is, with all faults' condition as of the Closing."

19. Adequate Assurance. Each bid must include evidence of the bidder's ability to comply with section 365 and/or section 1129 of the Bankruptcy Code (to the extent applicable), including providing adequate assurance of such bidder's ability to perform in the future under the Assumed Residency Agreements and all other executory contracts and unexpired leases proposed in its bid to be assumed by the Debtor and assigned to such bidder, in a form that will permit the immediate dissemination of such evidence to the counterparties to such contracts and leases and must consent to the filing of such information with the Court.

20. Corporate Authority. Each bid must include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission of the bid and the consummation of the transactions contemplated in such bidder's Purchase Agreement.

21. Employees. Each bid must contain a detailed description of how the Qualified Bidder intends to treat current employees of the Debtor and liabilities that may be owed by the Debtor to or for the benefit of current and past employees of the Debtor.

22. Privacy Policies. Each bid must provide to the Debtor's satisfaction that the bidder will adhere to the Debtor's prepetition privacy policies regarding personally identifiable information, except as may be modified pursuant to applicable user terms and applicable law.

23. Access to Books and Records. Each bid must contain provisions allowing the Debtor reasonable access to the Debtor's books and records for the administration of its bankruptcy case if the bid provides for the purchase of such books and records

24. Consent to Jurisdiction: Each Potential Bidder must submit to the jurisdiction of the Court to enter final orders and judgments which in any way related to the Debtor, the Bid Procedures, the Auction, any Modified Agreement, or the construction and enforcement of all agreements, orders and pleadings which in any way relate to the Assets, Sale, Closing, Debtor, Bid Procedures and/or Auction.

25. Disclosure of Connections: Fully disclose any connections or agreements with the Debtor and/or any officer or director of the Debtor. Each Bid must be irrevocable through the entry of the Sale Order; provided, however, that a bid accepted as the Successful Bid or the Backup Bid (as each are defined below) shall remain irrevocable as set forth below.

26. Representations and Warranties: All bids must include the following representations and warranties:

a statement that the Potential Bidder has had an opportunity to conduct all due diligence regarding the Assets prior to submitting its Bid;

a statement that the Potential Bidder has relied solely upon its own independent review, investigation, and/or inspection of the Assets and all information related to the Assets in making its bid, and did not rely on any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express or implied, by operation of law or otherwise, regarding the Assets or the completeness of any information provided in connection therewith;

a statement that the Potential Bidder agrees to serve as Back-Up Bidder, if its bid is selected as the next highest or next best bid after the Successful Bid with respect to the applicable Assets;

a statement that the Potential Bidder has not engaged in any collusion with respect to the submission of its bid;

a statement that all proof of financial ability to consummate a Sale in a timely manner and all information provided to support adequate assurance of future performance is true and correct; and

a statement that the Bidder agrees to be bound by the terms of the Bid Procedures and any order approving a Sale.

27. Format. All documentation for each bid must be provided in electronic form.

Qualified Bidder. A "Qualified Bidder" is a Bidder that (i) submits a Qualified Bid by the Bid Deadline to the Debtor and each of the Consultation Parties (at the email addresses set forth on Schedule 1 to this Motion), and (ii) the Debtor determines, in the exercise of

its business judgment and in consultation with the Consultation Parties, is reasonably likely (based on financial information submitted by the bidder, its pertinent experience and plans, and other considerations) to consummate the sale of the Assets if selected as a Successful Bidder or a Backup Bidder. As noted above, the Stalking Horse Bidder is deemed to be a Qualified Bidder. As promptly as practicable after the Bid Deadline (but in any event not less than one business day before the commencement of the Auction), the Debtor will notify (a) each bidder that submits a bid whether such bidder is a Qualified Bidder, and (b) the Stalking Horse Bidder and all other Qualified Bidders, if any, whether or not any bids (other than the Stalking Horse Agreement) constitute Qualified Bids and identify the Qualified Bidders, including the Stalking Horse Bidder, making any such Qualified Bids.

Auction. The Debtor will conduct an auction (the "**Auction**") to determine the Successful Bidder(s).

Auction Time and Location. The Auction shall take place on January 24, 2022 at 9:00 a.m. (prevailing Pacific Time) by Zoom or similar virtual process. The Auction may be adjourned from time to time by the Debtor with the agreement of the Consultation Parties or order of this Court in which event notice of such adjournment and the time and place for the resumption of the Auction will be filed with this Court and served promptly on (i) Qualified Bidders; (ii) Consultation Parties, (iii) any other parties who have provided written notice to Debtor's counsel no later than two days prior to the Auction of their intent to attend the Auction; and (iv) all other parties in interest who have requested notice pursuant to Bankruptcy Rule 2002 prior to the continued date and time of the Auction.

Participation at the Auction. Qualified Bidders shall virtually attend the Auction in person (via Zoom) or through a duly-authorized representative. Only the Stalking Horse Bidder and any other Qualified Bidder(s) (or their duly-authorized representatives) (collectively, the "**Bidder Participants**") are eligible to submit bids at the Auction. While only the Bidder Participants may submit bids at the Auction, the authorized representatives and respective counsel and advisors of each of the Qualified Bidder(s) (regardless of whether such representatives, counsel and advisors are serving as Bidder Participants), the Debtor, the United States Trustee, and the Consultation Parties[6] and any of the Debtor's creditors who notify the Debtor in writing no later than two days prior to the Auction of such creditors' intent to attend the Auction by contacting the Debtor's counsel, Neal L. Wolf, at nwolf@hansonbridgett.com, shall be permitted to attend the Auction; *provided, however*, that the Debtor may exclude parties whom the Debtor deems to be detrimental to the sale process other than any Consultation Parties. Each Qualified Bidder participating in the Auction (including any Qualified Bidder participating through a duly-authorized representative) will be required to confirm on the record that it has not engaged in any collusion regarding the Bidding Procedures, the Auction, or the sale of the Assets.

[6] If any Consultation Party seeks to be a Qualified Bidder, it shall cease being a Consultation Party until such time as it determines it will not bid on any of the Assets.

E. Auction Procedures.

If no Qualified Bids (other than the Stalking Horse Bid) are received by the Bid Deadline, the Auction will not be held and the Debtor will file a notice with the Court indicating that no Auction will be held within one business day after the Bid Deadline. If the Debtor receives one or more Qualified Bids (in addition to the Stalking Horse Bid) by the Bid Deadline, the Debtor will conduct an Auction for the Assets using the following Auction Procedures.

1. Opening Bid. At least one business day in advance of the Auction, the Debtor will notify each Qualified Bidder of the highest or otherwise best Qualified Bid or Qualified Bid(s), as determined by the Debtor (the "**Opening Bid**") and will provide copies of the applicable Purchase Agreement for such Opening Bid to each Qualified Bidder. The determination of which Qualified Bid constitutes the Opening Bid shall be determined after consultation with the Consultation Parties and take into account any factors the Debtor deems relevant to the value of the Qualified Bid to the estate, including, among other things, the following: (i) that the Bid satisfies the requirements to be a Qualified Bid as described above (and if a Bid does not do so, it will not be further considered); (ii) the amount and nature of the consideration offered; (iii) the proposed assumption of any liabilities in addition to those which must be assumed to be a Qualified Bid; (iv) the ability of the Qualified Bidder to close the proposed transaction on or before the Closing Deadline; (v) any Purchase Price adjustments; (vi) the impact of the contemplated transaction on any actual or potential litigation; (vii) the net economic effect of any changes from the Stalking Horse Agreement, if any; (viii) the net value to be received by the Debtor's estate including consideration of any amounts required to be paid to the Stalking Horse Bidder; (ix) the bidder's pertinent management and operations experience, and (x) such other considerations the Debtor and Consultation Parties deems relevant.

2. Debtor Shall Conduct the Auction. The Debtor's professionals shall direct and preside over the Auction on behalf of the Debtor via Zoom. At the start of the Auction, Debtor's counsel shall describe the terms of the Opening Bid. The Auction shall be transcribed by a court reporter. The Debtor shall maintain a written transcript of all bids made and announced at the Auction, including the Opening Bid, all applicable Overbids, and the Successful Bid.

3. Terms of Overbid. An "Overbid" is any bid made at the Auction subsequent to the announcement of the Opening Bid. To submit an

Overbid for purposes of the Auction, a Qualified Bidder must comply with the following conditions:

i. Minimum Overbid Increment and Deadline. After the Opening Bid is announced, all subsequent Overbids, if any, shall provide for total consideration to the Debtor (net of the amount for any Break-Up Fee) with a value that exceeds the value of the consideration under the Opening Bid by an incremental amount that is not less than $250,000 (the "**Minimum Overbid Increment**"), unless otherwise announced at the Auction, consistent with the terms of these Bidding Procedures. For all Qualified Bids, the Minimum Overbid Increment for each Overbid round must be made in cash.

ii. Conclusion of Each Overbid Round. Upon the solicitation of each round of applicable Overbids, the Debtor may announce a deadline (the "**Overbid Round Deadline**") by which time any Overbids must be submitted to the Debtor and Consultation Parties.

iii. Announcing Highest or Otherwise Best Bid. Subject to each Overbid Round Deadline, the Debtor shall announce whether it, in consultation with the Consultation Parties, has identified in the applicable Overbid round, one or more Overbids as being higher or otherwise better than the Initial Minimum Overbid for such asset package, or in subsequent rounds, the Overbid(s) previously designated as the prevailing highest or otherwise best bid for a given asset package (for each asset package, collectively, the "**Prevailing Highest Bid**"). After each round of bidding, including the initial round, the Debtor shall disclose to all Qualified Bidders the material terms of any Overbid(s) designated as the Prevailing Highest Bid, as well as the value attributed to such Prevailing Highest Bid.

iv. Bids for Less than Substantially All Assets. The Debtor may, in consultation with the Consultation Parties, consider and accept bids for any portion of the Assets, as well as bids for substantially all of the Assets, and hold separate Auctions for portions of the Assets; *provided*, *however*, that the Debtor, in consultation with the Consultation Parties may consider and accept bids for less than substantially all of the Assets only so long as the value of such bids, in combination, constitute an Overbid, taking into consideration that if there are no accepted Overbids on the Lake Park Assets alone, the Stalking Horse Agreement provides that Pacifica shall purchase all Assets

subject to the terms of the Stalking Horse Agreement and, in such circumstances, the Debtor shall seek Court approval to sell all Assets to the Stalking Horse Bidder at the Sale Hearing. There must be one or more buyers for all Assets at the completion of the Auction. The Debtor will not sell or seek Court authority to sell only one of the two Facilities.

4. Consideration of Overbids. The Debtor reserves the right, in its reasonable business judgment after consultation with the Consultation Parties, to adjourn the Auction one or more times to, among other things: (A) facilitate discussions between the Debtor and Qualified Bidders; (B) allow Qualified Bidders to consider how they wish to proceed; (C) consider and determine the current Prevailing Highest Bid at any given time during the Auction; and (D) give any Qualified Bidder the opportunity to provide the Debtor with such additional evidence as the Debtor, in its reasonable business judgment, may require that the Qualified Bidder (other than Stalking Horse Bidder) has sufficient internal resources, or has received sufficient debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing Overbid amount.

F. Closing the Auction.

1. The Auction shall continue until there is only one offer (which may consist of one Qualified Bid for substantially all of the Assets or more than one Qualified Bid for complementary portions of the Assets) that the Debtor determines, in the exercise of its business judgment and after consultation with the Consultation Parties, to be the highest or otherwise best offer for the Assets (one or more such Qualified Bids, the "**Successful Bid**," and the Qualified Bidder or Qualified Bidders making such Successful Bid, the "**Successful Bidder**").

2. After determining the Successful Bid and the Successful Bidder, the Debtor will also determine, in its business judgment and after consultation with the Consultation Parties, the Qualified Bidders(s) with the next highest or otherwise best bid(s) for the Assets (the "**Backup Bid**," andthe Qualified Bidder(s) making such Backup Bid, the "**Backup Bidder**"), at which point the Auction will be closed.

3. The Debtor shall not consider any bids or Overbids submitted afterthe closing of the Auction, and any such bids or Overbids shall be deemed untimely and shall not constitute Qualified Bids. The determination of the Successful Bid and Backup Bid at the closing of the Auction shall be final, subject only to approval by this Court.

4. After the conclusion of the Auction, the Debtor shall ask that the Court declare the Successful Bidder and Backup Bidder and approve the sale. The Debtor shall thereafter file with this Court and serve upon all Qualified Bidders and parties that have requested notice inthis case a notice identifying the Successful Bidder and the Backup Bidder.

5. As promptly as practicable following the conclusion of the Auction, (i) the Successful Bidder will transfer via wire transfer of immediately available funds or such other form acceptable to the Debtor the amount of its Successful Bid net of its Earnest Money Deposit and Independent Consideration if applicable; and (ii) the Debtor shall cause the Purchase Agreements for the Successful Bidder and the Backup Bidder to be filed with this Court.

6. Following the approval of the sale of the Assets to the Successful Bidder, if such Successful Bidder (i) fails to consummate a sale of the Assets by the Closing Deadline, (ii) breaches such Successful Bidder's Purchase Agreement, or (iii) otherwise fails to perform, the Debtor shall be authorized, but not required, to deem the Backup Bid(s) the Successful Bid(s) and the Debtor shall be authorized, but not required, to consummate thesale with the Qualified Bidder(s) submitting such Backup Bid(s) without further notice or orders of the Court. In the event that thereare multiple Successful Bidders and/or Backup Bidders and only one of such Successful Bidders or Backup Bidders engages in the acts or omissions described in clauses (i) through (iii) of the foregoing sentence, the Debtor may elect to close the contemplated transactions with some or all of the other Successful Bidders or Backup Bidders, as applicable.

7. Nothing in these bid procedures will prevent the Debtor from exercising its fiduciary duties under applicable law.

III. PROPOSED NOTICE AND PROCEDURES FOR THE POTENTIAL ASSIGNMENT AND ASSUMPTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtor also requests approval of the notice of potential assumption and assignment of certain of the Debtor's executory contracts and unexpired leases pursuant to the terms set forth below ("**Assumption and Assignment Procedures**").

Notice to Residents of Assumed Repayable Entrance Fee Liabilities and Assumption and Assignment of Residency Agreements: On or before January 5, 2022, the Debtor shall provide (a) to each Resident whose respective portion of the Assumed Repayable Entrance Fee

Liabilities, calculated as of December 31, 2021, is greater than zero individual notice of the amount of such Resident's respective portion of the Assumed Repayable Entrance Fee Liabilities (each an "**Entrance Fee Amount**") and (b) individual notice to each current Resident (i) alerting such Resident that the Debtor has sought to assume and assign that Resident's Residency Agreement to the Successful Bidder, (ii) providing the additional cure amount ("**Resident Cure Amount**"), if any, for assuming that Resident's Residency Agreement, and (iii) providing notification of the Resident's right to seek adequate assurance of future performance as contemplated in Section 365(f)(2)(B) of the Bankruptcy Code ("**Resident Notice**"). Any Resident that objects to the amount of the Entrance Fee Amount or Resident Cure Amount set forth in its Resident Notice must file an objection thereto by January19, 2022 and serve it on the Notice Parties (listed below) and otherwise in accordance with applicable rules ("**Service Requirements**").

If a Resident does not timely object to a Resident Notice, it will be barred from objection to its Entrance Fee Amount, Resident Cure Amount, or assumption and assignment of its Residency Agreement, other than based on a lack of adequate assurance of future performance. If an objection to an Entrance Fee Amount or Resident Cure Amount is timely filed and is not resolved prior to the Sale Hearing, it will be resolved at the Sale Hearing.

After the conclusion of the Auction, the Debtor shall file with the Court and serve on each current Resident a notice ("**Assumption and Assignment Notice**") identifying the Successful Bidder, identifying the executory contracts, unexpired leases and other liabilities of the Debtor that the Successful Bidder seeks to have the Debtor assume and assign to the Successful Bidder ("**Assumed Agreements**"), and providing the Successful Bidder's assurance of future performance of the Assumed Agreements, as applicable. Any Resident that objects to the adequacy of the assurance of future performance of his, her, or their respective Residency Agreement must file an objection with the Court ("**Resident Assurance Objection**") and serve it in accordance with the Service Requirements prior to the Sale Hearing. If a Resident does not timely file and serve a Resident Assurance Objection, such Resident will be barred from objecting to the adequacy of the assurance of future performance and assignment of his, her, or their Residency Agreement to the Successful Bidder.

Notice of Cure Amounts for Executory Contracts Other than Assumed Residency Agreements: On or before January 9, 2022, the Debtor will file with the Court and serve a notice to contract counterparties under executory contracts and unexpired leases which are not Assumed

Residency Agreements (collectively "**Non-Resident Contract Counterparties**"), setting forth the Debtor's calculation of each Non-Resident Contract Counterparty's cure amount, if any, that would be owed if the Debtor determines to seek to assume and assign its executory contract or unexpired lease, and alerting such Non-Resident Contract Counterparty that its agreement may be assumed and assigned to the Successful Bidder ("**Cure Notice**"). Any Non-Resident Contract Counterparty that objects to the cure amount set forth in the Cure Notice must file an objection on or before January 19, 2022 and serve in accordance with the Service Requirements. The Debtor's service of a Cure Notice on any party shall not constitute or be deemed a determination or admission by the Debtor and its estate or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code or that the Debtor will assume and assign any particular contract, lease, or other agreement.

If a Non-Resident Contract Counterparty does not timely object to a Cure Notice, it will be barred from objecting to the Debtor's designated cure amount and assumption and assignment of its executory contract or unexpired lease with the Debtor other than based on a lack of adequate assurance of future performance. If an objection to a Cure Notice is timely filed and is not resolved prior to the Sale Hearing, it will be resolved at the Sale Hearing.

Notice on the Non-Resident Contract Counterparties. After the conclusion of the Auction, the Debtor shall serve the Assumption and Assignment Notice on the Non-Resident Contract Counterparties. Any Non-Resident Contract Counterparty that objects to the adequacy of the assurance of future performance must file an objection with the Court ("**Non-Resident Assurance Objection**") and serve it in accordance with the Service Requirements prior to the Sale Hearing. If a Non-Resident Contract Counterparty does not file and serve a Non-Resident Assurance Objection prior to the Sale Hearing, such party will be forever barred from objecting to the adequacy of the assurance of future performance and assignment of its executory contract or unexpired lease to the Successful Bidder. The inclusion of a contract, lease, or other agreement on an Assumption and Assignment Notice shall not constitute or be deemed a determination or admission by the Debtor and its estate or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code or that the Debtor will assume and assign any particular contract, lease, or other agreement.

In the event the Debtor seeks to close a sale to the Backup Bidder, the Debtor shall provide prompt written notice thereof to all recipients of Resident Notices and Cure Notices, which parties shall have three business days to object in accordance with the Service Requirements, solely on the basis of any changed circumstances since the date of the Sale Hearing.

The Notice Parties are: The Notice Parties are: (i) the Debtor, California-Nevada Methodist Homes, Attention: Steven A. Nerger, Email: SNerger@silvermanconsulting.net; (ii) counsel to the Debtor, Neal L. Wolf, Email: nwolf@hansonbridgett.com; (iii) Office of the United States Trustee, Attn: Trevor Fehr, Esq., 450 Golden Gate Avenue, 5th Floor, Suite #05-0153, San Francisco, CA 94102, Email: Trevor.Fehr@usdoj.gov; (iv) counsel to the Committee, Sara L. Chenetz, Email: SChenetz@perkinscoie.com; (v) counsel to HCAI, Cara Porter, Email: cara.porter@doj.ca.gov; (vi) counsel to the California Department of Social Services, Anjana Gunn, Email: Anjana.Gunn@doj.ca.gov; (vii) counsel to Wilmington, Kristin K. Going, Email: kgoing@mwe.com; (viii) counsel to B.H. Capital Ventures, LLC, Sharon Weiss, Email: sharon.weiss@bclplaw.com; and as to the Assumption and Assignment Notice additionally (ix) each Successful Bidder at the address provided in the applicable Stalking Horse Agreement or Modified Agreement.

The Debtor submits that compliance with the requirements above is sufficient notice of parties rights under Section 365 of the Bankruptcy Code.

IV. SALE MOTION

At the Sale Hearing, the Debtor will present the Successful Bid to the Court for approval. The Debtor shall file a separate motion ("**Sale Motion"**) seeking authority to sell the Assets on or before the date ordered by the Court at the hearing held on this Motion.

Objections, if any, to the Sale Motion shall (i) be in writing; (ii) state the name and address of the objecting party and the amount and nature of the Claim or other interest of such party in the Case; (iii) state with particularity the basis and nature of any objection; (iv) conform to the Bankruptcy Rules and the Local Rules; (v) be filed with the Court and served on the Consultation Parties, Successful Bidder(s), Back-up Bidder and all parties requesting notice in the Case by January 19, 2022 ("**Sale Objection Deadline**").

Any party which fails to file with the Court and serve an objection or response to the Sale Motion by the Sale Objection Deadline may be barred from asserting at the Sale Hearing or thereafter any objection to approval of the Sale, other than as set forth in the Assumption and Assignment Procedures.

V. THE CONSULTATION PARTIES

The Debtor and its advisors will continue to regularly and timely consult with the Consultation Parties and their advisors about the sale process, inquiries and information the Debtor and its advisors receive from potential bidders and confer with the Consultation Parties about responses thereto, except to the extent any Consultation Party seeks to become or becomes a Qualified Bidder.

The Debtor agrees to promptly provide copies of all Bids (if not simultaneously delivered to any Consultation Party) and all expressions or indication of interest the Debtor receives for some or all Assets to the Consultation Parties, but in no event later than one calendar day after receipt by the Debtor thereof.

VI. BASIS FOR RELIEF REQUESTED

A. Sufficient Business Justification Exists for Consummation of a Sale under Sections 105(a), 363(b), and/or 1129 of the Bankruptcy Code

Pursuant to section 105(a) of the Bankruptcy Code, a "[c]ourt may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." Section 363(b) of the Bankruptcy Code provides that a debtor, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." Although section 363(b) does not specify a standard for determining when it is appropriate for a court to authorize the use, sale, or lease of property of the estate, courts have required that such use, sale, or lease be based upon the sound business judgment of the debtor. *See Walter v. Sunwest Bank (In re Walter)*, 83 B.R. 14, 19 (B.A.P. 9th Cir. 1988) ("[T]here must be some articulated business justification for using, selling, or leasing the property outside the ordinary course of business.") (internal citations omitted).

In determining whether the debtor has complied with the sound business judgment rule, the Court must consider whether: (a) there has been "[a]ny improper or bad motive," (b) "[t]he price is fair and the negotiations or bidding has occurred at arm's length" and (c) the sale followed "[a]dequate procedures, including proper exposure to the market and accurate and reasonable notice to all parties in interest." *In re Castre*, 312 B.R. 426, 428 (Bankr. D. Colo. 2004). When applying the rule, "the bankruptcy court should presume that the debtor-in-possession acted prudently, on an informed basis, in good faith, and in the honest belief that the action taken was in the best interests of the bankruptcy estate." *Agarwal v. Pomona Valley Med. Group, Inc. (In re Pomona Valley Med. Group, Inc.)*, 476 F.3d 665, 670 (9th Cir. 2007). In the context of this rule, courts often approve overbid procedures. *See, e.g.*, *In re Crown Corp.*, 679 F.2d 774, 777 (9th Cir. 1982) (discussing the overbid procedures approved by the bankruptcy court).

Additionally, the Debtor believes that the presence of the Stalking Horse Bidder will not chill competitive bidding. To the contrary, the Debtor believes that the presence of the Stalking Horse Bidder combined with a fair and open process will increase interest and drive the value of the Assets for the stakeholders. In consideration for acting as the Stalking Horse Bidder, and in consideration of the extensive time and diligence costs incurred and to be incurred in negotiating and preparing the Stalking Horse Agreement and any ancillary agreements, the Debtor requests that the Court approve the Break-Up Fee.

Break-up fees are a normal and, in many cases, necessary component of significant sales conducted under section 363 of the Bankruptcy Code. "Break-up fees are important tools to encourage bidding and to maximize the value of the debtor's assets. . . . In fact, because the directors of a corporation have a duty to encourage bidding, break-up fees can be *necessary* to discharge [such] duties to maximize value." *In re Integrated Resources*, 147 B.R. 650, 659–60 (S.D.N.Y. 1992) (emphasis in original). Specifically, "[b]reak-up fees and other strategies may

be legitimately necessary to convince a 'white knight' bidder to enter the bidding by providing some form of compensation for the risks it is undertaking." *In re 995 Fifth Ave. Assocs., L.P.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1989) (quotations omitted); *Integrated Resources*, 147 B.R. at 660–61 (breakup fees can prompt bidders to commence negotiations and "ensure that a bidder does not retract its bid"); *In re Hupp Industries, Inc.*, 140 B.R. 191, 194 (Bankr. N.D. Ohio 1992) ("[W]ithout such fees, bidders would be reluctant to make an initial bid for fear that their first bid will be shopped around for a higher bid from another bidder who would capitalize on the initial bidder's . . . due diligence.").

Break-up fees are proper and necessary tools to ensure lively bidding, protect the auction process, and avoid potential litigation. *See In re Texas Rangers Baseball Partners*, 431 B.R. 706, 715 (Bankr. N.D. Tex. 2010) (finding that a break-up fee was "provided as an alternative to litigation" and that "[a]voidance of litigation and the inherent benefits of having a stalking horse . . . justify a breakup fee in this case"). As a consequence, bankruptcy courts frequently approve break-up fees in connection with proposed bankruptcy sales. In the process, courts generally consider "(1) whether the relationship of the parties who negotiated the fee is marked by self-dealing or manipulation; (2) whether the fee hampers, rather than encourages, bidding; and (3) whether the amount of the fee is reasonable in relation to the proposed purchase price." *In re Twenver, Inc.*, 149 B.R. 954, 956 (Bankr. D. Colo. 1992); *In re Bidermann Industries US.A., Inc.*, 203 B.R. 547, 552 (Bankr. S.D.N.Y. 1997).

The Debtor believes that the proposed Break-Up Fee is reasonable and appropriate in this Case for, among others, the following reasons: (a) the Break-Up Fee is well within the range approved by bankruptcy courts in similar circumstances; (b) the Break-Up Fee would be paid by any successful higher bidder at the Auction through the initial Overbid at the time of Closing, as opposed to being paid directly by the estate; (c) there is no self-dealing or manipulation, but rather arm's-length negotiations; and (d) the dollar amount of the Stalking Horse Bid sets a floor price—not a ceiling—for the sale of the Assets, which will ensure that the estate preserves, and hopefully maximizes, the value of the Assets.

As additional support, as mentioned above, section 105(a) of the Bankruptcy Code provides that the Court "may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of this title."

The Debtor has marketed the Assets post-petition. The open and fair sale process contemplated by the Bidding Procedures will ensure that the Debtor's estate receives the highest or otherwise best value available for the Assets by allowing the market to determine the value of such Assets. Furthermore, compliance with the Bidding Procedures will ensure the fairness and reasonableness of the consideration to be paid by the Stalking Horse Bidder (or other Successful Bidder or Backup Bidder), and establish that the Debtor and such bidder have proceeded in good faith. Depending on the results of the Auction, a sale conducted in accordance with the Bidding Procedures may represent the best path forward for maximizing recoveries to the Debtor's estate, the Debtor's creditors, and all parties in interest, given both the open nature of the proposed process and the Debtor's need to move forward with a transaction and conclude this Chapter 11 Case as soon as possible, as outlined herein and in the Nerger Declaration. The Debtor submits that ample business justification exists for conducting the Auction in accordance with the Bidding Procedures and, therefore, requests that the Court grant the requested relief herein, including (i) approval of the Bidding Procedures; (ii) authorization for the Debtor to enter into the Stalking Horse Agreement on an interim basis for purposes of the Auction; and (iii) approval of the protections afforded the Stalking Horse Bidder by the Break-Up Fee.

B. The Court Should Approve the Bidding Procedures

The key objective in any sale of property of a debtor's estate is to maximize the value received by the estate. Here, the Debtor has designed the Bidding Procedures to promote a competitive and fair bidding process and, thus, to maximize value for the Debtor's estate and creditors. The Bidding Procedures will allow the Debtor to conduct any sale in a controlled, fair, and open fashion that will encourage participation by financially capable bidders, thereby increasing the likelihood that the Debtor will receive the highest or otherwise best possible consideration for the Assets. The Bidding Procedures provide an appropriate framework for the

Debtor to review, analyze, and compare any bids received and ultimately determine which bids are in the best interests of the Debtor's estate and creditors in a fair and objective manner. The Debtor submits that the Bidding Procedures strike an appropriate balance between expediency, on the one hand, and fairness and transparency, on the other. As such, an Auction conducted in accordance with the Bidding Procedures will encourage bidding and derive the highest or otherwise best bids for the Assets with minimal risk of delay-related value destruction.

Therefore, the Debtor requests that the Court approve the Bidding Procedures, including, without limitation, the timing proposed therein for the Auction and the Sale Hearing, the Stalking Horse Bidder, and the Break-Up Fee.

C. The Assumption and Assignment Notice and Proposed Procedures Therein Comport with Section 365 of the Bankruptcy Code and Bankruptcy Rule 2002

Section 365(a) of the Bankruptcy Code provides, in pertinent part, that a debtor in possession, "subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor." In the Ninth Circuit, courts apply the business judgement standard to determine whether or not to authorize the assumption of a contract or an unexpired lease and need only "engage in a cursory review" of the debtor-in-possession's decision. *Pomona Valley Med. Group*, 476 F.3d at 670.

Here, the Debtor has exercised its sound business judgment in determining that assumption and assignment of the certain executory contracts in connection with a sale may be in the best interests of the Debtor and its estate and, accordingly, the Court should approve the procedures governing the potential assumption and assignment of the Assumed Contracts under section 365(a) of the Bankruptcy Code, as set forth on the Assumption and Assignment Procedures.

As set forth above, the Debtor believes that a sale may yield the maximum value for the Debtor's estate. To that end, the assumption, assignment, and sale of the Assumed Contracts will be necessary for the Debtor to obtain the benefits of the Stalking Horse Agreement or any topping purchase agreement. In addition, under section 365(k) of the Bankruptcy Code, a

debtor's assignment of a contract or lease "relieves the trustee and the estate from any liability for any breach of such contract or lease occurring after such assignment." Thus, following an assignment to the Successful Bidder of any Assumed Contracts, the Debtor will be relieved from any liability for any subsequent breach associated therewith, providing additional value to the Debtor's estate.

Moreover, as set forth above and in the Bidding Procedures, for a bid to qualify as a Qualified Bid, a Qualifying Bidder must include evidence supporting its ability to comply with the requirements of adequate assurance of future performance under section 365(f)(2)(B) and, if applicable, section 365(b)(3) of the Bankruptcy Code. Appropriate procedures to comply with these requirements is contained in the Assumption and Assignment Procedures.

The Debtor submits that the procedures set forth in the Assumption and Assignment Procedures are in the best interest of the Debtor's estate, and, as such, should be approved. The Debtor further submits that the proposed notice procedures fully comply with Bankruptcy Rule 2002 and are reasonably calculated to provide timely and adequate notice of the relief sought through this Motion.

The Debtor reserves all of its rights under the Bankruptcy Code.

VII. NOTICE

The Debtor will serve notice of the hearing on this Motion by email, facsimile, or overnight courier to: (i) the Office of the United States Trustee; (ii) counsel to the Committee; (iii) the California Health Facilities Financing Authority; (iv) HCAI; (v) Wilmington; (vi) Pacifica; (vii) all other entities that submitted a letter of intent in connection with the Sale Process; (viii) SEIU National Industry Pension Fund; (ix) B.H. Capital Ventures, LLC; (x) the California Department of Social Services; (xi) all creditors known to the Debtor; and (xii) all parties who have formally appeared in this Chapter 11 Case and requested service pursuant to Bankruptcy Rule 2002. The Debtor submit that, in light of the nature of the relief requested, no other or further notice is required.

VIII. NO PRIOR REQUEST

No prior request for the relief sought in this Motion has been made by the Debtor to this or any other court.

IX. CONCLUSION

WHEREFORE, the Debtor respectfully requests entry of the Order, substantially in the form attached hereto as **Exhibit A,** granting the relief requested herein and granting such other relief as is just and proper.

~~*[Signature on Following Page]*~~

Dated: December ~~[●],~~ 17, 2021

HANSON BRIDGETT LLP

By: _____

NEAL L. WOLF
ANTHONY J. DUTRA

Attorneys for Debtor and Debtor in Possession

CNMH Motion for Entry of Order Approving Bidding Procedures, Approving Procedures for Assumption and Assignment of Executory Contracts and Unexpired Leases, Approving Stalking Horse Bidder and Break-Up Fee, and Granting Related Relief, dated December 17, 2021

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
ANTHONY J. DUTRA, SBN 277706
adutra@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES,[1] Debtor.	Case No. 21-40363 Chapter 11 **DEBTOR'S MOTION FOR ENTRY OF AN ORDER (I) APPROVING BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS; (II) APPROVING PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (III) APPROVING STALKING HORSE BIDDER AND BREAK-UP FEE; AND (IV) GRANTING RELATED RELIEF**

California-Nevada Methodist Homes (the "**Debtor**"), the debtor and debtor in possession in the above-captioned Chapter 11 case (the "**Chapter 11 Case**"), hereby files this motion (the "**Motion**") for entry of an order, pursuant to sections 105(a), 363, 365, 503, and 1129, as applicable, of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "**Bankruptcy Code**") and Rules 2002, 6004, 6006, and 9014 of the Federal Rules of Bankruptcy Procedure ("**Bankruptcy Rules**") for an order (i) authorizing and approving the bidding procedures set

[1] The last four digits of the Debtor's federal tax identification number are 2411. The mailing address for the Debtor is 1850 Alice Street Oakland, CA 94612.

forth herein (the "**Bidding Procedures**"); (ii) approving the Assumption and Assignment Notice (as defined below), including the procedures and deadlines set forth therein; (iii) approving the Stalking Horse Bidder and Break-Up Fee (each as defined below); and (iv) granting related relief. In support of this Motion, the Debtor relies on the pleadings on file in this Chapter 11 Case and submits the *Declaration of Steven A. Nerger in Support of the Motion for Entry of an Order (I) Approving Bidding Procedures in Connection with the Sale of Substantially All of the Debtor's Assets; (II) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (III) Approving Stalking Horse Bidder And Break-Up Fee; and (IV) Granting Related Relief* (the "**Nerger Declaration**") filed contemporaneously herewith and incorporated herein by reference. A proposed form of order granting the relief requested herein (the "**Order**") is attached hereto as **Exhibit A**.

I. JURISDICTION

The United States Bankruptcy Court for the Northern District of California (this "**Court**") has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334, the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24 (N.D. Cal.), and Rule 5011-1(a) of the Bankruptcy Local Rules for the Northern District of California (the "**Bankruptcy Local Rules**"). This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper before the Court pursuant to 28 U.S.C. §§ 1408 and 1409.

II. BACKGROUND

A. The Debtor's Bankruptcy Case

On March 16, 2021 (the "**Petition Date**"), the Debtor commenced this Chapter 11 Case by filing a voluntary petition under chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its property as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On April 8, 2021 and April 19, 2021, the United States Trustee for the Northern District of California appointed an Official Committee of

Unsecured Creditors (the "**Committee**") in the Chapter 11 Case. No request has been made for the appointment of a trustee or examiner in the Chapter 11 Case.

Additional information about the Debtor's business and affairs, capital structure and prepetition indebtedness, and the events leading up to the Petition Date is set forth in the previously filed *Declaration of Steven A. Nerger in Support of Debtor's "First Day Motions"* [Dkt. No. 14].

B. Prior Sale Process

For a substantial period of time, the Debtor has been sustaining severe operating losses. *See* Nerger Declaration. In the opinion of the Debtor and its Chief Restructuring Officer, these substantial operating losses cannot quickly and readily be reversed or rectified and it is necessary that the Debtor expeditiously enter into a sale or merger transaction with a highly qualified and financially sound entity. *Id.*

On May 20, 2021, upon motion by the Debtor, the bankruptcy court entered an order authorizing the Debtor to employ B.C. Ziegler & Company ("**Ziegler**"), a highly qualified investment banking firm, to develop and implement a sale or merger process ("**Sale Process**"). Ziegler quickly went to work orchestrating that process. Ziegler contacted approximately one hundred potentially interested parties, entered into a nondisclosure agreement with and circulated a comprehensive "offering memorandum" to parties who expressed interest in a possible transaction, and engaged many of those parties in direct, one-on-one discussions. In response to the offering memorandum, Ziegler elicited non-binding letters of interest from ten potential purchasers or merger partners, including Pacifica Companies, LLC or its designee ("**Pacifica**"). *Id.*

With the assistance of the Debtor's counsel, Neal L. Wolf, Ziegler then conducted what the Debtor believes amounted to a *de facto* auction process for the sale of substantially all of the Debtor's assets (the "**Assets**"). The Debtor and Ziegler called upon and encouraged potential buyers and merger partners to enhance their respective proposals. In response, Pacifica and

certain other interested purchasers enhanced their respective proposals on two or more occasions. Ultimately, Pacifica made what the Debtor determined to be the most advantageous proposal.

Significantly, Pacifica conditioned the amount of its final, and highest, proposal on the conduct of a "private sale" transaction by the Debtor. Pacifica indicated that, if there were to be a court-supervised auction process at which it were designated as merely a "stalking horse" bidder, the Pacifica offer would be reduced by approximately $2 million and Pacifica would require a $1.5 million "break-up fee." *Id.* Debtor and Pacifica subsequently executed a purchase and sale agreement for Pacifica's purchase of substantially all of the Debtor's assets (such agreement as subsequently amended by Debtor and Pacifica, the "**Original Purchase and Sale Agreement**").

On November 23, 2021 the Court entered an *Order Approving the Sale of Substantially All of Debtor's Assets to Pacifica Companies, LLC Free and Clear of Any Liens and Encumbrances* [Dkt. No. 348]. Unfortunately, however, on November 29, 2021, Pacifica exercised its right to terminate, without liability, the Original Purchase and Sale Agreement.

C. Proposed Sale Process

After Pacifica's termination of the Original Purchase and Sale Agreement, the Debtor determined in its business judgment to conduct a competitive bid-and-sale process for the orderly sale of substantially all of the Debtor's Assets under sections 363 and 365 of the Bankruptcy Code. After further arm's-length negotiations, the Debtor and Pacifica, as the stalking horse bidder (the "**Stalking Horse Bidder**," and Pacifica's bid, the "**Stalking Horse Bid**") entered into an that certain Purchase and Sale Agreement, dated as of December 17, 2021 (the "**Stalking Horse Agreement**").[2]

The terms and conditions identified in the Stalking Horse Agreement are subject to higher and better bids at an auction on either or both of the Debtor's facilities located at (a) 1850 Alice St., Oakland, CA 94612, along with the CNMH Corporate Office Building located at

[2] Capitalized terms used but not otherwise defined herein will have the meanings ascribed to them in the Stalking Horse Agreement.

201 19th Street, Oakland, CA 94612 (collectively, "**Lake Park**"), and (b) 511 Gibson Ave., Pacific Grove, CA 93950, along with the Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (collectively, "**Forest Hill**" and, together with Lake Park, the "**Facilities**"); *provided, however*, that if the Stalking Horse Bidder is the successful bidder on the Forest Hill property *alone*, the Stalking Horse Purchase Agreement shall be in effect for purposes of the acquisition of the Forest Hill Assets, assumption of the Assumed Forest Hill Residency Agreements and assumption of the Assumed forest Hill Repayable Entrance Fee Liabilities and not in connection with acquisition of the Lake Park Assets or assumption of the Lake Park Residency Agreements or Assumed Lake Forest Repayable Entrance Fee Liabilities.

As consideration for and as a material inducement to the Stalking Horse Bidder conducting its due diligence and entering into the Stalking Horse Agreement, the Debtor agreed to certain bid procedures and protections. Sale of each of the two Facilities is subject to a $500,000 break-up fee ("**Single Facility Break-up Fee**") in the event the Stalking Horse Bidder is not the Successful Bidder (as defined below) on one Facility and a $1,000,000 break-up fee (together with the Single Facility Break-up Fee the "**Break-up Fee**")[3] in the event the Stalking Horse Bidder is not the Successful Bidder on both Facilities, subject to approval of the Bankruptcy Court after notice and opportunity for hearing, which Break-Up Fee shall be payable from the sale proceeds at the time of closing. To the extent the Stalking Horse Bidder submits any Overbids (as defined below) and it overbids on one Facility on the approved terms for Overbids, it may apply the Single Facility Break-up Fee as a credit toward the purchase price of one Facility, or may apply the Break-up Fee as a credit toward the purchase price of both Facilities. Under this Motion, the Debtor seeks court approval of the sale procedures, sale, and bid protections as set forth herein.

[3] The Single Facility Break-up Fee and Break-up Fee are inclusive of all fees and expenses. The Stalking Horse Bidder is not entitled to any additional expense reimbursement from the Debtor.

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D. Proposed Bidding Procedures

The Debtor believes that the Bidding Procedures will promote a transparent, competitive, and expedient sale process. If approved, the Bidding Procedures will allow the Debtor to solicit and identify bids from potential buyers, resulting in the highest or otherwise best offer for the Assets on a schedule consistent with the deadlines under the Stalking Horse Agreement and with the Debtor's cash needs and overall chapter 11 strategy. The following sets forth a summary of the key provisions of the Bidding Procedures:

Stalking Horse Agreement. On December 17, 2021, the Debtor entered into the Stalking Horse Agreement with the Stalking Horse Bidder, pursuant to which the Stalking Horse Bidder has agreed to purchase substantially all of the Assets (other than the Excluded Items, as such term is defined in the Stalking Horse Agreement) for consideration consisting of[4]:

1. Cash. The Stalking Horse Bidder shall pay $30,000,000 cash at the Closing for both of the Facilities, including (a) a $1,000,000 Earnest Money deposit, to be deposited into escrow within one business day of execution and delivery of the Stalking Horse Agreement and (b) a $100 Independent Consideration deposit, to be deposited into escrow concurrently with and in addition to the Earnest Money.

2. Purchase Price Allocated to Each Facility. Of the total Purchase Price of $30,000,000, the Stalking Horse Bid allocates a purchase price of $14,150,000 to Forest Hill and related assets (collectively, "**Forest Hill Assets**") and $15,850,000 to Lake Park and related assets (collectively, "**Lake Park Assets**").

3. Contracts and Liabilities Assumed. The Stalking Horse Bidder will assume (a) all Residency Agreements for Lake Park in effect as of the Closing Date and all obligations thereunder without modification ("**Assumed Lake Park Residency Agreements**") pursuant to Section 365 of the Bankruptcy Code, (b) all Residency Agreements for Forest Hill in effect as of the Closing Date and all obligations thereunder without modification ("**Assumed Forest Hill Residency Agreements**," and collectively with the Assumed Lake Park Residency Agreements, ("**Assumed Residency Agreements**"), (c) all the Non-Restricted Entrance Fee Liability for Lake Park ("**Assumed Lake Park Non-Restricted Entrance Fee Liability**"), (d) all the Non-Restricted Entrance Fee Liability for Forest Hill ("**Assumed Forest Hill Repayable Entrance Fee**

[4] Parties are referred to the Stalking Horse Agreement for its complete terms. To the extent there are any inconsistencies between the terms of the Stalking Horse Agreement and the description in this Motion, the terms of the Stalking Horse Agreement prevail.

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Liabilities"), and (e) the Restricted Entrance Fee Liability [5] (collectively with the Assumed Lake Park Non-Restricted Entrance Fee Liability, "**Assumed Lake Park Repayable Entrance Fee Liabilities**"), including without limitation as set forth in Sections 2.2 and 4.2 and Schedules 2.2 and 2.4 of the Stalking Horse Agreement.

4. Liabilities Not Assumed. No contracts or liabilities other than the Assumed Residency Agreements, the Assumed Forest Hill Repayable Entrance Fee Liabilities, and the Assumed Lake Park Repayable Entrance Fee Liabilities (the Assumed Lake Park Repayable Entrance Fee Liabilities, together with the Assumed Forest Hill Repayable Entrance Fee Liabilities, the "**Assumed Repayable Entrance Fee Liabilities**") will be assumed, unless Pacifica designates additional executory contracts or unexpired leases it wishes to assume on or before the Assumption Notice Deadline. With the exception of the assumption and assignment of the Assumed Residency Agreements and the Assumed Repayable Entrance Fee Liabilities and Permitted Encumbrances, *the sale will be free and clear of all interests in, liens upon, or claims concerning the Debtor or its assets, including, but not limited to any claims or liabilities for the underfunded portion of the Debtor's multi-employer pension fund or any withdrawal liability that may arise from the Debtor's withdrawal from the multi-employer pension fund, if any.*

Bid Deadline. The "Bid Deadline" is January 20, 2022 at 11:59 p.m. (prevailing Pacific Time).

Due Diligence. To participate in the bidding process and to receive access to due diligence materials (the "**Diligence Materials**"), a party must submit or have previously submitted an executed NDA in connection with the Case in a form reasonably satisfactory to the Debtor. A party which qualifies for access to Diligence Materials is designated a "**Potential Bidder.**" Through and including the Bid Deadline, the Debtor and its advisors will afford all Potential Bidders the opportunity to conduct reasonable due diligence, including reasonable access to Debtor's management and its professionals, access to the electronic data room and other information reasonably requested. All due diligence requests must be directed to: Steven A. Nerger, Chief Restructuring Officer of the Debtor, at snerger@silvermanconsulting.net. Due diligence will close on January 20, 2022 at 5 p.m. (Pacific Standard Time).

Each Potential Bidder shall comply with all reasonable requests for additional information by the Debtor or its advisors regarding the ability of such Potential Bidder to consummate a purchase of the Assets.

[5] The entire Restricted Entrance Fee Liability relates to Lake Park.

Qualified Bid Requirements. To participate in the Auction (as defined below), a Qualified Bidder (as defined below), other than the Stalking Horse Bidder must, by the Bid Deadline, submit a bid that, as determined by the Debtor in its business judgment in consultation with California Department of Health Care Access and Information, f/k/a Office of Statewide Health Planning and Development ("**HCAI**"), Wilmington Trust, National Association ("**Wilmington**"), B.H. Capital Ventures, LLC ("**BHP**"), California Department of Social Services ("**CDSS**"), and the Committee (collectively, the "**Consultation Parties**"), satisfies each of the following conditions (the "**Bid Requirements**"), unless any such Bid Requirements are waived by the Debtor with the agreement of the Consultation Parties; *provided, however*, that (i) for any bid, the following conditions may not be waived: (1), (3), (5), (7), (8), (9), (11), (12), (13), (15), (18), (19), (20), (26), and (27) below (each such bid, a "**Qualified Bid**"):

1. Written Submission of a Purchase Agreement. Each bid must be in writing and include: (i) a clean purchase agreement signed by the bidder, accompanied by all exhibits and schedules contemplated by the purchase agreement and, to the extent required by the terms and conditions of the bid, any ancillary agreements described in the purchase agreement with all exhibits and schedules thereto (each such purchase agreement, together with its exhibits, schedules, and ancillary agreements, if any, a "**Modified Agreement**"); (ii) a redline reflecting the bidder's proposed changes to the Stalking Horse Agreement (including all exhibits and schedules thereto). Each Modified Agreement must conform in all material respects with the form and content of the Stalking Horse Bid, and each Modified Agreement and the Stalking Horse Agreement shall be a "**Purchase Agreement**" for purposes of the Bidding Procedures.

2. Commitment to Close. Each bid must contain a written statement that the bidder is willing to consummate and fund the sale of the Assets proposed in the Modified Agreement within three business days after satisfaction of the conditions to closing, and in any event by the close of business on April 8, 2022 (the "**Closing Deadline**").

3. Commitment to Serve as Backup Bidder. Each bid must contain a written statement that the bidder will serve as the Backup Bidder (as defined below).

4. Assets to be Acquired. Each bid must identify with reasonable particularity the Assets to be purchased (the "**Purchased Assets**") and the Excluded Items. The bid may offer to purchase substantially all of the Assets or only a portion of the Assets; *provided, however*, that a bid that offers to purchase only a portion of the Assets may only be a Qualified Bid to the extent that the value of such bid, in combination with the value of other bids for the remaining Assets, exceeds the Minimum Initial Overbid Amount (as defined below) applicable to Qualified Bids for substantially all of the Assets. The

Debtor may waive or modify the application of the Qualified Bid conditions in respect of bids for a portion of the Assets (other than the requirement that the value of any such Qualified Bid, in combination with the value of other bids for Assets, exceeds the Minimum Initial Overbid Amount applicable to Qualified Bids for substantially all of the Assets). For the avoidance of doubt, no bid from any party other than the Stalking Horse Bidder (pursuant to the Stalking Horse Bid) shall be accepted for that portion of the Assets that includes only Forest Hill unless another party has made an offer that exceeds the Minimum Initial Overbid Amount on a portion of the Assets that includes Lake Park.

5. Assumption of All Assumed Residency Agreements and Assumed Repayable Entrance Fee Liabilities. Each bid for substantially all of the Assets must agree to assume and accept the assignment of (a) all Assumed Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) the Assumed Repayable Entrance Fee Liabilities. Each bid for any portion of the Assets that includes Forest Hill must agree to assume and accept the assignment of (a) all Assumed Forest Hill Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) all Assumed Forest Hill Repayable Entrance Fee Liabilities. Each bid for any portion of the Assets that includes Lake Park must agree to assume and accept the assignment of (a) all Assumed Lake Park Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) all Assumed Lake Park Repayable Entrance Fee Liabilities.

6. Executory Contracts, Leases and Liabilities to be Assumed and Assigned. Each bid must identify with reasonable particularity the executory contracts, unexpired leases and other liabilities of the Debtor that the bidder seeks to have the Debtor assume and assign to the bidder in addition to those set forth in [5] immediately above (collectively, with the Assumed Residency Agreements and Assumed Repayable Entrance Fee Liabilities, the "**Assumed Contracts**").

7. Irrevocable. Each bid (including the Stalking Horse Bid) must be irrevocable until (i) if such bidder is designated as a Successful Bidder (as defined below), the Closing of the sale of the Assets to such bidder, and (ii) if such bidder is designated as a Backup Bidder, the earlier to occur of (A) five days after the closing of the transaction(s) by which all of the Assets that were subject to the Backup Bid have been transferred to one or more Qualified Bidders

at the closing of a sale or sales of the Assets conducted pursuant to these Bidding Procedures or (B) the Closing Deadline.

8. Earnest Money Deposit. Each bid must be accompanied by an Earnest Money deposit paid to the Debtor by certified funds or such other form acceptable to the Debtor in the amount of at least $500,000 for each of the Facilities, which Earnest Money will be held by the Debtor to be applied or returned, as applicable, pursuant to the terms of these Bidding Procedures.

9. Minimum Initial Overbid Amount. Each Overbid must offer to the Debtor aggregate value in an amount as determined by the Debtor, in its reasonable business judgment, that is greater than or equal to the sum of (i) the value offered under the Stalking Horse Agreement, *plus* (ii) cash (or, in the case of the Stalking Horse Bidder, a credit bid) in the amount of $500,000 for each Facility sought to be acquired, *plus* (iii) cash in the amount of at least $250,000 (the "**Minimum Initial Overbid Amount**"), regardless of whether the Overbid is for one or both of the Facilities. Subsequent Overbids shall be in increments of at least $250,000 unless the Court orders otherwise, provided however, the Debtor in consultation with the Consultation Parties may change the minimum of such increments during the Auction.

10. Credit Bid. If any Overbids are submitted, Pacifica may credit bid $1,000,000 of the Break-Up Fee if it submits a subsequent Overbid on both Facilities. If Pacifica opts to overbid on only one of the Facilities, it may credit bid $500,000 and will waive the $500,000 remaining of the Break-Up Fee.

11. Contingencies. No bid may be conditioned on any due diligence, internal approval, financing, or regulatory or third-party approval contingencies of any kind (other than regulatory contingencies required by law or as set forth in the Stalking Horse Agreement).

12. Proof of Financial Ability to Perform. Each bid must contain written evidence, to the Debtor's reasonable satisfaction in consultation with the Consultation Parties, of a firm commitment for financing from a recognized banking institution or HCAI, as of the Bid Deadline, or other evidence of ability to consummate the sale of the Assets contemplated by the Modified Agreement, that will allow the Debtor and Consultation Parties to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transactions contemplated in such bidder's Modified Agreement (taking into account the conditions and third-party beneficiary rights, if any, in any such commitment). Each bid must also contain a commitment by the bidder that, if selected as a Backup Bidder, the

bidder will continue to comply with the requirements of this Paragraph II.D.12 until the earlier to occur of (a) five days after the closing of the transaction(s) by which all of the Assets that we subject to the bidder's Backup Bid have been transferred to one or more Qualified Bidders at the closing of a sale or sales of the Assets conducted pursuant to the Bidding Procedures or (b) the Closing Deadline. If the purchaser will be a newly formed entity, the bid must identify, among other things, the entity or entities that will provide backstops in the form of a guarantee and/or an equity commitment letter and describe the nature of such arrangement(s). Such information must additionally include the following:

i. contact names and numbers for verification of financing sources, if applicable;

ii. all equity commitments and other sources of cash in the amount equal to the cash component of the offered Purchase Price or posting of an irrevocable letter of credit issued in favor of the Debtor in such amount;

iii. a description of the Potential Bidder's pro forma capital structure;

13. Financial Statements. To the extent not previously provided, each bid must include the latest audited financial statements and unaudited financial statements of the bidder or, if the bidder is an entity formed for the purpose of acquiring the Assets, the latest audited financial statements and unaudited financial statements of the direct and indirect equity holders or sponsors of the bidder who will guarantee the obligations of the bidder, or such other form of financial disclosure and/or credit support or enhancement, if any, that will allow the Debtor to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transactions contemplated in such bidder's Modified Agreement.

14. Identity of Purchaser. Each bid must, to the satisfaction of the Debtor, in consultation with the Consultation Parties, fully disclose (i) the identity of each person or entity that will be bidding for the Assets or otherwise participating in connection with such bid, (ii) the terms of any such participation, (iii) if any entity has been formed for the purpose of acquiring some, or all, of the Assets, the parties that will bear liability for any breach by such person or entity, and the financial capacity of such parties to satisfy such liability, and (iv) any connections between (x) the bidding party and its

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affiliates and related persons and (y) the Debtor and their primary creditors as identified by the Debtor.

15. Purchaser's Experience. Each bid must, to the satisfaction of the Debtor in consultation with the Consultation Parties, describe the experience of the bidder with respect to the ownership and management of senior living facilities in general and continuing care communities in particular in California and elsewhere; provided however, that a bidder need not have prior California experience for its bid to be a Qualified Bid.

16. Bidder's Business Plans. Each bid must contain detail regarding the planned operations and management of the Assets after the Closing and information explaining the bidder's ability to obtain necessary regulatory approvals, including any necessary licenses, to purchase and operate the Assets.

17. No Fees or Commissions. No bid (other than the Stalking Horse Bid) may (i) request or entitle the bidder to any break-up fee, expense reimbursement fee, or similar type of payment, or (ii) obligate the Debtor to pay commissions, fees, or expenses to any agent or broker. Further, by submitting a bid, a bidder shall be deemed to waive its right to pursue a substantial contribution claim under section 503 of the Bankruptcy Code or in any way related to the submission of its bid or the Bidding Procedures.

18. As Is, Where Is. As set forth in the Stalking Horse Agreement, a bidder shall state in such bidder's Purchase Agreement that: "Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, bidder acknowledges and agrees that bidder is purchasing the Premises in its 'as-is, where is, with all faults' condition as of the Closing."

19. Adequate Assurance. Each bid must include evidence of the bidder's ability to comply with section 365 and/or section 1129 of the Bankruptcy Code (to the extent applicable), including providing adequate assurance of such bidder's ability to perform in the future under the Assumed Residency Agreements and all other executory contracts and unexpired leases proposed in its bid to be assumed by the Debtor and assigned to such bidder, in a form that will permit the immediate dissemination of such evidence to the counterparties

to such contracts and leases and must consent to the filing of such information with the Court.

20. Corporate Authority. Each bid must include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission of the bid and the consummation of the transactions contemplated in such bidder's Purchase Agreement.

21. Employees. Each bid must contain a detailed description of how the Qualified Bidder intends to treat current employees of the Debtor and liabilities that may be owed by the Debtor to or for the benefit of current and past employees of the Debtor.

22. Privacy Policies. Each bid must provide to the Debtor's satisfaction that the bidder will adhere to the Debtor's prepetition privacy policies regarding personally identifiable information, except as may be modified pursuant to applicable user terms and applicable law.

23. Access to Books and Records. Each bid must contain provisions allowing the Debtor reasonable access to the Debtor's books and records for the administration of its bankruptcy case if the bid provides for the purchase of such books and records

24. Consent to Jurisdiction: Each Potential Bidder must submit to the jurisdiction of the Court to enter final orders and judgments which in any way related to the Debtor, the Bid Procedures, the Auction, any Modified Agreement, or the construction and enforcement of all agreements, orders and pleadings which in any way relate to the Assets, Sale, Closing, Debtor, Bid Procedures and/or Auction.

25. Disclosure of Connections: Fully disclose any connections or agreements with the Debtor and/or any officer or director of the Debtor. Each Bid must be irrevocable through the entry of the Sale Order; provided, however, that a bid accepted as the Successful Bid or the Backup Bid (as each are defined below) shall remain irrevocable as set forth below.

26. Representations and Warranties: All bids must include the following representations and warranties:

a statement that the Potential Bidder has had an opportunity to conduct all due diligence regarding the Assets prior to submitting its Bid;

a statement that the Potential Bidder has relied solely upon its own independent review, investigation, and/or inspection of the Assets

and all information related to the Assets in making its bid, and did not rely on any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express or implied, by operation of law or otherwise, regarding the Assets or the completeness of any information provided in connection therewith;

a statement that the Potential Bidder agrees to serve as Back-Up Bidder, if its bid is selected as the next highest or next best bid after the Successful Bid with respect to the applicable Assets;

a statement that the Potential Bidder has not engaged in any collusion with respect to the submission of its bid;

a statement that all proof of financial ability to consummate a Sale in a timely manner and all information provided to support adequate assurance of future performance is true and correct; and

a statement that the Bidder agrees to be bound by the terms of the Bid Procedures and any order approving a Sale.

27. Format. All documentation for each bid must be provided in electronic form.

Qualified Bidder. A "Qualified Bidder" is a Bidder that (i) submits a Qualified Bid by the Bid Deadline to the Debtor and each of the Consultation Parties (at the email addresses set forth on Schedule 1 to this Motion), and (ii) the Debtor determines, in the exercise of its business judgment and in consultation with the Consultation Parties, is reasonably likely (based on financial information submitted by the bidder, its pertinent experience and plans, and other considerations) to consummate the sale of the Assets if selected as a Successful Bidder or a Backup Bidder. As noted above, the Stalking Horse Bidder is deemed to be a Qualified Bidder. As promptly as practicable after the Bid Deadline (but in any event not less than one business day before the commencement of the Auction), the Debtor will notify (a) each bidder that submits a bid whether such bidder is a Qualified Bidder, and (b) the Stalking Horse Bidder and all other Qualified Bidders, if any, whether or not any bids (other than the Stalking Horse Agreement) constitute Qualified Bids and identify the Qualified Bidders, including the Stalking Horse Bidder, making any such Qualified Bids.

Auction. The Debtor will conduct an auction (the "**Auction**") to determine the Successful Bidder(s).

Auction Time and Location. The Auction shall take place on January 24, 2022 at 9:00 a.m. (prevailing Pacific Time) by Zoom or similar virtual process. The Auction may be adjourned from time to time by the Debtor with the agreement of the Consultation Parties or order of this Court in which event notice of such adjournment and the time and place for the resumption of the Auction will be filed with this Court and served promptly on (i) Qualified Bidders; (ii) Consultation Parties, (iii) any other parties who have provided written notice to Debtor's counsel no later than two days prior to the Auction of their intent

to attend the Auction; and (iv) all other parties in interest who have requested notice pursuant to Bankruptcy Rule 2002 prior to the continued date and time of the Auction.

Participation at the Auction. Qualified Bidders shall virtually attend the Auction in person (via Zoom) or through a duly-authorized representative. Only the Stalking Horse Bidder and any other Qualified Bidder(s) (or their duly-authorized representatives) (collectively, the "**Bidder Participants**") are eligible to submit bids at the Auction. While only the Bidder Participants may submit bids at the Auction, the authorized representatives and respective counsel and advisors of each of the Qualified Bidder(s) (regardless of whether such representatives, counsel and advisors are serving as Bidder Participants), the Debtor, the United States Trustee, and the Consultation Parties[6] and any of the Debtor's creditors who notify the Debtor in writing no later than two days prior to the Auction of such creditors' intent to attend the Auction by contacting the Debtor's counsel, Neal L. Wolf, at nwolf@hansonbridgett.com, shall be permitted to attend the Auction; *provided, however*, that the Debtor may exclude parties whom the Debtor deems to be detrimental to the sale process other than any Consultation Parties. Each Qualified Bidder participating in the Auction (including any Qualified Bidder participating through a duly-authorized representative) will be required to confirm on the record that it has not engaged in any collusion regarding the Bidding Procedures, the Auction, or the sale of the Assets.

E. Auction Procedures.

If no Qualified Bids (other than the Stalking Horse Bid) are received by the Bid Deadline, the Auction will not be held and the Debtor will file a notice with the Court indicating that no Auction will be held within one business day after the Bid Deadline. If the Debtor receives one or more Qualified Bids (in addition to the Stalking Horse Bid) by the Bid Deadline, the Debtor will conduct an Auction for the Assets using the following Auction Procedures.

1. Opening Bid. At least one business day in advance of the Auction, the Debtor will notify each Qualified Bidder of the highest or otherwise best Qualified Bid or Qualified Bid(s), as determined by the Debtor (the "**Opening Bid**") and will provide copies of the applicable Purchase Agreement for such Opening Bid to each Qualified Bidder. The determination of which Qualified Bid constitutes the Opening Bid shall be determined after consultation with the Consultation Parties and take into account any factors the Debtor deems relevant to the value of the Qualified Bid to the estate, including, among other things, the following: (i) that the Bid satisfies the requirements to be a Qualified Bid as described above (and if a Bid does not do so, it will not be further considered); (ii) the amount and nature of the consideration offered; (iii) the proposed assumption of any liabilities in addition to those which

[6] If any Consultation Party seeks to be a Qualified Bidder, it shall cease being a Consultation Party until such time as it determines it will not bid on any of the Assets.

must be assumed to be a Qualified Bid; (iv) the ability of the Qualified Bidder to close the proposed transaction on or before the Closing Deadline; (v) any Purchase Price adjustments; (vi) the impact of the contemplated transaction on any actual or potential litigation; (vii) the net economic effect of any changes from the Stalking Horse Agreement, if any; (viii) the net value to be received by the Debtor's estate including consideration of any amounts required to be paid to the Stalking Horse Bidder; (ix) the bidder's pertinent management and operations experience, and (x) such other considerations the Debtor and Consultation Parties deems relevant.

2. Debtor Shall Conduct the Auction. The Debtor's professionals shall direct and preside over the Auction on behalf of the Debtor via Zoom. At the start of the Auction, Debtor's counsel shall describe the terms of the Opening Bid. The Auction shall be transcribed by a court reporter. The Debtor shall maintain a written transcript of all bids made and announced at the Auction, including the Opening Bid, all applicable Overbids, and the Successful Bid.

3. Terms of Overbid. An "Overbid" is any bid made at the Auction subsequent to the announcement of the Opening Bid. To submit an Overbid for purposes of the Auction, a Qualified Bidder must comply with the following conditions:

   i. Minimum Overbid Increment and Deadline. After the Opening Bid is announced, all subsequent Overbids, if any, shall provide for total consideration to the Debtor (net of the amount for any Break-Up Fee) with a value that exceeds the value of the consideration under the Opening Bid by an incremental amount that is not less than $250,000 (the "**Minimum Overbid Increment**"), unless otherwise announced at the Auction, consistent with the terms of these Bidding Procedures. For all Qualified Bids, the Minimum Overbid Increment for each Overbid round must be made in cash.

   ii. Conclusion of Each Overbid Round. Upon the solicitation of each round of applicable Overbids, the Debtor may announce a deadline (the "**Overbid Round Deadline**") by which time any Overbids must be submitted to the Debtor and Consultation Parties.

   iii. Announcing Highest or Otherwise Best Bid. Subject to each Overbid Round Deadline, the Debtor shall announce whether it, in consultation with the Consultation Parties, has identified in the applicable Overbid round, one or more Overbids as being higher or otherwise better than the Initial

Minimum Overbid for such asset package, or in subsequent rounds, the Overbid(s) previously designated as the prevailing highest or otherwise best bid for a given asset package (for each asset package, collectively, the "**Prevailing Highest Bid**"). After each round of bidding, including the initial round, the Debtor shall disclose to all Qualified Bidders the material terms of any Overbid(s) designated as the Prevailing Highest Bid, as well as the value attributed to such Prevailing Highest Bid.

iv. Bids for Less than Substantially All Assets. The Debtor may, in consultation with the Consultation Parties, consider and accept bids for any portion of the Assets, as well as bids for substantially all of the Assets, and hold separate Auctions for portions of the Assets; *provided, however*, that the Debtor, in consultation with the Consultation Parties may consider and accept bids for less than substantially all of the Assets only so long as the value of such bids, in combination, constitute an Overbid, taking into consideration that if there are no accepted Overbids on the Lake Park Assets alone, the Stalking Horse Agreement provides that Pacifica shall purchase all Assets subject to the terms of the Stalking Horse Agreement and, in such circumstances, the Debtor shall seek Court approval to sell all Assets to the Stalking Horse Bidder at the Sale Hearing. There must be one or more buyers for all Assets at the completion of the Auction. The Debtor will not sell or seek Court authority to sell only one of the two Facilities.

4. Consideration of Overbids. The Debtor reserves the right, in its reasonable business judgment after consultation with the Consultation Parties, to adjourn the Auction one or more times to, among other things: (A) facilitate discussions between the Debtor and Qualified Bidders; (B) allow Qualified Bidders to consider how they wish to proceed; (C) consider and determine the current Prevailing Highest Bid at any given time during the Auction; and (D) give any Qualified Bidder the opportunity to provide the Debtor with such additional evidence as the Debtor, in its reasonable business judgment, may require that the Qualified Bidder (other than Stalking Horse Bidder) has sufficient internal resources, or has received sufficient debt and/or equity funding

commitments, to consummate the proposed transaction at the prevailing Overbid amount.

F. Closing the Auction.

1. The Auction shall continue until there is only one offer (which may consist of one Qualified Bid for substantially all of the Assets or more than one Qualified Bid for complementary portions of the Assets) that the Debtor determines, in the exercise of its business judgment and after consultation with the Consultation Parties, to be the highest or otherwise best offer for the Assets (one or more such Qualified Bids, the "**Successful Bid**," and the Qualified Bidder or Qualified Bidders making such Successful Bid, the "**Successful Bidder**").

2. After determining the Successful Bid and the Successful Bidder, the Debtor will also determine, in its business judgment and after consultation with the Consultation Parties, the Qualified Bidders(s) with the next highest or otherwise best bid(s) for the Assets (the "**Backup Bid**," andthe Qualified Bidder(s) making such Backup Bid, the "**Backup Bidder**"), at which point the Auction will be closed.

3. The Debtor shall not consider any bids or Overbids submitted afterthe closing of the Auction, and any such bids or Overbids shall be deemed untimely and shall not constitute Qualified Bids. The determination of the Successful Bid and Backup Bid at the closing of the Auction shall be final, subject only to approval by this Court.

4. After the conclusion of the Auction, the Debtor shall ask that the Court declare the Successful Bidder and Backup Bidder and approve the sale. The Debtor shall thereafter file with this Court and serve upon all Qualified Bidders and parties that have requested notice inthis case a notice identifying the Successful Bidder and the Backup Bidder.

5. As promptly as practicable following the conclusion of the Auction, (i) the Successful Bidder will transfer via wire transfer of immediately available funds or such other form acceptable to the Debtor the amount of its Successful Bid net of its Earnest Money Deposit and Independent Consideration if applicable; and (ii) the Debtor shall cause the Purchase Agreements for the

Successful Bidder and the Backup Bidder to be filed with this Court.

6. Following the approval of the sale of the Assets to the Successful Bidder, if such Successful Bidder (i) fails to consummate a sale of the Assets by the Closing Deadline, (ii) breaches such Successful Bidder's Purchase Agreement, or (iii) otherwise fails to perform, the Debtor shall be authorized, but not required, to deem the Backup Bid(s) the Successful Bid(s) and the Debtor shall be authorized, but not required, to consummate the sale with the Qualified Bidder(s) submitting such Backup Bid(s) without further notice or orders of the Court. In the event that there are multiple Successful Bidders and/or Backup Bidders and only one of such Successful Bidders or Backup Bidders engages in the acts or omissions described in clauses (i) through (iii) of the foregoing sentence, the Debtor may elect to close the contemplated transactions with some or all of the other Successful Bidders or Backup Bidders, as applicable.

7. Nothing in these bid procedures will prevent the Debtor from exercising its fiduciary duties under applicable law.

III. PROPOSED NOTICE AND PROCEDURES FOR THE POTENTIAL ASSIGNMENT AND ASSUMPTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

The Debtor also requests approval of the notice of potential assumption and assignment of certain of the Debtor's executory contracts and unexpired leases pursuant to the terms set forth below ("**Assumption and Assignment Procedures**").

Notice to Residents of Assumed Repayable Entrance Fee Liabilities and Assumption and Assignment of Residency Agreements: On or before January 5, 2022, the Debtor shall provide (a) to each Resident whose respective portion of the Assumed Repayable Entrance Fee Liabilities, calculated as of December 31, 2021, is greater than zero individual notice of the amount of such Resident's respective portion of the Assumed Repayable Entrance Fee Liabilities (each an "**Entrance Fee Amount**") and (b) individual notice to each current Resident (i) alerting such Resident that the Debtor has sought to assume and assign that Resident's Residency Agreement to the Successful Bidder, (ii) providing the additional cure amount ("**Resident Cure Amount**"), if any, for assuming that Resident's Residency Agreement, and (iii) providing notification of the Resident's right to seek adequate assurance of future performance as contemplated in Section 365(f)(2)(B) of the Bankruptcy Code ("**Resident Notice**"). Any

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Resident that objects to the amount of the Entrance Fee Amount or Resident Cure Amount set forth in its Resident Notice must file an objection thereto by January19, 2022 and serve it on the Notice Parties (listed below) and otherwise in accordance with applicable rules ("**Service Requirements**").

If a Resident does not timely object to a Resident Notice, it will be barred from objection to its Entrance Fee Amount, Resident Cure Amount, or assumption and assignment of its Residency Agreement, other than based on a lack of adequate assurance of future performance. If an objection to an Entrance Fee Amount or Resident Cure Amount is timely filed and is not resolved prior to the Sale Hearing, it will be resolved at the Sale Hearing.

After the conclusion of the Auction, the Debtor shall file with the Court and serve on each current Resident a notice ("**Assumption and Assignment Notice**") identifying the Successful Bidder, identifying the executory contracts, unexpired leases and other liabilities of the Debtor that the Successful Bidder seeks to have the Debtor assume and assign to the Successful Bidder ("**Assumed Agreements**"), and providing the Successful Bidder's assurance of future performance of the Assumed Agreements, as applicable. Any Resident that objects to the adequacy of the assurance of future performance of his, her, or their respective Residency Agreement must file an objection with the Court ("**Resident Assurance Objection**") and serve it in accordance with the Service Requirements prior to the Sale Hearing. If a Resident does not timely file and serve a Resident Assurance Objection, such Resident will be barred from objecting to the adequacy of the assurance of future performance and assignment of his, her, or their Residency Agreement to the Successful Bidder.

Notice of Cure Amounts for Executory Contracts Other than Assumed Residency Agreements: On or before January 9, 2022, the Debtor will file with the Court and serve a notice to contract counterparties under executory contracts and unexpired leases which are not Assumed Residency Agreements (collectively "**Non-Resident Contract Counterparties**"), setting forth the Debtor's calculation of each Non-Resident Contract Counterparty's cure amount, if any, that would be owed if the Debtor determines to seek to assume and assign its executory contract or unexpired lease, and alerting such Non-Resident Contract Counterparty that its agreement may be assumed and assigned to the Successful Bidder ("**Cure Notice**"). Any Non-Resident Contract Counterparty that objects to the cure amount set forth in the Cure Notice must file an objection on or before January 19, 2022 and serve in accordance with the Service Requirements. The

Debtor's service of a Cure Notice on any party shall not constitute or be deemed a determination or admission by the Debtor and its estate or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code or that the Debtor will assume and assign any particular contract, lease, or other agreement.

If a Non-Resident Contract Counterparty does not timely object to a Cure Notice, it will be barred from objecting to the Debtor's designated cure amount and assumption and assignment of its executory contract or unexpired lease with the Debtor other than based on a lack of adequate assurance of future performance. If an objection to a Cure Notice is timely filed and is not resolved prior to the Sale Hearing, it will be resolved at the Sale Hearing.

Notice on the Non-Resident Contract Counterparties. After the conclusion of the Auction, the Debtor shall serve the Assumption and Assignment Notice on the Non-Resident Contract Counterparties. Any Non-Resident Contract Counterparty that objects to the adequacy of the assurance of future performance must file an objection with the Court ("**Non-Resident Assurance Objection**") and serve it in accordance with the Service Requirements prior to the Sale Hearing. If a Non-Resident Contract Counterparty does not file and serve a Non-Resident Assurance Objection prior to the Sale Hearing, such party will be forever barred from objecting to the adequacy of the assurance of future performance and assignment of its executory contract or unexpired lease to the Successful Bidder. The inclusion of a contract, lease, or other agreement on an Assumption and Assignment Notice shall not constitute or be deemed a determination or admission by the Debtor and its estate or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code or that the Debtor will assume and assign any particular contract, lease, or other agreement.

In the event the Debtor seeks to close a sale to the Backup Bidder, the Debtor shall provide prompt written notice thereof to all recipients of Resident Notices and Cure Notices, which parties shall have three business days to object in accordance with the Service Requirements, solely on the basis of any changed circumstances since the date of the Sale Hearing.

The Notice Parties are: The Notice Parties are: (i) the Debtor, California-Nevada Methodist Homes, Attention: Steven A. Nerger, Email: SNerger@silvermanconsulting.net; (ii)

counsel to the Debtor, Neal L. Wolf, Email: nwolf@hansonbridgett.com; (iii) Office of the United States Trustee, Attn: Trevor Fehr, Esq., 450 Golden Gate Avenue, 5th Floor, Suite #05-0153, San Francisco, CA 94102, Email: Trevor.Fehr@usdoj.gov; (iv) counsel to the Committee, Sara L. Chenetz, Email: SChenetz@perkinscoie.com; (v) counsel to HCAI, Cara Porter, Email: cara.porter@doj.ca.gov; (vi) counsel to the California Department of Social Services, Anjana Gunn, Email: Anjana.Gunn@doj.ca.gov; (vii) counsel to Wilmington, Kristin K. Going, Email: kgoing@mwe.com; (viii) counsel to B.H. Capital Ventures, LLC, Sharon Weiss, Email: sharon.weiss@bclplaw.com; and as to the Assumption and Assignment Notice additionally (ix) each Successful Bidder at the address provided in the applicable Stalking Horse Agreement or Modified Agreement.

The Debtor submits that compliance with the requirements above is sufficient notice of parties rights under Section 365 of the Bankruptcy Code.

IV. SALE MOTION

At the Sale Hearing, the Debtor will present the Successful Bid to the Court for approval. The Debtor shall file a separate motion ("**Sale Motion"**) seeking authority to sell the Assets on or before the date ordered by the Court at the hearing held on this Motion.

Objections, if any, to the Sale Motion shall (i) be in writing; (ii) state the name and address of the objecting party and the amount and nature of the Claim or other interest of such party in the Case; (iii) state with particularity the basis and nature of any objection; (iv) conform to the Bankruptcy Rules and the Local Rules; (v) be filed with the Court and served on the Consultation Parties, Successful Bidder(s), Back-up Bidder and all parties requesting notice in the Case by January 19, 2022 ("**Sale Objection Deadline**").

Any party which fails to file with the Court and serve an objection or response to the Sale Motion by the Sale Objection Deadline may be barred from asserting at the Sale Hearing or thereafter any objection to approval of the Sale, other than as set forth in the Assumption and Assignment Procedures.

V. THE CONSULTATION PARTIES

The Debtor and its advisors will continue to regularly and timely consult with the Consultation Parties and their advisors about the sale process, inquiries and information the Debtor and its advisors receive from potential bidders and confer with the Consultation Parties about responses thereto, except to the extent any Consultation Party seeks to become or becomes a Qualified Bidder.

The Debtor agrees to promptly provide copies of all Bids (if not simultaneously delivered to any Consultation Party) and all expressions or indication of interest the Debtor receives for some or all Assets to the Consultation Parties, but in no event later than one calendar day after receipt by the Debtor thereof.

VI. BASIS FOR RELIEF REQUESTED

A. Sufficient Business Justification Exists for Consummation of a Sale under Sections 105(a), 363(b), and/or 1129 of the Bankruptcy Code

Pursuant to section 105(a) of the Bankruptcy Code, a "[c]ourt may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." Section 363(b) of the Bankruptcy Code provides that a debtor, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." Although section 363(b) does not specify a standard for determining when it is appropriate for a court to authorize the use, sale, or lease of property of the estate, courts have required that such use, sale, or lease be based upon the sound business judgment of the debtor. *See Walter v. Sunwest Bank (In re Walter)*, 83 B.R. 14, 19 (B.A.P. 9th Cir. 1988) ("[T]here must be some articulated business justification for using, selling, or leasing the property outside the ordinary course of business.") (internal citations omitted).

In determining whether the debtor has complied with the sound business judgment rule, the Court must consider whether: (a) there has been "[a]ny improper or bad motive," (b) "[t]he price is fair and the negotiations or bidding has occurred at arm's length" and (c) the sale followed "[a]dequate procedures, including proper exposure to the market and accurate and

reasonable notice to all parties in interest." *In re Castre*, 312 B.R. 426, 428 (Bankr. D. Colo. 2004). When applying the rule, "the bankruptcy court should presume that the debtor-in-possession acted prudently, on an informed basis, in good faith, and in the honest belief that the action taken was in the best interests of the bankruptcy estate." *Agarwal v. Pomona Valley Med. Group, Inc. (In re Pomona Valley Med. Group, Inc.)*, 476 F.3d 665, 670 (9th Cir. 2007). In the context of this rule, courts often approve overbid procedures. *See, e.g., In re Crown Corp.*, 679 F.2d 774, 777 (9th Cir. 1982) (discussing the overbid procedures approved by the bankruptcy court).

Additionally, the Debtor believes that the presence of the Stalking Horse Bidder will not chill competitive bidding. To the contrary, the Debtor believes that the presence of the Stalking Horse Bidder combined with a fair and open process will increase interest and drive the value of the Assets for the stakeholders. In consideration for acting as the Stalking Horse Bidder, and in consideration of the extensive time and diligence costs incurred and to be incurred in negotiating and preparing the Stalking Horse Agreement and any ancillary agreements, the Debtor requests that the Court approve the Break-Up Fee.

Break-up fees are a normal and, in many cases, necessary component of significant sales conducted under section 363 of the Bankruptcy Code. "Break-up fees are important tools to encourage bidding and to maximize the value of the debtor's assets. . . . In fact, because the directors of a corporation have a duty to encourage bidding, break-up fees can be *necessary* to discharge [such] duties to maximize value." *In re Integrated Resources*, 147 B.R. 650, 659–60 (S.D.N.Y. 1992) (emphasis in original). Specifically, "[b]reak-up fees and other strategies may be legitimately necessary to convince a 'white knight' bidder to enter the bidding by providing some form of compensation for the risks it is undertaking." *In re 995 Fifth Ave. Assocs., L.P.*, 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1989) (quotations omitted); *Integrated Resources*, 147 B.R. at 660–61 (breakup fees can prompt bidders to commence negotiations and "ensure that a bidder

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does not retract its bid"); *In re Hupp Industries, Inc.*, 140 B.R. 191, 194 (Bankr. N.D. Ohio 1992) ("[W]ithout such fees, bidders would be reluctant to make an initial bid for fear that their first bid will be shopped around for a higher bid from another bidder who would capitalize on the initial bidder's . . . due diligence.").

Break-up fees are proper and necessary tools to ensure lively bidding, protect the auction process, and avoid potential litigation. *See In re Texas Rangers Baseball Partners*, 431 B.R. 706, 715 (Bankr. N.D. Tex. 2010) (finding that a break-up fee was "provided as an alternative to litigation" and that "[a]voidance of litigation and the inherent benefits of having a stalking horse . . . justify a breakup fee in this case"). As a consequence, bankruptcy courts frequently approve break-up fees in connection with proposed bankruptcy sales. In the process, courts generally consider "(1) whether the relationship of the parties who negotiated the fee is marked by self-dealing or manipulation; (2) whether the fee hampers, rather than encourages, bidding; and (3) whether the amount of the fee is reasonable in relation to the proposed purchase price." *In re Twenver, Inc.*, 149 B.R. 954, 956 (Bankr. D. Colo. 1992); *In re Bidermann Industries US.A., Inc.*, 203 B.R. 547, 552 (Bankr. S.D.N.Y. 1997).

The Debtor believes that the proposed Break-Up Fee is reasonable and appropriate in this Case for, among others, the following reasons: (a) the Break-Up Fee is well within the range approved by bankruptcy courts in similar circumstances; (b) the Break-Up Fee would be paid by any successful higher bidder at the Auction through the initial Overbid at the time of Closing, as opposed to being paid directly by the estate; (c) there is no self-dealing or manipulation, but rather arm's-length negotiations; and (d) the dollar amount of the Stalking Horse Bid sets a floor price—not a ceiling—for the sale of the Assets, which will ensure that the estate preserves, and hopefully maximizes, the value of the Assets.

As additional support, as mentioned above, section 105(a) of the Bankruptcy Code provides that the Court "may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of this title."

The Debtor has marketed the Assets post-petition. The open and fair sale process contemplated by the Bidding Procedures will ensure that the Debtor's estate receives the highest or otherwise best value available for the Assets by allowing the market to determine the value of such Assets. Furthermore, compliance with the Bidding Procedures will ensure the fairness and reasonableness of the consideration to be paid by the Stalking Horse Bidder (or other Successful Bidder or Backup Bidder), and establish that the Debtor and such bidder have proceeded in good faith. Depending on the results of the Auction, a sale conducted in accordance with the Bidding Procedures may represent the best path forward for maximizing recoveries to the Debtor's estate, the Debtor's creditors, and all parties in interest, given both the open nature of the proposed process and the Debtor's need to move forward with a transaction and conclude this Chapter 11 Case as soon as possible, as outlined herein and in the Nerger Declaration. The Debtor submits that ample business justification exists for conducting the Auction in accordance with the Bidding Procedures and, therefore, requests that the Court grant the requested relief herein, including (i) approval of the Bidding Procedures; (ii) authorization for the Debtor to enter into the Stalking Horse Agreement on an interim basis for purposes of the Auction; and (iii) approval of the protections afforded the Stalking Horse Bidder by the Break-Up Fee.

B. The Court Should Approve the Bidding Procedures

The key objective in any sale of property of a debtor's estate is to maximize the value received by the estate. Here, the Debtor has designed the Bidding Procedures to promote a competitive and fair bidding process and, thus, to maximize value for the Debtor's estate and creditors. The Bidding Procedures will allow the Debtor to conduct any sale in a controlled, fair, and open fashion that will encourage participation by financially capable bidders, thereby increasing the likelihood that the Debtor will receive the highest or otherwise best possible consideration for the Assets. The Bidding Procedures provide an appropriate framework for the Debtor to review, analyze, and compare any bids received and ultimately determine which bids are in the best interests of the Debtor's estate and creditors in a fair and objective manner. The

Debtor submits that the Bidding Procedures strike an appropriate balance between expediency, on the one hand, and fairness and transparency, on the other. As such, an Auction conducted in accordance with the Bidding Procedures will encourage bidding and derive the highest or otherwise best bids for the Assets with minimal risk of delay-related value destruction.

Therefore, the Debtor requests that the Court approve the Bidding Procedures, including, without limitation, the timing proposed therein for the Auction and the Sale Hearing, the Stalking Horse Bidder, and the Break-Up Fee.

C. The Assumption and Assignment Notice and Proposed Procedures Therein Comport with Section 365 of the Bankruptcy Code and Bankruptcy Rule 2002

Section 365(a) of the Bankruptcy Code provides, in pertinent part, that a debtor in possession, "subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor." In the Ninth Circuit, courts apply the business judgement standard to determine whether or not to authorize the assumption of a contract or an unexpired lease and need only "engage in a cursory review" of the debtor-in-possession's decision. *Pomona Valley Med. Group*, 476 F.3d at 670.

Here, the Debtor has exercised its sound business judgment in determining that assumption and assignment of the certain executory contracts in connection with a sale may be in the best interests of the Debtor and its estate and, accordingly, the Court should approve the procedures governing the potential assumption and assignment of the Assumed Contracts under section 365(a) of the Bankruptcy Code, as set forth on the Assumption and Assignment Procedures.

As set forth above, the Debtor believes that a sale may yield the maximum value for the Debtor's estate. To that end, the assumption, assignment, and sale of the Assumed Contracts will be necessary for the Debtor to obtain the benefits of the Stalking Horse Agreement or any topping purchase agreement. In addition, under section 365(k) of the Bankruptcy Code, a debtor's assignment of a contract or lease "relieves the trustee and the estate from any liability

for any breach of such contract or lease occurring after such assignment." Thus, following an assignment to the Successful Bidder of any Assumed Contracts, the Debtor will be relieved from any liability for any subsequent breach associated therewith, providing additional value to the Debtor's estate.

Moreover, as set forth above and in the Bidding Procedures, for a bid to qualify as a Qualified Bid, a Qualifying Bidder must include evidence supporting its ability to comply with the requirements of adequate assurance of future performance under section 365(f)(2)(B) and, if applicable, section 365(b)(3) of the Bankruptcy Code. Appropriate procedures to comply with these requirements is contained in the Assumption and Assignment Procedures.

The Debtor submits that the procedures set forth in the Assumption and Assignment Procedures are in the best interest of the Debtor's estate, and, as such, should be approved. The Debtor further submits that the proposed notice procedures fully comply with Bankruptcy Rule 2002 and are reasonably calculated to provide timely and adequate notice of the relief sought through this Motion.

The Debtor reserves all of its rights under the Bankruptcy Code.

VII. NOTICE

The Debtor will serve notice of the hearing on this Motion by email, facsimile, or overnight courier to: (i) the Office of the United States Trustee; (ii) counsel to the Committee; (iii) the California Health Facilities Financing Authority; (iv) HCAI; (v) Wilmington; (vi) Pacifica; (vii) all other entities that submitted a letter of intent in connection with the Sale Process; (viii) SEIU National Industry Pension Fund; (ix) B.H. Capital Ventures, LLC; (x) the California Department of Social Services; (xi) all creditors known to the Debtor; and (xii) all parties who have formally appeared in this Chapter 11 Case and requested service pursuant to Bankruptcy Rule 2002. The Debtor submit that, in light of the nature of the relief requested, no other or further notice is required.

VIII. NO PRIOR REQUEST

No prior request for the relief sought in this Motion has been made by the Debtor to this or any other court.

IX. CONCLUSION

WHEREFORE, the Debtor respectfully requests entry of the Order, substantially in the form attached hereto as **Exhibit A,** granting the relief requested herein and granting such other relief as is just and proper.

Dated: December 17, 2021

HANSON BRIDGETT LLP

By: */s/ Anthony J. Dutra*
NEAL L. WOLF
ANTHONY J. DUTRA

Attorneys for Debtor and Debtor in Possession

EXHIBIT A

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
ANTHONY J. DUTRA, SBN 277706
adutra@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES,[1] Debtor.	Case No. 21-40363 Chapter 11 **[PROPOSED] ORDER GRANTING DEBTOR'S MOTION FOR ENTRY OF AN ORDER (I) APPROVING BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS; (II) APPROVING PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (III) APPROVING STALKING HORSE BIDDER AND BREAK-UP FEE; AND (IV) GRANTING RELATED RELIEF**

The *Debtor's Motion for Entry of an Order (i) Approving Bidding Procedures in Connection With the Sale of Substantially All of the Debtor's Assets; (ii) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (iii) Approving Stalking Horse Bidder and Bid Protections; and (iv) Granting*

[1] The last four digits of the Debtor's federal tax identification number are 2411. The mailing address for the Debtor is 1850 Alice Street Oakland, CA 94612.

Related Relief (the "**Motion**")[2] came on for hearing on December [29], 2021 at 11:00 a.m. Neal L. Wolf, Esq. of Hanson Bridgett LLP appeared for debtor and debtor-in-possession, California-Nevada Methodist Homes (the "**Debtor**"). Other appearances were noted on the record. There being no objection, and good cause appearing therefor, the Motion be and hereby is GRANTED.

IT IS THEREFORE ORDERED that

1. The Bidding Procedures, attached hereto as **Exhibit 1**, are hereby authorized for use in an Auction of the Debtor's Assets.
2. Pacifica Companies, LLC is approved as the Stalking Horse Bidder under the Bidding Procedures, pursuant to the terms set forth in the Stalking Horse Agreement attached as **Exhibit A** to the Bidding Procedures.
3. The Single Facility Break-up Fee and Break-up Fee are approved.
4. The Assumption and Assignment Procedures, attached hereto **Exhibit 2**, are hereby authorized for use.

***** END OF ORDER*****

[2] Capitalized terms used but not otherwise defined herein will have the meanings ascribed to them in the Motion.

Exhibit 1

Bidding Procedures

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BIDDING PROCEDURES

These bidding procedures (the "**Bidding Procedures**") set forth the guidelines and process by which California-Nevada Methodist Homes (the "**Debtor**") shall market substantially all of its assets (the "**Assets**") (other than the Excluded Items as such term is defined in the Stalking Horse Agreement (as defined below)) for sale to interested parties and conduct one or more sales of such Assets (each, a "**Sale**") through a court-approved auction (the "**Auction**") pursuant to sections 105, 363, 365, 1129, as applicable, and other applicable provisions of Title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (as amended, the "**Bankruptcy Code**").

On [December 29, 2021], the United States Bankruptcy Court for the Northern District of California (the "**Court**") entered an order that, among other things, approved the Bidding Procedures set forth herein (the "**Bidding Procedures Order**"). Pursuant to the Bidding Procedures Order, the Court has authorized the Debtor to enter into that certain Purchase and Sale Agreement with Pacifica Companies, LLC or its designee as a potential purchaser of the Assets (the "**Stalking Horse Bidder**), dated as of December 17, 2021 (together with the schedules and related documents thereto, the "**Stalking Horse Agreement**") and to proceed with the Bidding Procedures set forth herein. The Bidding Procedures Order also set the date on which the Court will conduct the Sale Hearing (as defined below) as [January 26, 2022 at 11:00 a.m.] At the Sale Hearing, the Debtor will seek entry of an order from the Court authorizing and approving the Sale of the Assets to the Stalking Horse Bidder or another Qualified Bidder (or Qualified Bidders) (as defined below) that the Debtor determines, in its business judgment, to have made the highest or otherwise best offer for the Assets.

The Debtor provides these Bidding Procedures for use by Potential Bidders (as defined below) and Qualified Bidders (as defined below) in submitting Bids (as defined below) proposing a transaction to purchase or otherwise acquire the Assets and, as necessary, qualifying for and participating in the Auction.

1. Key Dates

The key dates for the sale process are as follows:

December 27, 2021 at 5 pm PT	Bid Procedures Response Deadline
December 29, 2021 at 11 am PT	Bid Procedures Hearing
December 30, 2021	Service of Notice of Auction and Bid Procedures
January 20, 2022 at 4 pm PT	End of Due Diligence Period
January 20, 2022 at 11:59 pm PT	Bid Deadline - Due Date for Bids, Deposits and Evidence of Qualification as Qualified Bidder to be Sent to Debtor and Consultation Parties (as defined below)

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January 24, 2022 at 9 am PT	Auction
Day after completion of Auction	Filing and Service of Auction Results
January 19, 2022 at 12:00 pm PT	Sale Objection Deadline
January 24, 2022 at 3 pm PT	Replies to Sale Objections
January 26, 2022	Sale Hearing

2. Stalking Horse Agreement[3]

On December 17, 2021, the Debtor entered into the Stalking Horse Agreement with the Stalking Horse Bidder, attached hereto as **Exhibit A.**

The transaction contemplated by the Stalking Horse Agreement is subject to competitive bidding as set forth herein, and approval by the Court pursuant to sections 105(a), 363 and 365 of the Bankruptcy Code, as applicable. The Stalking Horse Bidder is deemed to be a Qualified Bidder (as defined below), and the Stalking Horse Agreement is deemed to be a Qualified Bid (as defined below) under these Bidding Procedures. For the avoidance of doubt, the Stalking Horse Bidder shall not be required to submit an additional Qualified Bid pursuant to Section 5 of these Bidding Procedures.

3. Due Diligence

a. Diligence Provided to Potential Bidders

Subject to execution of a confidentiality agreement on terms acceptable to the Debtor (a "**Confidentiality Agreement**"), any party (i) willing to submit any proposal, solicitation or offer (each, a "**Bid**," and the person or entity making such Bid, a "**Bidder**") for the Assets and (ii) (a) capable of demonstrating to the Debtor in consultation with California Department of Health Care Access and Information, f/k/a Office of Statewide Health Planning and Development ("**HCAI**"), Wilmington Trust, National Association ("**Wilmington**"), B.H. Capital Ventures, LLC ("**BHC**"), California Department of Social Services ("**CDSS**"), and the Committee (collectively, the "**Consultation Parties**")that such party can satisfy the financial requirements set forth in Section 5 below or (b) that the Debtor believes based on its own investigation or knowledge has such financial wherewithal (such party, a "**Potential Bidder**"), may be granted access to public and non-public information relating to the Assets to facilitate its consideration for making its Bid. Any Confidentiality Agreement previously entered into between the Debtor and a Potential Bidder in effect on the date of the entry of the Bidding Procedures Order shall be deemed to be a Confidentiality Agreement for purposes of these Bidding Procedures.

[3] Capitalized terms used but not otherwise defined herein will have the meanings ascribed to them in the Stalking Horse Agreement.

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Until January 20, 2022 at 4:00 p.m. (prevailing Pacific Time), the Debtor will afford any Potential Bidder such due diligence access or additional information as may be reasonably requested by the Potential Bidder that the Debtor determines in its discretion to be appropriate under the circumstances. The Debtor shall not be obligated to, but may in its discretion, furnish any due diligence information after the Bid Deadline and until the conclusion of the Auction to any Potential Bidder who has submitted a Bid as of the Bid Deadline. Any new information provided to a Potential Bidder will also be provided to the Stalking Horse Bidder to the extent not previously disclosed. No Potential Bidder shall communicate with any of the Debtor's employees, suppliers, vendors or customers with respect to any potential bid or transaction absent the prior written consent of the Debtor.

The Debtor and its advisors are not responsible for, and will bear no liability with respect to, any information obtained by Bidders in connection with the sale of the Purchased Assets except to the extent expressly set forth in the applicable Purchase Agreement.

The Debtor will not provide any due diligence materials after the Bid Deadline to any party who has failed to submit a Qualified Bid as of the Bid Deadline. After commencement of the Auction, the Debtor will provide due diligence materials related to a Sale only to Qualified Bidders and only in connection with the Auction, and will cease all marketing activities related to a Sale other than those performed in connection with the Auction.

b. Diligence Provided by Potential Bidders and Qualified Bidders

Each Potential Bidder and each Qualified Bidder shall comply with all reasonable requests for information from the Debtor regarding such Bidder and its contemplated transaction. Failure by a Potential Bidder or a Bidder that would otherwise be a Qualified

Bidder to provide such information may be a basis for the Debtor to deem such Bidder not to be a Qualified Bidder and to prohibit such Bidder from participating in any Auction.

4. Bid Deadline

All Bids must be submitted in writing so that they are actually received no later than January 20, 2022 at 11:59 p.m. (prevailing Pacific Time) (the "**Bid Deadline**"). To properly submit a Bid, a Potential Bidder must deliver written copies of its Bid via email to each of the following notice parties: (i) the Debtor, California-Nevada Methodist Homes, Attention: Steven A. Nerger, Email: SNerger@silvermanconsulting.net; (ii) counsel to the Debtor, Neal L. Wolf, Email: nwolf@hansonbridgett.com; (iii) Office of the United States Trustee, Attn: Trevor Fehr, Esq., 450 Golden Gate Avenue, 5th Floor, Suite #05-0153, San Francisco, CA 94102, Email: Trevor.Fehr@usdoj.gov; (iv) counsel to the Committee, Sara L. Chenetz, Email: SChenetz@perkinscoie.com; (v) counsel to

HCAI, Cara Porter, Email: cara.porter@doj.ca.gov; (vi) counsel to the CDSS, Anjana Gunn, Email: Anjana.Gunn@doj.ca.gov; (vii) counsel to Wilmington, Kristin K. Going, Email: kgoing@mwe.com; (viii) counsel to BHC, Sharon Weiss, Email: sharon.weiss@bclplaw.com (collectively, the "**Notice Parties**").

A Bid delivered after the Bid Deadline and/or by a Potential Bidder that is not a Qualified Bidder shall not constitute a Qualified Bid (as defined below).

5. Bid Requirements

To participate in the Auction, a Qualified Bidder, other than the Stalking Horse Bidder must, by the Bid Deadline, submit a bid that, as determined by the Debtor in its business judgment in consultation with the Consultation Parties, satisfies each of the following conditions (the "**Bid Requirements**"), unless any such Bid Requirements are waived by the Debtor with the agreement of the Consultation Parties; *provided, however*, that for any bid, the following conditions may not be waived: (1), (3), (5), (7), (8), (9), (11), (12), (13), (15), (18), (19), (20), (26), and (27) below (each such bid, a "**Qualified Bid**"):

1. Written Submission of a Purchase Agreement. Each bid must be in writing and include: (i) a clean purchase agreement signed by the bidder, accompanied by all exhibits and schedules contemplated by the purchase agreement and, to the extent required by the terms and conditions of the bid, any ancillary agreements described in the purchase agreement with all exhibits and schedules thereto (each such purchase agreement, together with its exhibits, schedules, and ancillary agreements, if any, a "**Modified Agreement**"); (ii) a redline reflecting the bidder's proposed changes to the Stalking Horse Agreement (including all exhibits and schedules thereto). Each Modified Agreement must conform in all material respects with the form and content of the Stalking Horse Bid, and each Modified Agreement and the Stalking Horse Agreement shall be a "**Purchase Agreement**" for purposes of the Bidding Procedures.

2. Commitment to Close. Each bid must contain a written statement that the bidder is willing to consummate and fund the sale of the Assets proposed in the Modified Agreement within three business days after satisfaction of the conditions to closing, and in any event by the close of business on April 8, 2022 (the "**Closing Deadline**").

3. Commitment to Serve as Backup Bidder. Each bid must contain a written statement that the bidder will serve as the Backup Bidder (as defined below).

4. Assets to be Acquired. Each bid must identify with reasonable particularity the Assets to be purchased (the "**Purchased Assets**") and the Excluded Items. The bid may offer to purchase substantially all of the Assets or only a portion of the Assets; *provided, however*, that a bid that offers to purchase only a portion of the Assets may only be a Qualified Bid to the extent that the value of such bid, in combination with the value of other bids for the remaining Assets, exceeds the Minimum Initial Overbid Amount (as defined below) applicable to Qualified Bids for substantially all of the Assets. The Debtor may waive or modify the application of the Qualified Bid conditions in respect of bids for a portion of the Assets (other than the requirement that the value of any such Qualified Bid, in combination with the value of other bids for Assets, exceeds the Minimum Initial Overbid Amount applicable to Qualified Bids for substantially all of the Assets). For the avoidance of doubt, no bid from any party other than the Stalking Horse Bidder (pursuant to the Stalking Horse Bid) shall be accepted for that portion of the Assets that includes only Forest Hill unless another party has made an offer that exceeds the Minimum Initial Overbid Amount on a portion of the Assets that includes Lake Park

5. Assumption of All Assumed Residency Agreements and Assumed Repayable Entrance Fee Liabilities. Each bid for substantially all of the Assets must agree to assume and accept the assignment of (a) all Assumed Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) the Assumed Repayable Entrance Fee Liabilities. Each bid for any portion of the Assets that includes Forest Hill must agree to assume and accept the assignment of (a) all Assumed Forest Hill Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) all Assumed Forest Hill Repayable Entrance Fee Liabilities. Each bid for any portion of the Assets that includes Lake Park must agree to assume and accept the assignment of (a) all Assumed Lake Park Residency Agreements without modification and pursuant to Section 365 of the Bankruptcy Code and (b) all Assumed Lake Park Repayable Entrance Fee Liabilities.

6. Executory Contracts, Leases and Liabilities to be Assumed and Assigned. Each bid must identify with reasonable particularity the executory contracts, unexpired leases and other liabilities of the Debtor that the bidder seeks to have the Debtor assume and assign to the bidder in addition to those set forth in [5] immediately above (collectively, with the

Assumed Residency Agreements and Assumed Repayable Entrance Fee Liabilities, the "**Assumed Contracts**").

7. Irrevocable. Each bid (including the Stalking Horse Bid) must be irrevocable until (i) if such bidder is designated as a Successful Bidder (as defined below), the Closing of the sale of the Assets to such bidder, and (ii) if such bidder is designated as a Backup Bidder, the earlier to occur of (A) five days after the closing of the transaction(s) by which all of the Assets that were subject to the Backup Bid have been transferred to one or more Qualified Bidders at the closing of a sale or sales of the Assets conducted pursuant to these Bidding Procedures or (B) the Closing Deadline.

8. Earnest Money Deposit. Each bid must be accompanied by an Earnest Money deposit paid to the Debtor by certified funds or such other form acceptable to the Debtor in the amount of at least $500,000 for each of the Facilities, which Earnest Money will be held by the Debtor to be applied or returned, as applicable, pursuant to the terms of these Bidding Procedures.

9. Minimum Initial Overbid Amount. Each Overbid must offer to the Debtor aggregate value in an amount as determined by the Debtor, in its reasonable business judgment, that is greater than or equal to the sum of (i) the value offered under the Stalking Horse Agreement, *plus* (ii) cash (or, in the case of the Stalking Horse Bidder, a credit bid) in the amount of $500,000 for each Facility sought to be acquired, *plus* (iii) cash in the amount of at least $250,000 (the "**Minimum Initial Overbid Amount**"), regardless of whether the Overbid is for one or both of the Facilities. Subsequent Overbids shall be in increments of at least $250,000 unless the Court orders otherwise, provided however, the Debtor in consultation with the Consultation Parties may change the minimum of such increments during the Auction.

10. Credit Bid. If any Overbids are submitted, Pacifica may credit bid $1,000,000 of the Break-Up Fee if it submits a subsequent Overbid on both Facilities. If Pacifica opts to overbid on only one of the Facilities, it may credit bid $500,000 and will waive the $500,000 remaining of the Break-Up Fee.

11. Contingencies. No bid may be conditioned on any due diligence, internal approval, financing, or regulatory or third-party approval contingencies of any kind (other than

regulatory contingencies required by law or as set forth in the Stalking Horse Agreement).

12. Proof of Financial Ability to Perform. Each bid must contain written evidence, to the Debtor's reasonable satisfaction in consultation with the Consultation Parties, of a firm commitment for financing from a recognized banking institution or HCAI, as of the Bid Deadline, or other evidence of ability to consummate the sale of the Assets contemplated by the Modified Agreement, that will allow the Debtor and Consultation Parties to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transactions contemplated in such bidder's Modified Agreement (taking into account the conditions and third-party beneficiary rights, if any, in any such commitment). Each bid must also contain a commitment by the bidder that, if selected as a Backup Bidder, the bidder will continue to comply with the requirements of this Paragraph II.D.12 until the earlier to occur of (a) five days after the closing of the transaction(s) by which all of the Assets that we subject to the bidder's Backup Bid have been transferred to one or more Qualified Bidders at the closing of a sale or sales of the Assets conducted pursuant to the Bidding Procedures or (b) the Closing Deadline. If the purchaser will be a newly formed entity, the bid must identify, among other things, the entity or entities that will provide backstops in the form of a guarantee and/or an equity commitment letter and describe the nature of such arrangement(s). Such information must additionally include the following:

i. contact names and numbers for verification of financing sources, if applicable;

ii. all equity commitments and other sources of cash in the amount equal to the cash component of the offered Purchase Price or posting of an irrevocable letter of credit issued in favor of the Debtor in such amount;

iii. a description of the Potential Bidder's pro forma capital structure;

13. Financial Statements. To the extent not previously provided, each bid must include the latest audited financial statements and unaudited financial statements of the bidder or, if the bidder is an entity formed for the purpose of acquiring the Assets, the latest audited financial statements and unaudited financial statements of the direct and indirect equity holders

or sponsors of the bidder who will guarantee the obligations of the bidder, or such other form of financial disclosure and/or credit support or enhancement, if any, that will allow the Debtor to make a reasonable determination as to the bidder's financial and other capabilities to consummate the transactions contemplated in such bidder's Modified Agreement.

14. Identity of Purchaser. Each bid must, to the satisfaction of the Debtor, in consultation with the Consultation Parties, fully disclose (i) the identity of each person or entity that will be bidding for the Assets or otherwise participating in connection with such bid, (ii) the terms of any such participation, (iii) if any entity has been formed for the purpose of acquiring some, or all, of the Assets, the parties that will bear liability for any breach by such person or entity, and the financial capacity of such parties to satisfy such liability, and (iv) any connections between (x) the bidding party and its affiliates and related persons and (y) the Debtor and their primary creditors as identified by the Debtor.

15. Purchaser's Experience. Each bid must, to the satisfaction of the Debtor in consultation with the Consultation Parties, describe the experience of the bidder with respect to the ownership and management of senior living facilities in general and continuing care communities in particular in California and elsewhere; provided however, that a bidder need not have prior California experience for its bid to be a Qualified Bid.

16. Bidder's Business Plans. Each bid must contain detail regarding the planned operations and management of the Assets after the Closing and information explaining the bidder's ability to obtain necessary regulatory approvals, including any necessary licenses, to purchase and operate the Assets.

17. No Fees or Commissions. No bid (other than the Stalking Horse Bid) may (i) request or entitle the bidder to any break-up fee, expense reimbursement fee, or similar type of payment, or (ii) obligate the Debtor to pay commissions, fees, or expenses to any agent or broker. Further, by submitting a bid, a bidder shall be deemed to waive its right to pursue a substantial contribution claim under section 503 of the Bankruptcy Code or in any way related to the submission of its bid or the Bidding Procedures.

18. As Is, Where Is. As set forth in the Stalking Horse Agreement, a bidder shall state in such bidder's Purchase Agreement that: "Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, bidder acknowledges and agrees that bidder is purchasing the Premises in its 'as-is, where is, with all faults' condition as of the Closing."

19. Adequate Assurance. Each bid must include evidence of the bidder's ability to comply with section 365 and/or section 1129 of the Bankruptcy Code (to the extent applicable), including providing adequate assurance of such bidder's ability to perform in the future under the Assumed Residency Agreements and all other executory contracts and unexpired leases proposed in its bid to be assumed by the Debtor and assigned to such bidder, in a form that will permit the immediate dissemination of such evidence to the counterparties to such contracts and leases and must consent to the filing of such information with the Court.

20. Corporate Authority. Each bid must include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission of the bid and the consummation of the transactions contemplated in such bidder's Purchase Agreement.

21. Employees. Each bid must contain a detailed description of how the Qualified Bidder intends to treat current employees of the Debtor and liabilities that may be owed by the Debtor to or for the benefit of current and past employees of the Debtor.

22. Privacy Policies. Each bid must provide to the Debtor's satisfaction that the bidder will adhere to the Debtor's prepetition privacy policies regarding personally identifiable information, except as may be modified pursuant to applicable user terms and applicable law.

23. Access to Books and Records. Each bid must contain provisions allowing the Debtor reasonable access to the Debtor's books and records for the administration of its bankruptcy case if the bid provides for the purchase of such books and records

24. Consent to Jurisdiction: Each Potential Bidder must submit to the jurisdiction of the Court to enter final orders and judgments

which in any way related to the Debtor, the Bid Procedures, the Auction, any Modified Agreement, or the construction and enforcement of all agreements, orders and pleadings which in any way relate to the Assets, Sale, Closing, Debtor, Bid Procedures and/or Auction.

25. Disclosure of Connections: Fully disclose any connections or agreements with the Debtor and/or any officer or director of the Debtor. Each Bid must be irrevocable through the entry of the Sale Order; provided, however, that a bid accepted as the Successful Bid or the Backup Bid (as each are defined below) shall remain irrevocable as set forth below.

26. Representations and Warranties: All bids must include the following representations and warranties:

a statement that the Potential Bidder has had an opportunity to conduct all due diligence regarding the Assets prior to submitting its Bid;

a statement that the Potential Bidder has relied solely upon its own independent review, investigation, and/or inspection of the Assets and all information related to the Assets in making its bid, and did not rely on any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express or implied, by operation of law or otherwise, regarding the Assets or the completeness of any information provided in connection therewith;

a statement that the Potential Bidder agrees to serve as Back-Up Bidder, if its bid is selected as the next highest or next best bid after the Successful Bid with respect to the applicable Assets;

a statement that the Potential Bidder has not engaged in any collusion with respect to the submission of its bid;

a statement that all proof of financial ability to consummate a Sale in a timely manner and all information provided to support adequate assurance of future performance is true and correct; and

a statement that the Bidder agrees to be bound by the terms of the Bid Procedures and any order approving a Sale.

27. Format. All documentation for each bid must be provided in electronic form.

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Any Bid that is not deemed a Qualified Bid, as determined by the Debtor in its business judgment in consultation with the Consultation Parties, shall not be considered by the Debtor, and the Bidder submitting that Bid will not be permitted to participate in the Auction; provided, however, that the Debtor reserves the right to work with any Bidder in advance of the Auction to cure any deficiencies in a Bid that is not initially deemed to be a Qualified Bid. In addition, the Debtor may negotiate or seek clarification of any Bid from any Bidder between the Bid Deadline and the Auction.

Without the consent of the Debtor, a Qualified Bidder may not amend, modify, or withdraw its Bid, except for proposed amendments to increase the amount or otherwise improve the terms of the Qualified Bid during the period that such Qualified Bid is required to remain irrevocable and binding. No Qualified Bid may be amended or modified to consist of terms that are less favorable to the Debtor than those contained in the original (or then current) version of such Qualified Bid, as determined by the Debtor.

8. Designation of Qualified Bidders

A "**Qualified Bidder**" is a Bidder that (i) submits a Qualified Bid by the Bid Deadline to the Debtor and each of the other Notice Parties, and (ii) the Debtor determines, in the exercise of its business judgment and in consultation with the Consultation Parties, is reasonably likely (based on financial information submitted by the bidder, its pertinent experience and plans, and other considerations) to consummate the sale of the Assets if selected as a Successful Bidder or a Backup Bidder. As noted above, the Stalking Horse Bidder is deemed to be a Qualified Bidder.

As promptly as practicable after the Bid Deadline (but in any event not less than one business day before the commencement of the Auction), the Debtor will notify (a) each bidder that submits a bid whether such bidder is a Qualified Bidder, and (b) the Stalking Horse Bidder and all other Qualified Bidders, if any, whether or not any bids (other than the Stalking Horse Agreement) constitute Qualified Bids and identify the Qualified Bidders, including the Stalking Horse Bidder, making any such Qualified Bids.

Any Earnest Money deposit accompanying a Bid that the Debtor determines not to be a Qualified Bid shall be returned promptly following such determination unless otherwise agreed by the Bidder and the Debtor; *provided, however*, that for the avoidance of doubt, no Bidder may participate in the Auction regardless of whether it otherwise cures the deficiencies that initially prevented its Bid from being a Qualified Bid unless the Debtor is in possession of an Earnest Money deposit from such Bidder at the time of the Auction.

9. Auction

If no Qualified Bids (other than the Stalking Horse Bid) are received by the Bid Deadline, the Auction will not be held and the Debtor will file a notice with the Court indicating that no Auction will be held within one business day after the Bid Deadline. If the Debtor receives one or more Qualified Bids (in addition to the Stalking Horse Bid) by the Bid Deadline, the Debtor will conduct the Auction on January 24, 2022 at 9:00 a.m. (prevailing Pacific Time) by Zoom or similar virtual process. The Auction may be

adjourned from time to time by the Debtor with the agreement of the Consultation Parties or order of this Court in which event notice of such adjournment and the time and place for the resumption of the Auction will be filed with this Court and served promptly on (i) Qualified Bidders; (ii) Consultation Parties, (iii) any other parties who have provided written notice to Debtor's counsel no later than two days prior to the Auction of their intent to attend the Auction; and (iv) all other parties in interest who have requested notice pursuant to Bankruptcy Rule 2002 prior to the continued date and time of the Auction.

Qualified Bidders shall virtually attend the Auction in person (via Zoom) or through a duly-authorized representative. Only the Stalking Horse Bidder and any other Qualified Bidder(s) (or their duly-authorized representatives) (collectively, the "**Bidder Participants**") are eligible to submit bids at the Auction. While only the Bidder Participants may submit bids at the Auction, the authorized representatives and respective counsel and advisors of each of the Qualified Bidder(s) (regardless of whether such representatives, counsel and advisors are serving as Bidder Participants), the Debtor, the United States Trustee, and the Consultation Parties[4] and any of the Debtor's creditors who notify the Debtor in writing no later than two days prior to the Auction of such creditors' intent to attend the Auction by contacting the Debtor's counsel, Neal L. Wolf, at nwolf@hansonbridgett.com, shall be permitted to attend the Auction; *provided, however*, that the Debtor may exclude parties whom the Debtor deems to be detrimental to the sale process other than any Consultation Parties. Each Qualified Bidder participating in the Auction (including any Qualified Bidder participating through a duly-authorized representative) will be required to confirm on the record that it has not engaged in any collusion regarding the Bidding Procedures, the Auction, or the sale of the Assets.

The following procedures will govern the Auction:

a. Opening Bid. At least one business day in advance of the Auction, the Debtor will notify each Qualified Bidder of the highest or otherwise best Qualified Bid or Qualified Bid(s), as determined by the Debtor (the "**Opening Bid**") and will provide copies of the applicable Purchase Agreement for such Opening Bid to each Qualified Bidder. The determination of which Qualified Bid constitutes the Opening Bid shall be determined after consultation with the Consultation Parties and take into account any factors the Debtor deems relevant to the value of the Qualified Bid to the estate, including, among other things, the following: (i) that the Bid satisfies the requirements to be a Qualified Bid as described above (and if a Bid does not do so, it will not be further considered); (ii) the amount and nature of the consideration offered; (iii) the proposed assumption of any liabilities in addition to those which

[4] If any Consultation Party seeks to be a Qualified Bidder, it shall cease being a Consultation Party until such time as it determines it will not bid on any of the Assets.

must be assumed to be a Qualified Bid; (iv) the ability of the Qualified Bidder to close the proposed transaction on or before the Closing Deadline; (v) any Purchase Price adjustments; (vi) the impact of the contemplated transaction on any actual or potential litigation; (vii) the net economic effect of any changes from the Stalking Horse Agreement, if any; (viii) the net value to be received by the Debtor's estate including consideration of any amounts required to be paid to the Stalking Horse Bidder; (ix) the bidder's pertinent management and operations experience, and (x) such other considerations the Debtor and Consultation Parties deems relevant.

b. Debtor Shall Conduct the Auction. The Debtor's professionals shall direct and preside over the Auction on behalf of the Debtor via Zoom. At the start of the Auction, Debtor's counsel shall describe the terms of the Opening Bid. The Auction shall be transcribed by a court reporter. The Debtor shall maintain a written transcript of all bids made and announced at the Auction, including the Opening Bid, all applicable Overbids, and the Successful Bid.

c. Terms of Overbid. An "Overbid" is any bid made at the Auction subsequent to the announcement of the Opening Bid. To submit an Overbid for purposes of the Auction, a Qualified Bidder must comply with the following conditions:

(i) *Minimum Overbid Increment and Deadline.* After the Opening Bid is announced, all subsequent Overbids, if any, shall provide for total consideration to the Debtor (net of the amount for any Break-Up Fee) with a value that exceeds the value of the consideration under the Opening Bid by an incremental amount that is not less than $250,000 (the "**Minimum Overbid Increment**"), unless otherwise announced at the Auction, consistent with the terms of these Bidding Procedures. For all Qualified Bids, the Minimum Overbid Increment for each Overbid round must be made in cash.

(ii) *Conclusion of Each Overbid Round.* Upon the solicitation of each round of applicable Overbids, the Debtor may announce a deadline

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(the "**Overbid Round Deadline**") by which time any Overbids must be submitted to the Debtor and Consultation Parties.

(iii) *Announcing Highest or Otherwise Best Bid.* Subject to each Overbid Round Deadline, the Debtor shall announce whether it, in consultation with the Consultation Parties, has identified in the applicable Overbid round, one or more Overbids as being higher or otherwise better than the Initial Minimum Overbid for such asset package, or in subsequent rounds, the Overbid(s) previously designated as the prevailing highest or otherwise best bid for a given asset package (for each asset package, collectively, the "**Prevailing Highest Bid**"). After each round of bidding, including the initial round, the Debtor shall disclose to all Qualified Bidders the material terms of any Overbid(s) designated as the Prevailing Highest Bid, as well as the value attributed to such Prevailing Highest Bid.

(iv) *Bids for Less than Substantially All Assets.* The Debtor may, in consultation with the Consultation Parties, consider and accept bids for any portion of the Assets, as well as bids for substantially all of the Assets, and hold separate Auctions for portions of the Assets; provided, however, that the Debtor, in consultation with the Consultation Parties may consider and accept bids for less than substantially all of the Assets only so long as the value of such bids, in combination, constitute an Overbid, taking into consideration that if there are no accepted Overbids on the Lake Park Assets alone, the Stalking Horse Agreement provides that Pacifica shall purchase all Assets subject to the terms of the Stalking Horse Agreement and, in such circumstances, the Debtor shall seek Court approval to sell all Assets to the Stalking Horse Bidder at the Sale Hearing. There must be one or more buyers for all Assets at the completion of the Auction. The Debtor will not

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sell or seek Court authority to sell only one of the two Facilities.

d. Consideration of Overbids. The Debtor reserves the right, in its reasonable business judgment after consultation with the Consultation Parties, to adjourn the Auction one or more times to, among other things: (A) facilitate discussions between the Debtor and Qualified Bidders; (B) allow Qualified Bidders to consider how they wish to proceed; (C) consider and determine the current Prevailing Highest Bid at any given time during the Auction; and (D) give any Qualified Bidder the opportunity to provide the Debtor with such additional evidence as the Debtor, in its reasonable business judgment, may require that the Qualified Bidder (other than Stalking Horse Bidder) has sufficient internal resources, or has received sufficient debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing Overbid amount.

e. Closing the Auction.

(i) The Auction shall continue until there is only one offer (which may consist of one Qualified Bid for substantially all of the Assets or more than one Qualified Bid for complementary portions of the Assets) that the Debtor determines, in the exercise of its business judgment and after consultation with the Consultation Parties, to be the highest or otherwise best offer for the Assets (one or more such Qualified Bids, the "Successful Bid," and the Qualified Bidder or Qualified Bidders making such Successful Bid, the "**Successful Bidder**").

(ii) After determining the Successful Bid and the Successful Bidder, the Debtor will also determine, in its business judgment and after consultation with the Consultation Parties, the Qualified Bidders(s) with the next highest or otherwise best bid(s) for the Assets (the "**Backup Bid**," and the Qualified Bidder(s) making such Backup Bid, the "**Backup**

Bidder"), at which point the Auction will be closed.

(iii) The Debtor shall not consider any bids or Overbids submitted after the closing of the Auction, and any such bids or Overbids shall be deemed untimely and shall not constitute Qualified Bids. The determination of the Successful Bid and Backup Bid at the closing of the Auction shall be final, subject only to approval by this Court.

(iv) After the conclusion of the Auction, the Debtor shall ask that the Court declare the Successful Bidder and Backup Bidder and approve the sale. The Debtor shall thereafter file with this Court and serve upon all Qualified Bidders and parties that have requested notice in this case a notice identifying the Successful Bidder and the Backup Bidder.

(v) As promptly as practicable following the conclusion of the Auction, (a) the Successful Bidder will transfer via wire transfer of immediately available funds or such other form acceptable to the Debtor the amount of its Successful Bid net of its Earnest Money Deposit and Independent Consideration if applicable; and (b) the Debtor shall cause the Purchase Agreements for the Successful Bidder and the Backup Bidder to be filed with this Court.

(vi) Following the approval of the sale of the Assets to the Successful Bidder, if such Successful Bidder (a) fails to consummate a sale of the Assets by the Closing Deadline, (b) breaches such Successful Bidder's Purchase Agreement, or (c) otherwise fails to perform, the Debtor shall be authorized, but not required, to deem the Backup Bid(s) the Successful Bid(s) and the Debtor shall be authorized, but not required, to consummate the sale with the Qualified Bidder(s) submitting such Backup Bid(s) without further notice or orders of the Court. In the event that there are multiple Successful Bidders and/or

Backup Bidders and only one of such Successful Bidders or Backup Bidders engages in the acts or omissions described in clauses (a) through (c) of the foregoing sentence, the Debtor may elect to close the contemplated transactions with some or all of the other Successful Bidders or Backup Bidders, as applicable.

f. Consent and Waiver as Condition to Bid. All Qualified Bidders at the Auction shall be deemed to have (i) consented to the Court's jurisdiction and constitutional authority to enter a final order in connection with any disputes relating to the Auction, and the construction and enforcement of the Potential Bidder's Modified Agreement, as applicable, (ii) waived any right to a jury trial in connection with such disputes, and (iii) waived any objection to these Bidding Procedures.

10. Acceptance of Successful Bid

The Debtor shall sell the Purchased Assets to the Successful Bidder(s) upon the approval of the Successful Bid(s) by the Court. The Debtor's presentation of a particular Qualified Bid to the Court for approval does not constitute the Debtor's acceptance of the Bid. The Debtor will be deemed to have accepted a Bid only when such Bid has been approved by the Court.

11. Sale Hearing

The auction and hearing to approve the sale of the Assets to the Successful Bidder (the "**Sale Hearing**") shall be conducted by the Court, via videoconference, on **January 26, 2022 at 11:00 a.m. or as soon thereafter as the Court may hear the matter.** Any objections to the Sale or Sale Motion (a "**Sale Objection**") shall be filed with the Court, together with proof of service, on or before **12:00 p.m. (prevailing Pacific Time) on January 19, 2022**. The Debtor's reply to any Sale Objection must be filed no later than **January 24, 2022**.

Following the approval of the sale of the Assets to the Successful Bidder at the Sale Hearing, if such Successful Bidder (i) fails to consummate a sale of the Assets by the Closing Deadline, (ii) breaches such Successful Bidder's Purchase Agreement, or (iii) otherwise fails to perform, the Debtor shall be authorized, but not required, to deem the Backup Bid(s) the Successful Bid(s) and the Debtor shall be authorized, but not required, to consummate the sale with the Qualified Bidder(s) submitting such Backup Bid(s) without further notice or orders of the Court. In the event that there are multiple Successful Bidders and/or Backup Bidders and only one of such Successful Bidders or Backup Bidders engages in the acts or omissions described in clauses (i) through (iii) of the foregoing sentence, the Debtor may elect to close the contemplated transactions with some or all of the other Successful Bidders or Backup Bidders, as applicable.

The Sale Hearing may be adjourned or rescheduled without notice other than by announcement of the adjourned date at the Sale Hearing or in the agenda or notice filed in respect of such hearing.

12. Return of Earnest Money Deposit

Earnest Money deposits provided by Bidders (i) shall be held by the Debtor in one or more non-interest-bearing accounts on terms acceptable to the Debtor in its discretion, and (ii) shall not become property of the Debtor's estate nor become subject to any liens encumbering such accounts and/or the other funds therein absent further order of the Court. All Earnest Money deposits of Bidders not selected as the Successful Bidder or the Backup Bidder shall be returned to such Bidders no later than five business days following the close of the Auction. In no event shall interest or any other amounts in excess of the Earnest Money deposit be subject to refund.

The Earnest Money deposit of the Successful Bidder(s) shall be applied to the Purchase Price under such Successful Bidder's Purchase Agreement at the Closing thereunder. If a Backup Bidder consummates a Sale transaction under such Backup Bidder's Purchase Agreement, the Earnest Money deposit of such Backup Bidder will be applied to the Purchase Price under such Backup Bidder's Purchase Agreement at the Closing thereunder.

If a Successful Bidder fails (or Successful Bidders fail), or a Backup Bidder fails (or Backup Bidders fail), to consummate an approved sale, the Debtor shall be entitled to retain the Earnest Money deposit as part of their damages resulting from the breach or failure to perform by the Successful Bidder(s) or Backup Bidder(s), as applicable, as set forth in the applicable Purchase Agreement in addition to any and all rights, remedies, or causes of action that may be available to the Debtor.

13. Modifications

These Bidding Procedures may be modified in any manner consistent with the Debtor's fiduciary duties and applicable law only upon the express written consent of the Debtor in consultation with the Consultation Parties or by order of the Court; *provided, however*, that these Bidding Procedures shall not be modified in a way materially adverse to the Stalking Horse Bidder without its express written consent unless and until the first Overbid has been submitted at the Auction.

14. Reservation of Rights

Without prejudice to the rights of the Stalking Horse Bidder under the Stalking Horse Agreement, and subject to the limitations set forth in Section 13, the Debtor shall have the right, in consultation with the Consultation Parties, to adopt such other rules for the Bidding Procedures which, in the Debtor's business judgment, will better promote the goals of the Bidding Procedures, and which are not inconsistent with the Bidding Procedures, the Bidding Procedures Order, the Stalking Horse Agreement, the

Bankruptcy Code, or any order of the Court. All such additional rules shall be communicated to the Qualified Bidders, and (if such modifications are made prior to the Bid Deadline) Potential Bidders. Without limiting the foregoing, the Debtor may determine to distribute or not distribute copies of other Qualified Bids to other Qualified Bidders prior to or during the Auction other than with respect to the distribution of the Opening Bid, and the disclosure of each Prevailing Highest Bid, as set forth above.

15. **Fiduciary Duties**

Nothing in these bid procedures will prevent the Debtor from exercising its fiduciary duties under applicable law.

Exhibit A

Stalking Horse Agreement

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PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of December 17, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities that are located in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Purchase and Sale Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*All Assets Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement..

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items that are defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to the Assumption Notice Deadline, as defined herein, agrees in writing to assume and have assigned to Buyer, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or

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expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume or accept assignment of any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume and accept assignment of any contracts, commercial leases and/or other agreements, not on Schedule 2.2 as attached, then the same shall be added to **Schedule 2.2**, initialed by Buyer and delivered to Seller prior to the Assumption Notice Deadline.

"*Assumption Notice Deadline*" means 11:59 p.m. on the day that is ten (10) business days after the Effective Date.

"*Auction*" means a public, competitive auction for the purchase and sale of the Assets, conducted pursuant to procedures approved by the Court.

"*Broker*" means the persons or entities identified in Section 20. of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 5. of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

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"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or on the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Forest Hill Assets*" means (i) Forest Hill, (ii) the Fixtures, Furniture and Equipment at Forest Hill, (iii) the Inventory at Forest Hill, (iv) all rights to all transferable licenses, warranties and permits with respect to Forest Hill, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Forest Hill (subject to Resident confidentiality rights and privileges), and all books and records of Forest Hill existing and physically located at Forest Hill or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Forest Hill, (vii) all rights to telephone numbers used solely by Forest Hill, and (viii) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Forest Hill. The Forest Hill Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Forest Hill Purchase Price*" has the meaning set forth in Section 2.7(b) of this Agreement.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the

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executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lake Park Assets*" means (i) Lake Park, (ii) the Fixtures, Furniture and Equipment at Lake Park, (iii) the Inventory at Lake Park, (iv) all rights to all transferable licenses, warranties and permits with respect to Lake Park, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Lake Park (subject to Resident confidentiality rights and privileges), and all books and records of Lake Park existing and physically located at Lake Park or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Lake Park, (vii) all rights to telephone numbers used solely by Lake Park, (viii) the Restricted Repayable Resident Entrance Fee Payments and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Lake Park. The Lake Park Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Overbids*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Permitted Encumbrances*" means any title exception listed on the Preliminary Title Report.

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"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" means (a) the Forest Hill Purchase Price if Buyer is not the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets, and (b) the All Assets Purchase Price if the Buyer is the Successful Bidder on all Assets.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements.

"*Residency Agreements*" means all contracts between Seller and one or more residents and one or more former residents at the Facilities, including, without limitation, all contracts for the occupancy of a unit at a Facility, all life care, all continuing care, and all monthly fee agreements.

"*Resident*" means any person who now resides or ever resided at a Facility pursuant to a Residency Agreement including, without limitation, a person who is deceased or no longer resides at a Facility as of the Closing Date.

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"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Sale Procedures Motion*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Sale Procedures Order*" means an order approving procedures for the sale of the Assets through a process that includes the Auction.

"*Successful Bidder*" means any person whose bid for the purchase of any part of the Assets was accepted by the Seller at the conclusion of the Auction, subject to the approval of the Court.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

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"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The purchase price (the "All Assets Purchase Price") for all of the Assets shall be the greater of: (x) Thirty Million Dollars ($30,000,000.00) in cash, and (y) if an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that the Buyer is the Successful Bidder for all of the Assets at the Auction, the price at which the Court finds and orders the Buyer is the Successful Bidder for all of the Assets, payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 5.3) with Escrow Agent in accordance with Sections 5.1, 5.2 and 5.3;

(b) The balance of the Purchase Price that is due after payment of the Earnest Money and the Independent Consideration shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be, if there are no Overbids (as defined in Section 2.7(a) below), Twenty-Eight Million Nine Hundred Ninety-Nine Thousand Nine Hundred and No/100 Dollars ($28,999,900); and

(c) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below if the Purchase Price is $30,000,000.00, and shall be allocated in such greater amounts for each Asset listed below in this 2.1(c) as is agreed by Buyer and Seller. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (c) of Section 2.1. The provisions of this Subsection (c) of Section 2.1 shall survive the Closing.

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Lake Park:

Real Property:		$7,047,500
Goodwill:		$8,802,500
	Total:	$15,850,000

Forest Hill:

Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to assume and accept assignment of the Assumed Contracts on the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

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To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 10.1 hereof.

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2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

2.7 Possible Overbids and Auction.

(a) With the consent of the Buyer, the sale of the Assets contemplated herein is subject to the possible receipt by the Seller of overbids ("Overbids") for all or part of the Assets and the Auction conducted in accordance with the Sales Procedures Order. With the consent of the Buyer, the Seller shall file a motion (the "Sale Procedures Motion") with the Court in the Case seeking approval of procedures for the sale of the Assets through a process that includes the Auction and seeking entry of the Sales Procedures Order substantially in the form attached to Schedule 2.7 hereof, within two (2) business days of the Effective Date. The Sale Procedures Motion shall seek approval of the sale of the Assets under Sections 363 and 365 of the U.S. Bankruptcy Code and other applicable laws and rules and shall specifically request that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances and Assumed Contracts, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Procedures Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances and the terms and conditions of the Sale Procedures Order

(b) This Agreement is subject to the terms and conditions of the Sale Procedures Order. The Sale Procedures Order may provide that bidders, including the Buyer, may bid at the Auction on the Lake Park Assets and/or on the Forest Hill Assets. If an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that a party other than the Buyer is the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets and the Court does not find and order that a party other than the Buyer is the Successful Bidder on the Forest Hill Assets,, then the Buyer shall (i) purchase the Forest Hill Assets on the terms set forth herein at a price that is the greater of: (x) $14,150,000.00, and (y) the highest and best bid the Buyer bid for the Forest Hill Assets at the Auction (such greater amount, the "Forest Hill Purchase Price"), and the Buyer shall assume and accept assignment of all the Assumed Forest Hill Residency Agreements (as defined in the Procedures Motion) and

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assume the Assumed Forest Hill Repayable Entrance Fee Liabilities (as defined in the Procedures Motion) on the terms set forth in this Agreement and in such circumstances shall not assume or accept assignment of the Lake Park Assumed Residency Agreements (as defined in the Procedures Motion) and not assume the Lake Park Repayable Entrance Fee Liabilities (as defined in the Procedures Motion). For the avoidance of doubt, Seller will not accept any bid at the Auction from any party other than the Buyer for Forest Hill Assets unless another party has made an offer that exceeds the Minimum Initial Overbid Amount (as that term is defined in the Sales Order) on the Lake Park Assets.

Section 3. Buyer's Due Diligence Complete.

Buyer's obligations pursuant to this Agreement are not subject to further "due diligence" on the part of the Buyer. Buyer expressly acknowledges and agrees that it has completed all due diligence it deems necessary.

Section 4. Closing.

4.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

4.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 4.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 4.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, substantially in the form attached hereto as **Schedule 4.2(c)**, by which (i) Seller assigns to Buyer and Buyer assumes, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

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(e) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(f) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(g) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(h) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 0 of this Agreement; and

(i) any other documents necessary to close escrow.

4.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money and Independent Consideration, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Closing Statement;

(e) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(f) any other documents necessary to close escrow.

4.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and/or its successors and assigns may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees

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to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.4 shall survive the Closing.

4.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.5 shall survive the Closing.

Section 5. Earnest Money and Provisions Regarding the Escrow Agent.

5.1 Earnest Money. Seller acknowledges and agrees that within one (1) business day after the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of One Million and No/100 Dollars ($1,000,000.00) ("Earnest Money"). Escrow Agent is hereby directed to deposit the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. The Earnest Money shall be refundable to Buyer if, and only if, Buyer has rightfully terminated this Agreement on account of a material default hereunder by the Seller, and shall be held in escrow by Escrow Agent until the earlier of (i) Closing, (ii) termination of this Agreement with the consent of Buyer and Seller, or (iii) an order of the Court. If this Agreement is rightfully terminated, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement). If there is any dispute regarding whether this Agreement was rightfully terminated, the Court will resolve such dispute.

5.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

5.3 Independent Consideration. Buyer will deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 6. Governmental Approvals Prior to Closing.

Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer

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shall submit the referenced applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer has timely provided all information requested by Seller to make the notice complete. Seller agrees to provide a draft notice to Buyer for Buyer's approval no later than 55 days after the entry of the Sale Order. Buyer agrees not to unreasonably withhold, condition, or delay the provision of information to Seller or review or approval of the draft notice of sale. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

Section 7. Title Condition.

7.1 Premises Title Requirements. Seller has previously delivered to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Seller shall have no obligation to remove any title exceptions listed on the Preliminary Title Report. Buyer shall take title of the Real Property Assets at the Closing subject to all exceptions specified on the Preliminary Title Report unless such exceptions have been removed prior to the Closing.

7.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

7.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 8. Inspections and Review.

8.1 Documents to be Delivered to Buyer. Buyer acknowledges that Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

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(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer

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copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

8.2 Restoration of Premises. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 8.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections.

8.3 Access. At reasonable times and upon reasonable advance notice at all times prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 9. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Section 10. Employment Matters.

10.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

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10.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in **Schedule 10.2**, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in **Schedule 10.2**, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 10.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

10.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 10.6 of this Agreement.

10.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

10.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

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10.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 11. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 11. , a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 12. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

12.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller

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pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

12.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

12.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

12.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

12.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

12.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof. Seller has not received written notice that Seller is not in compliance with the City of Pacific Grove's conditions to provide two "affordable housing" units at Forest Hill. Between the Effective Date and Closing, Seller will cause the two "affordable housing units" to be fully available to potential residents who qualify for the City of Pacific Grove's below market rent program, and at or prior to the Closing, Seller shall provide written evidence, satisfactory to Buyer in its reasonable discretion, that the two "affordable housing units" are fully compliant in all material respects with all conditions relating to affordability.

12.8 Litigation. Subject to the disclosures set forth on **Schedule 12.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will

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result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

12.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

12.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: GBC _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

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IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: GBC
Seller

Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 12.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 12.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 13. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

13.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

13.2 Authority. Buyer has the full power, authority and financial and operational ability to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

13.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property

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or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

13.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

13.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution in order to fulfill its obligations hereunder.

13.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

13.7 Litigation. Subject to the disclosures set forth on **Schedule 13.7** hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 14. Conditions to Parties' Obligations.

14.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 12. above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the Effective Date.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 14.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

14.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 13. above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 14.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 15. Indemnification.

15.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim,

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judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

15.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

15.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Section 15. shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 15.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

15.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling

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manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

15.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

15.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 15. shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 15. to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 16. Conduct of Business Pending Closing.

16.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

16.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 10.1 hereof.

16.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 17. Transition.

17.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may

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be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

17.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

17.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the Effective Date. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

17.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

17.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

17.6 Survival. The provisions of this Section 17. shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 18. Public Announcements.

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Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Section 19. Default.

19.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money, and all accrued interest thereon, shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 5. , BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER GBC **BUYER** _____

19.2 Seller's Default.

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(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

19.3 Survival. The provisions of this Section 19. shall survive the termination of this Agreement.

Section 20. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 21. Miscellaneous.

21.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

21.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

21.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire

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understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

21.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 5. hereof.

21.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:

CNMH_____
201 19th Street,
Oakland, CA 94612
Attn:
Phone:_____
Fax:_____
E-Mail:_____
_____

If to Purchaser:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Phone: (619) 296-9000
Fax: (619) 296-9090
E-Mail: Disrani@pacificacompanies.com

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and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at:

Linda Menasche
2365 Northside Drive, Suite 500
San Diego, CA 92108
Phone: (619) 521-3521
Email: MenasheL@ctt.com

21.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

21.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

21.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

21.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

21.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

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21.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

21.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

21.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: Garrett B Cross (Digitally signed by Garrett B. Cross DN: cn=Garrett B. Cross, o=California Nevada Methodist Homes, ou, email=cross2@pacbell.net, c=US Date: 2021.12.17 15:58:09 -08'00') Garrett B. Cross Chairman of Board of Trustees	By: _____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By: _____
Name: _____
Its: _____

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SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12"‘ Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

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SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15' West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15' West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a

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municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

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SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907", filed May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4' West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4' East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4' East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4' West, 18.94 feet to the point of beginning.

APN: 006-546-001

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SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907", filed for record May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

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SCHEDULE 1(e)

Attorney General Conditional Approval Letter

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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

January 7, 2020

Pamela S. Kaufmann
Partner
Hanson Bridgett LLP
425 Market Street, 26th Floor
San Francisco, CA 94105

Sent by U.S. Mail and Internet

RE: Proposed Sale of the Assets of California-Nevada Methodist Homes

Dear Ms. Kaufmann:

Pursuant to Corporations Code section 5914 *et seq.*, the Attorney General hereby conditionally consents to the proposed sale of California-Nevada Methodist Homes pursuant to the terms of the Asset Purchase Agreement dated March 7, 2019 between California-Nevada Methodist Homes, a California nonprofit public benefit corporation, and Bay Capital Co, LLC, a Delaware for-profit corporation.

Corporations Code section 5914 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 a for-profit 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,

Anita Garcia Velasco

ANITA GARCIA VELASCO
Deputy Attorney General

For XAVIER BECERRA
Attorney General

Attachment

CANWD00775

Conditions to Proposed Sale of California-Nevada Methodist Homes and Approval of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC; the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC; Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC

I.

These Conditions shall be legally binding on Bay Capital Co, LLC, a Delaware limited liability company, Bay Senior Office PropCo LLC, a Delaware limited liability company, Lake Park PropCo LLC, a Delaware limited liability company, Lake Park OpCo LLC, a Delaware limited liability company, Lake Park Venture, LLC, a Delaware limited liability company, Lake Park OpCo Venture, LLC, a Delaware limited liability company, Lake Park OpCo Holding, LLC, a Delaware limited liability company, Forest Hill PropCo LLC, a Delaware limited liability company, Forest Hill OpCo LLC, a Delaware limited liability company, Forest Hill Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Holding, LLC, a Delaware limited liability company, Life Care Services, LLC, dba Life Care Services®, an Iowa limited liability company 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 Lake Park Facility[1] and the Forest Hill Facility[2] or the real property on which the Lake Park Facility and the Forest Hill Facility are located, any and all current and future owners, lessees, licensees, or operators of any of the facilities or units at the Lake Park Facility and the Forest Hill Facility,

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[1] Throughout this document "the Lake Park Facility" shall mean the RCFE- Continuing Care Retirement Community located at 1850 Alice Street, Oakland, CA, 94612 that includes 147 residential independent living units and 37 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 35 bed skilled nursing facility licensed by the California Department of Public Health effective November 1, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

[2] Throughout this document, "the Forest Hill facility" shall mean the RCFE-Continuing Care Retirement Community located at 551 Gibson Avenue, Pacific Grove, CA, 93950 that includes 91 residential living units and 18 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 26 bed skilled nursing facility licensed by the California Department of Public health effective January 16, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

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and any and all current and future lessees and owners of the real property on which Lake Park and Forest Hill are physically located.

II.

The transaction approved by the Attorney General consists of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC dated March 7, 2019, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC, the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC, the Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC dated September 25, 2019; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC dated September 25, 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 Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC and all owners, managers, lessees, or operators of the Lake Park Facility and the Forest Hill Facility 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 Lake Park Facility or the Forest Hill Facility or any portion thereof;

(b) Transfer control, responsibility, management, or governance of the Lake Park Facility and the Forest Hill Facility or any portion thereof. The substitution, merger or addition of a new member of the governing body, general partner, or limited partner of Bay Capital Co, LLC; Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC that transfers the control of, responsibility for or governance of the Lake Park Facility and the Forest Hill Facility or any portion thereof shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more

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members of the governing body, general partner, or limited partners of the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or any arrangement, written or oral, that would transfer voting control of the members of the governing body, general partner, or limited partners of the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLCshall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Asset Purchase Agreement, the Lake Park Health Center[3] shall be operated and maintained as a skilled nursing facility with 35 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as November 1, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, and Life Care Services, LLC or the operator or licensee of the Lake Park Health Center shall not place all or any portion of the Lake Park Health Center'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 Asset Purchase Agreement, the Forest Hill Health Center[4] shall be operated and maintained as a skilled nursing facility with 26 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as of

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[3] Throughout this document, the term "Lake Park Health Center" shall mean the skilled nursing facility located at 1850 Alice Street, Oakland, CA, 94612 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

[4] Throughout this document, the term "Forest Hill Health Center" shall mean the skilled nursing facility located at 551 Gibson Avenue, Pacific Grove, CA, 93950 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

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January 16, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center shall not place all or any portion of the Forest Hill Health Center's skilled nursing licensed-bed capacity or services in voluntary suspension or surrender its license for any beds or services.

VI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Lake Park Health Center 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 Lake Park Health Center as required in these Conditions.

VII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center 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 Forest Hill Health Center as required in these Conditions.

VIII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC and any other owner or operator of the Lake Park Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Boards shall consist of 7-12 residents at the Lake Park Facility chosen by the residents of the Lake Park Facility. The Community Advisory Board will provide advice and feedback on a

quarterly basis on the quality of care and quality of life being provided to the residents and patients.

IX.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC and any other owner or operator of the Forest Hill Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Board shall consist of 7-12 residents at the Forest Hill Facility chosen by the residents of the Forest Hill Facility. The Community Advisory Board will provide advice and feedback on a quarterly basis on the quality of care and quality of life being provided to the residents and patients.

X.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding shall undertake phased capital improvements at the facilities, Lake Park and Forest Hill inclusive, in the amount of approximately $7,000,000 as set forth in Section 9.19 of the Asset Purchase Agreement and attached hereto as Exhibit D.

XI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Lake Park OpCo and Life Care Services and any operator or licensee of the Lake Park Health Center shall each certify that the report is true, accurate, and complete.

XII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill

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Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Forest Hill OpCo and Life Care Services and any operator or licensee of the Forest Hill Health Center shall each certify that the report is true, accurate, and complete.

XIII.

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.

XIV.

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.

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Exhibit 1

estimate of the Pension Fund Liability for the plan year ended December 31, 2019, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt. Thereafter, promptly following March 31 of each subsequent year until such time as the Closing occurs or this Agreement is terminated pursuant to Section 5.2, Seller shall obtain from the Existing Pension Fund an estimate of the withdrawal liability for the most recently ended plan year, and make its reasonable best efforts to obtain from the Existing Pension Fund an estimate of the Pension Fund Liability for the then-current plan, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt.

Section 9.19 Post-Closing Business Plans. From and after the Closing, Buyer or its Affiliates will continue to own and operate the Communities as senior housing communities and, in connection therewith, shall (i) undertake certain phased capital improvements at the Communities in the amount of approximately $7,000,000, and (ii) grant Residents of the Communities the option to either maintain their existing Residency Agreements or to receive a full repayment of the repayable portion of their Entrance Fees and convert their existing Resident Agreements to alternative rental arrangements.

Section 9.20 Regulatory Approvals. Not earlier than fifteen (15) Business Days following the later of (i) Buyer's receipt from Seller of evidence reasonably satisfactory to Buyer that Seller has submitted its complete notice to the Attorney in accordance with Section 5914 (as contemplated by Section 9.16), or (ii) the Due Diligence Expiration Date, Buyer shall provide Seller with evidence of Buyer's initial filings with the appropriate State Regulatory Agencies to obtain the Regulatory Approvals; provided, however, that notwithstanding the foregoing, at least forty five (45) days prior to the Closing Date (or such other time period as is required by the California Department of Social Services), Buyer OpCo shall file an abbreviated "co-licensing" application with the California Department of Social Services to become the co-licensee with Seller for the Communities pending receipt of a new RCFE license, it being understood that, in connection therewith, and as required by California Law, at least thirty (30) days prior to the Closing Date, Buyer Opco shall notify the California Department of Public Health of the change in licensure.

ARTICLE 10

EMPLOYEE BENEFITS AND EMPLOYEE MATTERS

Section 10.1 Seller's Employee Benefit Plans.

(a) Except for the Assumed Pension Fund Liability assumed by Buyer or its permitted assignee (including Buyer OpCo, as designated by Buyer) under Section 3.1(a), Seller shall retain all obligations and liabilities under or relating to the Employee Benefit Plans, and Buyer or such permitted assignee shall assume none thereof. Neither Buyer nor any permitted assignee thereof shall have any responsibility, liability or obligation, whether to Property Employees, former employees, their beneficiaries or to any other person (including, without limitation, the Internal Revenue Service, the U.S. Department of Labor and the PBGC), with respect to any Employee Benefit Plans (including with respect to the establishment, operation, funding or termination thereof) maintained by Seller.

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PMH0000783

SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the Assumption Notice Deadline, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

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Exhibit 00784

SCHEDULE 2.5

Resident Security Deposits

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SCHEDULE 4.2(a)

GRANT DEED

To be provided by Title Company

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SCHEDULE 4.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

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EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

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SCHEDULE 4.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of December 17, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

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1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement and all applicable Court orders, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

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1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Buyer as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests, except as otherwise set forth herein and in the Agreement.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:

California-Nevada Methodist Homes, a California nonprofit public benefit corporation

By: _____
Garrett B. Cross

Its: Chairman of Board of Trustees

BUYER:

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By: _____
Deepak Israni, Secretary

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SCHEDULE 12.8

Litigation

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Exhibit 2

Assumption and Assignment Procedures

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Notice to Residents of Assumed Repayable Entrance Fee Liabilities and Assumption and Assignment of Residency Agreements: On or before January 5, 2022, the Debtor shall provide (a) to each Resident whose respective portion of the Assumed Repayable Entrance Fee Liabilities, calculated as of December 31, 2021, is greater than zero individual notice of the amount of such Resident's respective portion of the Assumed Repayable Entrance Fee Liabilities (each an "Entrance Fee Amount") and (b) individual notice to each current Resident (i) alerting such Resident that the Debtor has sought to assume and assign that Resident's Residency Agreement to the Successful Bidder, (ii) providing the additional cure amount ("Resident Cure Amount"), if any, for assuming that Resident's Residency Agreement, and (iii) providing notification of the Resident's right to seek adequate assurance of future performance as contemplated in Section 365(f)(2)(B) of the Bankruptcy Code ("Resident Notice"). Any Resident that objects to the amount of the Entrance Fee Amount or Resident Cure Amount set forth in its Resident Notice must file an objection thereto by January 19, 2022 and serve it on the Notice Parties (listed below) and otherwise in accordance with applicable rules ("Service Requirements").

If a Resident does not timely object to a Resident Notice, it will be barred from objection to its Entrance Fee Amount, Resident Cure Amount, or assumption and assignment of its Residency Agreement, other than based on a lack of adequate assurance of future performance. If an objection to an Entrance Fee Amount or Resident Cure Amount is timely filed and is not resolved prior to the Sale Hearing, it will be resolved at the Sale Hearing.

After the conclusion of the Auction, the Debtor shall file with the Court and serve on each current Resident a notice ("**Assumption and Assignment Notice**") identifying the Successful Bidder, identifying the executory contracts, unexpired leases and other liabilities of the Debtor that the Successful Bidder seeks to have the Debtor assume and assign to the Successful Bidder ("**Assumed Agreements**"), and providing the

Successful Bidder's assurance of future performance of the Assumed Agreements, as applicable. Any Resident that objects to the adequacy of the assurance of future performance of his, her, or their respective Residency Agreement must file an objection with the Court ("**Resident Assurance Objection**") and serve it in accordance with the Service Requirements prior to the Sale Hearing. If a Resident does not timely file and serve a Resident Assurance Objection, such Resident will be barred from objecting to the adequacy of the assurance of future performance and assignment of his, her, or their Residency Agreement to the Successful Bidder.

Notice of Cure Amounts for Executory Contracts Other than Assumed Residency Agreements: On or before January 9, 2022, the Debtor will file with the Court and serve a notice to contract counterparties under executory contracts and unexpired leases which are not Assumed Residency Agreements (collectively "**Non-Resident Contract Counterparties**"), setting forth the Debtor's calculation of each Non-Resident Contract Counterparty's cure amount, if any, that would be owed if the Debtor determines to seek to assume and assign its executory contract or unexpired lease, and alerting such Non-Resident Contract Counterparty that its agreement may be assumed and assigned to the Successful Bidder ("**Cure Notice**"). Any Non-Resident Contract Counterparty that objects to the cure amount set forth in the Cure Notice must file an objection on or before January 19, 2022 and serve in accordance with the Service Requirements. The Debtor's service of a Cure Notice on any party shall not constitute or be deemed a determination or admission by the Debtor and its estate or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code or that the Debtor will assume and assign any particular contract, lease, or other agreement.

If a Non-Resident Contract Counterparty does not timely object to a Cure Notice, it will be barred from objecting to the Debtor's designated cure amount and assumption and assignment of its executory contract or unexpired lease with the Debtor other than

based on a lack of adequate assurance of future performance. If an objection to a Cure Notice is timely filed and is not resolved prior to the Sale Hearing, it will be resolved at the Sale Hearing.

Notice on the Non-Resident Contract Counterparties. After the conclusion of the Auction, the Debtor shall serve the Assumption and Assignment Notice on the Non-Resident Contract Counterparties. Any Non-Resident Contract Counterparty that objects to the adequacy of the assurance of future performance must file an objection with the Court ("**Non-Resident Assurance Objection**") and serve it in accordance with the Service Requirements prior to the Sale Hearing. If a Non-Resident Contract Counterparty does not file and serve a Non-Resident Assurance Objection prior to the Sale Hearing, such party will be forever barred from objecting to the adequacy of the assurance of future performance and assignment of its executory contract or unexpired lease to the Successful Bidder. The inclusion of a contract, lease, or other agreement on an Assumption and Assignment Notice shall not constitute or be deemed a determination or admission by the Debtor and its estate or any other party in interest that such contract, lease, or other agreement is, in fact, an executory contract or unexpired lease within the meaning of the Bankruptcy Code or that the Debtor will assume and assign any particular contract, lease, or other agreement.

In the event the Debtor seeks to close a sale to the Backup Bidder, the Debtor shall provide prompt written notice thereof to all recipients of Resident Notices and Cure Notices, which parties shall have three business days to object in accordance with the Service Requirements, solely on the basis of any changed circumstances since the date of the Sale Hearing.

The Notice Parties are: The Notice Parties are: (i) the Debtor, California-Nevada Methodist Homes, Attention: Steven A. Nerger, Email: SNerger@silvermanconsulting.net; (ii) counsel to the Debtor, Neal L. Wolf, Email: nwolf@hansonbridgett.com; (iii) Office of the United States Trustee, Attn: Trevor Fehr,

Esq., 450 Golden Gate Avenue, 5th Floor, Suite #05-0153, San Francisco, CA 94102, Email: Trevor.Fehr@usdoj.gov; (iv) counsel to the Committee, Sara L. Chenetz, Email: SChenetz@perkinscoie.com; (v) counsel to HCAI, Cara Porter, Email: cara.porter@doj.ca.gov; (vi) counsel to the California Department of Social Services, Anjana Gunn, Email: Anjana.Gunn@doj.ca.gov; (vii) counsel to Wilmington, Kristin K. Going, Email: kgoing@mwe.com; (viii) counsel to B.H. Capital Ventures, LLC, Sharon Weiss, Email: sharon.weiss@bclplaw.com; and as to the Assumption and Assignment Notice additionally (ix) each Successful Bidder at the address provided in the applicable Stalking Horse Agreement or Modified Agreement.

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
ANTHONY J. DUTRA, SBN 277706
adutra@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES,[1] Debtor.	Case No. 20-40363 Chapter 11 **DECLARATION OF STEVEN A. NERGER IN SUPPORT OF DEBTOR'S MOTION FOR ENTRY OF AN ORDER (I) APPROVING BIDDING PROCEDURES IN CONNECTION WITH THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS; (II) APPROVING PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES; (III) APPROVING STALKING HORSE BIDDER AND BREAK-UP FEE; AND (IV) GRANTING RELATED RELIEF**

I, Steven A. Nerger, declare as follows:

1. I am the Chief Restructuring Officer for Debtor and Debtor-in-Possession, California-Nevada Methodist Homes ("**Debtor**"). I have personal knowledge of the matters set forth in this declaration and could and would competently testify to them. All of the matters stated herein are known to me personally, unless stated on information and belief; and with regard to those statements, I am informed and reasonably believe

[1] The last four digits of the Debtor's federal tax identification number are 2411. The mailing address for the Debtor is 1850 Alice Street Oakland, CA 94612.

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them to be true.

2. I submit this Declaration in support of *Debtor's Motion for Entry of an Order (i) Approving Bidding Procedures in Connection with the Sale of Substantially All of the Debtor's Assets; (ii) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (iii) Approving Stalking Horse Bidder and Break-up Fee; and (iv) Granting Related Relief* (the "**Motion**").

3. For a substantial period of time, the Debtor has been sustaining severe operating losses.

4. In my opinion and the opinion of the Debtor, these substantial operating losses cannot quickly and readily be reversed or rectified and it is necessary that the Debtor expeditiously enter into a sale or merger transaction with a highly qualified and financially sound entity.

5. On May 20, 2021, upon motion by the debtor, the bankruptcy court entered an order authorizing the Debtor to employ B.C. Ziegler & Company ("**Ziegler**"), a highly-qualified investment banking firm, to develop and implement a sale or merger process ("**Sale Process**").

6. Ziegler quickly went to work orchestrating that process. Ziegler contacted approximately one hundred potentially interested parties, entered into a non-disclosure agreement with and circulated a comprehensive "offering memorandum" to those parties who expressed interest in a possible transaction, and engaged many of those parties in direct, one-on-one discussions. In response to the offering memorandum, Ziegler elicited non-binding letters of interest from ten potential purchasers or merger partners, including Pacifica.

7. Thereafter, the Debtor's counsel, Neal L. Wolf, assisted Ziegler in conducting what amounted to an extensive and exhaustive de facto auction process. In a highly transparent manner, Ziegler and Mr. Wolf called upon and encouraged potential buyers and merger partners to enhance their respective proposals. In response, Pacifica and certain other interested purchasers enhanced their respective proposals on two or

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more occasions. Ultimately, Pacifica made what the Debtor determined to be the most advantageous proposal.

8. Pacifica conditioned the amount of its final, and highest, proposal on the conduct of a "private sale" transaction by the Debtor. Pacifica indicated that, if there were to be a court-supervised auction process at which it were designated as merely a "stalking horse" bidder, the Pacifica offer would be reduced by approximately $2 million and Pacifica would require a $1.5 million "break-up fee."

9. Debtor and Pacifica subsequently executed a purchase and sale agreement for Pacifica's purchase of substantially all of the Debtor's assets (such agreement as subsequently amended by Debtor and Pacifica, the "**Original Purchase and Sale Agreement**").

10. On November 23, 2021 the Court entered an *Order Approving the Sale of Substantially All of Debtor's Assets to Pacifica Companies, LLC Free and Clear of Any Liens and Encumbrances* [Dkt. No. 348]. Unfortunately, however, on November 29, 2021, Pacifica exercised its right to terminate, without liability, the Original Purchase and Sale Agreement.

11. After Pacifica's termination of the Original Purchase and Sale Agreement, the Debtor determined in its business judgment to conduct a competitive bid-and-sale process for the orderly sale of substantially all of the Debtor's Assets under sections 363 and 365 of the Bankruptcy Code. After further arm's-length negotiations, the Debtor and Pacifica, as the stalking horse bidder (the "**Stalking Horse Bidder**," and Pacifica's bid, the "**Stalking Horse Bid**") entered into an that certain Purchase and Sale Agreement, dated as of December 17, 2021 (the "**Stalking Horse Agreement**").[2] A true and correct copy of the Stalking Horse Agreement is attached hereto as **Exhibit 1**.

12. The terms and conditions identified in the Stalking Horse Agreement are

[2] Capitalized terms used but not otherwise defined herein will have the meanings ascribed to them in the Stalking Horse Agreement.

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subject to higher and better bids at an auction on either or both of the Debtor's facilities located at (a) 1850 Alice St., Oakland, CA 94612, along with the CNMH Corporate Office Building located at 201 19th Street, Oakland, CA 94612 (collectively, "**Lake Park**") and (b) 511 Gibson Ave., Pacific Grove, CA 93950, along with the Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (collectively, "**Forest Hill**" and, together with Lake Park, the "**Facilities**"); *provided, however*, that if the Stalking Horse Bidder is the successful bidder on the Forest Hill property *alone*, the Stalking Horse Purchase Agreement shall be in effect for purposes of the acquisition of the Forest Hill Assets, assumption of the Assumed Forest Hill Residency Agreements and assumption of the Assumed forest Hill Repayable Entrance Fee Liabilities and not in connection with acquisition of the Lake Park Assets or assumption of the Lake Park Residency Agreements or Assumed Lake Forest Repayable Entrance Fee Liabilities.

13. As consideration for and as a material inducement to the Stalking Horse Bidder conducting its due diligence and entering into the Stalking Horse Agreement, the Debtor agreed to certain bid procedures and protections. Sale of each of the two Facilities is subject to a $500,000 break-up fee ("**Single Facility Break-up Fee**") in the event the Stalking Horse Bidder is not the successful bidder on one Facility at an auction for substantially all of the Debtor's Assets ("**Auction**") and a $1,000,000 break-up fee (together with the Single Facility Break-up Fee the "**Break-up Fee**") in the event the Stalking Horse Bidder is not the successful bidder on both Facilities at the Auction. The Debtor also agreed that to the extent the Stalking Horse Bidder submits any overbids at the Auction and it overbids on one Facility on the approved terms for overbids, it may apply the Single Facility Break-up Fee as a credit toward the purchase price of one facility, or may apply the Break-Up Fee as a credit toward the purchase price of both Facilities.

14. The Debtor is currently projected to lose approximately $500,000 in operations and professional fees each month. It is in the best interests of the Debtor, its estate, and the Debtor's creditors for the Debtor to conduct a sale of substantially all of

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the Debtor's Assets as quickly as possible because the sooner the Debtor sells the Assets, the quicker the Debtor can pass operation of its Facilities to one or more new, financially strong, operators and both slow and ultimately reverse the Debtor's financial hemorrhaging.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

DATED: December 17, 2021

By: /s/ Steven A. Nerger
Steven A. Nerger
Chief Restructuring Officer

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EXHIBIT 1

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of December 17, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities that are located in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Purchase and Sale Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*All Assets Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement..

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items that are defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to the Assumption Notice Deadline, as defined herein, agrees in writing to assume and have assigned to Buyer, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or

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expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume or accept assignment of any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume and accept assignment of any contracts, commercial leases and/or other agreements, not on Schedule 2.2 as attached, then the same shall be added to **Schedule 2.2**, initialed by Buyer and delivered to Seller prior to the Assumption Notice Deadline.

"*Assumption Notice Deadline*" means 11:59 p.m. on the day that is ten (10) business days after the Effective Date.

"*Auction*" means a public, competitive auction for the purchase and sale of the Assets, conducted pursuant to procedures approved by the Court.

"*Broker*" means the persons or entities identified in Section 20. of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 5. of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

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"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or on the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Forest Hill Assets*" means (i) Forest Hill, (ii) the Fixtures, Furniture and Equipment at Forest Hill, (iii) the Inventory at Forest Hill, (iv) all rights to all transferable licenses, warranties and permits with respect to Forest Hill, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Forest Hill (subject to Resident confidentiality rights and privileges), and all books and records of Forest Hill existing and physically located at Forest Hill or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Forest Hill, (vii) all rights to telephone numbers used solely by Forest Hill, and (viii) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Forest Hill. The Forest Hill Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Forest Hill Purchase Price*" has the meaning set forth in Section 2.7(b) of this Agreement.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the

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executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lake Park Assets*" means (i) Lake Park, (ii) the Fixtures, Furniture and Equipment at Lake Park, (iii) the Inventory at Lake Park, (iv) all rights to all transferable licenses, warranties and permits with respect to Lake Park, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Lake Park (subject to Resident confidentiality rights and privileges), and all books and records of Lake Park existing and physically located at Lake Park or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Lake Park, (vii) all rights to telephone numbers used solely by Lake Park, (viii) the Restricted Repayable Resident Entrance Fee Payments and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Lake Park. The Lake Park Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Overbids*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Permitted Encumbrances*" means any title exception listed on the Preliminary Title Report.

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"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" means (a) the Forest Hill Purchase Price if Buyer is not the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets, and (b) the All Assets Purchase Price if the Buyer is the Successful Bidder on all Assets.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements.

"*Residency Agreements*" means all contracts between Seller and one or more residents and one or more former residents at the Facilities, including, without limitation, all contracts for the occupancy of a unit at a Facility, all life care, all continuing care, and all monthly fee agreements.

"*Resident*" means any person who now resides or ever resided at a Facility pursuant to a Residency Agreement including, without limitation, a person who is deceased or no longer resides at a Facility as of the Closing Date.

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"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Sale Procedures Motion*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Sale Procedures Order*" means an order approving procedures for the sale of the Assets through a process that includes the Auction.

"*Successful Bidder*" means any person whose bid for the purchase of any part of the Assets was accepted by the Seller at the conclusion of the Auction, subject to the approval of the Court.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

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"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The purchase price (the "All Assets Purchase Price") for all of the Assets shall be the greater of: (x) Thirty Million Dollars ($30,000,000.00) in cash, and (y) if an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that the Buyer is the Successful Bidder for all of the Assets at the Auction, the price at which the Court finds and orders the Buyer is the Successful Bidder for all of the Assets, payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 5.3) with Escrow Agent in accordance with Sections 5.1, 5.2 and 5.3;

(b) The balance of the Purchase Price that is due after payment of the Earnest Money and the Independent Consideration shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be, if there are no Overbids (as defined in Section 2.7(a) below), Twenty-Eight Million Nine Hundred Ninety-Nine Thousand Nine Hundred and No/100 Dollars ($28,999,900); and

(c) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below if the Purchase Price is $30,000,000.00, and shall be allocated in such greater amounts for each Asset listed below in this 2.1(c) as is agreed by Buyer and Seller. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (c) of Section 2.1. The provisions of this Subsection (c) of Section 2.1 shall survive the Closing.

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Lake Park:

Real Property:		$7,047,500
Goodwill:		$8,802,500
	Total:	$15,850,000

Forest Hill:

Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to assume and accept assignment of the Assumed Contracts on the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

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To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 10.1 hereof.

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2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

2.7 Possible Overbids and Auction.

(a) With the consent of the Buyer, the sale of the Assets contemplated herein is subject to the possible receipt by the Seller of overbids ("Overbids") for all or part of the Assets and the Auction conducted in accordance with the Sales Procedures Order. With the consent of the Buyer, the Seller shall file a motion (the "Sale Procedures Motion") with the Court in the Case seeking approval of procedures for the sale of the Assets through a process that includes the Auction and seeking entry of the Sales Procedures Order substantially in the form attached to Schedule 2.7 hereof, within two (2) business days of the Effective Date. The Sale Procedures Motion shall seek approval of the sale of the Assets under Sections 363 and 365 of the U.S. Bankruptcy Code and other applicable laws and rules and shall specifically request that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances and Assumed Contracts, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Procedures Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances and the terms and conditions of the Sale Procedures Order

(b) This Agreement is subject to the terms and conditions of the Sale Procedures Order. The Sale Procedures Order may provide that bidders, including the Buyer, may bid at the Auction on the Lake Park Assets and/or on the Forest Hill Assets. If an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that a party other than the Buyer is the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets and the Court does not find and order that a party other than the Buyer is the Successful Bidder on the Forest Hill Assets,, then the Buyer shall (i) purchase the Forest Hill Assets on the terms set forth herein at a price that is the greater of: (x) $14,150,000.00, and (y) the highest and best bid the Buyer bid for the Forest Hill Assets at the Auction (such greater amount, the "Forest Hill Purchase Price"), and the Buyer shall assume and accept assignment of all the Assumed Forest Hill Residency Agreements (as defined in the Procedures Motion) and

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assume the Assumed Forest Hill Repayable Entrance Fee Liabilities (as defined in the Procedures Motion) on the terms set forth in this Agreement and in such circumstances shall not assume or accept assignment of the Lake Park Assumed Residency Agreements (as defined in the Procedures Motion) and not assume the Lake Park Repayable Entrance Fee Liabilities (as defined in the Procedures Motion). For the avoidance of doubt, Seller will not accept any bid at the Auction from any party other than the Buyer for Forest Hill Assets unless another party has made an offer that exceeds the Minimum Initial Overbid Amount (as that term is defined in the Sales Order) on the Lake Park Assets.

Section 3. Buyer's Due Diligence Complete.

Buyer's obligations pursuant to this Agreement are not subject to further "due diligence" on the part of the Buyer. Buyer expressly acknowledges and agrees that it has completed all due diligence it deems necessary.

Section 4. Closing.

4.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

4.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 4.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 4.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, substantially in the form attached hereto as **Schedule 4.2(c)**, by which (i) Seller assigns to Buyer and Buyer assumes, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

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(e) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(f) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(g) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(h) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 0 of this Agreement; and

(i) any other documents necessary to close escrow.

4.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money and Independent Consideration, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Closing Statement;

(e) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(f) any other documents necessary to close escrow.

4.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and/or its successors and assigns may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees

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to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.4 shall survive the Closing.

4.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.5 shall survive the Closing.

Section 5. Earnest Money and Provisions Regarding the Escrow Agent.

5.1 Earnest Money. Seller acknowledges and agrees that within one (1) business day after the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of One Million and No/100 Dollars ($1,000,000.00) ("Earnest Money"). Escrow Agent is hereby directed to deposit the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. The Earnest Money shall be refundable to Buyer if, and only if, Buyer has rightfully terminated this Agreement on account of a material default hereunder by the Seller, and shall be held in escrow by Escrow Agent until the earlier of (i) Closing, (ii) termination of this Agreement with the consent of Buyer and Seller, or (iii) an order of the Court. If this Agreement is rightfully terminated, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement). If there is any dispute regarding whether this Agreement was rightfully terminated, the Court will resolve such dispute.

5.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

5.3 Independent Consideration. Buyer will deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 6. Governmental Approvals Prior to Closing.

Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer

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shall submit the referenced applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer has timely provided all information requested by Seller to make the notice complete. Seller agrees to provide a draft notice to Buyer for Buyer's approval no later than 55 days after the entry of the Sale Order. Buyer agrees not to unreasonably withhold, condition, or delay the provision of information to Seller or review or approval of the draft notice of sale. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

Section 7. Title Condition.

7.1 Premises Title Requirements. Seller has previously delivered to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Seller shall have no obligation to remove any title exceptions listed on the Preliminary Title Report. Buyer shall take title of the Real Property Assets at the Closing subject to all exceptions specified on the Preliminary Title Report unless such exceptions have been removed prior to the Closing.

7.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

7.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 8. Inspections and Review.

8.1 Documents to be Delivered to Buyer. Buyer acknowledges that Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

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(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer

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copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

8.2 Restoration of Premises. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 8.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections.

8.3 Access. At reasonable times and upon reasonable advance notice at all times prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 9. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Section 10. Employment Matters.

10.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

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10.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in **Schedule 10.2**, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in **Schedule 10.2**, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 10.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

10.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 10.6 of this Agreement.

10.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

10.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

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10.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 11. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 11. , a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 12. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

12.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller

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pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

12.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

12.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

12.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

12.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

12.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof. Seller has not received written notice that Seller is not in compliance with the City of Pacific Grove's conditions to provide two "affordable housing" units at Forest Hill. Between the Effective Date and Closing, Seller will cause the two "affordable housing units" to be fully available to potential residents who qualify for the City of Pacific Grove's below market rent program, and at or prior to the Closing, Seller shall provide written evidence, satisfactory to Buyer in its reasonable discretion, that the two "affordable housing units" are fully compliant in all material respects with all conditions relating to affordability.

12.8 Litigation. Subject to the disclosures set forth on **Schedule 12.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will

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result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

12.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

12.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: GBC _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: GBC
Seller

Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 12.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 12.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 13. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

13.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

13.2 Authority. Buyer has the full power, authority and financial and operational ability to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

13.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property

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or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

13.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

13.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution in order to fulfill its obligations hereunder.

13.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

13.7 Litigation. Subject to the disclosures set forth on **Schedule 13.7** hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 14. Conditions to Parties' Obligations.

14.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 12. above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

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(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the Effective Date.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 14.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

14.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 13. above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 14.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 15. Indemnification.

15.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim,

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judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

15.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

15.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Section 15. shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 15.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

15.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling

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manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

15.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

15.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 15. shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 15. to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

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Section 16. Conduct of Business Pending Closing.

16.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

16.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 10.1 hereof.

16.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 17. Transition.

17.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may

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be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

17.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

17.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the Effective Date. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

17.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

17.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

17.6 Survival. The provisions of this Section 17. shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 18. Public Announcements.

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Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Section 19. Default.

19.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money, and all accrued interest thereon, shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 5. , BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER GBC **BUYER** _____

19.2 Seller's Default.

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(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

19.3 Survival. The provisions of this Section 19. shall survive the termination of this Agreement.

Section 20. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 21. Miscellaneous.

21.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

21.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

21.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire

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understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

21.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 5. hereof.

21.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:

CNMH_____
201 19th Street,
Oakland, CA 94612
Attn:
Phone:_____
Fax:_____
E-Mail:_____
_____

If to Purchaser:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Phone: (619) 296-9000
Fax: (619) 296-9090
E-Mail: Disrani@pacificacompanies.com

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at:

Linda Menasche
2365 Northside Drive, Suite 500
San Diego, CA 92108
Phone: (619) 521-3521
Email: MenasheL@ctt.com

21.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

21.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

21.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

21.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

21.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

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21.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

21.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

21.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller

California-Nevada Methodist Homes, a California nonprofit public benefit corporation

By: Garrett B Cross
Digitally signed by Garrett B. Cross
DN: cn=Garrett B. Cross, o=California Nevada Methodist Homes, ou, email=cross2@pacbell.net, c=US
Date: 2021.12.17 15:58:09 -08'00'

Garrett B. Cross
Chairman of Board of Trustees

Purchaser

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By: _____

Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By: _____
Name: _____
Its: _____

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SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12"‘ Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

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SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15' West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15' West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a

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municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

APN: 008-0627-038-03

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SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907", filed May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4' West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4' East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4' East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4' West, 18.94 feet to the point of beginning.

APN: 006-546-001

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SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907", filed for record May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

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SCHEDULE 1(e)

Attorney General Conditional Approval Letter

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CM-000846

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

January 7, 2020

Pamela S. Kaufmann
Partner
Hanson Bridgett LLP
425 Market Street, 26th Floor
San Francisco, CA 94105

Sent by U.S. Mail and Internet

RE: Proposed Sale of the Assets of California-Nevada Methodist Homes

Dear Ms. Kaufmann:

Pursuant to Corporations Code section 5914 *et seq.*, the Attorney General hereby conditionally consents to the proposed sale of California-Nevada Methodist Homes pursuant to the terms of the Asset Purchase Agreement dated March 7, 2019 between California-Nevada Methodist Homes, a California nonprofit public benefit corporation, and Bay Capital Co, LLC, a Delaware for-profit corporation.

Corporations Code section 5914 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 a for-profit 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,

Anita Garcia Velasco

ANITA GARCIA VELASCO
Deputy Attorney General

For XAVIER BECERRA
Attorney General

Attachment

Conditions to Proposed Sale of California-Nevada Methodist Homes and Approval of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC; the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC; Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC

I.

These Conditions shall be legally binding on Bay Capital Co, LLC, a Delaware limited liability company, Bay Senior Office PropCo LLC, a Delaware limited liability company, Lake Park PropCo LLC, a Delaware limited liability company, Lake Park OpCo LLC, a Delaware limited liability company, Lake Park Venture, LLC, a Delaware limited liability company, Lake Park OpCo Venture, LLC, a Delaware limited liability company, Lake Park OpCo Holding, LLC, a Delaware limited liability company, Forest Hill PropCo LLC, a Delaware limited liability company, Forest Hill OpCo LLC, a Delaware limited liability company, Forest Hill Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Holding, LLC, a Delaware limited liability company, Life Care Services, LLC, dba Life Care Services®, an Iowa limited liability company 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 Lake Park Facility[1] and the Forest Hill Facility[2] or the real property on which the Lake Park Facility and the Forest Hill Facility are located, any and all current and future owners, lessees, licensees, or operators of any of the facilities or units at the Lake Park Facility and the Forest Hill Facility,

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[1] Throughout this document "the Lake Park Facility" shall mean the RCFE- Continuing Care Retirement Community located at 1850 Alice Street, Oakland, CA, 94612 that includes 147 residential independent living units and 37 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 35 bed skilled nursing facility licensed by the California Department of Public Health effective November 1, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

[2] Throughout this document, "the Forest Hill facility" shall mean the RCFE-Continuing Care Retirement Community located at 551 Gibson Avenue, Pacific Grove, CA, 93950 that includes 91 residential living units and 18 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 26 bed skilled nursing facility licensed by the California Department of Public health effective January 16, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

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and any and all current and future lessees and owners of the real property on which Lake Park and Forest Hill are physically located.

II.

The transaction approved by the Attorney General consists of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC dated March 7, 2019, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC, the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC, the Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC dated September 25, 2019; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC dated September 25, 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 Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC and all owners, managers, lessees, or operators of the Lake Park Facility and the Forest Hill Facility 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 Lake Park Facility or the Forest Hill Facility or any portion thereof;

(b) Transfer control, responsibility, management, or governance of the Lake Park Facility and the Forest Hill Facility or any portion thereof. The substitution, merger or addition of a new member of the governing body, general partner, or limited partner of Bay Capital Co, LLC; Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC that transfers the control of, responsibility for or governance of the Lake Park Facility and the Forest Hill Facility or any portion thereof shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more

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members of the governing body, general partner, or limited partners of the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or any arrangement, written or oral, that would transfer voting control of the members of the governing body, general partner, or limited partners of the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLCshall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Asset Purchase Agreement, the Lake Park Health Center[3] shall be operated and maintained as a skilled nursing facility with 35 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as November 1, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, and Life Care Services, LLC or the operator or licensee of the Lake Park Health Center shall not place all or any portion of the Lake Park Health Center'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 Asset Purchase Agreement, the Forest Hill Health Center[4] shall be operated and maintained as a skilled nursing facility with 26 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as of

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[3] Throughout this document, the term "Lake Park Health Center" shall mean the skilled nursing facility located at 1850 Alice Street, Oakland, CA, 94612 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

[4] Throughout this document, the term "Forest Hill Health Center" shall mean the skilled nursing facility located at 551 Gibson Avenue, Pacific Grove, CA, 93950 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

January 16, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center shall not place all or any portion of the Forest Hill Health Center's skilled nursing licensed-bed capacity or services in voluntary suspension or surrender its license for any beds or services.

VI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Lake Park Health Center 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 Lake Park Health Center as required in these Conditions.

VII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center 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 Forest Hill Health Center as required in these Conditions.

VIII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC and any other owner or operator of the Lake Park Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Boards shall consist of 7-12 residents at the Lake Park Facility chosen by the residents of the Lake Park Facility. The Community Advisory Board will provide advice and feedback on a

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quarterly basis on the quality of care and quality of life being provided to the residents and patients.

IX.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC and any other owner or operator of the Forest Hill Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Board shall consist of 7-12 residents at the Forest Hill Facility chosen by the residents of the Forest Hill Facility. The Community Advisory Board will provide advice and feedback on a quarterly basis on the quality of care and quality of life being provided to the residents and patients.

X.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding shall undertake phased capital improvements at the facilities, Lake Park and Forest Hill inclusive, in the amount of approximately $7,000,000 as set forth in Section 9.19 of the Asset Purchase Agreement and attached hereto as Exhibit D.

XI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Lake Park OpCo and Life Care Services and any operator or licensee of the Lake Park Health Center shall each certify that the report is true, accurate, and complete.

XII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill

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Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Forest Hill OpCo and Life Care Services and any operator or licensee of the Forest Hill Health Center shall each certify that the report is true, accurate, and complete.

XIII.

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.

XIV.

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.

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Exhibit 1

estimate of the Pension Fund Liability for the plan year ended December 31, 2019, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt. Thereafter, promptly following March 31 of each subsequent year until such time as the Closing occurs or this Agreement is terminated pursuant to Section 5.2, Seller shall obtain from the Existing Pension Fund an estimate of the withdrawal liability for the most recently ended plan year, and make its reasonable best efforts to obtain from the Existing Pension Fund an estimate of the Pension Fund Liability for the then-current plan, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt.

Section 9.19 Post-Closing Business Plans. From and after the Closing, Buyer or its Affiliates will continue to own and operate the Communities as senior housing communities and, in connection therewith, shall (i) undertake certain phased capital improvements at the Communities in the amount of approximately $7,000,000, and (ii) grant Residents of the Communities the option to either maintain their existing Residency Agreements or to receive a full repayment of the repayable portion of their Entrance Fees and convert their existing Resident Agreements to alternative rental arrangements.

Section 9.20 Regulatory Approvals. Not earlier than fifteen (15) Business Days following the later of (i) Buyer's receipt from Seller of evidence reasonably satisfactory to Buyer that Seller has submitted its complete notice to the Attorney in accordance with Section 5914 (as contemplated by Section 9.16), or (ii) the Due Diligence Expiration Date, Buyer shall provide Seller with evidence of Buyer's initial filings with the appropriate State Regulatory Agencies to obtain the Regulatory Approvals; provided, however, that notwithstanding the foregoing, at least forty five (45) days prior to the Closing Date (or such other time period as is required by the California Department of Social Services), Buyer OpCo shall file an abbreviated "co-licensing" application with the California Department of Social Services to become the co-licensee with Seller for the Communities pending receipt of a new RCFE license, it being understood that, in connection therewith, and as required by California Law, at least thirty (30) days prior to the Closing Date, Buyer Opco shall notify the California Department of Public Health of the change in licensure.

ARTICLE 10

EMPLOYEE BENEFITS AND EMPLOYEE MATTERS

Section 10.1 Seller's Employee Benefit Plans.

(a) Except for the Assumed Pension Fund Liability assumed by Buyer or its permitted assignee (including Buyer OpCo, as designated by Buyer) under Section 3.1(a), Seller shall retain all obligations and liabilities under or relating to the Employee Benefit Plans, and Buyer or such permitted assignee shall assume none thereof. Neither Buyer nor any permitted assignee thereof shall have any responsibility, liability or obligation, whether to Property Employees, former employees, their beneficiaries or to any other person (including, without limitation, the Internal Revenue Service, the U.S. Department of Labor and the PBGC), with respect to any Employee Benefit Plans (including with respect to the establishment, operation, funding or termination thereof) maintained by Seller.

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SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the Assumption Notice Deadline, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

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SCHEDULE 2.5

Resident Security Deposits

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SCHEDULE 4.2(a)

GRANT DEED

To be provided by Title Company

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SCHEDULE 4.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

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EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

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SCHEDULE 4.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of December 17, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

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1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement and all applicable Court orders, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

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1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Buyer as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests, except as otherwise set forth herein and in the Agreement.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:

California-Nevada Methodist Homes, a California nonprofit public benefit corporation

By: _____
Garrett B. Cross

Its: Chairman of Board of Trustees

BUYER:

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By: _____
Deepak Israni, Secretary

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SCHEDULE 12.8

Litigation

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CNH000864

Notice of Hearing on CNMH's Motion for an Order Approving the Sale and Assumption and Assignment of Contracts, and Granting Related Relief, dated January 14, 2022

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
ANTHONY J. DUTRA, SBN 277706
adutra@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES,[1] Debtor.	Case No. 21-40363 Chapter 11 **NOTICE OF HEARING ON DEBTOR'S MOTION FOR AN ORDER (I) APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS FREE AND CLEAR OF CLAIMS, LIENS, AND ENCUMBRANCES, (II) APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (III) GRANTING RELATED RELIEF** Date: February 4, 2022 Time: 11:00 a.m. (Pacific) Court: United States Bankruptcy Court Courtroom 215 1300 Clay Street, Suite 300 Oakland, CA 94612

[1] The last four digits of the Debtor's federal tax identification number are 2411. The mailing address for the Debtor is 1850 Alice Street Oakland, CA 94612.

PLEASE TAKE NOTICE that on February 4, 2022 at 11:00 a.m. (Prevailing Pacific Time), the United States Bankruptcy Court for the Northern District of California, Oakland Division (the "**Bankruptcy Court**"), the Honorable Charles Novack, United States Bankruptcy Chief Judge, presiding, will conduct a hearing in Courtroom 215 at the Bankruptcy Court located at 1300 Clay Street, Oakland, CA 94612 to consider the *Debtor's Motion for Entry of an Order (i) Approving the Sale of Substantially All of the Debtor's Assets Free and Clear of Claims, Liens, and Encumbrances; (ii) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (iii) Granting Related Relief* (the "**Motion**").[2]

PLEASE TAKE FURTHER NOTICE that the Hearing will not be conducted in the Court's chambers, but will instead only be conducted by videoconference using the Zoom Webinar software. All interested parties should consult the Bankruptcy Court's website at www.canb.uscourts.gov for information about court operations during the COVID-19 pandemic. The Bankruptcy Court's website provides information regarding how to arrange a telephonic or video appearance. If you have any questions regarding how to appear at a court hearing, you may contact the Bankruptcy Court by calling 888-821-7606 or by using the Live Chat feature on the Bankruptcy Court's website.

PLEASE TAKE FURTHER NOTICE that any objection to the Motion based on any grounds other the adequacy of the assurance of future performance of an agreement the Debtor seeks to assume and assign to another party in connection with the Motion must be filed with the Bankruptcy Court no later than **January 27, 2022**.

PLEASE TAKE FURTHER NOTICE that any objection to the Motion based on the adequacy of the assurance of future performance of an agreement the Debtor

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[2] Copies of the Motion can be viewed and/or obtained by: (i) accessing the Bankruptcy Court's website at http://www.canb.uscourts.gov, or (ii) from Stretto via its website at https://cases.stretto.com/CNMH/court-docket/, by e-mail at TeamCNMH@stretto.com, or by calling (855) 382-1904 (Toll-Free) for U.S.-based parties or +1 (949) 253-3091 for international parties. Note that a PACER password is needed to access documents on the Bankruptcy Court's website.

seeks to assume and assign to another party in connection with the Motion may be raised at the hearing on the Motion on **February 4, 2022 at 11:00 a.m.**

DATED: January 14, 2022

HANSON BRIDGETT LLP

By: /s/ Anthony J. Dutra
NEAL L. WOLF
ANTHONY J. DUTRA
Attorneys for Debtor and Debtor in Possession

CNMH's Motion for Order Approving Sale, Approving Assumption and Assignment of Contracts, and Granting Related Relief, filed January 14, 2022

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
ANTHONY J. DUTRA, SBN 277706
adutra@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES,[1] Debtor.	Case No. 21-40363 Chapter 11 **DEBTOR'S MOTION FOR AN ORDER (I) APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS FREE AND CLEAR OF CLAIMS, LIENS, AND ENCUMBRANCES, (II) APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (III) GRANTING RELATED RELIEF**

[1] The last four digits of the Debtor's federal tax identification number are 2411. The mailing address of the Debtor is 1850 Alice Street Oakland, CA 94612.

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California-Nevada Methodist Homes (the "**Debtor**"), the debtor and debtor in possession in the above-captioned Chapter 11 case (the "**Chapter 11 Case**"), hereby files this motion (the "**Motion**") for entry of an order, in whole or part substantially in the form attached hereto as **Exhibit A**, pursuant to sections 363 and 365 of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "**Bankruptcy Code**"), and Rules 6004 and 6006 of the Federal Rules of Bankruptcy Procedure ("**Bankruptcy Rules**") (i) approving the sale of substantially all of the Debtor's assets (the "**Assets**") free and clear of any claims, liens, and encumbrances in the Assets, with any such claims, liens, and encumbrances to attach to the proceeds of the sale, subject to certain exceptions as set forth in the Stalking Horse Agreement (as defined below) and consistent with the Sale Procedures (as defined below) (ii) approving the assumption and assignment of certain executory contracts and unexpired leases, and (iii) granting related relief.

In support of the Motion, the Debtor relies upon the accompanying Memorandum of Points and Authorities, the Declaration of Neal L. Wolf (the "**Wolf Declaration**"), which is attached hereto as **Exhibit B**.

MEMORANDUM OF POINTS AND AUTHORITIES

I. JURISDICTION

This Court has jurisdiction over the subject matter of this Motion pursuant to 28 U.S.C. §§ 157 and 1334, the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24 (N.D. Cal. Feb. 22, 2016), and Rule 5011-1(a) of the Bankruptcy Local Rules for the United States District Court for the Northern District of California (the "**Bankruptcy Local Rules**"). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding under 28 U.S.C. § 157(b). The Debtor consents to the entry by the Court of a final order with respect to this Motion.

II. BACKGROUND

A. The Debtor's Bankruptcy Case

On March 16, 2021 (the "**Petition Date**"), the Debtor commenced this Chapter 11 Case by filing a voluntary petition under chapter 11 of the Bankruptcy Code. The Debtor continues to operate its business and manage its property as a debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On April 8, 2021 and April 19, 2021, the United States Trustee for the Northern District of California appointed an Official Committee of Unsecured Creditors (the "**Committee**") in the Chapter 11 Case. No request has been made for the appointment of a trustee or examiner in the Chapter 11 Case.

Additional information about the Debtor's business and affairs, capital structure and prepetition indebtedness, and the events leading up to the Petition Date is set forth in the previously filed *Declaration of Steven A. Nerger in Support of Debtor's "First Day Motions"* [Dkt. No. 14].

B. The Sale Process

For a substantial period of time, the Debtor has been sustaining severe operating losses. *See* Wolf Declaration. In the opinion of the Debtor and its Chief Restructuring Officer, these substantial operating losses cannot quickly and readily be reversed or

rectified and it is necessary that the Debtor expeditiously enter into a sale or merger transaction with a highly qualified and financially sound entity. *Id.*

1. The Initial Attempts to Sell the Assets

On May 20, 2021, upon motion by the Debtor, the bankruptcy court entered an order authorizing the Debtor to employ B.C. Ziegler & Company ("**Ziegler**"), a highly-qualified investment banking firm, to develop and implement a sale or merger process ("**Sale Process**"). Ziegler quickly went to work orchestrating that process. Ziegler contacted approximately one hundred potentially interested parties, entered into a non-disclosure agreement with and circulated a comprehensive "offering memorandum" to those parties who expressed interest in a possible transaction, and engaged many of those parties in direct, one-on-one discussions. In response to the offering memorandum, Ziegler elicited non-binding letters of interest from ten potential purchasers or merger partners. *Id.*

With the assistance of the Debtor's counsel, Neal L. Wolf, Ziegler then conducted what amounted to an extensive and exhaustive *de facto* auction process. The Debtor and Ziegler called upon and encouraged potential buyers and merger partners to enhance their respective proposals. In response, certain interested purchasers enhanced their respective proposals on two or more occasions. Ultimately, Pacifica Companies, LLC ("**Pacifica**" or "**Stalking Horse Bidder**") made what the Debtor determined to be the most advantageous proposal. *Id.*

Significantly, Pacifica conditioned the amount of its final, and highest, proposal on the conduct of a "private sale" transaction by the Debtor. Pacifica indicated that, if there were to be a court-supervised auction process at which it was designated as a "stalking horse" bidder, the Pacifica offer would be reduced by approximately $2 million and Pacifica would require a $1.5 million "break-up fee." *Id.* Debtor and Pacifica subsequently executed a purchase and sale agreement for Pacifica's purchase of substantially all of the Debtor's Assets (such agreement as subsequently amended by Debtor and Pacifica, the "**Original Purchase and Sale Agreement**"), including the

Debtor's facilities located at (a) 1850 Alice St., Oakland, CA 94612, along with the CNMH Corporate Office Building located at 201 19th Street, Oakland, CA 94612 (collectively, "**Lake Park**"), and (b) 511 Gibson Ave., Pacific Grove, CA 93950, along with the Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (collectively, "**Forest Hill**" and, together with Lake Park, the "**Facilities**").

On November 23, 2021 the Court entered an Order Approving the Sale of Substantially All of Debtor's Assets to Pacifica Companies, LLC Free and Clear of Any Liens and Encumbrances [Dkt. No. 348]. On November 29, 2021, Pacifica terminated the Original Purchase and Sale Agreement.

2. The Sale Procedures and Public Auction

After Pacifica's termination of the Original Purchase and Sale Agreement, the Debtor determined in its business judgment to conduct a competitive bid-and-sale process for the orderly sale of substantially all of the Debtor's Assets under sections 363 and 365 of the Bankruptcy Code. After further arm's-length negotiations, the Debtor and Pacifica, as the stalking horse bidder, entered into that certain Purchase and Sale Agreement, which includes exhibits and schedules, dated as of December 17, 2021 (the "**Stalking Horse Agreement**").

On December 17, 2021, Debtor filed *Debtor's Motion for Entry of an Order (i) Approving Bidding Procedures in Connection with the Sale of Substantially all of the Debtor's Assets; (ii) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (iii) Approving Stalking Horse Bidder and Break-up Fee; and (iv) Granting Related Relief* ("**Sale Procedures Motion**") [Dkt. No. 360.] On January 14, 2022, the Court entered an order (the "**Sale Procedures Order**") granting the Sale Procedures Motion. The Sale Procedures Order, among other things, approved Pacifica as the stalking horse bidder for the purchase of the Assets, approved procedures (the "**Sale Procedures**") for the sale of the Assets through a competitive auction process (the "**Auction**"), and approved notice procedures concerning the

assumption and assignment of executory contracts and unexpired leases. The Sale Procedures are attached to the Sale Procedures Order as Exhibit 1.

The Sale Procedures require, among other things, that parties interested in bidding for the purchase of some or all of the Assets submit a written purchase agreement (each such agreement and the Stalking Horse Agreement, a "**Purchase Agreement**") signed by the bidder that identifies which of the Assets the bidder wishes to purchase and the terms on which the bidder is willing to acquire them, specifies the unexpired leases and executory contracts the bidder would like the Debtor to assume and assign to the bidder in addition to all Assumed Residency Agreements,[2] and requires that Bids include certain other terms and conditions. A Bid will only be a Qualifying Bid (as that term is used in the Sale Procedures) if, among other things, it offers to purchase some or all of the Assets at a price that meets or exceeds the sum of (a) the amount Pacifica agreed to pay for those Assets in the Stalking Horse Agreement, (b) the corresponding break-up fee for those Assets, and (c) $250,000.

The Sale Procedures permit the Debtor to sell the Assets to Pacifica pursuant to the terms of the Stalking Horse Agreement if the Debtor does not receive a Qualifying Bid from any other Potential Bidder on or before January 31, 2022. If the Debtor does receive such a Qualifying Bid by that date, the Debtor must hold the Auction on February 2, 2022, during which the Debtor may conclude to seek to sell the Assets to one or more bidders at the Auction (each, a "**Successful Bidder**") and to designate one or more backup bidders (each, a "**Backup Bidder**").

Pursuant to the Bidding Procedures, in certain circumstances there may be more than one Successful Bidder and/or Back-up Bidder for the collective Assets, but no sale may be approved which would result in Assets related to only one of the two Facilities being sold.

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[2] Defined terms not defined herein have the meanings ascribed to them in the Bidding Procedures.

The Sale Procedures contain many additional terms. Parties are referred to the court approved Sale Procedures for their complete terms. To the extent of any inconsistencies between the description of the Sale Procedures in this Motion and the Sale Procedures themselves, the Sale Procedures prevail.

3. Assumption by the Buyer(s) of Certain Agreements

The Debtor has executed various residency agreements (each a "**Residency Agreement**") with its current and former Residents, many of which required the pertinent Resident(s) to pay the Debtor an entrance fee and require the Debtor to repay a portion of that entrance fee on the terms set forth in the pertinent Residency Agreements and applicable laws (such repayable amounts, collectively, the "**Repayable Entrance Fee Liabilities**"). The Sales Procedures require Pacifica, the Successful Bidder(s), and Backup Bidder(s) (each, as applicable, the "**Buyer**") to agree in their respective Purchase Agreements to assume the Repayable Entrance Fee Liabilities associated with any Assets they purchase.

The Debtor has agreed that it will assume and assign the Residency Agreements for each current resident of Lake Park to the Buyer for Lake Park and will assume and assign the Residency Agreements for each current resident of Forest Hill to the Buyer for Forest Hill (all such Residency Agreements for Lake Park or Forest Hill, collectively, the "**Assumed Residency Agreements**"). The Sales Procedures require each Buyer to likewise agree to accept the assignment to them of the Assumed Residency Agreements that correspond to the Facility they are buying.

The Sale Procedures also permit a Buyer to designate any additional unexpired leases and executory contracts that the Buyer would like the Debtor to assume and assign to that Buyer (all such designated agreements, collectively, the "**Assumed Non-Residency Agreements**").

III. RELIEF REQUESTED

By this Motion, the Debtor seeks entry of an order, pursuant to sections 363 and 365 of the Bankruptcy Code and Rules 6004 and 6006 of the Bankruptcy Rules, (i)

approving the sale of the Assets free and clear of any claims, liens, and encumbrances in the Assets (the "**Asset Sale**"), with any such claims, liens, and encumbrances to attach to the proceeds of the sale, except to the extent otherwise set forth in the ultimately approved Purchase Agreement(s),[3] (ii) approving the assumption and assignment of certain of the Debtor's executory contracts and unexpired leases to the buyer(s) of the Assets, and (iii) granting related relief.

If no party (other than Pacifica) timely submits a Qualifying Bid, the Debtor seeks to sell the Assets to Pacifica in accordance with the terms of the Stalking Horse Agreement. If, on the other hand, one or more parties other than Pacifica timely submits a Qualifying Bid, the Debtor seeks to sell the Assets to the Successful Bidder(s) at the Auction in accordance with the terms set forth in the Purchase Agreement(s) for such Successful Bidder(s) or to one or more Backup Bidders in accordance with the terms set forth in the Purchase Agreement(s) for such Backup Bidder(s), if the pertinent Successful Bidder is unwilling or unable to complete its purchase of the Assets pursuant to the terms of that Successful Bidder's Purchase Agreement.

The Debtor also seeks entry of an order approving the assumption and assignment of the Assumed Residency Agreement to the Buyer(s) of the respective Facilities and the assignment and assumption of the Assumed Non-Residency Agreements (if any) that the Buyer(s) designated in their Purchase Agreement(s).

The Debtor respectfully submits that the proposed Asset Sale will yield a fair and reasonable price for the Assets, especially in light of the competitive Auction included in the Sale Procedures. The Debtor further submits that in light of the ongoing operating losses of the Debtor and the great likelihood that the Debtor will be unable to reverse

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[3] As set forth in the Bidding Procedures and the Stalking Horse Agreement, certain liabilities of the Debtor are to be assumed by the ultimate Buyers and certain Permitted Encumbrances will attach to the Assets, upon closing ("**Closing**") of the Asset Sale or the applicable Asset Sale if there is more than one Buyer. Additionally, the Notice of Statutory Limitation of Transfer will need to be recorded pursuant to Health and Safety Code section 1779.4(aa).

those losses in the near future, an expeditious sale of the Assets is absolutely necessary and in the best interest of the Debtor, its creditors, and its estate.

IV. BASIS FOR RELIEF

A. The Court Should Approve the Asset Sale

Bankruptcy Code Section 363 provides that a debtor, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). A sale of a debtor's assets should be authorized pursuant to Bankruptcy Code section 363 if (a) a sound business purpose exists for sale; (b) the sale price is fair and reasonable; (c) notice to creditors was proper; and (d) the sale is made in good faith. *In re Slates*, No. BAP EC-12-1168-KIDJU, 2012 WL 5359489, at *11 (B.A.P. 9th Cir. Oct. 31, 2012); *see also In re Delannoy*, 833 F. App'x 116, 119 (9th Cir. 2020) (sale under Section 363 "must be proposed in good faith and for a proper purpose" and must "realize optimal value for the estate under the circumstances"); *In re 240 North Brand Partners, Ltd.*, 200 B.R. 653, 659 (B.A.P. 9th Cir. 1996) ("[D]ebtors who wish to utilize § 363(b) to dispose of property of the estate must demonstrate that such disposition has a valid business justification . . . [and] must also show that the sale is proposed in good faith."); *see also Meyers v. Martin* (*In re Martin*), 91 F.3d 389, 395 (3d Cir. 1996) ("Under Section 363, the debtor-in-possession can sell property of the estate . . . if he has an 'articulated business justification' . . . ."); *In re Schipper*, 933 F.2d 513, 515 (7th Cir. 1991) (same); *In re Lionel Corp.*, 722 F.2d 1063, 1070 (2d Cir. 1983) (same). The Asset Sale satisfies each and every one of these criteria.

1. A sound business justification exists for the Asset Sale.

A sound business purpose for the sale of a debtor's assets outside the ordinary course of business may be found where such a sale is necessary to preserve the value of assets for the estate, its creditors or interest holders. *See, e.g., In re Trans World Airlines, Inc.*, 322 F.3d 283, 293 (3d Cir. 2003); *In re Motors Liquidation Co.*, 430 B.R. 65, 83 (S.D.N.Y. 2010). "Where the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will

generally not entertain objections to the debtor's conduct." *In re Johns-Manville Corp.*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986).

The Debtor has sound business justifications for selling the Assets through the Asset Sale.

First, the Debtor believes that the Asset Sale will maximize the potential return to creditors by selling the Assets for going-concern value rather than on a liquidation basis which would result in substantially less value for the Assets and likely cause significant disruption in the lives of the residents living in and receiving care in the Debtor's Facilities.

Second, the Asset Sale will be conducted in connection with Court-approved Sale Procedures and a competitive Auction for the Assets designed to yield what the Debtor determines in its business judgment, in consultation with California Department of Health Care Access and Information, f/k/a Office of Statewide Health Planning and Development ("**HCAI**"), Wilmington Trust, National Association ("**Wilmington**"), B.H. Capital Ventures, LLC ("**BHC**"), California Department of Social Services ("**CDSS**"), and the Committee (collectively, the "**Consultation Parties**") is the highest or otherwise best offer or offers for the Assets and subject to approval of this Court.

Third, the Debtor believes that the Asset Sale will enable the Debtor to sell the Assets in the most expedient manner available under the circumstances. The Debtor is currently projected to lose approximately $500,000 each month, and the sooner it sells the Assets, the quicker the Debtor can pass operation of its Facilities to a new, financially strong, operator or operators and both slow and ultimately reverse the Debtor's financial problems. Additionally, the Debtor's Residents have long been living with uncertainty including regarding who or what will be operating the Facilities for years to come. The sooner a sale proceeds, the sooner Residents will have the peace of mind that should come with the end of a long sale effort.

2. The sale price is fair and reasonable

Rule 6004 of the Bankruptcy Rules specifically permits a debtor to sell property other than in the ordinary course through either a private sale or a public auction. Fed. R. Bank. P. 6004(f)(1). Here, in and after December 2021 Ziegler provided an executive summary concerning the proposed sale of the Assets to at least 134 potentially interested parties, circulated a comprehensive "offering memorandum" to those parties who expressed interest in a possible transaction, and engaged many of those parties in direct, one-on-one discussions. Many of those parties have entered into non-disclosure agreements with the Debtor and as a result have access to a comprehensive electronic due diligence room containing further information about the Debtor and its operations. *See* Wolf Declaration. Prior to the hearing on this Motion, subject to the timely receipt of one or more Qualified Bids by one or more Qualified Bidders in addition to Pacifica, the Debtor will conduct a competitive Auction pursuant to the Sale Procedures. Such an auction typically results in a sale of the assets at market value, which is a fair and reasonable price. *See In re Lahijani*, 325 B.R. 282, 289 (B.A.P. 9th Cir. 2005); *In re Aerogroup Int'l, Inc.*, 601 B.R. 571, 590 (Bankr. D. Del. 2019), *motion to certify appeal denied*, No. BR 17-11962 (CSS), 2020 WL 757892 (D. Del. Feb. 14, 2020), *and aff'd*, 620 B.R. 517 (D. Del. 2020) (results of a Section 363 sale pursuant to an auction "represents fair and reasonable consideration"). That is particularly true here, where the Sale Procedures require Debtor to consult with the Consultation Parties – which include counsel for the Committee, CDSS and all of the Debtor's secured creditors – regarding what is the highest or otherwise best bid at the Auction, if one occurs.

3. Notice of the Asset Sale is adequate and appropriate.

The Debtor has involved the Debtor's most significant creditors and stakeholders, as well as its state regulators in the Sale Process. The Debtor conducted frequent meetings with and now continually updates not only its secured creditors, HCAI, CDSS, Wilmington, and BHC, but also the Committee. The Debtor will also provide notice of the hearing on this Motion as described in Section V below..

4. The Asset Sale is proposed in good faith.

When considering whether an asset sale under Section 363 is proposed in good faith, courts look to whether the offer is free from "collusion between the seller and buyer, or any attempt to take unfair advantage of other potential purchasers." *In re 240 N. Brand Partners, Ltd.*, 200 B.R. at 659. The Asset Sale will be the result of a competitive public Auction conducted by the Debtor pursuant to Sale Procedures approved by this Court. The final terms of the Asset Sale or Asset Sales will be approved by the Court after the Debtor, exercising its business judgment in consultation with the Consultation Parties, determined what it thinks is the highest or best offer(s). There has been and will be no collusion between the Debtor on the one hand and any Buyer on the other. Nor has there been any attempt to take unfair advantage of other potential purchasers. The Asset Sale is proposed in good faith.

B. The Court Should Approve the Asset Sale in Accordance with Bankruptcy Code Section 363(f)

The Asset Sale, as memorialized in the Stalking Horse Agreement or Purchase Agreement(s), is conditioned on the purchase being free and clear of any liens and encumbrances, except as otherwise set forth therein. The Buyer(s) would not have purchased the Assets or would have paid substantially less for the Assets if the sale of the Assets was not free and clear of such liens and encumbrances.

A debtor in possession may sell property of the estate "free and clear of any interest in such property," if, among other things, the holders of those interests consent to the sale (11 U.S.C. § 363(f)(2)), the sale results in consideration that exceeds the value of all liens on the property (*id.* § 363(f)(3)), or the holders of those interests "could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest" (*Id.* § 363(f)(5)).

The Debtor has conducted a title search on the Facilities and a UCC lien search and understands that HCAI, CDSS, Wilmington, and BHC are the Debtor's only secured creditors. Debtor anticipates that HCAI, CDSS, Wilmington, and BHC will each consent

to the Asset Sale free and clear of their liens. *See id.* § 363(f)(2). Second, to the extent any of the Debtor's unsecured creditors claim an interest in the Debtor's property (which the Debtor denies), those creditors can be compelled to accept a money satisfaction of such interest, because their unsecured status only entitles them to a monetary payment, and "the term 'money satisfaction' does not mean 'full money satisfaction.'" *In re Levitt & Sons, LLC*, 384 B.R. 630, 648 (Bankr. S.D. Fla. 2008); *see also* 11 U.S.C. § 363(f)(2). Additionally, Repayable Entrance Fee Liabilities will be assumed by the ultimate buyer or buyers and Residency Agreements will be assumed and assigned, both as required by the Bidding Procedures.

C. The Buyer(s) Should Be Entitled to the Protections of Section 363(m) of the Bankruptcy Code.

Once a bankruptcy court approves the sale of a debtor's assets to a good-faith purchaser, a third-party generally can only invalidate that sale on appeal if they first obtain a stay of the sale and authorization pending appeal. 11 U.S.C. § 363(m). Section 363(m) therefore protects a good-faith purchaser by providing a degree of finality to the purchase transaction. *In re Ewell*, 958 F.2d 276, 280 (9th Cir. 1992).

Although the Bankruptcy Code and Bankruptcy Rules do not define "good faith," courts typically look to see whether the purchaser colluded with the debtor or other bidders or attempted to take "grossly unfair advantage of other bidders." *Id.* (citing *In re Suchy,* 786 F.2d 900, 902 (9th Cir.1985)).

The Debtor is conducting an open and arm's-length sale process approved by the Court and with the assistance of outside advisors. The Debtor intends to demonstrate at the hearing on the Motion that the Asset Sale to the Buyer(s) is at arm's length, without collusion or coercion, and in good faith. Accordingly, the Debtor requests entry of an order, substantially in the form attached hereto as **Exhibit A**, that includes an explicit finding that each Buyer of the Assets is a "good faith" purchaser within the meaning of section 363(m) of the Bankruptcy Code. The Debtor believes that providing the protection of Bankruptcy Code section 363(m) will ensure that the Debtor will obtain the maximum

price for the Assets.

D. The Court Should Approve the Assumption and Assignment of the Debtor's Executory Contracts and Unexpired Leases.

1. Assignment and Assumption Is Appropriate

A debtor may, subject to court approval, assume and assign or reject executory contracts and unexpired leases under section 365 of the Bankruptcy Code. 11 U.S.C. § 365(a). Courts routinely approve motions to assume and assign or reject executory contracts or unexpired leases upon a showing that a debtor's decision to take such action will benefit the debtor's estate and is an exercise of sound business judgment. *See In re Pomona Valley Med. Group, Inc.*, 476 F3d 665, 670 (9th Cir. 2007); *In re G.I. Indus., Inc.*, 204 F3d 1276, 1282 (9th Cir. 2000). The Debtor requests that the Court approve the assumption and assignment of the Assumed Contracts and that the Assumed Contracts remain in full force and effect for the benefit of the Buyer(s) notwithstanding any provisions in any such Assumed Contracts, including those described in Bankruptcy Code sections 365(b)(2), (f)(1) and (f)(3), that prohibit such assignments, if any.

Assumption and assignment of the Assumed Contracts is an exercise of the Debtor's sound business judgment and likely will benefit the Debtor's estate because the assumption and assignment is an integral component of the Asset Sale, without which the Asset Sale would not be a viable option as they are necessary to operate the Assets and offer terms that the Bidder finds favorable. The assignment and assumption of the Assumed Residency Agreements will likely foster a positive relationship between the Buyer(s) and Residents. Moreover, it is unlikely that the Buyer(s) would be able to obtain the regulatory approval necessary to seamlessly transition the operation of the Facilities if they did not agree to continue to honor the terms of the Residency Agreements currently in force.

2. Any Defaults in the Assumed Contracts Will Be Cured.

Section 365(b)(1) of the Bankruptcy Code requires that, if there has been a default in a debtor's unexpired lease or executory contract, other than certain nonmonetary

defaults as set forth in the statute, such unexpired lease or executory contract may not be assumed unless, at the time of the assumption, (i) such default is cured or there is adequate assurance that such default will be cured, (ii) compensation or adequate assurance of compensation is provided for any actual pecuniary loss resulting from such default and (iii) adequate assurance of future performance under the contract or lease is provided. 11 U.S.C. § 365(b)(1)(A)–(C).

Pursuant to the terms of the Sales Procedures Order, the Debtor will send notices to each of the current Residents of the Debtor's Facilities (the "**Resident Notices**") providing notice of the proposed assignment and assumption of their Residency Agreement and the proposed amount (if any) that the Debtor must pay to cure any monetary defaults of the respective Residency Agreement. Pursuant to the terms of the Sales Procedures Order, the Debtor will also send notices (the "**Cure Notices**") to each non-resident counterparty for the executory contracts and unexpired leases that the Debtor may seek to assume and assign to a Buyer, informing such counterparties of the potential assumption of their respective agreements and the proposed amount (if any) that the Debtor must pay to cure any monetary defaults if the counterparty's agreement is assumed.

Current Residents and non-resident counterparties will be given sufficient time (as set forth in Sales Procedures Order) to object to the proposed assignment and assumption and to the cure amounts, if any, set forth in the applicable Resident Notices or Cure Notices. If no objection is timely filed with regard to a proposed cure amount, the cure amount shall be binding on the Debtor, the respective Buyer, and the applicable Resident or non-resident counterparty, in accordance with section 365(b)(1) of the Bankruptcy Code.

Additionally, notices of individual amounts of Repayable Entrance Fee Liabilities due to Residents, as determined by the Debtor as of December 31, 2021, shall be provided to Residents in accordance with the Sale Procedures and Residents have the opportunity to review and object to those amounts.

3. The Buyer(s) Will Provide Adequate Assurance of Future Performance

Section 365(f)(2)(B) of the Bankruptcy Code states that a debtor may assign its unexpired leases and executory contracts if, inter alia, the assignee provides "adequate assurance of future performance." 11 U.S.C. § 365(f)(2)(B). The meaning of "adequate assurance of future performance" depends on the facts and circumstances of each case, but should be given "practical, pragmatic construction." *EBG Midtown South Corp. v. McLaren/Hart Env. Eng' g Corp.* (*In re Sanshoe Worldwide*), 139 B.R. 585, 593 (S.D.N.Y. 1992); *see also In re Fleming Co. Inc.*, 499 F.3d 300, 305 (3d Cir. 2007); *Cinicola v. Scharffeberger*, 248 F.3d 110, 120 (3d Cir. 2001). The Sales Procedures approved by the Court require each Buyer to submit, among other things, written evidence of their ability to provide adequate assurance of future performance under the relevant Assumed Contracts. The Sales Procedures also permit the affected Residents and non-resident counterparties to challenge the ability of a Buyer to provide adequate assurance at the hearing on this Motion.

The assumption and assignment of an Assumed Contracts will be subject to all of the provisions of such Assumed Contracts, in accordance with applicable provisions of the Bankruptcy Code and other applicable laws. The Sales Procedures are designed to ensure that any Buyer is financially able and prepared to undertake all of the obligations under the pertinent Assumed Contracts and all obligations under the applicable Purchase Agreement. The Debtor, together with the relevant Buyer(s), will establish, as necessary, at the hearing on this Motion, the requisite adequate assurance of future performance pursuant to section 365 of the Bankruptcy Code with respect to the potential assumption and assignment of the Assumed Contracts. Consequently, assumption and assignment of the Assumed Contracts in connection with the Asset Sale is appropriate under the circumstances.

V. NOTICE

The Debtor will serve notice of the hearing on this Motion upon: (i) the Office of the United States Trustee; (ii) counsel to the Committee; (iii) CDSS ; (iv) HCAI; (v) Wilmington; (vi) Pacifica; (vii) all other entities that signed a non-disclosure or similar agreement with the Debtor at any time on or after the date of the commencement of this case in connection with the possible sale of Assets; (viii) SEIU National Industry Pension Fund; (ix) BHC; (x) all current Residents, (xi) all creditors listed on the Debtor's Schedules of Assets and Liabilities, as amended; (xii) all parties which have filed a proof of claim in this case; (xiii) all parties known to the Debtor to assert a lien or encumbrance in any of the Assets; and (xiv) all parties who have formally appeared in this Chapter 11 Case and requested service pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, the Debtor submits that no other or further notice is necessary. No prior application for the relief requested herein has been made to this or any other court.

VI. CONCLUSION

For the foregoing reasons, the Debtor respectfully requests that the Court enter an order approving this Motion and granting such other and further relief the Court may deem just and proper.

DATED: January 14, 2022

HANSON BRIDGETT LLP

By: /s/ Anthony J. Dutra
NEAL L. WOLF
ANTHONY J. DUTRA
Attorneys for Debtor and Debtor in Possession

EXHIBIT A

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES,[1] Debtor.	Case No. 21-40363 Chapter 11 **ORDER (I) APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS FREE AND CLEAR OF CLAIMS, LIENS, AND ENCUMBRANCES, (II) APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (III) GRANTING RELATED RELIEF**

[1] The last four digits of the Debtor's federal tax identification number are 2411. The mailing address for the Debtor is 1850 Alice Street Oakland, CA 94612.

Upon consideration of the *Debtor's Motion For An Order (I) Approving The Sale Of Substantially All Of The Debtor's Assets Free And Clear Of Claims, Liens, And Encumbrances, (II) Approving The Assumption And Assignment Of Certain Executory Contracts And Unexpired Leases, And (III) Granting Related Relief* (Dkt. No. ___) (the "**Motion**")[2] filed by California-Nevada Methodist Homes, as debtor and debtor in possession (the "**Debtor**") in the above-captioned chapter 11 case (the "**Chapter 11 Case**") for entry of an order (this "**Order**") pursuant to sections 363 and 365 of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "**Bankruptcy Code**"), and Rules 6004 and 6006 of the Federal Rules of Bankruptcy Procedure ("**Bankruptcy Rules**") (i) approving the sale of substantially all of the Debtor's assets (the "**Assets**") free and clear of Interests (as defined below) (ii) approving the assumption and assignment of certain executory contracts and unexpired leases, and (iii) granting related relief; and upon consideration of any responses and oppositions filed in response to the Motion and the evidence submitted in support of the Motion and in response and opposition to the Motion; and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24 (N.D. Cal. Feb. 22, 2016), and Rule 5011-1(a) of the Bankruptcy Local Rules for the United States District Court for the Northern District of California (the "**Bankruptcy Local Rules**"); and this matter being a core proceeding pursuant to 28 U.S.C. § 157; and venue of the Chapter 11 Case and the Motion are proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion and the Hearing (as defined below) was sufficient under the circumstances, and it appearing that other or further notice need not be provided; and this Court having held a hearing (the "**Hearing**") to consider the relief requested in the Motion and the Court having considered the arguments made at the Hearing; and the Court having found that the relief

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[2] Capitalized words not otherwise defined herein shall have the same meanings ascribed to such terms in the Motion.

requested in the Motion is in the best interests of the Debtor, its creditors, its estate and all other parties in interest; and upon the record herein; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY FOUND, ADJUDGED, AND DECREED THAT:

A. The Debtor [was/was not] required to conduct an Auction for the sale of the Assets because the Debtor [received/did not receive] at least one bid for the Assets by the January 31, 2022 deadline that the Debtor determined to be a Qualifying Bid as that term is used in this Court's January 14, 2022 *Order Granting Debtor's Motion for Entry of an Order (i) Approving Bidding Procedures in Connection With the Sale of Substantially All of the Debtor's Assets; (ii) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (iii) Approving Stalking Horse Bidder and Bid Protections; and (iv) Granting Related Relief* ("**Sales Procedures Order**") (Dkt. No. 401).

B. [After the Auction concluded, the Debtor named _____ as the Successful Bidder and named _____ as the Backup Bidder (as those terms are used in the Sales Procedures Order) and filed copies of the Purchase Agreements for the Successful Bidder[s] and Backup Bidder[s]. Each Successful Bidder or Backup Bidder is referred to herein as a "**Buyer**."] [The Debtor filed a notice with the Court on January _, 2022 indicating that no party other than the Stalking Horse Bidder was deemed to be a Qualified Bidder and that an Auction would not be held.]

C. Good and sufficient cause has been shown for the entry of this Order granting the Motion to authorize Debtor sell the Assets to [Pacifica, as the stalking horse bidder (the "**Buyer**"),/the Buyer[s]] substantially on terms set forth in the [Stalking Horse Agreement/applicable Buyer's Purchase Agreement[s]] (the "**Purchase Agreement[s]**") and this Order (the "**Asset Sale[s]**").

D. The Debtor has articulated sound business justifications for selling the Assets to the Buyer[s] pursuant to the terms of the Purchase Agreement[s] and the additional relief granted through this Order.

E. The Assets are property of the Debtor's bankruptcy estate.

F. The sale process conducted by the Debtor for the sale of the Assets (the "**Sale Process**") and the [combined] purchase price of [$30,000,000.00/$_____ for the Successful Bidder[s] and $ _____ for the Backup Bidder[s]] (the "**Purchase Price**") and other terms as set forth in the Purchase Agreement[s] are both fair and reasonable. Approval of the Asset Sale[s] at this time and pursuant to the terms of the Purchase Agreement[s] and this Order is in the best interests of the Debtor, its creditors, its estate, and other parties in interest.

G. The Purchase Agreement[s] [was/were] negotiated in good faith and at arm's length between Debtor and Buyer[s]. The terms of the Purchase Agreement[s] are the result of the Sale Process which was fair and reasonable, and the Purchase Agreement[s] [is/are] not the product of fraud, collusion, an attempt to take unfair advantage of others, or misconduct on the part of Debtor or Buyer[s].

H. For purposes of this Order, "Interests" is defined as all liens, claims encumbrances and interests in the Assets exclusive of: (i) all liabilities and obligations under the Assumed Contracts, (ii) the Repayment Liability (as defined in the Stalking Horse Agreement), (iii) all additional liabilities assumed under the terms of the Purchase Agreement[s], (iv) the Permitted Encumbrances (as defined in the Stalking Horse Agreement), and (v) the requirements of the Notice of Statutory Limitation of Transfer to be recorded pursuant to Health and Safety Code section 1779.4(aa) ("**Section 1779.4(aa) Notice"**). For the avoidance of doubt, the Purchaser[s] will be liable for and under (i) to (iii) immediately above as of Closing and will take ownership of Assets at the time of Closing subject to (iv) to (v) immediately above.

I. The purchase of the Assets by the Buyer[s] pursuant to the Purchase Agreement[s] is in "good faith" as that term is used in Section 363(m) of the Bankruptcy Code and neither the Debtor nor [either] Buyer engaged in any action or inaction that would cause or permit [either of] the Asset Sale[s] to be avoided or damages or costs to be awarded to any party under Section 363(n) of the Bankruptcy Code.

J. B.H. Capital Ventures, LLC's ("**BHC**") does not object to the sale of the Assets on the terms set forth herein and pursuant to the Amended Final Order (I) Authorizing Debtor to Obtain Postpetition Financing, (II) Granting Adequate Protection, (III) Granting Superpriority Administrative Expense Claims, (IV) Granting Priming Liens Under Bankruptcy Code Section 364(d), and (V) Granting Related Relief [ECF #265], as the DIP Loan Order has been amended [ECF # 326] and as may be further amended or supplemented, (collectively, the "**DIP Loan Order**"), and on no other terms. Holders of other Interests in the Assets either consented to the Asset Sale[s] and/or could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such Interests.

K. Notice of the Asset Sale[s] and the terms of the Purchase Agreement[s] were sufficient under the circumstances, and no other or additional notice of the Asset Sale[s], the Hearing, the terms of the Purchase Agreement[s], or of the request for the relief granted herein is required.

L. The Interests of the Debtor's secured claimholders – BHC; California Department of Health Care Access and Information f/k/a Office of Statewide Health Planning and Development ("**HCAI**"); Wilmington Trust, National Association ("**Wilmington**"); and the California Department of Social Services ("**CDSS**") – are adequately protected, thereby satisfying section 363(e) of the Bankruptcy Code. With the exception of the DIP Liens (as defined below) which will be satisfied and extinguished pursuant to the terms of this Order, the Interests of the Debtor's secured claimholders shall attach to the sale proceeds in the order of their priority, and with the same validity, extent, force and effect that they have against such Assets immediately prior to Closing.

M. The Debtor has articulated sound business justifications for assuming the Assumed Contracts and assigning them to the Buyer[s] pursuant to the terms of the Purchase Agreement[s] and this Order.

N. The Buyer[s] have provided adequate assurance of future performance under the Assumed Contracts.

O. The terms herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052 made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent anything that may be considered a finding of fact constitutes a conclusion of law, it is adopted as such. To the extent any conclusion of law may be considered a finding of fact, it is adopted as such.

Based on the foregoing findings and conclusions, the Motion, and the record before the Court with respect to the Motion, and after due consideration and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT

1. The Motion is GRANTED as set forth herein.

2. [Any objections to the Asset Sale[s], to the assumption and assignment of any of the Assumed Contracts, or to the cure amounts listed in the Resident Notices or the Cure Notices are overruled on the terms set forth herein.]

3. Except as otherwise provided herein and subject to the provisions of paragraphs 4-5 below, the Debtor is authorized to sell the Assets to Buyer[s] on the terms set forth in the Purchase Agreement[s] and this Order, free and clear of any Interests in the Assets existing at the time of Closing.

4. Concurrent with the Closing of the Asset Sale[s] as provided in the Purchase Agreement[s], the escrow agent specified in the Purchase Agreement[s] shall pay from the Purchase Price funds held in escrow the Debtor's liability to BHC under the Senior Secured Superpriority Debtor-in-Possession Credit Agreement by and between Debtor and BHC, as amended, (the "**DIP Loan Liability**") in full, and upon full satisfaction of the DIP Loan Liability, any security interests, liens and other Interests BHC may have in the Assets at the time of Closing (the "**DIP Liens**") shall be fully satisfied and extinguished. BHC shall cooperate with the Debtor and Buyer[s] as reasonably requested in connection therewith.

5. Closing of the Asset Sale[s] shall not occur unless:

a. there are sufficient funds held in the escrow for the Asset Sale[s] to pay the DIP Loan Liability in full; and

b. The escrow instructions for the Asset Sale[s] include an instruction that BHC shall be paid the DIP Loan Liability in full at the Closing from escrowed funds.

6. Upon Closing of the Asset Sale[s] as provided in the Purchase Agreement[s], Buyer[s] shall (i) acquire the Assets free and clear of any and all Interests in the Assets, pursuant to Section 363(f) of the Bankruptcy Code.

7. All Interests in the Assets shall attach to the proceeds of the Asset Sale[s] immediately upon receipt by the Debtor of such proceeds in the order of priority, and with the same validity, force and effect which they have against the Assets immediately prior to the Closing, except for the DIP Liens which will be satisfied and extinguished at the time of Closing under the terms of this Order.

8. The Debtor shall give the Buyer[s] notice of the required Section 1779.4(aa) Notice on or before _____, 2022.

9. Amendments to a Purchase Agreement shall not be valid or enforceable unless approved by an order of this Court entered after reasonable notice and an opportunity to be heard has been provided to parties-in-interest in the Chapter 11 Case that have requested notice, including without limitation the Official Committee of Unsecured Creditors appointed in the Chapter 11 Case; HCAI; BHC; Wilmington; CDSS; and the Office of the United States Trustee.

10. A Buyer need not seek Court approval for the assignment of the Buyer's rights under its Purchase Agreement, in whole or in part, to any entity that is controlled by or is under common control with the Buyer, but must obtain Court approval for the assignment of the Buyer's rights under its Purchase Agreement, in whole or in part, to any other person (as that term is defined under Section 101(41) of the Bankruptcy Code).

11. Upon Closing of the Asset Sale[s] and the Debtor's transfer of the Restricted Repayable Resident Entrance Fee Payments to _____ and

_____'s assumption of the corresponding Restricted Entrance Fee Liability as provided in the Purchase Agreement[s], this Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein (the "**Restricted Account Order**") shall no longer have any force and effect. Any such rescission of the Restricted Account Order shall not prejudice CDSS's rights to condition _____'s use of the Restricted Repayable Resident Entrance Fee Payments after Closing.

12. The Debtor's assumption and assignment of the Assumed Contracts to the [relevant] Buyer[s] and the [Buyer's/Buyers'] acceptance of the assignment of the Assumed Contracts are approved.

13. To the extent there is any conflict between the terms of this Order and the Purchase Agreement[s], the terms of this Order shall control.

14. This Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Bankruptcy Rules 6004(h) and 6006(d), and to any extent necessary under Bankruptcy Rule 9014 and Federal Rule of Civil Procedure 54(b), as made applicable by Bankruptcy Rule 7054, the Court expressly finds that there is no just reason for delay in the implementation of this Order and this Order is not stayed and shall be effective upon the date of its entry on the docket.

15. The terms and provisions of the Purchase Agreement[s] and this Order shall be binding in all respects upon the Debtor, its estate, all of its creditors, all counterparties to the Assumed Contracts, and Buyer[s], and all of their respective successors, heirs and assigns including, but not limited to, any subsequent trustee appointed in the Debtor's Chapter 11 Case or upon conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code.

16. The terms and provisions of the Purchase Agreement[s] and this Order and any actions taken pursuant hereto shall not be impacted by the later entry of any order

which may: (a) confirm a chapter 11 plan in this Chapter 11 Case; (b) convert this Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code; (c) dismiss this Chapter 11 Case; (d) result in this Court abstaining from hearing the Chapter 11 Case or any aspect of the Chapter 11 Case; or (e) withdraw the reference of the Chapter 11 Case or any aspect of the Chapter 11 Case.

17. The Debtor is hereby authorized to take such actions and to execute such documents as may be necessary to implement the relief granted by this Order.

18. The Court shall retain jurisdiction with respect to all matters arising from or related to the implementation and/or interpretation of this Order.

*** END OF ORDER ***

COURT SERVICE LIST

Recipients are ECF Participants.

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EXHIBIT B

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
ANTHONY J. DUTRA, SBN 277706
adutra@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES,[1] Debtor.	Case No. 20-40363 Chapter 11 **DECLARATION OF NEAL L. WOLF IN SUPPORT OF DEBTOR'S MOTION FOR AN ORDER (I) APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS FREE AND CLEAR OF CLAIMS, LIENS, AND ENCUMBRANCES, (II) APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (III) GRANTING RELATED RELIEF**

I, Neal L. Wolf, declare as follows:

1. I am a partner in the law firm of Hanson Bridgett LLP, counsel of record in this matter for Debtor and Debtor-in-Possession, California-Nevada Methodist Homes ("**Debtor**"). I have personal knowledge of the matters set forth in this declaration and could and would competently testify to them. All of the matters stated herein are known to me personally, unless stated on information and belief; and with regard to those statements, I am informed and reasonably believe them to be true.

[1] The last four digits of the Debtor's federal tax identification number are 2411. The mailing address for the Debtor is 1850 Alice Street Oakland, CA 94612.

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2. I submit this Declaration in support of *Debtor's Motion for Entry of an Order (i) Approving the Sale of Substantially All of the Debtor's Assets Free and Clear of Claims, Liens, and Encumbrances; (ii) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (iii) Granting Related Relief* (the "**Motion**").

3. For a substantial period of time, the Debtor has been sustaining severe operating losses.

4. In the opinion of the Debtor, these substantial operating losses cannot quickly and readily be reversed or rectified and it is necessary that the Debtor expeditiously enter into a sale or merger transaction with a highly qualified and financially sound entity.

5. On May 20, 2021, upon motion by the debtor, the bankruptcy court entered an order authorizing the Debtor to employ B.C. Ziegler & Company ("**Ziegler**"), a highly-qualified investment banking firm, to develop and implement a sale or merger process ("**Sale Process**").

6. I am informed and believe that shortly thereafter, Ziegler contacted approximately one hundred potentially interested parties, entered into a non-disclosure agreement with and circulated a comprehensive "offering memorandum" to those parties who expressed interest in a possible transaction, and engaged many of those parties in direct, one-on-one discussions. In response to the offering memorandum, Ziegler elicited non-binding letters of interest from ten potential purchasers or merger partners.

7. Thereafter, I assisted Ziegler in conducting what amounted to an extensive and exhaustive *de facto* auction process. In a highly transparent manner, Ziegler and I called upon and encouraged potential buyers and merger partners to enhance their respective proposals. In response, certain interested purchasers enhanced their respective proposals on two or more occasions. Ultimately, Pacifica Companies, LLC ("**Pacifica**") made what the Debtor determined to be the most advantageous proposal.

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8. Pacifica conditioned the amount of its final, and highest, proposal on the conduct of a "private sale" transaction by the Debtor. Pacifica indicated that, if there were to be a court-supervised auction process at which it were designated as merely a "stalking horse" bidder, the Pacifica offer would be reduced by approximately $2 million and Pacifica would require a $1.5 million "break-up fee."

9. Debtor and Pacifica subsequently executed a purchase and sale agreement for Pacifica's purchase of substantially all of the Debtor's assets (such agreement as subsequently amended by Debtor and Pacifica, the "**Original Purchase and Sale Agreement**"), including the Debtor's facilities located at (a) 1850 Alice St., Oakland, CA 94612, along with the CNMH Corporate Office Building located at 201 19th Street, Oakland, CA 94612 (collectively, "**Lake Park**"), and (b) 511 Gibson Ave., Pacific Grove, CA 93950, along with the Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (collectively, "**Forest Hill**" and, together with Lake Park, the "**Facilities**").

10. On November 23, 2021 the Court entered an *Order Approving the Sale of Substantially All of Debtor's Assets to Pacifica Companies, LLC Free and Clear of Any Liens and Encumbrances* [Dkt. No. 348]. On November 29, 2021, Pacifica terminated the Original Purchase and Sale Agreement.

11. After Pacifica's termination of the Original Purchase and Sale Agreement, the Debtor determined in its business judgment to conduct a competitive bid-and-sale process for the orderly sale of substantially all of the Debtor's Assets under sections 363 and 365 of the Bankruptcy Code. After further arm's-length negotiations, the Debtor and Pacifica, as the stalking horse bidder (the "**Stalking Horse Bidder**," and Pacifica's bid, the "**Stalking Horse Bid**") entered into an that certain Purchase and Sale Agreement, dated as of December 17, 2021 (the "**Stalking Horse Agreement**").[2] A true and correct

[2] Capitalized terms used but not otherwise defined herein will have the meanings ascribed to them in the Stalking Horse Agreement.

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copy of the Stalking Horse Agreement is attached hereto as **Exhibit 1**.

12. On December 17, 2021, Debtor filed *Debtor's Motion for Entry of an Order (i) Approving Bidding Procedures in Connection with the Sale of Substantially all of the Debtor's Assets; (ii) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (iii) Approving Stalking Horse Bidder and Break-up Fee; and (iv) Granting Related Relief* ("**Sale Procedures Motion**") [Dkt. No. 360.] On January 14, 2022, the Court entered an order (the "**Sale Procedures Order**") granting the Sale Procedures Motion. The Sale Procedures Order, among other things, approved Pacifica as the stalking horse bidder for the purchase of the Assets, approved procedures (the "**Sale Procedures**") for the sale of the Assets through a competitive auction process (the "**Auction**"), and approved notice procedures concerning the assumption and assignment of executory contracts and unexpired leases.

13. I am informed and believe that shortly thereafter, Ziegler contacted at least 134 potentially interested parties (including each of the parties Ziegler had previously contacted regarding the sale of the Assets), circulated updated summary information regarding the proposed Auction, and conducted additional direct, one-on-one discussions with some of these parties.

14. I am informed and believe that each party that has signed a non-disclosure agreement with the Debtor since June 2021 – including any parties that may have executed a non-disclosure agreement after Ziegler's subsequent outreach after the Sales Procedures Motion was filed – has been given access to a comprehensive electronic due diligence room containing further information about the Debtor and its operations.

15. The Sale Procedures require interested parties to bid for the purchase of some or all of the Assets by providing a written purchase agreement (each such agreement and the Stalking Horse Agreement, a "**Purchase Agreement**"). If one or more such bids in addition to the Stalking Horse Bid is a Qualified Bid (as that term is used in the Sale Procedures), the Debtor will conduct the Auction.

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16. The Debtor has executed various residency agreements (each a "**Residency Agreement**") with its current and former residents (collectively "**Residents**"), many of which required the pertinent Resident(s) to pay the Debtor an entrance fee and require the Debtor to repay a portion of that entrance fee on the terms set forth in the pertinent Residency Agreements and applicable laws (such repayable amounts, collectively, the "**Repayable Entrance Fee Liabilities**"). The Sales Procedures require Pacifica, any successful bidder selected at the Auction (each, a "**Successful Bidder**"), and any backup bidder selected at the Auction (each, a "**Backup Bidder,**" and Pacifica, the Successful Bidder(s), and Backup Bidder(s), as applicable, a "**Buyer**") to agree in their respective Purchase Agreements to assume the Repayable Entrance Fee Liabilities associated with any Assets they purchase.

17. The Debtor has agreed that it will assume and assign the Residency Agreements for each current resident of Lake Park to the Buyer for Lake Park and will assume and assign the Residency Agreements for each current resident of Forest Hill to the Buyer for Forest Hill (all such Residency Agreements for Lake Park or Forest Hill, collectively, the "**Assumed Residency Agreements**"). The Sales Procedures require each Buyer to likewise agree to accept the assignment to them of the Assumed Residency Agreements that correspond to the Facility they are buying.

18. The Sale Procedures also permit a Buyer to designate any additional of the Debtor's unexpired leases and executory contracts that the Buyer would like the Debtor to assume and assign to that Buyer (all such designated agreements, collectively, the "**Assumed Non-Residency Agreements**").

19. Throughout the Sale Process, the Debtor has involved California Department of Health Care Access and Information, f/k/a Office of Statewide Health Planning and Development ("**HCAI**"), Wilmington Trust, National Association ("**Wilmington**"), B.H. Capital Ventures, LLC ("**BHC**"), California Department of Social Services ("**CDSS**"), and the Official Committee of Unsecured Creditors appointed in the Chapter 11 Case (the "**Committee**," and collectively, with HCAI, Wilmington, BHC, and

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CDSS, the "**Consultation Parties**"). The Consultation Parties include the Debtor's most significant creditors, stakeholders, and state regulators.

20. The Debtor believes that the proposed sale of the Assets pursuant to the Sales Procedures (the "**Asset Sale**") will yield a fair and reasonable price for the Assets. This is particularly true because the competitive Auction process provided for in the Court-approved Sale Procedures is designed to yield the highest or otherwise best offer for the Assets. The involvement of the Consultation Parties in Asset Sale provides additional assurances that the Sale Process will be fair.

21. The Debtor is currently projected to lose approximately $500,000 in operations and professional fees each month. It is in the best interests of the Debtor, its estate, and the Debtor's creditors for the Debtor to conduct a sale of substantially all of the Debtor's Assets as quickly as possible because the sooner the Debtor sells the Assets, the quicker the Debtor can pass operation of its Facilities to one or more new, financially strong, operators.

22. The Debtor believes that the Asset Sale will maximize the potential return to creditors by selling the Assets for going-concern value rather than on a liquidation basis which would result in substantially less value for the Assets and likely cause significant disruption in the lives of the Residents living in and receiving care in the Facilities.

23. The Debtor's Residents have long been living with uncertainty including regarding who or what will be operating the Facilities for years to come. The sooner a sale proceeds, the sooner Residents will have the peace of mind that should come with the end of a long sale effort

24. The Debtor has not colluded with and will not collude with Pacifica or any other potential purchaser of the Assets regarding the purchase of the Assets or the terms of any Purchase Agreement, and the Debtor has not attempted and will not attempt to otherwise take unfair advantage of any potential purchasers of the Assets.

25. I am informed and believe that Pacifica would not have agreed to purchase the Assets or would have paid substantially less for the Assets if the sale of the Assets

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was not fee and clear of all claims, liens, and encumbrances on the terms set forth in the Stalking Horse Agreement. In addition, I do not believe it is likely that any other interested party would agree to pay more for the Assets than the $30,000,000 Pacifica agreed in the Stalking Horse Agreement, unless the sale of the Assets was free and clear of all claims, liens, and encumbrances on those terms.

26. The Debtor has conducted a title search on the Facilities and a UCC lien search and understands that HCAI, CDSS, Wilmington, and BHC are the Debtor's only secured creditors.

27. I believe that assumption and assignment of the Assumed Residency Agreements and Assumed Non-Residency Agreements (collectively "**Assumed Agreements**") likely will benefit the Debtor's estate and that the assumption and assignment is an integral component of the Asset Sale, without which the Asset Sale would not be a viable option as they are necessary to operate the Assets and offer terms that the Bidder finds favorable.

28. The assignment and assumption of the Assumed Residency Agreements will likely foster a positive relationship between any potential Buyer and the Residents in the Facility they are acquiring.

29. I am informed and believe that it is unlikely that a potential Buyer would be able to obtain the regulatory approval necessary to seamlessly transition the operation of the Facilities if the Buyer did not agree to continue to honor the terms of the Residency Agreements currently in force.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

DATED: January 14, 2022

By: /s/ Neal L. Wolf
Neal L. Wolf

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Exhibit 1

STALKING HORSE AGREEMENT

CAND-007903

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of December 17, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities that are located in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Purchase and Sale Agreement.

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NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*All Assets Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement..

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items that are defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to the Assumption Notice Deadline, as defined herein, agrees in writing to assume and have assigned to Buyer, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or

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expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume or accept assignment of any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume and accept assignment of any contracts, commercial leases and/or other agreements, not on Schedule 2.2 as attached, then the same shall be added to **Schedule 2.2**, initialed by Buyer and delivered to Seller prior to the Assumption Notice Deadline.

"*Assumption Notice Deadline*" means 11:59 p.m. on the day that is ten (10) business days after the Effective Date.

"*Auction*" means a public, competitive auction for the purchase and sale of the Assets, conducted pursuant to procedures approved by the Court.

"*Broker*" means the persons or entities identified in Section 20. of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 5. of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

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"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or on the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Forest Hill Assets*" means (i) Forest Hill, (ii) the Fixtures, Furniture and Equipment at Forest Hill, (iii) the Inventory at Forest Hill, (iv) all rights to all transferable licenses, warranties and permits with respect to Forest Hill, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Forest Hill (subject to Resident confidentiality rights and privileges), and all books and records of Forest Hill existing and physically located at Forest Hill or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Forest Hill, (vii) all rights to telephone numbers used solely by Forest Hill, and (viii) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Forest Hill. The Forest Hill Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Forest Hill Purchase Price*" has the meaning set forth in Section 2.7(b) of this Agreement.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the

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executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lake Park Assets*" means (i) Lake Park, (ii) the Fixtures, Furniture and Equipment at Lake Park, (iii) the Inventory at Lake Park, (iv) all rights to all transferable licenses, warranties and permits with respect to Lake Park, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Lake Park (subject to Resident confidentiality rights and privileges), and all books and records of Lake Park existing and physically located at Lake Park or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Lake Park, (vii) all rights to telephone numbers used solely by Lake Park, (viii) the Restricted Repayable Resident Entrance Fee Payments and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Lake Park. The Lake Park Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Overbids*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Permitted Encumbrances*" means any title exception listed on the Preliminary Title Report.

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"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" means (a) the Forest Hill Purchase Price if Buyer is not the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets, and (b) the All Assets Purchase Price if the Buyer is the Successful Bidder on all Assets.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements.

"*Residency Agreements*" means all contracts between Seller and one or more residents and one or more former residents at the Facilities, including, without limitation, all contracts for the occupancy of a unit at a Facility, all life care, all continuing care, and all monthly fee agreements.

"*Resident*" means any person who now resides or ever resided at a Facility pursuant to a Residency Agreement including, without limitation, a person who is deceased or no longer resides at a Facility as of the Closing Date.

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"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Sale Procedures Motion*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Sale Procedures Order*" means an order approving procedures for the sale of the Assets through a process that includes the Auction.

"*Successful Bidder*" means any person whose bid for the purchase of any part of the Assets was accepted by the Seller at the conclusion of the Auction, subject to the approval of the Court.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

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"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The purchase price (the "All Assets Purchase Price") for all of the Assets shall be the greater of: (x) Thirty Million Dollars ($30,000,000.00) in cash, and (y) if an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that the Buyer is the Successful Bidder for all of the Assets at the Auction, the price at which the Court finds and orders the Buyer is the Successful Bidder for all of the Assets, payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 5.3) with Escrow Agent in accordance with Sections 5.1, 5.2 and 5.3;

(b) The balance of the Purchase Price that is due after payment of the Earnest Money and the Independent Consideration shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be, if there are no Overbids (as defined in Section 2.7(a) below), Twenty-Eight Million Nine Hundred Ninety-Nine Thousand Nine Hundred and No/100 Dollars ($28,999,900); and

(c) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below if the Purchase Price is $30,000,000.00, and shall be allocated in such greater amounts for each Asset listed below in this 2.1(c) as is agreed by Buyer and Seller. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (c) of Section 2.1. The provisions of this Subsection (c) of Section 2.1 shall survive the Closing.

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Lake Park:		
Real Property:		$7,047,500
Goodwill:		$8,802,500
	Total:	$15,850,000
Forest Hill:		
Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to assume and accept assignment of the Assumed Contracts on the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

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To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 10.1 hereof.

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2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

2.7 Possible Overbids and Auction.

(a) With the consent of the Buyer, the sale of the Assets contemplated herein is subject to the possible receipt by the Seller of overbids ("Overbids") for all or part of the Assets and the Auction conducted in accordance with the Sales Procedures Order. With the consent of the Buyer, the Seller shall file a motion (the "Sale Procedures Motion") with the Court in the Case seeking approval of procedures for the sale of the Assets through a process that includes the Auction and seeking entry of the Sales Procedures Order substantially in the form attached to Schedule 2.7 hereof, within two (2) business days of the Effective Date. The Sale Procedures Motion shall seek approval of the sale of the Assets under Sections 363 and 365 of the U.S. Bankruptcy Code and other applicable laws and rules and shall specifically request that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances and Assumed Contracts, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Procedures Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances and the terms and conditions of the Sale Procedures Order

(b) This Agreement is subject to the terms and conditions of the Sale Procedures Order. The Sale Procedures Order may provide that bidders, including the Buyer, may bid at the Auction on the Lake Park Assets and/or on the Forest Hill Assets. If an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that a party other than the Buyer is the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets and the Court does not find and order that a party other than the Buyer is the Successful Bidder on the Forest Hill Assets,, then the Buyer shall (i) purchase the Forest Hill Assets on the terms set forth herein at a price that is the greater of: (x) $14,150,000.00, and (y) the highest and best bid the Buyer bid for the Forest Hill Assets at the Auction (such greater amount, the "Forest Hill Purchase Price"), and the Buyer shall assume and accept assignment of all the Assumed Forest Hill Residency Agreements (as defined in the Procedures Motion) and

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assume the Assumed Forest Hill Repayable Entrance Fee Liabilities (as defined in the Procedures Motion) on the terms set forth in this Agreement and in such circumstances shall not assume or accept assignment of the Lake Park Assumed Residency Agreements (as defined in the Procedures Motion) and not assume the Lake Park Repayable Entrance Fee Liabilities (as defined in the Procedures Motion). For the avoidance of doubt, Seller will not accept any bid at the Auction from any party other than the Buyer for Forest Hill Assets unless another party has made an offer that exceeds the Minimum Initial Overbid Amount (as that term is defined in the Sales Order) on the Lake Park Assets.

Section 3. Buyer's Due Diligence Complete.

Buyer's obligations pursuant to this Agreement are not subject to further "due diligence" on the part of the Buyer. Buyer expressly acknowledges and agrees that it has completed all due diligence it deems necessary.

Section 4. Closing.

4.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

4.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 4.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 4.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, substantially in the form attached hereto as **Schedule 4.2(c)**, by which (i) Seller assigns to Buyer and Buyer assumes, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

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(e) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(f) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(g) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(h) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 0 of this Agreement; and

(i) any other documents necessary to close escrow.

4.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money and Independent Consideration, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Closing Statement;

(e) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(f) any other documents necessary to close escrow.

4.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and/or its successors and assigns may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees

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to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.4 shall survive the Closing.

4.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.5 shall survive the Closing.

Section 5. Earnest Money and Provisions Regarding the Escrow Agent.

5.1 Earnest Money. Seller acknowledges and agrees that within one (1) business day after the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of One Million and No/100 Dollars ($1,000,000.00) ("Earnest Money"). Escrow Agent is hereby directed to deposit the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. The Earnest Money shall be refundable to Buyer if, and only if, Buyer has rightfully terminated this Agreement on account of a material default hereunder by the Seller, and shall be held in escrow by Escrow Agent until the earlier of (i) Closing, (ii) termination of this Agreement with the consent of Buyer and Seller, or (iii) an order of the Court. If this Agreement is rightfully terminated, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement). If there is any dispute regarding whether this Agreement was rightfully terminated, the Court will resolve such dispute.

5.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

5.3 Independent Consideration. Buyer will deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 6. Governmental Approvals Prior to Closing.

Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer

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shall submit the referenced applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer has timely provided all information requested by Seller to make the notice complete. Seller agrees to provide a draft notice to Buyer for Buyer's approval no later than 55 days after the entry of the Sale Order. Buyer agrees not to unreasonably withhold, condition, or delay the provision of information to Seller or review or approval of the draft notice of sale. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

Section 7. Title Condition.

7.1 Premises Title Requirements. Seller has previously delivered to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Seller shall have no obligation to remove any title exceptions listed on the Preliminary Title Report. Buyer shall take title of the Real Property Assets at the Closing subject to all exceptions specified on the Preliminary Title Report unless such exceptions have been removed prior to the Closing.

7.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

7.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 8. Inspections and Review.

8.1 Documents to be Delivered to Buyer. Buyer acknowledges that Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

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(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer

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copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

8.2 Restoration of Premises. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 8.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections.

8.3 Access. At reasonable times and upon reasonable advance notice at all times prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 9. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Section 10. Employment Matters.

10.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

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10.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in **Schedule 10.2**, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in **Schedule 10.2**, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 10.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

10.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 10.6 of this Agreement.

10.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

10.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

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10.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 11. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 11. , a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 12. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

12.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller

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pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

12.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

12.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

12.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

12.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

12.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof. Seller has not received written notice that Seller is not in compliance with the City of Pacific Grove's conditions to provide two "affordable housing" units at Forest Hill. Between the Effective Date and Closing, Seller will cause the two "affordable housing units" to be fully available to potential residents who qualify for the City of Pacific Grove's below market rent program, and at or prior to the Closing, Seller shall provide written evidence, satisfactory to Buyer in its reasonable discretion, that the two "affordable housing units" are fully compliant in all material respects with all conditions relating to affordability.

12.8 Litigation. Subject to the disclosures set forth on **Schedule 12.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will

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result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

12.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

12.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: GBC _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

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IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: GBC
Seller

Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 12.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 12.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 13. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

13.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

13.2 Authority. Buyer has the full power, authority and financial and operational ability to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

13.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property

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or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

13.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

13.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution in order to fulfill its obligations hereunder.

13.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

13.7 Litigation. Subject to the disclosures set forth on **Schedule 13.7** hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 14. Conditions to Parties' Obligations.

14.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 12. above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

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(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the Effective Date.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 14.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

14.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 13. above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 14.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 15. Indemnification.

15.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim,

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judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

15.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

15.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Section 15. shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 15.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

15.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling

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manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

15.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

15.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 15. shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 15. to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 16. Conduct of Business Pending Closing.

16.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

16.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 10.1 hereof.

16.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 17. Transition.

17.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may

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be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

17.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

17.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the Effective Date. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

17.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

17.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

17.6 Survival. The provisions of this Section 17. shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 18. Public Announcements.

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Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Section 19. Default.

19.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money, and all accrued interest thereon, shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 5. , BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER GBC **BUYER** _____

19.2 Seller's Default.

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(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

19.3 Survival. The provisions of this Section 19. shall survive the termination of this Agreement.

Section 20. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 21. Miscellaneous.

21.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

21.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

21.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire

understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

21.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 5. hereof.

21.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:

CNMH_____
201 19th Street,
Oakland, CA 94612
Attn:
Phone:_____
Fax:_____
E-Mail:_____
_____

If to Purchaser:

Pacifica Companies LLC
1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Phone: (619) 296-9000
Fax: (619) 296-9090
E-Mail: Disrani@pacificacompanies.com

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and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at:

Linda Menasche
2365 Northside Drive, Suite 500
San Diego, CA 92108
Phone: (619) 521-3521
Email: MenasheL@ctt.com

21.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

21.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

21.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

21.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

21.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

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21.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

21.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

21.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: Garrett B Cross (Digitally signed by Garrett B. Cross DN: cn=Garrett B. Cross, o=California Nevada Methodist Homes, ou, email=cross2@pacbell.net, c=US Date: 2021.12.17 15:58:09 -08'00') Garrett B. Cross Chairman of Board of Trustees	By: _____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By: _____
Name: _____
Its: _____

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SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12"‘ Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

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SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15' West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15' West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a

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municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

APN: 008-0627-038-03

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SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907", filed May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4' West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4' East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4' East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4' West, 18.94 feet to the point of beginning.

APN: 006-546-001

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SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907", filed for record May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

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SCHEDULE 1(e)

Attorney General Conditional Approval Letter

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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

January 7, 2020

Pamela S. Kaufmann
Partner
Hanson Bridgett LLP
425 Market Street, 26th Floor
San Francisco, CA 94105

Sent by U.S. Mail and Internet

RE: Proposed Sale of the Assets of California-Nevada Methodist Homes

Dear Ms. Kaufmann:

Pursuant to Corporations Code section 5914 *et seq.*, the Attorney General hereby conditionally consents to the proposed sale of California-Nevada Methodist Homes pursuant to the terms of the Asset Purchase Agreement dated March 7, 2019 between California-Nevada Methodist Homes, a California nonprofit public benefit corporation, and Bay Capital Co, LLC, a Delaware for-profit corporation.

Corporations Code section 5914 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 a for-profit 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,

Anita Garcia Velasco

ANITA GARCIA VELASCO
Deputy Attorney General

For XAVIER BECERRA
Attorney General

Attachment

Conditions to Proposed Sale of California-Nevada Methodist Homes and Approval of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC; the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC; Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC

I.

These Conditions shall be legally binding on Bay Capital Co, LLC, a Delaware limited liability company, Bay Senior Office PropCo LLC, a Delaware limited liability company, Lake Park PropCo LLC, a Delaware limited liability company, Lake Park OpCo LLC, a Delaware limited liability company, Lake Park Venture, LLC, a Delaware limited liability company, Lake Park OpCo Venture, LLC, a Delaware limited liability company, Lake Park OpCo Holding, LLC, a Delaware limited liability company, Forest Hill PropCo LLC, a Delaware limited liability company, Forest Hill OpCo LLC, a Delaware limited liability company, Forest Hill Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Holding, LLC, a Delaware limited liability company, Life Care Services, LLC, dba Life Care Services®, an Iowa limited liability company 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 Lake Park Facility[1] and the Forest Hill Facility[2] or the real property on which the Lake Park Facility and the Forest Hill Facility are located, any and all current and future owners, lessees, licensees, or operators of any of the facilities or units at the Lake Park Facility and the Forest Hill Facility,

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[1] Throughout this document "the Lake Park Facility" shall mean the RCFE- Continuing Care Retirement Community located at 1850 Alice Street, Oakland, CA, 94612 that includes 147 residential independent living units and 37 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 35 bed skilled nursing facility licensed by the California Department of Public Health effective November 1, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

[2] Throughout this document, "the Forest Hill facility" shall mean the RCFE-Continuing Care Retirement Community located at 551 Gibson Avenue, Pacific Grove, CA, 93950 that includes 91 residential living units and 18 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 26 bed skilled nursing facility licensed by the California Department of Public health effective January 16, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

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and any and all current and future lessees and owners of the real property on which Lake Park and Forest Hill are physically located.

II.

The transaction approved by the Attorney General consists of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC dated March 7, 2019, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC, the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC, the Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC dated September 25, 2019; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC dated September 25, 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 Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC and all owners, managers, lessees, or operators of the Lake Park Facility and the Forest Hill Facility 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 Lake Park Facility or the Forest Hill Facility or any portion thereof;

(b) Transfer control, responsibility, management, or governance of the Lake Park Facility and the Forest Hill Facility or any portion thereof. The substitution, merger or addition of a new member of the governing body, general partner, or limited partner of Bay Capital Co, LLC; Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC that transfers the control of, responsibility for or governance of the Lake Park Facility and the Forest Hill Facility or any portion thereof shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more

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members of the governing body, general partner, or limited partners of the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or any arrangement, written or oral, that would transfer voting control of the members of the governing body, general partner, or limited partners of the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLCshall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Asset Purchase Agreement, the Lake Park Health Center[3] shall be operated and maintained as a skilled nursing facility with 35 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as November 1, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, and Life Care Services, LLC or the operator or licensee of the Lake Park Health Center shall not place all or any portion of the Lake Park Health Center'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 Asset Purchase Agreement, the Forest Hill Health Center[4] shall be operated and maintained as a skilled nursing facility with 26 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as of

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[3] Throughout this document, the term "Lake Park Health Center" shall mean the skilled nursing facility located at 1850 Alice Street, Oakland, CA, 94612 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

[4] Throughout this document, the term "Forest Hill Health Center" shall mean the skilled nursing facility located at 551 Gibson Avenue, Pacific Grove, CA, 93950 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

January 16, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center shall not place all or any portion of the Forest Hill Health Center's skilled nursing licensed-bed capacity or services in voluntary suspension or surrender its license for any beds or services.

VI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Lake Park Health Center 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 Lake Park Health Center as required in these Conditions.

VII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center 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 Forest Hill Health Center as required in these Conditions.

VIII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC and any other owner or operator of the Lake Park Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Boards shall consist of 7-12 residents at the Lake Park Facility chosen by the residents of the Lake Park Facility. The Community Advisory Board will provide advice and feedback on a

quarterly basis on the quality of care and quality of life being provided to the residents and patients.

IX.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC and any other owner or operator of the Forest Hill Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Board shall consist of 7-12 residents at the Forest Hill Facility chosen by the residents of the Forest Hill Facility. The Community Advisory Board will provide advice and feedback on a quarterly basis on the quality of care and quality of life being provided to the residents and patients.

X.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding shall undertake phased capital improvements at the facilities, Lake Park and Forest Hill inclusive, in the amount of approximately $7,000,000 as set forth in Section 9.19 of the Asset Purchase Agreement and attached hereto as Exhibit D.

XI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Lake Park OpCo and Life Care Services and any operator or licensee of the Lake Park Health Center shall each certify that the report is true, accurate, and complete.

XII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill

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Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Forest Hill OpCo and Life Care Services and any operator or licensee of the Forest Hill Health Center shall each certify that the report is true, accurate, and complete.

XIII.

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.

XIV.

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.

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Exhibit 1

estimate of the Pension Fund Liability for the plan year ended December 31, 2019, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt. Thereafter, promptly following March 31 of each subsequent year until such time as the Closing occurs or this Agreement is terminated pursuant to Section 5.2, Seller shall obtain from the Existing Pension Fund an estimate of the withdrawal liability for the most recently ended plan year, and make its reasonable best efforts to obtain from the Existing Pension Fund an estimate of the Pension Fund Liability for the then-current plan, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt.

Section 9.19 Post-Closing Business Plans. From and after the Closing, Buyer or its Affiliates will continue to own and operate the Communities as senior housing communities and, in connection therewith, shall (i) undertake certain phased capital improvements at the Communities in the amount of approximately $7,000,000, and (ii) grant Residents of the Communities the option to either maintain their existing Residency Agreements or to receive a full repayment of the repayable portion of their Entrance Fees and convert their existing Resident Agreements to alternative rental arrangements.

Section 9.20 Regulatory Approvals. Not earlier than fifteen (15) Business Days following the later of (i) Buyer's receipt from Seller of evidence reasonably satisfactory to Buyer that Seller has submitted its complete notice to the Attorney in accordance with Section 5914 (as contemplated by Section 9.16), or (ii) the Due Diligence Expiration Date, Buyer shall provide Seller with evidence of Buyer's initial filings with the appropriate State Regulatory Agencies to obtain the Regulatory Approvals; provided, however, that notwithstanding the foregoing, at least forty five (45) days prior to the Closing Date (or such other time period as is required by the California Department of Social Services), Buyer OpCo shall file an abbreviated "co-licensing" application with the California Department of Social Services to become the co-licensee with Seller for the Communities pending receipt of a new RCFE license, it being understood that, in connection therewith, and as required by California Law, at least thirty (30) days prior to the Closing Date, Buyer Opco shall notify the California Department of Public Health of the change in licensure.

ARTICLE 10

EMPLOYEE BENEFITS AND EMPLOYEE MATTERS

Section 10.1 Seller's Employee Benefit Plans.

(a) Except for the Assumed Pension Fund Liability assumed by Buyer or its permitted assignee (including Buyer OpCo, as designated by Buyer) under Section 3.1(a), Seller shall retain all obligations and liabilities under or relating to the Employee Benefit Plans, and Buyer or such permitted assignee shall assume none thereof. Neither Buyer nor any permitted assignee thereof shall have any responsibility, liability or obligation, whether to Property Employees, former employees, their beneficiaries or to any other person (including, without limitation, the Internal Revenue Service, the U.S. Department of Labor and the PBGC), with respect to any Employee Benefit Plans (including with respect to the establishment, operation, funding or termination thereof) maintained by Seller.

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SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the Assumption Notice Deadline, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

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SCHEDULE 2.5

Resident Security Deposits

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SCHEDULE 4.2(a)

GRANT DEED

To be provided by Title Company

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SCHEDULE 4.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

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EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

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SCHEDULE 4.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of December 17, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

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CNMH 00958

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement and all applicable Court orders, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

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1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Buyer as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests, except as otherwise set forth herein and in the Agreement.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:

California-Nevada Methodist Homes, a California nonprofit public benefit corporation

By: _____
Garrett B. Cross

Its: Chairman of Board of Trustees

BUYER:

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By: _____
Deepak Israni, Secretary

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SCHEDULE 12.8

Litigation

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Notice of Auction Results and Form of Purchase Agreement for Successful Bidder and Backup Bidder, dated February 3, 2022

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
ANTHONY J. DUTRA, SBN 277706
adutra@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES, Debtor.	Case No. 21-40363 Chapter 11 **NOTICE OF AUCTION RESULTS AND FORM OF PURCHASE AGREEMENT FOR SUCCESSFUL BIDDER AND BACKUP BIDDER**

On February 2, 2022, California-Nevada Methodist Homes (the "**Debtor**"), the debtor and debtor in possession in the above-captioned Chapter 11 case (the "**Chapter 11 Case**"), conducted an auction for the sale of substantially all of the Debtor's assets. At the conclusion of the auction, the Debtor named Pacifica Companies LLC ("**Pacifica**") the Successful Bidder[1] and Heritage Campus Group ("**Heritage**") the Backup Bidder.

The form of Purchase Order for Pacifica's Successful Bid is attached hereto as **Exhibit A**, with the exception that the "All Assets Purchase Price" as used therein has been increased to $34,000,000, consisting of $33,000,000 in cash and a $1,000,000 credit bid of Pacifica's Break-Up Fee.

The form of Purchase Order for Heritage's Backup Bid is attached hereto as **Exhibit B**, with the exception that the "All Assets Purchase Price" as used therein has been increased to $34,250,000 in cash.

DATED: February 3, 2022

HANSON BRIDGETT LLP

By: Anthony J. Dutra
NEAL L. WOLF
ANTHONY J. DUTRA
Attorneys for Debtor and Debtor in Possession

[1] Capitalized words not otherwise defined herein shall have the same meanings ascribed to such terms in the Court's Order Granting Debtor's Motion for Entry of Order (i) Approving Bidding Procedures in Connection with the Sale of Substantially All of the Debtor's Assets; (ii) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (iii) Approving Stalking Horse Bidder and Break-up Fee; and (iv) Granting Related Relief [Dkt. No. 401].

Exhibit A

PACIFICA PURCHASE AGREEMENT

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of December 17, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities that are located in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Purchase and Sale Agreement.

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NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*All Assets Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement..

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items that are defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to the Assumption Notice Deadline, as defined herein, agrees in writing to assume and have assigned to Buyer, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or

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expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume or accept assignment of any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume and accept assignment of any contracts, commercial leases and/or other agreements, not on Schedule 2.2 as attached, then the same shall be added to **Schedule 2.2**, initialed by Buyer and delivered to Seller prior to the Assumption Notice Deadline.

"*Assumption Notice Deadline*" means 11:59 p.m. on the day that is ten (10) business days after the Effective Date.

"*Auction*" means a public, competitive auction for the purchase and sale of the Assets, conducted pursuant to procedures approved by the Court.

"*Broker*" means the persons or entities identified in Section 20. of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 5. of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

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"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or on the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Forest Hill Assets*" means (i) Forest Hill, (ii) the Fixtures, Furniture and Equipment at Forest Hill, (iii) the Inventory at Forest Hill, (iv) all rights to all transferable licenses, warranties and permits with respect to Forest Hill, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Forest Hill (subject to Resident confidentiality rights and privileges), and all books and records of Forest Hill existing and physically located at Forest Hill or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Forest Hill, (vii) all rights to telephone numbers used solely by Forest Hill, and (viii) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Forest Hill. The Forest Hill Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Forest Hill Purchase Price*" has the meaning set forth in Section 2.7(b) of this Agreement.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the

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executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lake Park Assets*" means (i) Lake Park, (ii) the Fixtures, Furniture and Equipment at Lake Park, (iii) the Inventory at Lake Park, (iv) all rights to all transferable licenses, warranties and permits with respect to Lake Park, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Lake Park (subject to Resident confidentiality rights and privileges), and all books and records of Lake Park existing and physically located at Lake Park or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Lake Park, (vii) all rights to telephone numbers used solely by Lake Park, (viii) the Restricted Repayable Resident Entrance Fee Payments and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Lake Park. The Lake Park Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Overbids*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Permitted Encumbrances*" means any title exception listed on the Preliminary Title Report.

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"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" means (a) the Forest Hill Purchase Price if Buyer is not the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets, and (b) the All Assets Purchase Price if the Buyer is the Successful Bidder on all Assets.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements.

"*Residency Agreements*" means all contracts between Seller and one or more residents and one or more former residents at the Facilities, including, without limitation, all contracts for the occupancy of a unit at a Facility, all life care, all continuing care, and all monthly fee agreements.

"*Resident*" means any person who now resides or ever resided at a Facility pursuant to a Residency Agreement including, without limitation, a person who is deceased or no longer resides at a Facility as of the Closing Date.

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"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Sale Procedures Motion*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Sale Procedures Order*" means an order approving procedures for the sale of the Assets through a process that includes the Auction.

"*Successful Bidder*" means any person whose bid for the purchase of any part of the Assets was accepted by the Seller at the conclusion of the Auction, subject to the approval of the Court.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

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"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The purchase price (the "All Assets Purchase Price") for all of the Assets shall be the greater of: (x) Thirty Million Dollars ($30,000,000.00) in cash, and (y) if an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that the Buyer is the Successful Bidder for all of the Assets at the Auction, the price at which the Court finds and orders the Buyer is the Successful Bidder for all of the Assets, payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 5.3) with Escrow Agent in accordance with Sections 5.1, 5.2 and 5.3;

(b) The balance of the Purchase Price that is due after payment of the Earnest Money and the Independent Consideration shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be, if there are no Overbids (as defined in Section 2.7(a) below), Twenty-Eight Million Nine Hundred Ninety-Nine Thousand Nine Hundred and No/100 Dollars ($28,999,900); and

(c) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below if the Purchase Price is $30,000,000.00, and shall be allocated in such greater amounts for each Asset listed below in this 2.1(c) as is agreed by Buyer and Seller. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (c) of Section 2.1. The provisions of this Subsection (c) of Section 2.1 shall survive the Closing.

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Lake Park:

Real Property:		$7,047,500
Goodwill:		$8,802,500
	Total:	$15,850,000

Forest Hill:

Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to assume and accept assignment of the Assumed Contracts on the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

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To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 10.1 hereof.

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2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

2.7 Possible Overbids and Auction.

(a) With the consent of the Buyer, the sale of the Assets contemplated herein is subject to the possible receipt by the Seller of overbids ("Overbids") for all or part of the Assets and the Auction conducted in accordance with the Sales Procedures Order. With the consent of the Buyer, the Seller shall file a motion (the "Sale Procedures Motion") with the Court in the Case seeking approval of procedures for the sale of the Assets through a process that includes the Auction and seeking entry of the Sales Procedures Order substantially in the form attached to Schedule 2.7 hereof, within two (2) business days of the Effective Date. The Sale Procedures Motion shall seek approval of the sale of the Assets under Sections 363 and 365 of the U.S. Bankruptcy Code and other applicable laws and rules and shall specifically request that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances and Assumed Contracts, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Procedures Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances and the terms and conditions of the Sale Procedures Order

(b) This Agreement is subject to the terms and conditions of the Sale Procedures Order. The Sale Procedures Order may provide that bidders, including the Buyer, may bid at the Auction on the Lake Park Assets and/or on the Forest Hill Assets. If an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that a party other than the Buyer is the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets and the Court does not find and order that a party other than the Buyer is the Successful Bidder on the Forest Hill Assets,, then the Buyer shall (i) purchase the Forest Hill Assets on the terms set forth herein at a price that is the greater of: (x) $14,150,000.00, and (y) the highest and best bid the Buyer bid for the Forest Hill Assets at the Auction (such greater amount, the "Forest Hill Purchase Price"), and the Buyer shall assume and accept assignment of all the Assumed Forest Hill Residency Agreements (as defined in the Procedures Motion) and

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assume the Assumed Forest Hill Repayable Entrance Fee Liabilities (as defined in the Procedures Motion) on the terms set forth in this Agreement and in such circumstances shall not assume or accept assignment of the Lake Park Assumed Residency Agreements (as defined in the Procedures Motion) and not assume the Lake Park Repayable Entrance Fee Liabilities (as defined in the Procedures Motion). For the avoidance of doubt, Seller will not accept any bid at the Auction from any party other than the Buyer for Forest Hill Assets unless another party has made an offer that exceeds the Minimum Initial Overbid Amount (as that term is defined in the Sales Order) on the Lake Park Assets.

Section 3. Buyer's Due Diligence Complete.

Buyer's obligations pursuant to this Agreement are not subject to further "due diligence" on the part of the Buyer. Buyer expressly acknowledges and agrees that it has completed all due diligence it deems necessary.

Section 4. Closing.

4.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

4.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 4.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 4.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, substantially in the form attached hereto as **Schedule 4.2(c)**, by which (i) Seller assigns to Buyer and Buyer assumes, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

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(e) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(f) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(g) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(h) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 0 of this Agreement; and

(i) any other documents necessary to close escrow.

4.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money and Independent Consideration, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Closing Statement;

(e) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(f) any other documents necessary to close escrow.

4.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and/or its successors and assigns may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees

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to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.4 shall survive the Closing.

4.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.5 shall survive the Closing.

Section 5. Earnest Money and Provisions Regarding the Escrow Agent.

5.1 Earnest Money. Seller acknowledges and agrees that within one (1) business day after the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of One Million and No/100 Dollars ($1,000,000.00) ("Earnest Money"). Escrow Agent is hereby directed to deposit the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. The Earnest Money shall be refundable to Buyer if, and only if, Buyer has rightfully terminated this Agreement on account of a material default hereunder by the Seller, and shall be held in escrow by Escrow Agent until the earlier of (i) Closing, (ii) termination of this Agreement with the consent of Buyer and Seller, or (iii) an order of the Court. If this Agreement is rightfully terminated, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement). If there is any dispute regarding whether this Agreement was rightfully terminated, the Court will resolve such dispute.

5.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

5.3 Independent Consideration. Buyer will deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 6. Governmental Approvals Prior to Closing.

Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer

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shall submit the referenced applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer has timely provided all information requested by Seller to make the notice complete. Seller agrees to provide a draft notice to Buyer for Buyer's approval no later than 55 days after the entry of the Sale Order. Buyer agrees not to unreasonably withhold, condition, or delay the provision of information to Seller or review or approval of the draft notice of sale. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

Section 7. Title Condition.

7.1 Premises Title Requirements. Seller has previously delivered to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Seller shall have no obligation to remove any title exceptions listed on the Preliminary Title Report. Buyer shall take title of the Real Property Assets at the Closing subject to all exceptions specified on the Preliminary Title Report unless such exceptions have been removed prior to the Closing.

7.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

7.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 8. Inspections and Review.

8.1 Documents to be Delivered to Buyer. Buyer acknowledges that Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

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(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer

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copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

8.2 Restoration of Premises. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 8.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections.

8.3 Access. At reasonable times and upon reasonable advance notice at all times prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 9. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Section 10. Employment Matters.

10.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

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10.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in **Schedule 10.2**, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in **Schedule 10.2**, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 10.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

10.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 10.6 of this Agreement.

10.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

10.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

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10.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 11. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 11. , a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 12. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

12.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller

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pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

12.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

12.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

12.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

12.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

12.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof. Seller has not received written notice that Seller is not in compliance with the City of Pacific Grove's conditions to provide two "affordable housing" units at Forest Hill. Between the Effective Date and Closing, Seller will cause the two "affordable housing units" to be fully available to potential residents who qualify for the City of Pacific Grove's below market rent program, and at or prior to the Closing, Seller shall provide written evidence, satisfactory to Buyer in its reasonable discretion, that the two "affordable housing units" are fully compliant in all material respects with all conditions relating to affordability.

12.8 Litigation. Subject to the disclosures set forth on **Schedule 12.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will

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result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

12.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

12.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: GBC
Seller

Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

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IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: GBC
Seller

Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 12.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 12.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 13. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

13.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

13.2 Authority. Buyer has the full power, authority and financial and operational ability to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

13.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property

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or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

13.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

13.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution in order to fulfill its obligations hereunder.

13.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

13.7 Litigation. Subject to the disclosures set forth on **Schedule 13.7** hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 14. Conditions to Parties' Obligations.

14.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 12. above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

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(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the Effective Date.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 14.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

14.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 13. above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 14.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 15. Indemnification.

15.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim,

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judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

15.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

15.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Section 15. shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 15.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

15.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling

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manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

15.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

15.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 15. shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 15. to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

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Section 16. Conduct of Business Pending Closing.

16.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

16.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 10.1 hereof.

16.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 17. Transition.

17.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may

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be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

17.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

17.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the Effective Date. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

17.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

17.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

17.6 Survival. The provisions of this Section 17. shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 18. Public Announcements.

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CONFIDENTIAL

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Section 19. Default.

19.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money, and all accrued interest thereon, shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 5. , BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER GBC **BUYER** _____

19.2 Seller's Default.

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(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

19.3 Survival. The provisions of this Section 19. shall survive the termination of this Agreement.

Section 20. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 21. Miscellaneous.

21.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

21.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

21.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire

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CAN#0009951

understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

21.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 5. hereof.

21.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:	If to Purchaser:
CNMH_____	Pacifica Companies LLC
201 19th Street,	1775 Hancock Street, Suite 200
Oakland, CA 94612	San Diego, CA 92110
Attn:	Attn: Deepak Israni
Phone:_____	Phone: (619) 296-9000
Fax:_____	Fax: (619) 296-9090
E-Mail:_____	E-Mail: Disrani@pacificacompanies.com
_____	

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and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at:

Linda Menasche
2365 Northside Drive, Suite 500
San Diego, CA 92108
Phone: (619) 521-3521
Email: MenasheL@ctt.com

21.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

21.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

21.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

21.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

21.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

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21.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

21.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

21.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

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IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: Garrett B Cross (Digitally signed by Garrett B. Cross DN: cn=Garrett B. Cross, o=California Nevada Methodist Homes, ou, email=cross2@pacbell.net, c=US Date: 2021.12.17 15:58:09 -08'00') Garrett B. Cross Chairman of Board of Trustees	By: Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

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SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12”‘ Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

APN: 008-0627-002-00

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SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15’ West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15’ West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a

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municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

APN: 008-0627-038-03

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SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907", filed May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4' West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4' East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4' East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4' West, 18.94 feet to the point of beginning.

APN: 006-546-001

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SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907", filed for record May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

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SCHEDULE 1(e)

Attorney General Conditional Approval Letter

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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

January 7, 2020

Pamela S. Kaufmann
Partner
Hanson Bridgett LLP
425 Market Street, 26th Floor
San Francisco, CA 94105

Sent by U.S. Mail and Internet

RE: Proposed Sale of the Assets of California-Nevada Methodist Homes

Dear Ms. Kaufmann:

Pursuant to Corporations Code section 5914 *et seq.*, the Attorney General hereby conditionally consents to the proposed sale of California-Nevada Methodist Homes pursuant to the terms of the Asset Purchase Agreement dated March 7, 2019 between California-Nevada Methodist Homes, a California nonprofit public benefit corporation, and Bay Capital Co, LLC, a Delaware for-profit corporation.

Corporations Code section 5914 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 a for-profit 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,

Anita Garcia Velasco

ANITA GARCIA VELASCO
Deputy Attorney General

For XAVIER BECERRA
Attorney General

Attachment

CAM-004006

Conditions to Proposed Sale of California-Nevada Methodist Homes and Approval of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC; the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC; Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC

I.

These Conditions shall be legally binding on Bay Capital Co, LLC, a Delaware limited liability company, Bay Senior Office PropCo LLC, a Delaware limited liability company, Lake Park PropCo LLC, a Delaware limited liability company, Lake Park OpCo LLC, a Delaware limited liability company, Lake Park Venture, LLC, a Delaware limited liability company, Lake Park OpCo Venture, LLC, a Delaware limited liability company, Lake Park OpCo Holding, LLC, a Delaware limited liability company, Forest Hill PropCo LLC, a Delaware limited liability company, Forest Hill OpCo LLC, a Delaware limited liability company, Forest Hill Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Holding, LLC, a Delaware limited liability company, Life Care Services, LLC, dba Life Care Services®, an Iowa limited liability company 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 Lake Park Facility[1] and the Forest Hill Facility[2] or the real property on which the Lake Park Facility and the Forest Hill Facility are located, any and all current and future owners, lessees, licensees, or operators of any of the facilities or units at the Lake Park Facility and the Forest Hill Facility,

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[1] Throughout this document "the Lake Park Facility" shall mean the RCFE- Continuing Care Retirement Community located at 1850 Alice Street, Oakland, CA, 94612 that includes 147 residential independent living units and 37 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 35 bed skilled nursing facility licensed by the California Department of Public Health effective November 1, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

[2] Throughout this document, "the Forest Hill facility" shall mean the RCFE-Continuing Care Retirement Community located at 551 Gibson Avenue, Pacific Grove, CA, 93950 that includes 91 residential living units and 18 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 26 bed skilled nursing facility licensed by the California Department of Public health effective January 16, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

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and any and all current and future lessees and owners of the real property on which Lake Park and Forest Hill are physically located.

II.

The transaction approved by the Attorney General consists of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC dated March 7, 2019, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC, the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC, the Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC dated September 25, 2019; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC dated September 25, 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 Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC and all owners, managers, lessees, or operators of the Lake Park Facility and the Forest Hill Facility 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 Lake Park Facility or the Forest Hill Facility or any portion thereof;

(b) Transfer control, responsibility, management, or governance of the Lake Park Facility and the Forest Hill Facility or any portion thereof. The substitution, merger or addition of a new member of the governing body, general partner, or limited partner of Bay Capital Co, LLC; Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC that transfers the control of, responsibility for or governance of the Lake Park Facility and the Forest Hill Facility or any portion thereof shall be deemed a transfer for purposes of this Condition. The substitution or addition of one or more

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members of the governing body, general partner, or limited partners of the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or any arrangement, written or oral, that would transfer voting control of the members of the governing body, general partner, or limited partners of the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLCshall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Asset Purchase Agreement, the Lake Park Health Center[3] shall be operated and maintained as a skilled nursing facility with 35 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as November 1, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, and Life Care Services, LLC or the operator or licensee of the Lake Park Health Center shall not place all or any portion of the Lake Park Health Center'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 Asset Purchase Agreement, the Forest Hill Health Center[4] shall be operated and maintained as a skilled nursing facility with 26 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as of

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[3] Throughout this document, the term "Lake Park Health Center" shall mean the skilled nursing facility located at 1850 Alice Street, Oakland, CA, 94612 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

[4] Throughout this document, the term "Forest Hill Health Center" shall mean the skilled nursing facility located at 551 Gibson Avenue, Pacific Grove, CA, 93950 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

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January 16, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center shall not place all or any portion of the Forest Hill Health Center's skilled nursing licensed-bed capacity or services in voluntary suspension or surrender its license for any beds or services.

VI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Lake Park Health Center 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 Lake Park Health Center as required in these Conditions.

VII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center 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 Forest Hill Health Center as required in these Conditions.

VIII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC and any other owner or operator of the Lake Park Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Boards shall consist of 7-12 residents at the Lake Park Facility chosen by the residents of the Lake Park Facility. The Community Advisory Board will provide advice and feedback on a

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quarterly basis on the quality of care and quality of life being provided to the residents and patients.

IX.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC and any other owner or operator of the Forest Hill Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Board shall consist of 7-12 residents at the Forest Hill Facility chosen by the residents of the Forest Hill Facility. The Community Advisory Board will provide advice and feedback on a quarterly basis on the quality of care and quality of life being provided to the residents and patients.

X.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding shall undertake phased capital improvements at the facilities, Lake Park and Forest Hill inclusive, in the amount of approximately $7,000,000 as set forth in Section 9.19 of the Asset Purchase Agreement and attached hereto as Exhibit D.

XI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Lake Park OpCo and Life Care Services and any operator or licensee of the Lake Park Health Center shall each certify that the report is true, accurate, and complete.

XII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill

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Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Forest Hill OpCo and Life Care Services and any operator or licensee of the Forest Hill Health Center shall each certify that the report is true, accurate, and complete.

XIII.

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.

XIV.

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.

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Exhibit 1

estimate of the Pension Fund Liability for the plan year ended December 31, 2019, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt. Thereafter, promptly following March 31 of each subsequent year until such time as the Closing occurs or this Agreement is terminated pursuant to Section 5.2, Seller shall obtain from the Existing Pension Fund an estimate of the withdrawal liability for the most recently ended plan year, and make its reasonable best efforts to obtain from the Existing Pension Fund an estimate of the Pension Fund Liability for the then-current plan, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt.

Section 9.19 Post-Closing Business Plans. From and after the Closing, Buyer or its Affiliates will continue to own and operate the Communities as senior housing communities and, in connection therewith, shall (i) undertake certain phased capital improvements at the Communities in the amount of approximately $7,000,000, and (ii) grant Residents of the Communities the option to either maintain their existing Residency Agreements or to receive a full repayment of the repayable portion of their Entrance Fees and convert their existing Resident Agreements to alternative rental arrangements.

Section 9.20 Regulatory Approvals. Not earlier than fifteen (15) Business Days following the later of (i) Buyer's receipt from Seller of evidence reasonably satisfactory to Buyer that Seller has submitted its complete notice to the Attorney in accordance with Section 5914 (as contemplated by Section 9.16), or (ii) the Due Diligence Expiration Date, Buyer shall provide Seller with evidence of Buyer's initial filings with the appropriate State Regulatory Agencies to obtain the Regulatory Approvals; provided, however, that notwithstanding the foregoing, at least forty five (45) days prior to the Closing Date (or such other time period as is required by the California Department of Social Services), Buyer OpCo shall file an abbreviated "co-licensing" application with the California Department of Social Services to become the co-licensee with Seller for the Communities pending receipt of a new RCFE license, it being understood that, in connection therewith, and as required by California Law, at least thirty (30) days prior to the Closing Date, Buyer Opco shall notify the California Department of Public Health of the change in licensure.

ARTICLE 10

EMPLOYEE BENEFITS AND EMPLOYEE MATTERS

Section 10.1 Seller's Employee Benefit Plans.

(a) Except for the Assumed Pension Fund Liability assumed by Buyer or its permitted assignee (including Buyer OpCo, as designated by Buyer) under Section 3.1(a), Seller shall retain all obligations and liabilities under or relating to the Employee Benefit Plans, and Buyer or such permitted assignee shall assume none thereof. Neither Buyer nor any permitted assignee thereof shall have any responsibility, liability or obligation, whether to Property Employees, former employees, their beneficiaries or to any other person (including, without limitation, the Internal Revenue Service, the U.S. Department of Labor and the PBGC), with respect to any Employee Benefit Plans (including with respect to the establishment, operation, funding or termination thereof) maintained by Seller.

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CAM-0062

SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the Assumption Notice Deadline, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

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SCHEDULE 2.5

Resident Security Deposits

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SCHEDULE 4.2(a)

GRANT DEED

To be provided by Title Company

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SCHEDULE 4.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

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EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

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SCHEDULE 4.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of December 17, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

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1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement and all applicable Court orders, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

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1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Buyer as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests, except as otherwise set forth herein and in the Agreement.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:

California-Nevada Methodist Homes, a California nonprofit public benefit corporation

By: _____
Garrett B. Cross

Its: Chairman of Board of Trustees

BUYER:

Pacifica Companies LLC

By: PAC Investors Inc., its General Manager

By:_____
Deepak Israni, Secretary

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CANWD 01/22

SCHEDULE 12.8

Litigation

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Exhibit B

HERITAGE PURCHASE AGREEMENT

CNWL-01024

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of January 31, 2022, by and between HERITAGE CAMPUS GROUP, a District of Columbia non-profit organization or its assignee `("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities that are located in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller desires to restructure its estate pursuant to a chapter 11 plan of reorganization (the "Plan") and emerge from chapter 11 in accordance with the terms set forth on **Exhibit A** hereto (the "Plan Term Sheet"). Buyer agrees to take all necessary actions consistent with the Plan Term Sheet and to enter into binding agreements

in support of the Plan and the Proposed Exchange (as defined in the Plan Term Sheet).

E. However, to support Seller's need and desire to successfully exit from chapter 11, Buyer grants Seller the Sale Option. Upon Seller's timely exercise of the Sale Option, Buyer shall proceed to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Purchase and Sale Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, subject to exercise of the Sale Option on or before the Sale Option Deadline, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*All Assets Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement..

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at

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the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items that are defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to the conclusion of the Auction, as defined herein, agrees in writing to assume and have assigned to Buyer, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume or accept assignment of any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume and accept assignment of any contracts, commercial leases and/or other agreements, not on Schedule 2.2 as attached, then the same shall be added to **Schedule 2.2**, initialed by Buyer and delivered to Seller prior to the conclusion of the Auction.

"*Auction*" means a public, competitive auction for the purchase and sale of the Assets, conducted pursuant to procedures approved by the Court.

"*Broker*" means the persons or entities identified in Section 20. of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 5. of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com..

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or on the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Forest Hill Assets*" means (i) Forest Hill, (ii) the Fixtures, Furniture and Equipment at Forest Hill, (iii) the Inventory at Forest Hill, (iv) all rights to all transferable licenses, warranties and permits with respect to Forest Hill, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Forest Hill (subject to Resident confidentiality rights and privileges), and all books and records of Forest Hill existing and physically located at Forest Hill or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Forest Hill, (vii) all rights to telephone numbers used solely by Forest Hill, and (viii) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Forest Hill. The Forest Hill Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Forest Hill Purchase Price*" has the meaning set forth in Section 2.7(b) of this Agreement.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living

inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lake Park Assets*" means (i) Lake Park, (ii) the Fixtures, Furniture and Equipment at Lake Park, (iii) the Inventory at Lake Park, (iv) all rights to all transferable licenses, warranties and permits with respect to Lake Park, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Lake Park (subject to Resident confidentiality rights and privileges), and all books and records of Lake Park existing and physically located at Lake Park or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Lake Park, (vii) all rights to telephone numbers used solely by Lake Park, (viii) the Restricted Repayable Resident Entrance Fee Payments and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Lake Park. The Lake Park Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Overbids*" has the meaning set forth in Section **Error! Reference source not found.** of this Agreement.

"*Permitted Encumbrances*" means any title exception listed on the Preliminary Title Report.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" means the All Assets Purchase Price if the Buyer is the Successful Bidder on all Assets.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements.

"*Residency Agreements*" means all contracts between Seller and one or more residents and one or more former residents at the Facilities, including,

without limitation, all contracts for the occupancy of a unit at a Facility, all life care, all continuing care, and all monthly fee agreements.

"*Resident*" means any person who now resides or ever resided at a Facility pursuant to a Residency Agreement including, without limitation, a person who is deceased or no longer resides at a Facility as of the Closing Date.

"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Option*" means the option granted in the Recitals by Buyer to Seller whereby Seller may elect on or prior to the Sale Option Deadline to direct the Buyer to purchase the Assets upon the terms and conditions set forth in this Purchase and Sale Agreement. For the avoidance of doubt, Seller's exercise of the Sale Option shall excuse Buyer's obligations with respect to any restructuring under the Plan Term Sheet.

"*Sale Option Deadline*" means the conclusion of the Auction.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance acceptable to Buyer and Seller.

"*Sale Procedures Motion*" has the meaning set forth in Section **Error! Reference source not found.** of this Agreement.

"*Sale Procedures Order*" means the order of the Court dated January 12, 2022, approving procedures for the sale of the Assets through a process that includes the Auction.

"*Successful Bidder*" means any person whose bid for the purchase of any part of the Assets was accepted by the Seller at the conclusion of the Auction, subject to the approval of the Court.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement and Seller's exercise of the Sale Option prior to the Sale Option Deadline, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The purchase price (the "All Assets Purchase Price") for all of the Assets shall be the greater of: (x) Thirty One Million Two Hundred and Fifty Thousand Dollars ($31,250,000.00) in cash, and (y) if an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that the Buyer is the Successful Bidder for all of the Assets at the Auction, the price at which the Court finds and orders the Buyer is the Successful Bidder for all of the Assets, payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 5.3) with Escrow Agent in accordance with Sections 5.1, 5.2 and 5.3;

(b) The balance of the Purchase Price that is due after payment of the Earnest Money and the Independent Consideration shall be paid in cash by Buyer at the Closing.

Such balance is currently estimated to be, if there are no Overbids (as defined in Section **Error! Reference source not found.** below), Thirty Million Two Hundred Forty Nine Thousand Nine Hundred and No/100 Dollars ($30,249,900); and

(c) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below if the Purchase Price is $31,250,000.00, and shall be allocated in such greater amounts for each Asset listed below in this 2.1(c) as is agreed by Buyer and Seller. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (c) of Section 2.1. The provisions of this Subsection (c) of Section 2.1 shall survive the Closing.

Lake Park:

Real Property:		$7,341,146
Goodwill:		$9,169,271
	Total:	$16,510,417

Forest Hill:

Real Property excluding PG Parking Garage:		$8,539,063
PG Parking Garage:		$1,041,667
Goodwill:		$5,158,854
	Total:	$14,739,583

2.2 Repayment Liability. Buyer expressly agrees to assume and accept assignment of the Assumed Contracts on the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 10.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

2.7 Possible Overbids and Auction.

(a) Reserved.

(b) This Agreement is subject to the terms and conditions of the Sale Procedures Order. The Sale Procedures Order may provide that bidders, including the Buyer, may bid at the Auction on the Lake Park Assets and/or on the Forest Hill Assets. If an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that a party other than the Buyer is the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets and the Court does not find and order that a party other than the Buyer is the Successful Bidder on the Forest Hill Assets, then the Buyer shall (i) purchase the Forest Hill Assets on the terms set forth herein at a price that is the greater of: (x) $14,739,583.00, and (y) the highest and best bid the Buyer bid for the Forest Hill Assets at the Auction (such greater amount, the "Forest Hill Purchase Price"), and the Buyer shall assume and accept assignment of

all the Assumed Forest Hill Residency Agreements (as defined in the Procedures Motion) and assume the Assumed Forest Hill Repayable Entrance Fee Liabilities (as defined in the Procedures Motion) on the terms set forth in this Agreement and in such circumstances shall not assume or accept assignment of the Lake Park Assumed Residency Agreements (as defined in the Procedures Motion) and not assume the Lake Park Repayable Entrance Fee Liabilities (as defined in the Procedures Motion).

Section 3. Buyer's Due Diligence Complete.

Buyer's obligations pursuant to this Agreement are not subject to further "due diligence" on the part of the Buyer. Buyer expressly acknowledges and agrees that it has completed all due diligence it deems necessary.

Section 4. Closing.

4.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

4.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 4.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 4.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, substantially in the form attached hereto as **Schedule 4.2(c)**, by which (i) Seller assigns to Buyer and Buyer assumes, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(f) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(g) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(h) Certified copy of the Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 0 of this Agreement; and

(i) any other documents necessary to close escrow.

4.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money and Independent Consideration, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Closing Statement;

(e) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(f) any other documents necessary to close escrow.

4.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and/or its successors and assigns may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.4 shall survive the Closing.

4.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.5 shall survive the Closing.

Section 5. Earnest Money and Provisions Regarding the Escrow Agent.

5.1 Earnest Money. Seller acknowledges and agrees that in accordance with the requirements of the Sale Procedures Order, Buyer has deposited with Escrow Agent the sum of One Million and No/100 Dollars ($1,000,000.00) ("Earnest Money"). Escrow Agent is hereby directed to deposit the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. The Earnest Money shall be refundable to Buyer if, and only if, Buyer has rightfully terminated this Agreement on account of a material default hereunder by the Seller, and shall be held in escrow by Escrow Agent until the earlier of (i) Closing, (ii) termination of this Agreement with the consent of Buyer and Seller, or (iii) an order of the Court. If this Agreement is rightfully terminated, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement). If there is any dispute regarding whether this Agreement was rightfully terminated, the Court will resolve such dispute.

5.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

5.3 Independent Consideration. Buyer will deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 6. Governmental Approvals Prior to Closing.

Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer shall submit the referenced applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Seller provides the draft notice of

the sale to Buyer with at least __ days for Buyer's review. Buyer shall timely provide all information reasonably requested by Seller and shall not unreasonably withhold, condition or delay review or approval of the draft notice of sale. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof

Section 7. Title Condition.

7.1 Premises Title Requirements. Seller has previously delivered to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Seller shall have no obligation to remove any title exceptions listed on the Preliminary Title Report. Buyer shall take title of the Real Property Assets at the Closing subject to all exceptions specified on the Preliminary Title Report unless such exceptions have been removed prior to the Closing.

7.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

7.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 8. Inspections and Review.

8.1 Documents to be Delivered to Buyer. Buyer acknowledges that Seller has previously delivered or will make immediately available to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy

statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

8.2 Restoration of Premises. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 8.3 to, and the right to examine, the Assets, all books and

records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections.

8.3 Access. At reasonable times and upon reasonable advance notice at all times prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 9. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Section 10. Employment Matters.

10.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

10.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and

occupational safety and health laws. Except as set forth in **Schedule 10.2**, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in **Schedule 10.2**, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 10.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

10.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 10.6 of this Agreement.

10.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's current or former employees, nor any Seller withholdings or payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

10.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

10.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute.

Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 11. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 11. , a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 12. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

12.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

12.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

12.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

12.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

12.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

12.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof. To the best Knowledge of Seller, it is fully compliant with all regulations, restrictions, and other requirements that are associated with or related to two "affordable housing" units at Forest Hill.

12.8 Litigation. Subject to the disclosures set forth on **Schedule 12.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

12.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

12.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage,

injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby

expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: _____ _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 12.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 12.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 13. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

13.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the District of Columbia, and prior to Closing shall be duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

13.2 Authority. Buyer has the full power, authority and financial and operational ability to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

13.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

13.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

13.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution in order to fulfill its obligations hereunder.

13.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

13.7 Litigation. Subject to the disclosures set forth on **Schedule 13.7** hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 14. Conditions to Parties' Obligations.

14.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 12. above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have authorized the sale of the Assets and entered the Sale Order as contemplated in this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the Effective Date.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 14.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or

obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

14.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 13. above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have authorized the sale of the Assets and entered the Sale Order as contemplated in this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 14.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 15. Indemnification.

15.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim, judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

15.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

15.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Section 15. shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 15.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

15.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the

Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

15.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

15.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 15. shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 15. to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing

evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 16. Conduct of Business Pending Closing.

16.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease, or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) enter into any monthly residence agreement with respect to any unit at the Facilities that is not currently subject to a monthly fee residence agreement on substantially similar terms; *provided*, that with the respect to those units at the Facilities that were unoccupied at the commencement of the Case but subsequently have been occupied pursuant to a monthly residence agreement (and not a life care and residence agreement with a corresponding entrance fee payment) identified at **Schedule 16.1(b)** (each, a "***New Monthly Residence Agreement***"), upon any resident termination of a New Monthly Residence Agreement, Seller shall not enter into any further monthly residence agreements for such units;

(c) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(d) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

16.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 10.1 hereof.

16.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 17. Transition.

17.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

17.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

17.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the Effective Date. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

17.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

17.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

17.6 Survival. The provisions of this Section 17. shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 18. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Section 19. Default.

19.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money, and all accrued interest thereon, shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 5. , BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL

CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER _____ **BUYER** _____

19.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

19.3 Survival. The provisions of this Section 19. shall survive the termination of this Agreement.

Section 20. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

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Section 21. Miscellaneous.

21.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

21.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

21.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

21.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 5. hereof.

21.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:

CNMH_____
201 19th Street,
Oakland, CA 94612
Attn:
Phone:_____
Fax:_____
E-Mail:_____
_____

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

If to Purchaser:

Heritage Campus Group
c/o Lapis Advisers, LP
265 Magnolia Avenue, Suite 100
Larkspur, CA 94939
khatch@lapisadvisers.com
bterrell@lapisadvisers.com

and

Adrienne K. Walker
Locke Lord, LLP
111 Huntington Ave.
Boston, MA 02199
Phone: (617) 239-0211
awalker@lockelord.com

In each case with a copy to Escrow Agent at: _____[contact info.]

21.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

21.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

21.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

21.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the

prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

21.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

21.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

21.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

21.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Heritage Campus Group
By:_____	By:_____
Garrett B. Cross Chairman of Board of Trustees	

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By:_____
Name:_____
Its:_____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12"‘ Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

APN: 008-0627-002-00

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15' West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15' West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a

municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

APN: 008-0627-038-03

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907", filed May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4' West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4' East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4' East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4' West, 18.94 feet to the point of beginning.

APN: 006-546-001

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907", filed for record May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

SCHEDULE 1(e)

Attorney General Conditional Approval Letter

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SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the conclusion of the Auction, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

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SCHEDULE 2.5

Resident Security Deposits

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SCHEDULE 4.2(a)

GRANT DEED

To be provided by Title Company

SCHEDULE 4.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto HERITAGE CAMPUS GROUP, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE 4.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and HERITAGE CAMPUS GROUP, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of December ___, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement and all applicable Court orders, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Buyer as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests, except as otherwise set forth herein and in the Agreement.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:	BUYER:
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Heritage Campus Group
By: _____ Garrett B. Cross	By: _____
Its: Chairman of Board of Trustees	

SCHEDULE 12.8

Litigation

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SCHEDULE 16.1(b)

New Monthly Residence Agreements

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EXHIBIT A

Plan Term Sheet

Notice of Successful Bidder, dated February 3, 2022

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
ANTHONY J. DUTRA, SBN 277706
adutra@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES, Debtor.	Case No. 21-40363 Chapter 11 **NOTICE OF SUCCESSFUL BIDDER**

On February 2, 2022, California-Nevada Methodist Homes (the "**Debtor**"), the debtor and debtor in possession in the above-captioned Chapter 11 case (the "**Chapter 11 Case**"), conducted an auction for the sale of substantially all of the Debtor's assets. At the conclusion of the auction, the Debtor named Pacifica Companies LLC ("**Pacifica**") the Successful Bidder[1] with a bid of $34,000,000, consisting of $33,000,000 in cash and a $1,000,000 credit bid of Pacifica's Break-Up Fee.

Adequate assurance of Pacifica's future performance is provided by the strong financial position of Pacifica.

Pacifica seeks to have the Debtor assume and assign to Pacifica the following agreements:

1) All Residency Agreements between the Debtor and its current Residents;
2) The Debtor's Medicare Provider Agreements with the United States Centers for Medicare & Medicaid Services for each of the Debtor's Facilities and related provider numbers; and
3) The Amended and Restated Building Lease Agreement between Debtor and GTE Mobilnet of California Limited Partnership d/b/a Verizon Wireless ("**Verizon**") executed by Verizon on February 3, 2022.

DATED: February 3, 2022

HANSON BRIDGETT LLP

By: Anthony J. Dutra
NEAL L. WOLF
ANTHONY J. DUTRA
Attorneys for Debtor and Debtor in Possession

[1] Capitalized words not otherwise defined herein shall have the same meanings ascribed to such terms in the Court's Order Granting Debtor's Motion for Entry of Order (i) Approving Bidding Procedures in Connection with the Sale of Substantially All of the Debtor's Assets; (ii) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (iii) Approving Stalking Horse Bidder and Break-up Fee; and (iv) Granting Related Relief [Dkt. No. 401].

U. S. Bankruptcy Court Order Approving Sale on Terms set forth in Stalking Horse Agreement and Stalking Horse Agreement, dated February 8, 2022

Entered on Docket
February 08, 2022
EDWARD J. EMMONS, CLERK
U.S. BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

HANSON BRIDGETT LLP
NEAL L. WOLF, SBN 202129
nwolf@hansonbridgett.com
425 Market Street, 26th Floor
San Francisco, California 94105
Telephone: (415) 777-3200
Facsimile: (415) 541-9366

Attorneys for Debtor and Debtor in Possession

The following constitutes the order of the Court.
Signed: February 8, 2022

Charles Novack
U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT

NORTHERN DISTRICT OF CALIFORNIA, OAKLAND DIVISION

In re CALIFORNIA-NEVADA METHODIST HOMES,[1] Debtor.	Case No. 21-40363 Chapter 11 **ORDER (I) APPROVING THE SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS FREE AND CLEAR OF CLAIMS, LIENS, AND ENCUMBRANCES, (II) APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES, AND (III) GRANTING RELATED RELIEF**

[1] The last four digits of the Debtor's federal tax identification number are 2411. The mailing address for the Debtor is 1850 Alice Street Oakland, CA 94612.

Upon consideration of the *Debtor's Motion For An Order (I) Approving The Sale Of Substantially All Of The Debtor's Assets Free And Clear Of Claims, Liens, And Encumbrances, (II) Approving The Assumption And Assignment Of Certain Executory Contracts And Unexpired Leases, And (III) Granting Related Relief* [ECF #402] (the "**Motion**")[2] filed by California-Nevada Methodist Homes, as debtor and debtor in possession (the "**Debtor**") in the above-captioned chapter 11 case (the "**Chapter 11 Case**") for entry of an order (this "**Order**") pursuant to sections 363 and 365 of Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "**Bankruptcy Code**"), and Rules 6004 and 6006 of the Federal Rules of Bankruptcy Procedure ("**Bankruptcy Rules**") (i) approving the sale of substantially all of the Debtor's assets (the "**Assets**") free and clear of Interests (as defined below) (ii) approving the assumption and assignment of certain executory contracts and unexpired leases, and (iii) granting related relief; and upon consideration of any responses and oppositions filed in response to the Motion and the evidence submitted in support of the Motion and in response and opposition to the Motion; and the Court having jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Order Referring Bankruptcy Cases and Proceedings to Bankruptcy Judges*, General Order 24 (N.D. Cal. Feb. 22, 2016), and Rule 5011-1(a) of the Bankruptcy Local Rules for the United States District Court for the Northern District of California (the "**Bankruptcy Local Rules**"); and this matter being a core proceeding pursuant to 28 U.S.C. § 157; and venue of the Chapter 11 Case and the Motion are proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion and the Hearing (as defined below) was sufficient under the circumstances, and it appearing that other or further notice need not be provided; and this Court having held a hearing (the "**Hearing**") to consider the relief requested in the Motion and the Court having

[2] Capitalized words not otherwise defined herein shall have the same meanings ascribed to such terms in the Motion. The term "Bidding Procedures" in footnote 2 to the Motion shall be replaced with the term "Sale Procedures."

considered the arguments made at the Hearing; and the Court having found that the relief requested in the Motion is in the best interests of the Debtor, its creditors, its estate and all other parties in interest; and upon the record herein; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY FOUND, ADJUDGED, AND DECREED THAT:

A. The Debtor was required to conduct an Auction for the sale of the Assets because the Debtor received at least one bid for the Assets by the January 31, 2022 deadline that the Debtor determined to be a Qualifying Bid as that term is used in this Court's January 14, 2022 *Order Granting Debtor's Motion for Entry of an Order (i) Approving Bidding Procedures in Connection With the Sale of Substantially All of the Debtor's Assets; (ii) Approving Procedures for the Assumption and Assignment of Executory Contracts and Unexpired Leases; (iii) Approving Stalking Horse Bidder and Bid Protections; and (iv) Granting Related Relief* ("**Sales Procedures Order**") [ECF #401].

B. At the Auction, both Pacifica and Heritage acknowledged and agreed on the record that it will pay the repayable portion of each Resident Entrance Fee Payment ("**Repayable Entrance Fees**") upon re-occupancy of such resident's unit regardless of the type of agreement entered into with the new occupant of the unit, including amounts which became due and payable any time prior to Closing.

C. After the Auction concluded, the Debtor named Pacifica Companies LLC ("**Pacifica"**) as the Successful Bidder with a Successful Bid (as that term is used in the Sales Procedures Order) of $34,000,000 on the terms set forth in the Stalking Horse Agreement and named Heritage Campus Group ("**Heritage**") as the Backup Bidder with a Backup Bid (as that term is used in the Sales Procedures Order) of $34,250,000 on the terms set forth in the Purchase and Sale Agreement signed by Heritage and dated January 31, 2022 ("**Heritage's Purchase Agreement**"). The Debtor thereafter filed copies of the Stalking Horse Agreement and Heritage's Purchase Agreement (collectively, the "**Purchase Agreements**") in the Chapter 11 Case, indicating the

Purchase Price for the Successful Bid and the Backup Bid as stated above (ECF #428).

D. Good and sufficient cause has been shown for the entry of this Order granting the Motion to authorize Debtor to sell the Assets to Pacifica on terms set forth in the Stalking Horse Agreement and, if Pacifica is unable to close the purchase of the Assets, to sell the Assets to Heritage on terms set forth in Heritage's Purchase Agreement and this Order (the "**Asset Sale**").

E. The Debtor has articulated sound business justifications for selling the Assets to Pacifica, or failing that, to Heritage pursuant to the terms of its respective Purchase Agreement and the additional relief granted by this Order.

F. The Assets are property of the Debtor's bankruptcy estate.

G. The sale process conducted by the Debtor for the sale of the Assets (the "**Sale Process**") and the purchase price of $34,000,000 for the Successful Bidder and $34,250,000 for the Backup Bidder (the "**Purchase Price**") and other terms as set forth in the respective Purchase Agreements are both fair and reasonable. Approval of the Asset Sale at this time to Pacifica, or failing that, to Heritage pursuant to the terms of its respective Purchase Agreement and this Order is in the best interests of the Debtor, its creditors, its estate, and other parties in interest.

H. The Stalking Horse Agreement and Heritage's Purchase Agreement were negotiated in good faith and at arm's length between Debtor on the one hand and Pacifica and Heritage respectively on the other hand. The terms of the Purchase Agreements are the result of the Sale Process which was fair and reasonable, and the Purchase Agreements are not the product of fraud, collusion, an attempt to take unfair advantage of others, or misconduct on the part of Debtor, Pacifica, or Heritage.

I. For purposes of this Order, "Interests" is defined as all liens, claims encumbrances and interests in the Assets exclusive of: (i) all liabilities and obligations under the Assumed Contracts, (ii) the Repayment Liability (as defined in the Stalking

Horse Agreement), (iii) all additional liabilities assumed under the terms of the operative Purchase Agreement, (iv) the Permitted Encumbrances (as defined in the Stalking Horse Agreement), and (v) the requirements of the existing Notice of Statutory Limitation of Transfer recorded pursuant to Health and Safety Code section 1779.4(aa) ("**Section 1779.4(aa) Notice"**) and the requirements for the recording of a new Section 1779.4(aa) Notice. For the avoidance of doubt, the Purchaser will be liable for and under (i) to (iii) immediately above as of Closing and will take ownership of Assets at the time of Closing subject to (iv) to (v) immediately above.

J. The purchase of the Assets by Pacifica, or failing that, to Heritage pursuant to the respective Purchase Agreement is in "good faith" as that term is used in Section 363(m) of the Bankruptcy Code and neither the Debtor nor Pacifica or Heritage engaged in any action or inaction that would cause or permit the Asset Sale to be avoided or damages or costs to be awarded to any party under Section 363(n) of the Bankruptcy Code.

K. B.H. Capital Ventures, LLC's ("**BHC**") does not object to the sale of the Assets on the terms set forth herein and pursuant to the *Amended Final Order (I) Authorizing Debtor to Obtain Postpetition Financing, (II) Granting Adequate Protection, (III) Granting Superpriority Administrative Expense Claims, (IV) Granting Priming Liens Under Bankruptcy Code Section 364(d), and (V) Granting Related Relief* [ECF #265], as the DIP Loan Order has been amended [ECF #326] and as may be further amended or supplemented, (collectively, the "**DIP Loan Order**"), and on no other terms. Holders of other Interests in the Assets either consented to the Asset Sale and/or could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such Interests.

L. Notice of the Asset Sale and the terms of the Purchase Agreements were sufficient under the circumstances, and no other or additional notice of the Asset Sale, the Hearing, the terms of the Purchase Agreements, or of the request for the relief granted

herein is required, other than as required herein.

M. The Interests of the Debtor's secured claimholders – BHC; California Department of Health Care Access and Information f/k/a Office of Statewide Health Planning and Development ("**HCAI**"); Wilmington Trust, National Association, in its capacity as bond trustee ("**Wilmington**"); and the California Department of Social Services ("**CDSS**") – are adequately protected, thereby satisfying section 363(e) of the Bankruptcy Code. With the exception of the DIP Liens (as defined below) which will be satisfied and extinguished pursuant to the terms of this Order, the Interests of the Debtor's other secured claimholders shall attach to the sale proceeds in the order of their priority, and with the same validity, extent, force and effect that they have against such Assets immediately prior to Closing.

N. The Debtor has articulated sound business justifications for assuming the Assumed Contracts and assigning them to Pacifica, or failing that, to Heritage pursuant to the terms of the respective Purchase Agreement and this Order.

O. Pacifica has provided adequate assurance of future performance under the Assumed Contracts.

P. The Debtor has filed a Notice of Successful Bidder [ECF #429] (the "**Notice**") indicating certain executory contracts which Pacifica seeks to have the Debtor assume and assign to Pacifica.

Q. The terms herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052 made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent anything that may be considered a finding of fact constitutes a conclusion of law, it is adopted as such. To the extent any conclusion of law may be considered a finding of fact, it is adopted as such.

Based on the foregoing findings and conclusions, the Motion, and the record before the Court with respect to the Motion, and after due consideration and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT

1. The Motion is GRANTED as set forth herein.

2. The objection of Pharmacy Corporation of America to the proposed cure amount in Debtor's Notice of Proposed (I) Assumption and Assignment of Executory Contracts and Unexpired Lases and (II) Cure Amounts is overruled as moot.

3. The Objection of the Trustee of the Trust of Sallie Stockton to the Debtor's calculation of the Entrance Fee Refund Amount for former Resident Helen "Sallie" Stockton is overruled.

4. Any other objections asserted at or prior to the Sale Hearing to the Asset Sale, to the assumption and assignment of any of the Assumed Contracts, or to the cure amounts listed in the Resident Notices or the Cure Notices are overruled on the terms set forth herein.

5. Except as otherwise provided herein and subject to the provisions of paragraphs 6-7 below, the Debtor is authorized to sell the Assets (a) to Pacifica for $34,000,000 on the terms otherwise set forth in the Stalking Horse Agreement and this Order or (b) failing that, to Heritage for $34,250,000 on the terms otherwise set forth in Heritage's Purchase Agreement and this Order, in either case free and clear of any Interests in the Assets existing at the time of Closing.

6. Concurrent with the Closing of the Asset Sale as provided in the operative Purchase Agreement, the escrow agent specified in that Purchase Agreement shall pay from the Purchase Price funds held in escrow the Debtor's liability to BHC under the Senior Secured Superpriority Debtor-in-Possession Credit Agreement by and between Debtor and BHC, as amended, (the "**DIP Loan Liability**") in full, and upon full satisfaction of the DIP Loan Liability, any security interests, liens and other Interests BHC may have in the Assets at the time of Closing (the "**DIP Liens**") shall be fully satisfied and extinguished. BHC shall cooperate with the Debtor and Pacifica or Heritage, as applicable, as reasonably requested in connection therewith.

7. Closing of the Asset Sale shall not occur unless:

a. there are sufficient funds held in the escrow for the Asset Sale to pay the DIP Loan Liability in full; and

b. The escrow instructions for the Asset Sale include an instruction that BHC shall be paid the DIP Loan Liability in full at the Closing from escrowed funds.

8. Upon Closing of the Asset Sale as provided in the operative Purchase Agreement, Pacifica or Heritage, as applicable, shall (i) acquire the Assets free and clear of any and all Interests in the Assets, pursuant to Section 363(f) of the Bankruptcy Code.

9. All Interests in the Assets shall attach to the proceeds of the Asset Sale immediately upon receipt by the Debtor of such proceeds in the order of priority, and with the same validity, force and effect which they have against the Assets immediately prior to the Closing, except for the DIP Liens which will be satisfied and extinguished at the time of Closing under the terms of this Order.

10. The Debtor shall give Pacifica and Heritage, as applicable, notice of the requirements under Section 1779.4(aa) on or before the Closing of the Asset Sale.

11. The Debtor is authorized to perform its obligations under the operative Purchase Agreement, and in particular, make the payments to terminated employees pursuant to paragraphs 2.4 and 10.1 of the operative Purchase Agreement.

12. Amendments to a Purchase Agreement shall not be valid or enforceable unless approved by an order of this Court entered after reasonable notice and an opportunity to be heard has been provided to parties-in-interest in the Chapter 11 Case that have requested notice, including without limitation the Official Committee of Unsecured Creditors appointed in the Chapter 11 Case; HCAI; BHC; Wilmington; CDSS; and the Office of the United States Trustee.

13. Pacifica and Heritage need not seek Court approval for the assignment of their rights under their respective Purchase Agreement, in whole or in part, to any entity

that is controlled by them or is under common control with the them, but must obtain Court approval for the assignment of their rights under their respective Purchase Agreement, in whole or in part, to any other person (as that term is defined under Section 101(41) of the Bankruptcy Code).

14. Upon Closing of the Asset Sale and the Debtor's transfer of the Restricted Repayable Resident Entrance Fee Payments to Pacifica or Heritage, as applicable, and the assumption by Pacifica or Heritage, as applicable, of the corresponding Restricted Entrance Fee Liability as provided in the operative Purchase Agreement, this Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein (the "**Restricted Account Order**") shall no longer have any force and effect. Any such rescission of the Restricted Account Order shall not prejudice CDSS's rights to condition Pacifica's or Heritage's use of the Restricted Repayable Resident Entrance Fee Payments after Closing.

15. Within thirty days of the Closing, Pacifica or Heritage, as applicable, shall pay those Repayable Entrance Fees which became due and payable any time prior to Closing.

16. The Debtor's assumption and assignment of the Assumed Contracts to Pacifica and Pacifica's acceptance of the assignment thereof, including without limitation the following agreements are approved:

a. All Residency Agreements between the Debtor and its current Residents;

b. The Debtor's Medicare Provider Agreements with the United States Centers for Medicare & Medicaid Services for each of the Debtor's Facilities and related provider numbers; and

c. The Amended and Restated Building Lease Agreement between Debtor and GTE Mobilnet of California Limited Partnership d/b/a Verizon Wireless ("**Verizon**") executed by Verizon on February 3, 2022.

17. To the extent the Motion sought approval for the assumption and assignment of any of the following agreements, that part of the Motion has been withdrawn or is otherwise denied without prejudice:

Counterparty	Address	Description of Agreement
A Place for Mom	701 Fifth Ave., Ste 3200, Seattle, WA 98104	Referral Services
ACCO-Wilson, Inc.	250 Harvey West Blvd., Santa Cruz, CA 95060	Heating, Ventilation & AC System Preventive Maintenance
Allied Universal Protection Services	PO Box 31001-2374 Pasadena CA 91110-2374	Security Services
Allscripts	10 Glenlake Parkway, Ste 500, Atlanta, GA 30328	Referral Management
Alsco	1575 Indiana Street, San Francisco, CA 94107-3529	Textile rental service
Avellino Lab USA, Inc.	1505 Adams Street, Suite B2, Menlo Park, CA 94025	COVID testing service
Battalion One Fire Protection	14755 Catalina Street, San Leandro, CA 94608	Fire sprinklers, Standpipe & Service Inspection & Maintenance
Beauty Salon (Thuan Tay)	551 Gibson Ave, Pacific Grove, CA 93950	Beauty Salon services
Brambilla, Norma	1215 Surf Avenue, Pacific Grove, CA 93950	Consultant
Cantebury Wood	651 Sinex Ave, Pacific Grove, CA 93950	Transfer Agreements
Carmel Hills	23795 W.R. Holman Highway, Monterey, CA 93940	Transfer Agreements
Carmel Valley Manor	8545 Carmel Valley Rd, Carmel, CA 93923-9556	Transfer Agreements
CBIZ	11440 Tomahawk Creek Pkwy, Leawood, Kansas 66211	Payroll services
Central Coast Systems	312 Kings Street, Salinas, CA 93905	Fire Alarm Maintenance
Clare Computer Solutions	2400 Camino Ramon, Ste 195, San Ramon, CA 94583	NetCentral Network Management
Claremont EAP	1050 Marina Village Pkwy, Ste 203, Alameda, CA 94501	EAP Services
Community Hospital of Monterey Peninsula	23625 W.R. Holman Highway, P.O. Box HH, Monterey, CA 93942	Transfer Agreements and Lab Services

Counterparty	Address	Description of Agreement
COSCO Fire Protection	4293 W. Sierra Madre #108, Fresno, CA 93722	Fire sprinklers & Service Inspection & Maintenance- South, North, Main
Daiya Healthcare	11120 ME 33rd Place, Suite 202, Bellevue, WA 98004	Medical Director Services
DeAngelo Pest Control	283 East Alisal, Salinas, CA 93901	Pest control
Deborah Plaza	5709 Circle Drive, El Cerrito, CA 94803	Lease Agreement
DeLage Landen Financial Services, Inc.	1111 Old Eagle School Road, Wayne, PA 19087	Konica Minolta Bizhub Equip
Diagnostic Laboratories & Radiology	10936 Bigge Street, San Leandro, CA 94577	Lab, EKG, X-ray, Ultrasound
Dude Solutions	11000 Regency Parkway, Suite 400, Cary, NC 27518	Work hub
Dynamic Landscaping	Ron Poppino, 10161 Sunstar Road, Monterey, CA 93940	Landscaping Services
Ecolab	26252 Network Place, Chicago, IL 60673	Pest Elimination Services
Fire Safety Service, Inc.	622 W Mill Ave, Coeur D'Alene, ID 83714-0437	Fire and Disaster Drill
FP Mailing Solutions	140 N. Mitchell Ct., Ste 200, Addison, IL 60101-5629	Postage Meter services
Fusion Connect (MegaPath)	6800 Koll Center Pkwy., Ste. 200, Pleasanton, CA 94566	VOIP system Lake Park
Iron Financial , LLC	630 Dundee Rd., Ste 200, Northbrook, IL 60062	ERISA Fiduciary 3(38) Services Management Agreement
Kronos, Inc.	900 Chelmsford St., Lowell, MA 01851	Workforce data collection
Life Care Services LLC	Capital Square, 400 Locust St., Ste. 820, Des Moines, IA 50309-2334	Consulting Services
Life Care Services LLC	Capital Square, 400 Locust St., Ste. 820, Des Moines, IA 50309-2334	Employee Leasing - Sarah Ehret
Life Care Services LLC	Capital Square, 400 Locust St., Ste. 820, Des Moines, IA 50309-2334	Remote Assessment Review
MBS Business Systems	325 Victor Street, Ste. A, Salinas, CA 93907	Toner, parts, labor
Mercy Retirement	3431 Foothill Blvd., Oakland, CA 94601	Transfer Agreements
Mitch Hall	1525 Jackson Street, #214,Oakland, CA 94612	Fitness & Wellness instruction
MRC	5657 Copley Dr., San Diego, CA 92111	Copy machine Supplies & Service Agreement
Mueller Prost		Medical Billing Services
Netsmart Technologies, Inc.	P.O. Box 823519, Philadelphia, CA 19182-3519	Vision resident software
Oakland Cable-Comcast	4215 Foothill Blvd., Oakland, CA 94601	Cable television
Orchard Digital Marketing	1110 Main St., Ste 200, Cincinnati, OH 45202	Digital Marketing & Account Management
Otis Elevator Company	1358 14th Street, Oakland, CA 94607	Maintenance

Counterparty	Address	Description of Agreement
Pacific Senior Living	2361 East 29th Street, Oakland, CA 94606	Transfer Agreements
Peery & Associates, Inc.	2060 Windsor Avenue, Clovis, CA 93611	Third-Party Administrator Services Agreement
Peninsula Welding & Medical Supply	785 Harcourt Avenue, Seaside, CA 93955	Medical oxygen
Pensionmark Financial LLC	24 E. Cota Street, Ste. 200, Santa Barbara, CA 93101	Retirement Plan Advisory Agreement
PharMerica	32980 Alvarado-Niles Rd, Ste 836, Union City, CA 94587-3186	Pharmacy
Piedmont Gardens	110-41st Street, Oakland, CA 94611	SNF
Pitney Bowes	3001 Summer St., Stamford, CT 06926	Forest Hill lease invoice
Proactive Medical Review & Consultants, LLC	2207 East Morgan Avenue, Suite D, Evansville, IN 47711	Medical coding, billing, compliance
PS Salon & Spa	PS Salon & Spa, 55 Public Square Ste 1180, Cleveland, OH 44113	Beauty Shop services
Quadax, Inc.	7500 Old Oak Road, Cleveland, OH 44130	Electronic Data Information Services
R&S Overhead Garage Door	1140 Montague Avenue, San Leandro, CA 94577	Garage Door maintenance
Rehab Alliance	22995 Mill Creek Drive, Ste. A, Laguna Hills, CA 92653	Rehab Services
Relias LLC	1010 Sync St., Ste 100, Morrisville, NC 27560	Staff Training
Safe and Sound Security	2201 Broadway 4th Floor, Oakland, CA 94612	Electronic security system installation and programming
Salon PS California	PS Salon & Spa, 55 Public Square Ste 1180, Cleveland, OH 44113	Beauty Shop services
SemaConnect	4961 Tesla Drive, Suite A, Bowie, MD 20715	Electric charging stations
Sherpa	3030 Locust Street, St Louis, MO 63103	Senior Housing Sales software
Sodexo Operations LLC	6145 Park Square Drive, Unit 1-6, Lorain, Ohio 44053	Dining Service operations & Management Services
Somethings Fishy	16310 Shannon Road, Los Gatos, CA 95032	Aquarium serviceds
Spherical Medical, P.C.	600 Alfred Nobel Dr., Ste A, Hercules, CA 94547	Medical Director
St. Paul's Towers	100 Bay Place, Oakland, CA 94610	Transfer Agreements
Stanley Access Technologies	65 Swamp Scott Rd., Farmington, CT 06032	Automatic doors inspections
Stericycle	2355 Waukegan Rd, Bannockburn, IL 60062	Hazardous Medical Waste
Stericycle	4010 Commercial Avenue, Northbrook, IL 60062	Medical Waste Services

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Counterparty	Address	Description of Agreement
Sutter East Bay Hospitals DBA Alta Bates Summit Medical Center	350 Hawthorne Avenue, Oakland, CA 94609	Transfer Agreements
TALX Corp- Employers Edge	11432 Lackland Rd., St. Louis, MO 63146	Unemployment Ins. Services
WaterTech	40475 Encyclopedia Circle, Fremont, CA 94538	Steam boiler maintenance
Western Exterminating	415 E. Market St., Salinas, CA 93901	Pest Control
WIPFLI	P.O. Box 71446, Oakland, CA 94612-7546	Medicare cost reports for year ending 6/30/21

18. Nothing in the Notice changes or otherwise impacts the obligations of Pacifica or Heritage, as applicable, in connection with the Assumed Contracts under the terms of the operative Purchase Agreement or pursuant to this Order.

19. The Debtor shall retain, and apply or refund, the Earnest Money Deposits in accordance with the Sale Procedures.

20. In the event the Debtor seeks to close a sale to the Backup Bidder, the Debtor shall provide prompt written notice thereof ("**Backup Notice**") to all recipients of Resident Notices and Cure Notices, which parties shall have ten calendar days to object to the sale of the Assets to the Backup Bidder in accordance with the Service Requirements, solely on the basis of any changed circumstances since the date of the Sale Hearing and/or based the identity of the Backup Bidder. If a Backup Notice is served and no objections to it are filed, the Debtor may proceed to close the sale of the Assets to the Backup Bidder without further court order. If one or more objections to the Backup Notice are filed: (i) the Debtor shall promptly schedule a hearing on those objections and serve notice of that hearing on all objecting parties and the Consultation Parties at least five calendar days in advance of the hearing and to the extent any notices required by this paragraph are served by United States mail, three additional days for notice shall be added to the required notice periods; and (ii) a closing of the a sale of the Assets to the Back-up Bidder may not close until a final order is entered resolving such objections.

21. To the extent there is any conflict between the terms of this Order and either of the Purchase Agreements and/or the Sale Procedures, the terms of this Order shall control.

22. This Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Bankruptcy Rules 6004(h) and 6006(d), and to any extent necessary under Bankruptcy Rule 9014 and Federal Rule of Civil Procedure 54(b), as made applicable by Bankruptcy Rule 7054, the Court expressly finds that there is no just reason for delay in the implementation of this Order and this Order is not stayed and shall be effective upon the date of its entry on the docket.

23. The terms and provisions of the operative Purchase Agreement and this Order shall be binding in all respects upon the Debtor, its estate, all of its creditors, all counterparties to the Assumed Contracts, Pacifica, Heritage, and all of their respective successors, heirs and assigns including, but not limited to, any subsequent trustee appointed in the Debtor's Chapter 11 Case or upon conversion of the Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code.

24. The terms and provisions of the operative Purchase Agreement and this Order and any actions taken pursuant hereto shall not be impacted by the later entry of any order which may: (a) confirm a chapter 11 plan in this Chapter 11 Case; (b) convert this Chapter 11 Case to a case under chapter 7 of the Bankruptcy Code; (c) dismiss this Chapter 11 Case; (d) result in this Court abstaining from hearing the Chapter 11 Case or any aspect of the Chapter 11 Case; or (e) withdraw the reference of the Chapter 11 Case or any aspect of the Chapter 11 Case; provided however, nothing in this Order or a Purchase Agreement shall determine the Debtor's or estate's liability for any taxes or the allocation of sale value to any Assets.

25. The Debtor is hereby authorized to take such actions and to execute such documents as may be necessary to implement the relief granted by this Order.

26. The Court shall retain jurisdiction with respect to all matters arising from or related to the implementation and/or interpretation of this Order.

*** END OF ORDER ***

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COURT SERVICE LIST

Recipients are ECF Participants.

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PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement is dated as of December 17, 2021, by and between PACIFICA COMPANIES LLC, a California limited liability company or its assignee ("Buyer"), and California-Nevada Methodist Homes, a California Nonprofit Public Benefit Corporation (variously, "Seller" or "CNMH").

RECITALS

A. Seller is a debtor in possession in a voluntary case under chapter 11 of the United States Bankruptcy Code (the "Case"), identified as *In Re: California-Nevada Methodist Homes*, that was commenced on March 16, 2021, is currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division) (the "Court"), and has been assigned Case Number 21-40363. No trustee has been appointed in the Case.

B. Seller owns and operates two separate continuing care retirement communities that are located in Oakland, California and Pacific Grove, California, both of which provide for residential living, assisted living, and skilled nursing levels of care.

C. Seller owns, among other assets, the following four parcels of improved real property (the "Real Property Assets"):

1. The CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

2. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

3. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill," each of Lake Park and Forest Hill, individually, a "Facility," and collectively, the "Facilities"); and

4. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

D. Seller wishes to sell substantially all of its assets to Buyer and Buyer wishes to purchase substantially all of Seller's assets from Seller upon the terms and conditions more particularly set forth in this Purchase and Sale Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, Buyer and Seller covenant and agree as follows:

AGREEMENT

Section 1. Definitions.

As used in this Purchase and Sale Agreement, the following terms shall have the meanings specified below, and include the plural as well as the singular:

"*Agencies*" means collectively any and all agencies and departments of the State of California that are responsible for licensure of skilled nursing facilities and residential care facilities for the elderly, or their successor agencies or departments.

"*Agreement*" means this Purchase and Sale Agreement and all exhibits and schedules attached hereto, as any of them may be amended from time to time in accordance with the terms hereof.

"*All Assets Purchase Price*" has the meaning set forth in Section 2.1 of this Agreement..

"*Assets*" means (i) the Real Property Assets, (ii) Lake Park and Forest Hill, (iii) the Fixtures, Furniture and Equipment, (iv) the Inventory, (v) all rights to all transferable licenses, warranties and permits with respect to the Facilities, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (vi) all Resident files and records (subject to Resident confidentiality rights and privileges), and all books and records of the Facilities existing and physically located at the Facilities or other off-site location as of the Effective Date, (vii) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, (viii) all rights to telephone numbers used solely by the Facilities, (ix) the Restricted Repayable Resident Entrance Fee Payments and (x) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at the Facilities. The Assets, however, do not include, and expressly exclude, the Excluded Items that are defined below.

"*Assumed Contracts*" means (a) all Residency Agreements in effect as of the Closing Date, (b) all contractual obligations to repay all or a portion of Resident Entrance Fee Payments, and (c) only those other contracts, commercial leases and other agreements which Buyer, prior to the Assumption Notice Deadline, as defined herein, agrees in writing to assume and have assigned to Buyer, and only to the extent that the same are assignable in accordance with the terms thereof and in accordance with all applicable laws, together with any and all liabilities, claims, costs or

expenses relating to the Assumed Contracts which accrue or are to be performed on or after the Closing Date. Except as provided for above, Buyer shall not be required to assume or accept assignment of any contract, union collective bargaining agreement, pension liability, lease or other agreement that is not cancelable on 30-days or less notice without cost, penalty or fee to Buyer. In the event Buyer elects to assume and accept assignment of any contracts, commercial leases and/or other agreements, not on Schedule 2.2 as attached, then the same shall be added to **Schedule 2.2**, initialed by Buyer and delivered to Seller prior to the Assumption Notice Deadline.

"*Assumption Notice Deadline*" means 11:59 p.m. on the day that is ten (10) business days after the Effective Date.

"*Auction*" means a public, competitive auction for the purchase and sale of the Assets, conducted pursuant to procedures approved by the Court.

"*Broker*" means the persons or entities identified in Section 20. of this Agreement.

"*Buyer-Related Entity*" means any entity that is controlled by or is under common control with Buyer.

"*Case*" has the meaning given such term in the recitals to this Agreement.

"*Closing*" means the consummation of the sale and purchase of the Assets as contemplated by this Agreement.

"*Closing Date*" means the date of the Closing, which shall be as soon as reasonably possible but in any event no later than fourteen (14) days after the date all Regulatory Clearances are obtained; provided that if such day falls on a Monday, a weekend or a holiday, the Closing Date shall be the first regular business day thereafter.

"*Earnest Money*" means the monies deposited by Buyer with Escrow Agent in accordance with Section 5. of this Agreement, to be invested by Escrow Agent and disbursed in accordance with this Agreement, together with all interest actually earned thereon.

"*Effective Date*" means the later of the date that this Agreement is signed last by Buyer or Seller, as evidenced by the dates inserted by the parties on the signature page hereof, which date shall be inserted on page 1 hereof. The date of Escrow Agent's signature hereon shall be irrelevant for purposes of determining the Effective Date.

"*Escrow Agent*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Excluded Items*" means all cash other than the Restricted Repayable Resident Entrance Fee Payments, cash equivalents, brokerage accounts, bank accounts and accounts receivable, all assets subject to donor restrictions, all legal, equitable, and administrative claims that Seller may have against third parties, including but not limited to any avoidance actions arising under Chapter 5 of the U.S. Bankruptcy Code, as well as any item relating to the Facilities or on the Premises that is not an Asset.

"*Facility*" *or "Facilities"* has the meaning given such term in the recitals to this Agreement.

"*Fixtures, Furniture and Equipment*" means all equipment, furniture, furnishings, fixtures, machinery, tools, appliances, spare and replacement parts, motorized vehicles, automobiles and similar property owned by Seller in connection with the operation of the Facilities and physically located on or at the Facilities as of the Effective Date, excluding the Excluded Items.

"*Forest Hill Assets*" means (i) Forest Hill, (ii) the Fixtures, Furniture and Equipment at Forest Hill, (iii) the Inventory at Forest Hill, (iv) all rights to all transferable licenses, warranties and permits with respect to Forest Hill, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Forest Hill (subject to Resident confidentiality rights and privileges), and all books and records of Forest Hill existing and physically located at Forest Hill or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Forest Hill, (vii) all rights to telephone numbers used solely by Forest Hill, and (viii) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Forest Hill. The Forest Hill Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Forest Hill Purchase Price*" has the meaning set forth in Section 2.7(b) of this Agreement.

"*Inventory*" means all office supplies, medical supplies, food supplies, housekeeping supplies, laundry supplies and other assisted living inventories and supplies physically on hand at the Facilities as of the Closing Date, which shall be in sufficient quantities to operate the Facilities in accordance with Seller's historical practices.

"*Knowledge of Seller*" or other terms of similar import means the current actual knowledge of the chief financial officer of the Seller and the

executive director of Lake Park or Forest Hill, as applicable, without any duty of inquiry or investigation.

"*Lake Park Assets*" means (i) Lake Park, (ii) the Fixtures, Furniture and Equipment at Lake Park, (iii) the Inventory at Lake Park, (iv) all rights to all transferable licenses, warranties and permits with respect to Lake Park, to the extent and only to the extent that the same are transferable in accordance with the terms thereof and in accordance with applicable laws, (v) all Resident files and records for Residents at Lake Park (subject to Resident confidentiality rights and privileges), and all books and records of Lake Park existing and physically located at Lake Park or other off-site location as of the Effective Date, (vi) all of Seller's right, title and interest in, to and under all Assumed Contracts, as hereinafter defined, for Lake Park, (vii) all rights to telephone numbers used solely by Lake Park, (viii) the Restricted Repayable Resident Entrance Fee Payments and (ix) all other assets, rights, and property owned by Seller and pertaining solely to and physically located at Lake Park. The Lake Park Assets, however, do not include, and expressly exclude, the Excluded Items.

"*Lien*" means any encumbrance, mortgage, pledge, lien, charge or other security interest of any kind upon the Assets.

"*MAC*" means a material adverse change in the physical, economic, or operational condition of the Facilities from the condition as of the Effective Date, reasonable wear and tear excepted. For purposes of this definition, it shall be presumed that an economic MAC has occurred if there has been a reduction of twelve percent (12%) or more, for any reason, when comparing the occupancy or net operating income for the Facilities during the month of September 2021 to the average monthly occupancy or average net operating income, as applicable, over any consecutive three month period from the Effective Date to the Closing Date. Net operating income shall exclude any attorneys' fees or costs or other consultants' fees or costs arising out of the Case.

"*Material Real Estate Defect*" means a defect in the title to the Premises which is not one of the Permitted Encumbrances, which materially and adversely affects the current use of the Premises, and which the Title Company refuses to insure over in a title policy delivered to Buyer at the Closing.

"*Non-Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Overbids*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Permitted Encumbrances*" means any title exception listed on the Preliminary Title Report.

"*Premises*" means the land described in **Schedule 1(a), Schedule 1(b), Schedule 1(c) and Schedule 1(d)** to this Agreement together with all structures and buildings existing thereon as of the Effective Date.

"*Provider Agreements*" mean the agreements issued by the Centers for Medicare and Medicaid Services to receive Medicare reimbursement for qualifying skilled nursing facility services.

"*Purchase Price*" means (a) the Forest Hill Purchase Price if Buyer is not the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets, and (b) the All Assets Purchase Price if the Buyer is the Successful Bidder on all Assets.

"*Regulatory Clearances*" means receipt by Buyer of (i) certificates of authority and licenses issued by the Agencies to operate the Facilities as continuing care retirement communities ("CCRCs") and, as applicable, as residential care facilities for the elderly ("RCFEs") and skilled nursing facilities ("SNFs"), (ii) the Transfer of the Provider Agreements or issuance of new Provider Agreements, and (iii) approval by the Attorney General of the State of California, subject to typical conditions acceptable to Buyer in its reasonable discretion, authorizing the consummation of this transaction and the Closing. (Buyer acknowledges and agrees that the conditions of the previously issued Attorney General approval described in **Schedule 1(e)** and applicable to the prior attempted sale of the Assets are reasonable.) In the event a new license to operate the skilled nursing components of the Facilities is not issued by the California Department of Public Health ("CDPH") at or prior to the issuance of all other Regulatory Clearances, then Buyer and Seller shall enter into a typical bridging arrangement, including without limitation a Management and Operations Transfer Agreement, pending such CDPH licensing at no cost to Buyer.

"*Repayment Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Resident Entrance Fee Payments*" means those entrance fee payments made by or on behalf of Residents at the Facilities under Residency Agreements.

"*Residency Agreements*" means all contracts between Seller and one or more residents and one or more former residents at the Facilities, including, without limitation, all contracts for the occupancy of a unit at a Facility, all life care, all continuing care, and all monthly fee agreements.

"*Resident*" means any person who now resides or ever resided at a Facility pursuant to a Residency Agreement including, without limitation, a person who is deceased or no longer resides at a Facility as of the Closing Date.

"*Restricted Account Order*" means the Court's May 7, 2021 Order Authorizing and Directing the Debtor to (A) Establish a Restricted, Segregated, Single-Purpose Bank Account for the Deposit and Maintenance of New Resident Entrance Fees, and (B) Distribute Funds Maintained in the Account to Such New Residents under Certain Conditions More Fully Described Herein.

"*Restricted Entrance Fee Liability*" has the meaning set forth in Section 2.2 of this Agreement.

"*Restricted Repayable Resident Entrance Fee Payments*" The repayable portion, as of the Closing Date, of any Resident Entrance Fee Payments received between May 7, 2021 and the Closing, and which is held in the restricted bank account established in accordance with the Restricted Account Order. For the avoidance of doubt, at Closing, the Restricted Repayable Resident Entrance Fee Payments shall be equal to the Restricted Entrance Fee Liability.

"*Sale Order*" means a final order, approving the sale on the terms set forth in this Agreement, that has been entered by the Court pursuant to Section 363 of the Bankruptcy Code that is in form and substance reasonably acceptable to Buyer and Seller.

"*Sale Procedures Motion*" has the meaning set forth in Section 2.7(a) of this Agreement.

"*Sale Procedures Order*" means an order approving procedures for the sale of the Assets through a process that includes the Auction.

"*Successful Bidder*" means any person whose bid for the purchase of any part of the Assets was accepted by the Seller at the conclusion of the Auction, subject to the approval of the Court.

"*Third Party Payor Program*" means any government sponsored health care program (including Medicare, the TRICARE program, and Medicare Advantage); any private insurer, health benefit plan, health maintenance organization, preferred provider organization, employer-sponsored health plan, multi-employer welfare trust; or any other managed care program or third party payor, including any fiscal intermediary or contractor of any of the foregoing, that provides benefits to or on behalf of residents of the Facilities.

"*Title Company*" means Chicago Title Company, attn: Linda Menasche, 2365 Northside Drive Suite 500, San Diego CA 92108; (619) 521-3521; MenasheL@ctt.com.

"*Title Policy*" means a standard CLTA title insurance policy insuring title of the Buyer to the Premises, subject only to the Permitted Encumbrances, issued by the Title Company.

"*Transfer of the Provider Agreements*" means the issuance by the Centers for Medicare and Medicaid Services of a tie-in notice and the completion by the fiscal intermediary of the process of tying Seller's Medicare Provider Number to Buyer's (or its designee's) National Provider Identifier ("NPI") and tax identification number for the Facility(ies).

"*Union Pension Fund*" means the Service Employees International Union National Industry Pension Fund.

Section 2. Sale and Purchase of Assets.

2.1 Subject to the terms and conditions of this Agreement, Buyer agrees to purchase the Assets from Seller, and Seller agrees to sell the Assets to Buyer, on the Closing Date. The purchase price (the "All Assets Purchase Price") for all of the Assets shall be the greater of: (x) Thirty Million Dollars ($30,000,000.00) in cash, and (y) if an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that the Buyer is the Successful Bidder for all of the Assets at the Auction, the price at which the Court finds and orders the Buyer is the Successful Bidder for all of the Assets, payable as follows:

(a) Buyer shall deposit the Earnest Money and Independent Consideration (as defined in Section 5.3) with Escrow Agent in accordance with Sections 5.1, 5.2 and 5.3;

(b) The balance of the Purchase Price that is due after payment of the Earnest Money and the Independent Consideration shall be paid in cash by Buyer at the Closing. Such balance is currently estimated to be, if there are no Overbids (as defined in Section 2.7(a) below), Twenty-Eight Million Nine Hundred Ninety-Nine Thousand Nine Hundred and No/100 Dollars ($28,999,900); and

(c) The Purchase Price shall be allocated between Lake Park and Forest Hill, and between real property, personal property and intangibles, as set forth below if the Purchase Price is $30,000,000.00, and shall be allocated in such greater amounts for each Asset listed below in this 2.1(c) as is agreed by Buyer and Seller. Each of Buyer and Seller agrees that it will not take a position inconsistent with such allocation except with the written consent of the other party to the Agreement, which consent will not be unreasonably withheld, conditioned, or delayed. Upon request by either party, the other party shall execute and file with the Internal Revenue Service, or other applicable governmental authorities, such forms, notices, returns, reports, affidavits, or other documents as such party reasonably requests, setting forth the allocation of the Purchase Price as determined in accordance with this Subsection (c) of Section 2.1. The provisions of this Subsection (c) of Section 2.1 shall survive the Closing.

Lake Park:

Real Property:		$7,047,500
Goodwill:		$8,802,500
	Total:	$15,850,000

Forest Hill:

Real Property excluding PG Parking Garage:		$8,197,500
PG Parking Garage:		$1,000,000
Goodwill:		$4,952,500
	Total:	$14,150,000

2.2 Repayment Liability. Buyer expressly agrees to assume and accept assignment of the Assumed Contracts on the Closing Date and shall subsequently pay, honor and discharge when due and payable all liabilities arising out of the Assumed Contracts. Without limiting the foregoing, Buyer shall assume (a) Seller's liability for the repayable portion of any Resident Entrance Fee Payments the Seller received prior to the May 7, 2021 entry of the Restricted Account Order in the maximum amount of Twenty Million Seven Hundred Thirty-One Thousand Seven Hundred Thirty-Eight and No/100 Dollars ($20,731,738), subject to audit and verification at or prior to the Closing (the "Non-Restricted Entrance Fee Liability") and (b) Seller's liability, as of the Closing Date, for the repayable portion of any Resident Entrance Fee Payments the Seller received between May 7, 2021 and the Closing Date (the "Restricted Entrance Fee Liability," and together with the Non-Restricted Entrance Fee Liability, the "Repayment Liability").

2.3 Prorations at Closing.

(a) Expenses, Costs and Charges. The following items shall be prorated between Seller and Buyer as of the Closing Date. Seller shall be responsible for such items prior to the Closing Date and Buyer shall be responsible for such items on and after the Closing Date:

(i) real and personal property taxes and assessments for the calendar year in which the Closing occurs, giving recognition to any discount available for earliest payment. If taxes are prorated on an estimated basis rather than the actual tax for the year in which the Closing occurs, the parties shall adjust the prorated amount when such actual tax is known, based on the final tax bill for the year in which the Closing occurs;

(ii) water, fuel, electricity, telephone, garbage collection, sewage, and other utility service charges and expenses; and

(iii) any other accrued and apportionable operating costs, charges and expenses, including without limitation those under the Assumed Contracts.

To the extent that prior to the Closing, Seller was appealing any ad valorem tax assessment or otherwise engaged in a tax contest, any refund or reduction in taxes applicable to any year prior to the year in which the Closing occurs shall be and remain the property of Seller and if any such tax refund is paid to, received by or credited to Buyer, Buyer shall promptly remit such payment or a check for such credit to Seller. If after the Closing any taxes are assessed against the Premises for periods prior to the Closing, Buyer shall provide Seller notice of such taxes, which such notice shall (i) include any tax bill or related documentation; and (ii) set forth Buyer's calculations regarding the amount of such taxes which Buyer determines is allocated to Seller in sufficient detail and particularity to enable Seller to verify the amount of the taxes. No later than fifteen (15) days prior to the due date for paying such taxes, Seller shall notify Buyer of any reasonable objections Seller may have to Buyer's calculations regarding the amount of such taxes which Buyer determined is allocated to Seller. Buyer and Seller agree to consult and resolve in good faith any such objection within ten (10) days of the due date of the tax. Seller shall be obligated to pay the portion of such taxes allocable to the period prior to the Closing at least five (5) days before such taxes become delinquent. If Seller fails to pay Seller's portion of such taxes at least five (5) days before such taxes become delinquent, then Buyer shall have the right to pay Seller's portion of such taxes and Seller shall be obligated to immediately reimburse Buyer for any such payments made by Buyer. Buyer acknowledges that Seller is a Section 501(c)(3) charitable organization that pays no or nominal property taxes but that pays assessments to the counties in which the Premises are located.

(b) Resident Monthly Service Fees. Residents' monthly service fees for the month of Closing shall be allocated as of the Closing Date; the portion thereof allocable to all time periods prior to the Closing Date shall be credited to Seller and the portion thereof allocable to the Closing Date and thereafter shall be allocable to Buyer. Buyer and Seller hereby recognize and agree that some Resident monthly service fees for the month of Closing will not have been collected as of the Closing Date. Therefore, the parties agree to estimate such amounts on the Closing Statement and adjust such estimate post-Closing as hereinafter provided.

Within thirty (30) days after the Closing Date, representatives of Seller and Buyer shall prepare and deliver to each other a schedule itemizing the adjustments to costs, charges and expenses, together with Resident monthly service fees (the "Initial Reconciliation"). The Initial Reconciliation shall include appropriate detail to identify the items being adjusted. A final reconciliation of all expenses, costs, charges, service fees and Resident monthly service fees shall be prepared and delivered by representatives of Buyer and Seller to each other within ninety (90) days after the Closing Date (the "Final Reconciliation"). The Final Reconciliation shall appropriately net all items to reflect the net amount owed to Buyer or to Seller as a result of such reconciliation. After approval by both parties of the Final Reconciliation, the party determined to owe cash as a result of such Final Reconciliation shall promptly pay such cash to the other party.

The provisions of this Section 2.3 shall survive the Closing.

2.4 Employees. All employees of Seller will be terminated by Seller effective as of the Closing Date. At the time of termination, such terminated employees will receive final paychecks in accordance with applicable law, and pursuant to Section 10.1 hereof.

2.5 Resident Security Deposits. With respect to any security deposits posted by Residents of the Facilities with Seller prior to Closing, Buyer shall receive a credit for such amounts. Buyer acknowledges that security deposits are prohibited under the RCFE Law and would only be collected in the SNF portion of the Facilities, if at all. A schedule showing the amounts of any such security deposits, by Resident name, is attached hereto as **Schedule 2.5.**

2.6 Past Due Residency Payments. With respect to accounts receivable or past due amounts relating to Residents occupying the Facilities after the Closing Date, Buyer shall promptly remit to Seller any amounts which relate to the period prior to the Closing Date actually received by Buyer from such Residents or their guarantors. Buyer shall use its reasonable best efforts to collect all such accounts receivable and past due amounts, provided, however, Buyer shall not agree to reduce any amount owed, or otherwise write-off any amounts, without the consent of Seller. All amounts collected by Buyer shall be applied first to current fees due (and if collected in the month in which the Closing occurs, such fees shall be prorated between Buyer and Seller) and then to delinquencies. The provisions of this Section 2.6 shall survive the Closing.

2.7 Possible Overbids and Auction.

(a) With the consent of the Buyer, the sale of the Assets contemplated herein is subject to the possible receipt by the Seller of overbids ("Overbids") for all or part of the Assets and the Auction conducted in accordance with the Sales Procedures Order. With the consent of the Buyer, the Seller shall file a motion (the "Sale Procedures Motion") with the Court in the Case seeking approval of procedures for the sale of the Assets through a process that includes the Auction and seeking entry of the Sales Procedures Order substantially in the form attached to Schedule 2.7 hereof, within two (2) business days of the Effective Date. The Sale Procedures Motion shall seek approval of the sale of the Assets under Sections 363 and 365 of the U.S. Bankruptcy Code and other applicable laws and rules and shall specifically request that the Court approve the transfer of the Assets to Buyer free and clear of liens and encumbrances other than Permitted Encumbrances and Assumed Contracts, specifically providing, without limitation, that any withdrawal liability to the Union Pension Fund (or any other related entity) shall not be assumed by Buyer. Seller shall diligently prosecute the Sale Procedures Motion, in good faith, with the goal of obtaining Court approval of the sale of the Assets to Buyer subject only to the Regulatory Clearances and Permitted Encumbrances and the terms and conditions of the Sale Procedures Order

(b) This Agreement is subject to the terms and conditions of the Sale Procedures Order. The Sale Procedures Order may provide that bidders, including the Buyer, may bid at the Auction on the Lake Park Assets and/or on the Forest Hill Assets. If an Auction is conducted in accordance with the Sale Procedures Order and if the Court thereafter finds and orders that a party other than the Buyer is the Successful Bidder (as defined in the Sales Procedures Motion) on the Lake Park Assets and the Court does not find and order that a party other than the Buyer is the Successful Bidder on the Forest Hill Assets,, then the Buyer shall (i) purchase the Forest Hill Assets on the terms set forth herein at a price that is the greater of: (x) $14,150,000.00, and (y) the highest and best bid the Buyer bid for the Forest Hill Assets at the Auction (such greater amount, the "Forest Hill Purchase Price"), and the Buyer shall assume and accept assignment of all the Assumed Forest Hill Residency Agreements (as defined in the Procedures Motion) and

assume the Assumed Forest Hill Repayable Entrance Fee Liabilities (as defined in the Procedures Motion) on the terms set forth in this Agreement and in such circumstances shall not assume or accept assignment of the Lake Park Assumed Residency Agreements (as defined in the Procedures Motion) and not assume the Lake Park Repayable Entrance Fee Liabilities (as defined in the Procedures Motion). For the avoidance of doubt, Seller will not accept any bid at the Auction from any party other than the Buyer for Forest Hill Assets unless another party has made an offer that exceeds the Minimum Initial Overbid Amount (as that term is defined in the Sales Order) on the Lake Park Assets.

Section 3. Buyer's Due Diligence Complete.

Buyer's obligations pursuant to this Agreement are not subject to further "due diligence" on the part of the Buyer. Buyer expressly acknowledges and agrees that it has completed all due diligence it deems necessary.

Section 4. Closing.

4.1 Place and Time; Extensions. The Closing shall take place at the offices of Escrow Agent, or at such other place as the parties may agree, on the Closing Date, and the transactions contemplated hereby shall be deemed effective on the Closing Date. Either party shall have the right to close by delivering all necessary items to the Escrow Agent in a timely fashion via overnight mail. The Closing may, by agreement of the parties, be virtual.

4.2 Items to be Delivered by Seller. At the Closing, Seller shall deliver to Escrow Agent with respect to the Assets the following:

(a) grant deeds (the "Deeds") to the Premises, in the form attached hereto as **Schedule 4.2(a)**;

(b) a bill of sale in the form attached hereto as **Schedule 4.2(b)**, conveying title to all of the Assets (excluding real property) to Buyer;

(c) an assignment and assumption agreement, substantially in the form attached hereto as **Schedule 4.2(c)**, by which (i) Seller assigns to Buyer and Buyer assumes, as of the Closing Date, all of Seller's rights and interest in, to, and under the Assumed Contracts, and (ii) Buyer assumes all rights, liabilities and obligations arising out of the Assumed Contracts arising on or after the Closing Date (the "Assignment and Assumption Agreement"). If the consent of any party is required to assign any of the Assumed Contracts to Buyer, Seller shall use commercially reasonable efforts, and Buyer shall cooperate where appropriate, to obtain such consent prior to Closing and deliver the consent to Buyer concurrently with the Assignment and Assumption Agreement;

(d) an affidavit as required by the Foreign Investment in Real Property Tax Act and the corresponding applicable provisions of California law, if any;

(e) a closing statement setting forth the Purchase Price, the amounts of all prorated items, and all credits, debits and costs contemplated by this Agreement (the "Closing Statement");

(f) physical possession of the Assets, including keys, books, records, safe combinations, and all other things reasonably necessary in order for Buyer to commence business; and

(g) Seller's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Seller contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Seller has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Seller on or prior to the Closing Date;

(h) Evidence of entry of a Sale Order in the Case under Section 363 of the U.S. Bankruptcy Code as contemplated in Section 0 of this Agreement; and

(i) any other documents necessary to close escrow.

4.3 Items to be Delivered by Buyer. At the Closing, Buyer shall deliver to Escrow Agent the following:

(a) the Assignment and Assumption Agreement;

(b) the Purchase Price in immediately available funds, less the Earnest Money and Independent Consideration, as adjusted by closing costs and prorations;

(c) evidence reasonably satisfactory to Seller that all Regulatory Clearances have been obtained by Buyer;

(d) the Closing Statement;

(e) Buyer's certificate, dated the Closing Date, certifying that (i) all representations and warranties of Buyer contained in this Agreement are true and correct in all respects as of the Closing Date; and (ii) Buyer has fully performed in all material respects all obligations, agreements, conditions and commitments required to be fulfilled by Buyer on or prior to the Closing Date; and

(f) any other documents necessary to close escrow.

4.4 Resident Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents located at the Facilities or otherwise in Seller's possession or control and relating to Residents of the Facilities, including, but not limited to, all contracts, applications, and correspondence relating to such Residents unless protected by an applicable privilege. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and/or its successors and assigns may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees

to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.4 shall survive the Closing.

4.5 Employee Records. At Closing, Seller shall deliver possession to Buyer at the Facilities of any and all records or written documents (unless otherwise confidential or privileged) physically located at the Facilities and relating to employees of the Facilities who are actually employed by Buyer effective at Closing. For a period of four (4) years from the Closing, Buyer agrees that upon reasonable advance notice Seller and its representatives may have access to all such items after the Closing and may at Seller's expense make copies of such items, and Buyer agrees to retain all such records and documents in compliance with any and all applicable laws, rules and regulations. For a period of four (4) years from the Closing, Buyer shall neither destroy nor give up possession of such records without first offering the opportunity to Seller, at Seller's expense, to obtain the records. The provisions of this Section 4.5 shall survive the Closing.

Section 5. Earnest Money and Provisions Regarding the Escrow Agent.

5.1 Earnest Money. Seller acknowledges and agrees that within one (1) business day after the execution and delivery of this Agreement, Buyer shall deposit with Escrow Agent the sum of One Million and No/100 Dollars ($1,000,000.00) ("Earnest Money"). Escrow Agent is hereby directed to deposit the Earnest Money in an interest bearing account with the interest accruing under Buyer's federal taxpayer identification number. The Earnest Money shall be refundable to Buyer if, and only if, Buyer has rightfully terminated this Agreement on account of a material default hereunder by the Seller, and shall be held in escrow by Escrow Agent until the earlier of (i) Closing, (ii) termination of this Agreement with the consent of Buyer and Seller, or (iii) an order of the Court. If this Agreement is rightfully terminated, Escrow Agent shall release the Earnest Money already paid by Buyer (and all interest earned thereon), or any portion thereof being held in escrow, to Buyer. Following such release of the Earnest Money, or portion thereof, neither party shall have any further rights or obligations hereunder (other than the Independent Consideration and rights arising from a party's breach of this Agreement). If there is any dispute regarding whether this Agreement was rightfully terminated, the Court will resolve such dispute.

5.2 Applicable to Purchase Price. The Earnest Money shall be applicable to the Purchase Price.

5.3 Independent Consideration. Buyer will deposit into escrow, concurrently with and in addition to the Earnest Money, the amount of One Hundred Dollars ($100.00) (the "Independent Consideration"). The Independent Consideration shall be non-refundable and released to Seller as independent consideration for the rights extended to Buyer hereunder, including the right to terminate this Agreement as provided herein. The Independent Consideration shall be applicable towards the Purchase Price in the event the Closing occurs.

Section 6. Governmental Approvals Prior to Closing.

Within thirty (30) days following the entry of the Sale Order for the CCRC and RCFE licenses and within sixty (60) days following the entry of the Sale Order for the SNF license, Buyer

shall submit the referenced applications for the Regulatory Clearances to the Agencies, together with applications for any other licenses or permits that Buyer in its reasonable discretion deems necessary or appropriate to authorize Buyer to lawfully operate the Facilities on the Closing Date. Within sixty (60) days following the entry of the Sale Order, Seller shall submit notice of the sale to the Attorney General of the State of California, provided that Buyer has timely provided all information requested by Seller to make the notice complete. Seller agrees to provide a draft notice to Buyer for Buyer's approval no later than 55 days after the entry of the Sale Order. Buyer agrees not to unreasonably withhold, condition, or delay the provision of information to Seller or review or approval of the draft notice of sale. Both parties agree to cooperate with each other in the preparation and timely submission of all applications and notices. Buyer shall pay all costs associated with all applications and notices and shall diligently and persistently in good faith pursue the issuance of the Regulatory Clearances so that the Regulatory Clearances are issued in the shortest period of time permitted by law. Seller shall provide Buyer with reasonable cooperation and assistance by supplying such information as Buyer reasonably requests in connection with Buyer's application for Regulatory Clearances and any such other licenses or permits, provided that Seller shall have no obligation to review or approve any of Buyer's applications or materials submitted in connection therewith and Buyer shall be solely responsible for the contents thereof.

Section 7. Title Condition.

7.1 Premises Title Requirements. Seller has previously delivered to Buyer a preliminary title report(s) issued by Title Company describing the state of title of the Real Property Assets, together with copies of all exceptions specified therein (the "Preliminary Title Report"). Seller shall have no obligation to remove any title exceptions listed on the Preliminary Title Report. Buyer shall take title of the Real Property Assets at the Closing subject to all exceptions specified on the Preliminary Title Report unless such exceptions have been removed prior to the Closing.

7.2 Condition of Assets. At Closing, the Assets shall be in the same condition as on the Effective Date, subject to reasonable wear and tear and depletion and restocking in the ordinary course of business, except Seller shall not remove any Fixtures, Furniture and Equipment from the Facilities prior to the Closing, other than the Excluded Items, and shall keep the Inventory stocked consistent with the levels stocked prior to the Effective Date and as required under applicable law by the Agencies. Buyer shall be entitled to inspect the Assets at Buyer's election at any time during ordinary business hours upon reasonable advance notice.

7.3 Surveys. To the extent required by HCAI or any Agencies, Buyer shall, at Buyer's sole expense, obtain a current survey of the Premises.

Section 8. Inspections and Review.

8.1 Documents to be Delivered to Buyer. Buyer acknowledges that Seller has previously delivered to Buyer the following documents as they pertain to the Assets (the "Due Diligence Materials"):

(a) all current leases, service contracts, maintenance contracts and management agreements;

(b) all real and personal property tax bills and utility bills for the prior twenty-four (24) month period;

(c) internal operating statements showing normal financial information with respect to the Assets, including income, operating expenses, rent rolls and occupancy statistics for the past three (3) years, and for the year to date, all audited in accordance with GAAP (the "Financial Documents");

(d) all federal and state tax (returns with respect to the Assets for the past three (3) years;

(e) certificates of occupancy, plans, permits, zoning land use and surveys regulating or otherwise affecting the use and occupancy of the Assets, to the extent such may exist and can be located, and all governmental licenses and Annual Health Surveys for the past two (2) years;

(f) a list of all employees, including the employee's name, hiring date, payroll status, full or part-time status, benefits status and election;

(g) an inventory of all fixed assets including description, location (office name/room number), make, model and serial number, motorized vehicles included;

(h) copies of all written Resident and employee complaints filed with Seller or any state or federal administrative agency or court within the past three (3) years of which Seller has knowledge. Information regarding any current employee's complaints should have the employee's name redacted;

(i) insurance records and claims for the last three (3) years, including any claims made under the worker's compensation and commercial general liability policies. Information regarding any current employee's worker's compensation claims should have the employee's name redacted;

(j) any and all capital expenditure expenditures exceeding ten thousand dollars ($10,000) and/or capital expenditure budgets for the three (3) year period prior to the Effective Date;

(k) any and all current management agreements for the Facilities;

(l) all other documents, contracts, studies and/or reports, as Buyer may reasonably request, relating to the Assets in Seller's possession or control, provided that Buyer shall give Seller ten (10) business days after requesting such documents to produce them; and

(m) the most recent appraisal, if any, of the Facilities and/or the Assets.

Prior to the Closing, Buyer shall have the right to request any reasonable additional documentation in Seller's possession or control relating to the Assets. Seller shall deliver to Buyer

copies of all material notices and other material documents relating to the Assets, which Seller receives after the Effective Date.

8.2 Restoration of Premises. Beginning on the Effective Date and continuing until the Closing or earlier termination of this Agreement, Buyer, at its expense, shall have reasonable access as set forth in Section 8.3 to, and the right to examine, the Assets, all books and records thereof and pertaining thereto, and title to the Premises and to conduct such environmental, structural and geological assessments on the Premises as Buyer, in its reasonable discretion, deems reasonably necessary or appropriate without disruption to the operation of the business of the Seller. Buyer shall restore as nearly as practicable the Premises to its prior condition after completion of all such assessments and inspections; provided that Buyer shall have no responsibility or liability for any act or omission of Seller or its agents, employees or contractors and/or for any adverse condition or defect affecting the Premises not caused by Buyer or its employees, agents, contractors, or subcontractors (including those discovered during their inspections.

8.3 Access. At reasonable times and upon reasonable advance notice at all times prior to Closing, Seller shall permit Buyer and/or Buyer's officers, trustees, agents, representatives, contractors and others acting by, through or on behalf of Buyer to have access to the Premises and the Facilities, the books and records therefor and the employees in order to facilitate an orderly transition upon Closing.

Section 9. Certain Expenses and Closing Adjustments.

Except as expressly provided in this Agreement, each of the parties shall bear its own expenses and costs (including legal and accounting fees) that it incurs in connection with the negotiation, execution and delivery of this Agreement and the Closing of the transactions contemplated hereby. Seller shall pay the cost of the Title Policy and all sales/use taxes and registration, documentary, stamp, real estate, recording and similar taxes, if any, incident to the transfer of the Assets. Buyer shall pay any costs incurred in connection with obtaining the Regulatory Clearances, and any other costs incurred by Buyer hereunder. The escrow fee shall be paid equally by Buyer and Seller and all other fees and costs of Closing shall be paid in accordance with the custom of the counties in which the Facilities are located.

Section 10. Employment Matters.

10.1 Employee Compensation and Benefits upon Termination. Immediately upon Seller's termination of Seller's employees prior to the Closing, Seller shall deliver to Seller's former employees payroll checks drawn on Seller's payroll account, or otherwise pay, for all monetary compensation and wages to which they are then entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any, and shall withhold and pay all payroll tax obligations associated therewith, including without limitation income tax, FICA and FUTA obligations, together with any amounts owed with respect to accrued benefits as contemplated by Section 2.4 of this Agreement. Seller shall be responsible for providing all applicable notices under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, to all terminated employees.

10.2 Representations. Seller represents that, to its knowledge, it is in compliance with all currently applicable laws and regulations respecting terms and conditions of employment, including, without limitation, applicant and employee background checking, immigration laws, discrimination laws, verification of employment eligibility, employee leave laws, classification of workers as employees and independent contractors, wage and hour laws, labor laws and occupational safety and health laws. Except as set forth in **Schedule 10.2**, there are no claims, complaints, charges, investigations or proceedings pending or, to Seller's knowledge, reasonably expected or threatened, between Seller, on the one hand, and any of Seller's current or former employees, on the other hand, including but not limited to any claims for actual or alleged harassment or discrimination based on race, national origin, age, sex, sexual orientation, religion, disability, or similar tortious conduct, breach of contract, wrongful termination, defamation, intentional or negligent infliction of emotional distress, interference with contract or interference with actual or prospective economic advantage. Except as set forth in **Schedule 10.2**, there are no claims pending, or to, Seller's knowledge, reasonably expected or threatened, against Seller under any workers' compensation or long-term disability plan or policy. Pursuant to Section 10.1 of this Agreement, as of the Closing Date, Seller will have provided all of its employees all benefits and monetary compensation and wages to which they are entitled as of the Closing Date, including, without limitation, wages, salaries, bonuses, overtime, and accrued, unused vacation and/or paid time off, and severance, if any.

10.3 Offer of Employment. Buyer is not obligated to offer employment to, or hire, any employee, independent contractor or consultant of Seller at any time prior to or on or after the Closing Date. However, Buyer represents that it intends in good faith to offer employment to most of Seller's employee(s), provided such employment with Buyer commences on or after the Closing Date. Seller agrees not to interfere with such employment offers, and shall not induce, dissuade or discourage Seller's employee(s) from considering or accepting employment with Buyer on the terms and conditions offered by Buyer, as determined by Buyer in Buyer's sole and absolute discretion, subject to Section 10.6 of this Agreement.

10.4 Wages and Benefits. Buyer shall not be responsible for any wages, overtime, benefits, accrued, unused vacation or paid time off, severance, bonuses or any other obligations owed by Seller to Seller's employees. Seller shall not make any written or oral communications to its employees that assure Seller's employees that Buyer will hire any specific Seller employee. Buyer acknowledges the existing but expired union collective bargaining contract at Lake Park; Buyer reserves the right to negotiate with the union and makes no commitment to assume the union collective bargaining contract at Lake Park. The Closing is conditioned upon the entry of the Sale Order confirming that Buyer is not liable for any withdrawal liability of Seller. Seller shall pay or discharge in the Case any and all employment liability including, without limitation, wages, sick pay, vacation pay, pension obligations, pension withdrawal liability, or any and all other ERISA benefits of any kind.

10.5 Employee Contracts. Except as otherwise provided in **Schedule 1(b)** to this Agreement, Buyer is not assuming any of Seller's contracts with its employees, independent contractors or consultants, including, but not limited to, employment agreements, incentive compensation or bonus plans, severance plans, employee benefit plans, independent contractor agreements or consulting agreements.

10.6 WARN Act. Buyer agrees to make sufficient employment offers to preclude the need for any notice under the WARN Act or any applicable state counterpart statute. Buyer shall indemnify and hold harmless Seller with respect to any liability under the WARN Act or other applicable law arising from the actions taken by Buyer before, on, or after the Closing Date.

Section 11. Casualty and Condemnation.

In the event that prior to the Closing, there shall be any fire, earthquake, force majeure event, or other similar casualty at the Facilities or the Premises that damages any material portion thereof, or if any material portion of the Premises or Facilities or access thereto is taken or threatened in writing to be taken by condemnation or similar taking by any public or quasi-public agency or organization, then and in such event Seller shall immediately give notice to Buyer and Buyer shall within ten (10) days by notice to Seller either (i) terminate this Agreement, whereupon the Earnest Money shall be refunded to Buyer and neither party shall have any further rights, duties or obligations hereunder except as expressly survive the termination hereof or (ii) elect not to terminate this Agreement, whereupon at Closing, Seller shall assign to Buyer all of Seller's rights with respect to such casualty under Seller's insurance policy, along with a credit against the Purchase Price for any deductible amount thereunder, or rights to any condemnation proceeds, respectively. Failure of Buyer to properly and timely give notice of termination shall mean that Buyer shall be deemed to have elected not to terminate this Agreement. For purposes of this Section 11. , a casualty shall be deemed to damage a "material portion" of the Facilities or Premises if the reasonable, documented cost to repair the damage exceeds fifteen percent (15%) of the Purchase Price.

Section 12. Representations, Warranties and Covenants of Seller.

Seller hereby represents, warrants and covenants to Buyer as follows:

12.1 Organization. Seller is a nonprofit public benefit corporation duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business in the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

12.2 Authority. All corporate and other proceedings required to be taken on the part of Seller, including, without limitation, all action required to be taken by the board of trustees of Seller to authorize Seller to enter into and carry out this Agreement have been properly taken. Other than obtaining Court approval of this Agreement in the Case, Seller has the full power and authority to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by Seller pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Seller to perform hereunder, subject to Buyer's obligation to obtain all Regulatory Clearances. Other than obtaining Court approval of this Agreement in the Case, Seller's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. Other than obtaining Court approval of this Agreement in the Case, and subject to Buyer's obligation to obtain all Regulatory Clearances, this Agreement is, and the other documents to be delivered by Seller

pursuant hereto (when executed and delivered by Seller) will be, valid and enforceable obligations of Seller, binding on Seller in accordance with their terms.

12.3 Title. Seller is the owner of fee simple title to the Premises, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances. Seller has title to the Inventory and Fixtures, Furniture and Equipment, free and clear of all liens, interests and encumbrances, other than the Permitted Encumbrances.

12.4 Taxes. To Seller's knowledge, all real property and personal property taxes associated with the Premises and the Facilities have been paid current and there is no pending claim or proceeding threatened by any taxing authority that relates to or affects the Premises of the Facilities.

12.5 No Condemnation Proceeding. There is not pending or, to Seller's knowledge, threatened, any (i) condemnation proceeding relating to the Premises, or (ii) reclassification of any or all of the Premises for local zoning purposes, or reassessment or reclassification of any or all of the Premises for state or local real property taxation purposes.

12.6 Compliance with Licensure Requirements. To Seller's knowledge, the Facilities currently comply in all material respects with all standards and conditions for operation and licensure imposed by the Agencies to the extent such standards and conditions are applicable to the Facilities. The physical condition of the Facilities, including the fire panel and call system, is sufficiently improved and maintained to satisfy all licensure related inspections, and Seller shall be responsible for any and all repairs and maintenance to such systems necessary in order for Buyer to obtain the Regulatory Clearances.

12.7 Violations. There is no pending or, to Seller's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any violation on or at the Premises or Facilities (including, but not limited to, any Department of Labor investigation or proceeding); and, to Seller's knowledge, there is no condition existing with respect to the Premises or Facilities that violates in any material respect any statute, ordinance, law or code regarding zoning, building, fire, air-pollution, or health law, or requires immediate improvement, alteration, addition, correction or other work on or about the Premises or Facilities, whether related to the Premises or Facilities or to the activities of any owner or occupant thereof. Seller has not received written notice that Seller is not in compliance with the City of Pacific Grove's conditions to provide two "affordable housing" units at Forest Hill. Between the Effective Date and Closing, Seller will cause the two "affordable housing units" to be fully available to potential residents who qualify for the City of Pacific Grove's below market rent program, and at or prior to the Closing, Seller shall provide written evidence, satisfactory to Buyer in its reasonable discretion, that the two "affordable housing units" are fully compliant in all material respects with all conditions relating to affordability.

12.8 Litigation. Subject to the disclosures set forth on **Schedule 12.8** hereto, and other than the Case, there is no litigation, arbitration or proceeding pending, or to Seller's knowledge, threatened, before any court or administrative agency or any other condition that adversely affects the Premises or the Facilities, or Seller's performance hereunder, or which will

result in a lien, encumbrance or judgment against any part of or any interest in the Premises or the Facilities.

12.9 MAC. To Seller's knowledge, no MAC has occurred or, if a MAC has occurred, Seller has provided notice to Buyer within two (2) Business Days of such occurrence.

12.10 **As-Is Sale; Release**. Except with respect to (i) Seller's covenants, representations, and warranties expressly set forth in this Agreement and (ii) any loss, damage, injury, liability, claim, expense or demand directly arising out of this Agreement, Buyer acknowledges and agrees that Buyer is purchasing the Premises in its "as-is, where is, with all faults" condition as of the Closing. Except as expressly set forth in this Agreement, Seller has made no representations or warranties regarding the Premises, and Buyer shall have undertaken all inspections and examinations in connection with the Premises that Buyer deems necessary or appropriate under the circumstances (including, without limitation, the physical and environmental condition of the Premises, the zoning of the Premises, the Premises' compliance with applicable laws, the condition of any improvements on the Premises, and the availability or lack of entitlements). **Buyer is relying strictly upon such inspections and examinations and the advice of its agents, consultants, contractors, vendors, and representatives.** Except as described in this Agreement, neither Seller nor any representative, member, agent, employee, manager, broker, principal, partner, affiliate, or consultant of Seller is making or has made any warranty or representation (either express or implied) with respect to any part of the Premises as an inducement to Buyer to enter into this Agreement and buy the Assets or for any other purpose. Buyer hereby expressly disclaims (on behalf of itself and any party affiliated with or related to Buyer, including, without limitation, successors and assigns) any and all Seller representations and warranties (either express or implied).

Initials: GBC _____ _____
Seller Buyer

RELEASE. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, EFFECTIVE AS OF THE CLOSING DATE, BUYER RELEASES SELLER AND SELLER'S AGENTS, REPRESENTATIVES, TRUSTEES, AFFILIATES, OFFICERS, AND EMPLOYEES ("SELLER RELEASED PARTIES"), FROM ANY AND ALL CLAIMS THAT BUYER OR ANY PARTY CLAIMING BY, THROUGH, OR UNDER BUYER HAS OR MAY HAVE AS OF CLOSING ARISING FROM OR RELATED TO ANY MATTER RELATED TO OR IN CONNECTION WITH THE PREMISES, INCLUDING WITHOUT LIMITATION THE DUE DILIGENCE MATERIALS, ANY CONDITION OF THE PREMISES, AND ANY ENVIRONMENTAL CONDITIONS, AND BUYER SHALL NOT LOOK TO SELLER OR ANY SELLER RELEASED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO ITS EXPRESS TERMS AND PROVISIONS, INCLUDING THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION.

IN CONNECTION THEREWITH, BUYER EXPRESSLY WAIVES ALL RIGHTS UNDER CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES THAT:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Initials: GBC _____
Seller Buyer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE WAIVER AND RELEASE SET FORTH IN THIS SECTION 12.10 SHALL NOT BE DEEMED A WAIVER OF ANY CLAIMS BY BUYER WITH RESPECT TO: (A) ANY OBLIGATIONS OF SELLER IN THIS AGREEMENT THAT EXPRESSLY SURVIVE THE CLOSING, OR (B) FRAUD OR INTENTIONAL MISREPRESENTATION BY SELLER.

THIS SECTION 12.10 SHALL SURVIVE TERMINATION OF THIS AGREEMENT AND THE CLOSING.

Section 13. Representations, Warranties and Covenants of Buyer.

Buyer hereby represents, warrants and covenants to Seller as follows:

13.1 Organization. Buyer is a limited liability company duly organized, validly existing, and in good standing under the laws of the State of California, duly authorized to conduct business within the State of California, with the legal power to own its properties and assets and to carry on its business as presently conducted.

13.2 Authority. Buyer has the full power, authority and financial and operational ability to enter into and to perform its obligations under this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement, and no approval or consent of, or notice to, any person, entity, or governmental agency or authority is necessary for Buyer to perform hereunder other than the approval of Agencies for Buyer to operate the Facilities. Buyer's execution, delivery and performance of this Agreement and all other agreements and instruments to be executed by it pursuant to this Agreement have been duly authorized by all necessary actions. This Agreement is, and the other documents to be delivered by Buyer pursuant hereto (when executed and delivered by Buyer) will be, valid and enforceable obligations of Buyer, binding on Buyer in accordance with their terms.

13.3 No Conflict. The execution and delivery of this Agreement and consummation of the transactions contemplated by Buyer hereunder do not and will not violate any applicable law, ordinance, statute, rule, regulation, order, decree, judgment, or agreement, or conflict with or result in the breach of any terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge, or encumbrance upon any of the property

or assets of Buyer by reason of the terms of any contract, mortgage, lien, lease, agreement, indenture, instrument or judgment to which Buyer is a party or which is or purports to be binding on Buyer or which otherwise affects Buyer, which will not be discharged, assumed, or released in full at or before the Closing.

13.4 Not Insolvent. Buyer is not insolvent (as such term is defined in the Bankruptcy Code), and shall not be rendered insolvent as a consequence to the consummation of the transactions contemplated hereby.

13.5 No Financing. Buyer has the funds to consummate the transactions contemplated this Agreement and does not require the commitment from any lending institution in order to fulfill its obligations hereunder.

13.6 Violations. There is no pending or, to Buyer's knowledge, threatened, notice, suit, judgment, proceeding or investigation from any federal, state, city or local authority relating to any alleged violation at any of Buyer's other facilities that could be reasonably be expected to cause any Agencies or the California Attorney General to delay or deny the Regulatory Clearances to Buyer.

13.7 Litigation. Subject to the disclosures set forth on **Schedule 13.7** hereto, there is no litigation, arbitration or proceeding pending, or to Buyer's knowledge, threatened, before any court or administrative agency or any other condition that could adversely affect Buyer's performance hereunder.

Section 14. Conditions to Parties' Obligations.

14.1 Condition to Buyer's Obligations. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a), (b), (c), (f) and (g) below may be waived by Buyer:

(a) Representations. Each of Seller's representations and warranties as set forth in Section 12. above shall be true in all material respects as of the Closing Date.

(b) Seller's Other Obligations. Seller shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Title. The Title Company shall be prepared to issue to Buyer at Closing the Title Policy subject only to the Permitted Encumbrances.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

(e) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

(f) No Material Real Estate Defect. No Material Real Estate Defect has first occurred with regard to the Premises, the Facilities or the other Assets after the Effective Date.

(g) No Unwaived MAC. No MAC has occurred that Buyer has not waived by written notice to Seller.

If any of the conditions precedent set forth in this Section 14.1 have not been materially satisfied or waived by the Closing Date, then Buyer may: (a) terminate this Agreement by notifying Seller and Escrow Agent prior to the Closing Date, in which event Seller shall promptly refund the Earnest Money to Buyer, and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Buyer shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

14.2 Condition to Seller's Obligations. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or performance prior to or at Closing of the following conditions, of which items (a) and (b) below may be waived by Seller:

(a) Representations. Each of Buyer's representations and warranties as set forth in Section 13. above shall be true in all material respects as of the Closing Date.

(b) Buyer's Other Obligations. Buyer shall perform all of its other covenants and obligations in all material respects as set forth in this Agreement.

(c) Order of Sale. The Court in the Case shall have granted the Sale Motion as contemplated in Section 0 of this Agreement.

(d) Regulatory Clearances. Buyer shall receive all required Regulatory Clearances.

If any of the conditions precedent set forth in this Section 14.2 have not been materially satisfied or waived by the Closing Date, then Seller may: (a) terminate this Agreement by notifying Buyer and Escrow Agent prior to the Closing Date, in which event Seller shall retain the Earnest Money and neither party shall have any further rights, duties or obligations to the other except as expressly provided to survive termination hereunder; or (b) waive such condition precedent to Closing, whereupon Seller shall be deemed to have waived any rights or remedies under this Agreement with respect to the unsatisfied condition precedent and the purchase and sale hereunder shall be consummated in accordance with the terms and conditions hereof.

Section 15. Indemnification.

15.1 Seller's Indemnity. Seller shall and does hereby indemnify, defend and hold Buyer and its managers, members, affiliates, agents and/or employees (each, a "Buyer Party", and collectively, the "Buyer Parties") harmless from and against any and all loss, cost, damage, claim,

judgment, liability or expense, including court costs and reasonable actual attorneys' fees (individually a "Loss," and collectively "Losses") which may be asserted against or incurred or suffered by Buyer or the Buyer Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Seller's employees, contractors or invitees (unless caused by Buyer), occurring during Seller's ownership of the Assets before Closing; (ii) any material inaccuracy of any representation or warranty of Seller in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Seller under this Agreement.

15.2 Buyer's Indemnity. Buyer shall and does hereby indemnify, defend and hold Seller and any partner (general or limited) of Seller and any current, former, and future trustee, officer, manager, member, partner, and employee (each, a "Seller Party", and collectively, the "Seller Parties") harmless from and against any and all Losses, which may be asserted against or incurred or suffered by Seller or Seller Parties from time to time by reason of or in connection with (i) any personal injury (including death) or property damage or claim of personal injury or property damage, made by Residents or by Buyer's employees, contractors or invitees (unless caused by Seller), occurring during Buyer's ownership of the Assets on or after the Closing; (ii) any material inaccuracy of any representation or warranty of Buyer in this Agreement; or (iii) the non-fulfillment of any material covenant, undertaking, agreement or other obligation of Buyer under this Agreement.

15.3 Survival. Except as otherwise provided herein, the several representations and warranties of the parties contained in this Agreement and a party's right to indemnity in accordance with this Section 15. shall survive the Closing Date and shall remain in full force and effect thereafter for a period of one (1) year after the Closing Date and shall be effective with respect to any material inaccuracy therein or breach thereof, notice of which shall have been duly given within such one (1) year period in accordance with Section 15.4 hereof after which one (1) year period they shall terminate and be of no further force or effect.

15.4 Indemnification Procedure. After the incurrence of any Loss by any Buyer Party or any Seller Party, which might give rise to indemnification hereunder, the party seeking indemnification (the "Indemnitee") shall deliver to the party from which indemnification is sought (the "Indemnitor") written notice of such Loss within fifteen (15) days of Indemnitee's becoming aware thereof; provided, however, that delay or failure to so notify the Indemnitor shall only relieve the Indemnitor of its obligations to the extent, if at all, that it is prejudiced by reasons of such delay or failure. The Indemnitor shall have a period of thirty (30) days within which to respond thereto. If the Indemnitor accepts responsibility within such thirty (30)-day period, the Indemnitor shall be obligated to compromise or defend such matter, at its own expense and through counsel reasonably satisfactory to the Indemnitee. If the Indemnitor does respond within such 30-day period and rejects responsibility for such matter in whole or in part, or does not respond, the Indemnitee shall be free to pursue, without prejudice to any of its rights hereunder, such remedies as may be available to the Indemnitee under applicable law at the Indemnitor's expense (subject, for the avoidance of doubt, to the limits set forth in this Article 14). The Indemnitee agrees to cooperate fully with the Indemnitor and its counsel in the defense against any such asserted liability. In any event, the Indemnitee shall have the right to participate in a non-controlling

manner and at its own expense in the defense of such asserted liability. Any compromise of such asserted liability by the Indemnitor shall require the prior written consent of the Indemnitee and until such consent is obtained the Indemnitor shall continue the defense of such asserted liability. If, however, the Indemnitee refuses its consent to a bona fide offer of settlement containing a complete release of the Indemnitee from all liability in connection with the underlying claim that the Indemnitor wishes to accept, the Indemnitee may continue to pursue such matter, free of any participation by the Indemnitor, at the sole expense of the Indemnitee. In such event, the obligation of the Indemnitor to the Indemnitee shall be equal to the lesser of (i) the amount of the offer of settlement which the Indemnitee refused to accept plus the costs and expenses of the Indemnitee prior to the date the Indemnitor notifies the Indemnitee of the offer of settlement; or (ii) the actual out-of-pocket amount the Indemnitee is obligated to pay as a result of the Indemnitee's continuing to pursue such matter. The Indemnitor shall be entitled to recover from the Indemnitee any additional expenses incurred by the Indemnitor as a result of the decision of the Indemnitee to pursue such matter. So long as the Indemnitor is reasonably contesting any such claim in good faith, the Indemnitee shall not pay or settle such claim without the Indemnitor's prior written consent; provided that the Indemnitee may pay or settle such claim if it waives its right to indemnity therefor from the Indemnitor.

15.5 Reduction for Insurance. The amount which the Indemnitor is required to pay to, for, or on behalf of the Indemnitee pursuant to this Article 14 shall be reduced (including, without limitation, retroactively) by any insurance proceeds actually recovered by or on behalf of the Indemnitee in reduction of the related indemnifiable loss (the "Indemnifiable Loss"). Amounts required to be paid, as so reduced, are hereinafter sometimes called an "Indemnity Payment." If the Indemnitee shall have received, or if the Indemnitor shall have paid on its behalf, an Indemnity Payment in respect of an Indemnifiable Loss and shall subsequently receive, directly or indirectly, insurance proceeds (which duplicate in whole or in part, the Indemnity Payment) in respect of such Indemnifiable Loss, then the Indemnitee shall promptly pay to the Indemnitor the amount of such insurance proceeds, or, if less, the amount of the Indemnity Payment. The parties hereto agree that the foregoing shall not affect the subrogation rights of any insurance companies making payments hereunder.

15.6 Limitations of Remedies.

(a) Notwithstanding anything to the contrary set forth herein, the parties hereto agree that the indemnification provisions set forth in this Section 15. shall constitute the sole and exclusive remedy of either party for any breach or inaccuracy of any representation or warranty contained in this Agreement. The Buyer acknowledges that it shall not be entitled to seek rescission of the Agreement.

(b) Notwithstanding anything in this Section 15. to contrary, no person shall be entitled to indemnification hereunder if it can be established by clear and convincing evidence that such person had knowledge on or prior to the Closing Date of the failure of any representation or warranty, or the breach of any covenant or agreement or the existence of any fact, event or circumstance, which may serve as the basis for bringing a claim for indemnification hereunder.

Section 16. Conduct of Business Pending Closing.

16.1 Ordinary Course of Business. Beginning on the Effective Date and continuing through the Closing Date; (i) Seller shall make no material change in the operation of the Facilities nor enter into any material contract other than in the ordinary course of business nor incur any material liability without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned, or delayed, and Seller shall make good faith efforts to ensure that the goodwill and operations of the Facilities and the relationships with Residents and employees are preserved in the ordinary course of business; (ii) Seller shall perform all maintenance and repairs necessary to keep the Facilities and Assets in good operating condition and repair, and shall not sell or remove any Inventory or any Fixtures, Furniture and Equipment except in the ordinary course of business; and (iii) Seller shall not, without the prior written consent of Buyer:

(a) enter into any material contract, agreement, lease or other commitment with a duration of more than 12 months or involving the expenditure of more than fifteen thousand dollars ($15,000) with respect to the Facilities, except contracts to purchase operating supplies or services in the ordinary course of business;

(b) make any change in key personnel at the Facilities, including the executive director or other department heads; or

(c) enter into any employment arrangement, agreement or undertaking, or pay or promise to pay any fringe benefit, bonus or special compensation to employees, except "stay for pay" arrangements and filling vacated positions as needed.

16.2 Compensation. Except in the ordinary course of business and consistent with past practices, Seller shall not increase, except for annual cost of living, or promise any increase with respect to any salary or other form of compensation payable or to become payable to any of employees, and will not pay any bonus or make any other severance or retirement arrangement with any employees except as may have already been negotiated, be required to avoid legal action, or be required pursuant to Section 10.1 hereof.

16.3 Insurance. From the date hereof until the Closing Date, Seller shall, as long as such insurance continues to be available at reasonably affordable rates, continuously maintain insurance on the Facilities at no less than the levels maintained on the date hereof. Seller shall maintain, at Seller's expense, "tail" coverage with respect to its professional liability insurance policy (if it is a claims made policy) for two (2) years following the Closing Date and shall name Buyer as an additional named insured on such tail coverage.

Section 17. Transition.

17.1 Accounts Receivable. Seller shall immediately transmit to Buyer any payments on accounts of the Facilities arising after the Closing which may be delivered to Seller from third party payor sources for services rendered after the Closing. Buyer shall immediately transmit to Seller any payments on accounts of the Facilities arising after the Closing which may

be delivered to Buyer from third party payor sources for services rendered prior to Closing. All payments received by Buyer shall be applied first to delinquencies and then to current obligations.

17.2 Cooperation. Seller and Buyer agree to cooperate with each other in all reasonable respects and to provide such information as is necessary to ensure a smooth and orderly transition of operation of the Facilities.

17.3 Medicare Change of Ownership Filings. Buyer and Seller acknowledge that the transfer of the operations at the skilled nursing facilities as contemplated under this Agreement will constitute a change of ownership of the skilled nursing facilities for purposes of participation in the Medicare program and will effect an assignment of the skilled nursing facilities' Medicare provider agreements and provider numbers to Buyer (or its designee). Buyer (or its designee) shall not reject the assignment of the skilled nursing facilities' Medicare provider agreement or provider number. Seller and Buyer (or its designee) will act diligently to make all necessary notifications and filings required under applicable law for Buyer (or its designee) to become the Medicare provider at the skilled nursing facilities. In addition, Seller and Buyer (or its designee) each agree to complete, execute and submit its portions of the CMS-855A forms with respect to the skilled nursing facilities as promptly as practicable following the Effective Date. Subject to the terms and provisions of this Agreement, Buyer (or its designee) may bill under Seller's Medicare provider enrollment agreement and use Seller's provider numbers for the skilled nursing facilities from the Closing Date until the earlier of the date that (a) Buyer (or its designee) receives the applicable Medicare certification notice (the so-called "tie-in" notice) which will enable it to receive reimbursements directly from Medicare for items and services furnished by the Facilities or (b) this Agreement is terminated in accordance with its terms.

17.4 Cost Reports. Seller shall prepare and file any Medicare cost reports for the Facilities related to the period prior to the Closing. Following the Closing, Seller shall be authorized to contact the business office manager or other persons with access to the information at the Facilities during normal business hours in order to obtain information needed to prepare the final Medicare cost reports with respect to claims filed with Medicare for the Facilities prior to the Closing, and Buyer (or its designee) shall provide Seller with such Facility records as Seller reasonably requests to complete such final cost reports.

17.5 Indemnification Under Third Party Payor Programs. Notwithstanding any other provisions in this Agreement to the contrary, Seller shall not have any liability whatsoever with respect to Losses relating to (a) Buyer's (or its designee's) furnishing of items or services, on or after the Closing Date, to any Third Party Payor Program beneficiaries or other patients, (b) Buyer's (or its designee's) financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payor Programs, or (c) Buyer's (or its designee's) retention of payments for the furnishing of such items and services. Buyer (or its designee) shall indemnify, defend and hold Seller harmless against and with respect to any Losses arising from the foregoing.

17.6 Survival. The provisions of this Section 17. shall survive the expiration or earlier termination of this Agreement and shall survive the Closing.

Section 18. Public Announcements.

Each of the parties to this Agreement agrees not to make any public announcement or disclosure, and not to issue a press release, concerning the execution of this Agreement or the transactions contemplated hereby prior to Closing without the prior written approval of the other party, which approval shall not be unreasonably withheld, conditioned, or delayed, except to the extent necessary to make regulatory filings or as required by law or as may be necessary for such party to reveal to such party's lenders or proposed lenders; provided, however, that Seller shall be entitled to make such disclosures as may be necessary and appropriate to obtain the requisite approval of the bankruptcy court for the transactions contemplated hereunder and shall be entitled to disclose the status of the transactions contemplated hereunder to employees and Residents.

Section 19. Default.

19.1 Buyer's Default.

(a) If Buyer shall be in breach or default of any of the terms or conditions of this Agreement, then Seller shall give Buyer and Escrow Agent written notice specifying the nature of the default.

(b) Buyer shall have five (5) days from receipt of Seller's notice of default within which to cure the specified default. If Buyer does not cure such default within said five (5) day period or if such default is not waived in writing by Seller, then the Earnest Money, and all accrued interest thereon, shall be paid over to Seller and this Agreement shall automatically terminate and Seller and Buyer shall have no further rights, duties or obligations hereunder except as expressly survive the termination hereof.

(c) BUYER AND SELLER AGREE THAT IF BUYER DEFAULTS ON ITS OBLIGATION TO PURCHASE THE ASSETS PURSUANT HERETO, THE DAMAGES TO SELLER WOULD BE DIFFICULT AND IMPRACTICAL TO DETERMINE. ACCORDINGLY, BUYER AND SELLER HAVE AGREED TO FIX AS LIQUIDATED DAMAGES THE EARNEST MONEY SPECIFIED IN SECTION 5. , BUT ONLY TO THE EXTENT THERETOFORE DEPOSITED WITH ESCROW AGENT AND THE EARNEST MONEY SHALL BE RETAINED BY SELLER AS LIQUIDATED DAMAGES, AND SHALL CONSTITUTE SELLER'S SOLE AND EXCLUSIVE REMEDY FOR SUCH DEFAULT. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY OTHER MONETARY RELIEF OR OTHER REMEDY, INCLUDING WITHOUT LIMITATION SPECIFIC PERFORMANCE, TO WHICH SELLER OTHERWISE MIGHT BE ENTITLED UNDER THIS AGREEMENT, AT LAW OR IN EQUITY. BUYER AND SELLER SPECIFICALLY ACKNOWLEDGE THEIR AGREEMENT TO THE FOREGOING LIQUIDATED DAMAGES PROVISION BY INITIALING THIS PARAGRAPH IN THE APPROPRIATE SPACES PROVIDED BELOW:

SELLER GBC **BUYER** _____

19.2 Seller's Default.

(a) If Seller shall be in breach or default of any of the terms or conditions of this Agreement, then Buyer shall give Seller and Escrow Agent written notice specifying the nature of the default.

(b) Seller shall have five (5) days from receipt of Buyer's notice of default within which to cure the specified default. If Seller does not cure such default within said five (5) day period or if such default is not waived in writing by Buyer, then Buyer, at its option, shall have the right, within five (5) days after the expiration of the said five (5) day grace period, to elect one (1) and only one (1) of the following remedies:

(i) Buyer may terminate this Agreement by written notice given to Seller and Escrow Agent, in which event the Earnest Money will be refunded to Buyer; or

(ii) Buyer may demand specific performance of this Agreement by Seller, and, if necessary, file an action therefor.

19.3 Survival. The provisions of this Section 19. shall survive the termination of this Agreement.

Section 20. Broker.

Neither Seller nor Buyer has had any dealings with any broker, finder, or other party concerning the purchase and sale of the Assets other than Dan Revie and his team at B.C. Ziegler & Company ("Broker") and Buyer and Seller each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any other broker, finder or other party. Broker is to be paid a commission by Seller pursuant to a separate agreement and Broker shall not be deemed a party or third party beneficiary of this Agreement. The representations and warranties contained herein shall survive the Closing.

Section 21. Miscellaneous.

21.1 Further Assurances. Each of the parties will, at any time before, at, or after the Closing Date, sign, execute and deliver (or cause others to do so) all documents and instruments to do, or cause to be done, all such acts and things as may be necessary to carry out the provisions of this Agreement.

21.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

21.3 Successors and Assigns. All of the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the successors and assigns of the parties hereto.

21.4 Entire Agreement. This Agreement, including the exhibits and schedules hereto, and the other documents delivered pursuant hereto, constitute the full and entire

understanding and agreement between the parties concerning the subject matter of this Agreement, and this Agreement supersedes all prior agreements and negotiations, oral or written, concerning that subject matter, all of which are merged into this Agreement. Nothing in this Agreement, express or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

21.5 Amendment. A modification or amendment of this Agreement, the exhibits or schedules to this Agreement, or the other documents delivered pursuant hereto is effective only if it is in writing and executed by both parties. Execution by Escrow Agent is not required for any modification or amendment unless such modification or amendment affects Section 5. hereof.

21.6 Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered (including delivery by a nationally recognized courier), sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Seller:	If to Purchaser:
CNMH_____	Pacifica Companies LLC
201 19th Street,	1775 Hancock Street, Suite 200
Oakland, CA 94612	San Diego, CA 92110
Attn:	Attn: Deepak Israni
Phone:_____	Phone: (619) 296-9000
Fax:_____	Fax: (619) 296-9090
E-Mail:_____	E-Mail: Disrani@pacificacompanies.com
_____	

and

Pamela S. Kaufmann, Esq.
Hanson Bridgett LLP
415 Market Street, 26th floor
San Francisco, CA 94105
Phone: (415) 995-5043
Fax: (415) 995-3449
E-mail:
pkaufmann@hansonbridgett.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
Phone: (858) 335-9590
Fax: (619) 296-9090
E-Mail: tsayer1@gmail.com

In each case with a copy to Escrow Agent at:

Linda Menasche
2365 Northside Drive, Suite 500
San Diego, CA 92108
Phone: (619) 521-3521
Email: MenasheL@ctt.com

21.7 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

21.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

21.9 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party hereto, upon any breach or default of any other party hereto, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, or of or in any similar breach or default thereafter occurring. To be effective, any waiver, permit, consent or approval of any kind on the part of any party hereto of any breach or default under this Agreement, or any waiver of any provisions or conditions of this Agreement, must be in writing.

21.10 Attorneys' Fees. Should any litigation or arbitration be commenced by any party concerning any provision of this Agreement or the rights and duties of any party, the prevailing party in such litigation or arbitration shall be entitled, in addition to such other relief as may be granted, to reasonable actual attorneys' fees, expert witness expenses, and other costs.

21.11 Plurals, Etc. All singular words used herein shall include the plurals of such words, and vice versa, and all masculine references shall include feminine and neuter versions, and vice versa as well. All references to words such as "herein", "hereunder" and "hereof", and words of similar import, shall refer to the entirety of this Agreement and not just a portion hereof unless the contrary is clearly indicated.

21.12 Survival. Unless otherwise expressly stated in this Agreement, the warranties, representations and covenants of Seller and Buyer shall survive the Closing and delivery of the Deeds.

21.13 Time for Performance; Counting Days. Any act required by this Agreement to be performed by a certain day shall be timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is a Saturday, a Sunday, or a legal holiday, then the time for performance of that obligation shall be extended to 5:00 p.m. local time on the first following day that is not a Saturday, Sunday, or legal holiday.

21.14 Assignment.

(a) Buyer's Assignment.

(i) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to a Buyer-Related Entity with the prior written consent of Seller, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(ii) Buyer may assign Buyer's rights under this Agreement, in whole or in part, to an entity other than a Buyer-Related Entity with both the prior written consent of Seller and an order from the Court approving such assignment, and provided that Buyer remains liable for all obligations and liabilities under this Agreement until the Closing and remains liable under the Note and Security Instruments as of the Closing.

(b) Seller's Assignment. Seller shall have no right to assign Seller's rights under this Agreement, in whole or in part, without the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned, or delayed.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties hereto have executed under seal of this Agreement as of the Effective Date.

Seller	Purchaser
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: Garrett B Cross Digitally signed by Garrett B. Cross DN: cn=Garrett B. Cross, o=California Nevada Methodist Homes, ou, email=cross2@pacbell.net, c=US Date: 2021.12.17 15:58:09 -08'00' Garrett B. Cross Chairman of Board of Trustees	By: _____ Deepak Israni, Secretary

The undersigned joins in the execution of the foregoing Agreement for the sole purpose of agreeing to hold and apply the Earnest Money subject to and in accordance with the terms of the foregoing Agreement.

Chicago Title Company

By: _____
Name: _____
Its: _____

SCHEDULE 1(a)

Legal Description of the Premises (CNMH Corporate Office)

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

Beginning at a point on the Western line of Jackson Street, distant thereon North 1772 feet from the intersection thereof, with the Northern line of 12”‘ Street, said point being at the Northeastern corner of the land conveyed by Samuel Merritt to A.C. Niles, by Deed dated February 14, 1873, and recorded February 24, 1873,in Book 89, Page 98, of Deeds, said Alameda County Records; running thence Northerly along said line of Jackson Street 122 feet, more or less, to the Southern line of 19th Street, formerly Durant Street; thence Westerly along said line of 19th Street, 170 feet, more or less, to the Western boundary line of the land conveyed by Alexander McBean and Jane V. McBean, his wife, to George D. Greenwood by Deed dated April 15, 1902 and recorded April 15, 1902 in Book 831, Page 273, of Deeds, said Alameda County Records, said point being also on the line of a fence along the land formerly owned by O.L. Shafter Estate Company; thence Southerly along the line of said fence 122 feet, more or less, to the Northern line of the land conveyed to A.C. Niles hereinabove referred to; and thence Easterly along said line 170 feet, more or less, to the point of beginning.

APN: 008-0627-002-00

SCHEDULE 1(b)

Legal Description of the Premises (Lake Park)

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

Parcel One:
Beginning at the intersection of the Southern line of 19th Street formerly Durant Street with the Eastern line of Alice Street; running thence along said line of Alice Street, Southerly 150 feet; thence parallel with said line of 19th Street Easterly 133.94 feet; thence parallel with said line of Alice Street Northerly 150 feet to said line of 19th Street; and thence along the last named line Westerly 133.94 feet to the point of beginning.

Parcel Two:
Beginning at the intersection of the northern line of 17th Street with the Western line of Jackson Street; and running thence along said line of Jackson Street Northerly 31.93 feet to a point distant thereon Northerly 1672 feet from the Northern line of 12th Street, the last determined point being the actual point of commencement; thence continuing along said line of Jackson Street Northerly 100 feet; thence at a right angle Westerly 169 feet; thence at a right angle Southerly 100 feet; thence at a right angle Easterly 169 feet to the actual point of commencement.

Parcel Three:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 67.60 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 33.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 33.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Four:
Beginning at the intersection of the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, with the Northwestern line of Jackson Street; running thence along said line of 17th Street, Northwesterly, 67.60 feet; thence at right angles Northeasterly, 31.42 feet; thence at right angles Southeasterly 67.60 feet to said line of Jackson Street; thence along the last named line Southwesterly, 31.42 feet to the point of beginning.

Parcel Five:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26° 15’ West 202.00 feet from the intersection thereof with the Southwestern line of 19th Street; formerly Durant Street; running thence along the said line of Alice Street South 26°15’ West 51.80 feet to the Northeastern line of 17th Street as said line of 17th Street is described in Parcel 3 of the Interlocutory Decree in Condemnation made February 17, 1941, by the Superior Court of the State of California, in and for the County of Alameda, in the action of the City of Oakland, a

municipal corporation, plaintiff, versus Bank of America National Trust and Savings Association, a national banking association, et al, defendants, Action No. 160638, a certified copy of which was recorded February 17, 1941, under Recorder's Series No. 00/8366, in Book 4007, Page 409, of Official Records, in the Office of the County Recorder of Alameda County; thence along the said last mentioned line South 63°45' East 133.94 feet, more or less, to the Northwestern line of the land formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 51.80 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Six:
Beginning at a point on the Southeastern line of Alice Street, distant thereon South 26°15' West 150.00 feet from the intersection thereof with the Southwestern line of 19th Street, formerly Durant Street; running thence along the said line of Alice Street South 20°15' West 52.00 feet; thence South 63°45' East 133.94 feet, more or less, to the Northwestern line of the lane formerly of Samuel Merritt; thence along the said last mentioned line North 26°15' East 52.00 feet until intersected by a line drawn South 63°45' East from the point of beginning; thence along the line so drawn North 63°45' West 133.94 feet, more or less, to the point of beginning.

Parcel Seven:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 101.40 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 39.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 39.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

Parcel Eight:
Beginning at a point on the Northeastern line of 17th Street, as said Street now exists since September 26, 1941, distant thereon Northwesterly 141.20 feet from the Northwestern line of Jackson Street; running thence along said line of 17th Street Northwesterly 27.80 feet; thence at right angles Northeasterly 31.42 feet; thence at right angles Southeasterly 27.80 feet; thence at right angles Southwesterly 31.42 feet to the point of beginning.

APN: 008-0627-038-03

SCHEDULE 1(c)

Legal Description of the Premises (Forest Hill)

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

Lots 1 to 14 inclusive, in Block 168, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, California, as Surveyed by H.D. Severance, February 1907", filed May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

Also the alley lying within the above described Block 168, being more particularly described as follows:

Beginning at the Northeast corner of Lot 1, in Block 168, as per map of Fifth Addition to Pacific Grove, as Surveyed by H.D. Severance, in 1907, as per map thereof now on file recorded May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, Official Records of Monterey County, California; and running thence, South 19° 23 3/4' West, 300 feet to the Southeast corner of Lot 7, in said Block 168; thence South 70° 36 1/4' East, 18.94 feet to the Southwest corner of Lot 8, in said Block 168; thence North 19° 23 3/4' East, 300 feet to the Northwest corner of Lot 14, in said Block 168; thence North 70° 36 1/4' West, 18.94 feet to the point of beginning.

APN: 006-546-001

SCHEDULE 1(d)

Legal Description of the Premises (PG Parking Garage)

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

Lots 13 and 14, in Block 166, as said Lots and Block are shown on that certain map entitled, "Map of the Fifth Addition to Pacific Grove, Monterey County, Cal., as surveyed by H.D. Severance, Feb. 1907", filed for record May 6, 1907 in Volume 1, Maps of "Cities and Towns", at Page 65 1/2, in the Office of the County Recorder of the County of Monterey, State of California.

APN: 006-545-012

SCHEDULE 1(e)

Attorney General Conditional Approval Letter

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

January 7, 2020

Pamela S. Kaufmann
Partner
Hanson Bridgett LLP
425 Market Street, 26th Floor
San Francisco, CA 94105

Sent by U.S. Mail and Internet

RE: Proposed Sale of the Assets of California-Nevada Methodist Homes

Dear Ms. Kaufmann:

Pursuant to Corporations Code section 5914 *et seq.*, the Attorney General hereby conditionally consents to the proposed sale of California-Nevada Methodist Homes pursuant to the terms of the Asset Purchase Agreement dated March 7, 2019 between California-Nevada Methodist Homes, a California nonprofit public benefit corporation, and Bay Capital Co, LLC, a Delaware for-profit corporation.

Corporations Code section 5914 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 a for-profit 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,

Anita Garcia Velasco

ANITA GARCIA VELASCO
Deputy Attorney General

For XAVIER BECERRA
Attorney General

Attachment

Conditions to Proposed Sale of California-Nevada Methodist Homes and Approval of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC; the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC; Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC

I.

These Conditions shall be legally binding on Bay Capital Co, LLC, a Delaware limited liability company, Bay Senior Office PropCo LLC, a Delaware limited liability company, Lake Park PropCo LLC, a Delaware limited liability company, Lake Park OpCo LLC, a Delaware limited liability company, Lake Park Venture, LLC, a Delaware limited liability company, Lake Park OpCo Venture, LLC, a Delaware limited liability company, Lake Park OpCo Holding, LLC, a Delaware limited liability company, Forest Hill PropCo LLC, a Delaware limited liability company, Forest Hill OpCo LLC, a Delaware limited liability company, Forest Hill Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Venture, LLC, a Delaware limited liability company, Forest Hill OpCo Holding, LLC, a Delaware limited liability company, Life Care Services, LLC, dba Life Care Services®, an Iowa limited liability company 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 Lake Park Facility[1] and the Forest Hill Facility[2] or the real property on which the Lake Park Facility and the Forest Hill Facility are located, any and all current and future owners, lessees, licensees, or operators of any of the facilities or units at the Lake Park Facility and the Forest Hill Facility,

---

[1] Throughout this document "the Lake Park Facility" shall mean the RCFE- Continuing Care Retirement Community located at 1850 Alice Street, Oakland, CA, 94612 that includes 147 residential independent living units and 37 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 35 bed skilled nursing facility licensed by the California Department of Public Health effective November 1, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

[2] Throughout this document, "the Forest Hill facility" shall mean the RCFE-Continuing Care Retirement Community located at 551 Gibson Avenue, Pacific Grove, CA, 93950 that includes 91 residential living units and 18 assisted living apartments licensed by the California Department of Social Services effective June 28, 1993; a 26 bed skilled nursing facility licensed by the California Department of Public health effective January 16, 2019, and any other clinics, outpatient facilities, programs, laboratories, centers, units, or services, unless otherwise indicated.

and any and all current and future lessees and owners of the real property on which Lake Park and Forest Hill are physically located.

II.

The transaction approved by the Attorney General consists of the Asset Purchase Agreement by and between California-Nevada Methodist Homes and Bay Capital Co, LLC dated March 7, 2019, the Lease Agreement by and between Lake Park PropCo LLC and Lake Park OpCo LLC, the Lease Agreement by and between Forest Hill PropCo LLC and Forest Hill OpCo LLC, the Management Agreement by and between Life Care Services, LLC and Forest Hill OpCo LLC dated September 25, 2019; and Management Agreement by and between Life Care Services, LLC and Lake Park OpCo LLC dated September 25, 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 Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC and all owners, managers, lessees, or operators of the Lake Park Facility and the Forest Hill Facility 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 Lake Park Facility or the Forest Hill Facility or any portion thereof;

(b) Transfer control, responsibility, management, or governance of the Lake Park Facility and the Forest Hill Facility or any portion thereof. The substitution, merger or addition of a new member of the governing body, general partner, or limited partner of Bay Capital Co, LLC; Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC that transfers the control of, responsibility for or governance of the Lake Park Facility and the Forest Hill Facility 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 the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or any arrangement, written or oral, that would transfer voting control of the members of the governing body, general partner, or limited partners of the Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLCshall also be deemed a transfer for purposes of this Condition.

IV.

For five years from the closing date of the Asset Purchase Agreement, the Lake Park Health Center[3] shall be operated and maintained as a skilled nursing facility with 35 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as November 1, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, and Life Care Services, LLC or the operator or licensee of the Lake Park Health Center shall not place all or any portion of the Lake Park Health Center'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 Asset Purchase Agreement, the Forest Hill Health Center[4] shall be operated and maintained as a skilled nursing facility with 26 skilled nursing beds and shall maintain the same licensure, types, and or levels of services being provided as of

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[3] Throughout this document, the term "Lake Park Health Center" shall mean the skilled nursing facility located at 1850 Alice Street, Oakland, CA, 94612 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

[4] Throughout this document, the term "Forest Hill Health Center" shall mean the skilled nursing facility located at 551 Gibson Avenue, Pacific Grove, CA, 93950 and any other clinics, laboratories, units, services, or beds included on the license issued to California-Nevada Methodist Homes by the California Department of Public Health.

January 16, 2019 including, but not limited to, audiology, occupational therapy, outpatient services, physical therapy, and speech therapy.

Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center shall not place all or any portion of the Forest Hill Health Center's skilled nursing licensed-bed capacity or services in voluntary suspension or surrender its license for any beds or services.

VI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or the operator or licensee of the Lake Park Health Center 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 Lake Park Health Center as required in these Conditions.

VII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC or the operator or licensee of the Forest Hill Health Center 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 Forest Hill Health Center as required in these Conditions.

VIII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC and any other owner or operator of the Lake Park Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Boards shall consist of 7-12 residents at the Lake Park Facility chosen by the residents of the Lake Park Facility. The Community Advisory Board will provide advice and feedback on a

quarterly basis on the quality of care and quality of life being provided to the residents and patients.

IX.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC Life Care Services, LLC and any other owner or operator of the Forest Hill Facility or any portion thereof shall consult with a Community Advisory Board on a quarterly basis. The Community Advisory Board shall consist of 7-12 residents at the Forest Hill Facility chosen by the residents of the Forest Hill Facility. The Community Advisory Board will provide advice and feedback on a quarterly basis on the quality of care and quality of life being provided to the residents and patients.

X.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding shall undertake phased capital improvements at the facilities, Lake Park and Forest Hill inclusive, in the amount of approximately $7,000,000 as set forth in Section 9.19 of the Asset Purchase Agreement and attached hereto as Exhibit D.

XI.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Lake Park PropCo LLC, Lake Park OpCo LLC, Lake Park Venture, LLC, Lake Park OpCo Venture, LLC, Lake Park OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Lake Park OpCo and Life Care Services and any operator or licensee of the Lake Park Health Center shall each certify that the report is true, accurate, and complete.

XII.

For five years from the closing date of the Asset Purchase Agreement, Bay Capital Co, LLC, Bay Senior Office PropCo LLC, Forest Hill PropCo LLC, Forest Hill OpCo LLC, Forest Hill

Venture, LLC, Forest Hill OpCo Venture, LLC, Forest Hill OpCo Holding, LLC, Life Care Services, LLC or operator or licensee of the Lake Park Health Center shall annually submit to the Attorney General, no later than four months after each anniversary of the closing date of the Asset Purchase Agreement, a report describing in detail its compliance with each Condition set forth herein. The Chief Executive Officers or their equivalents at the Forest Hill OpCo and Life Care Services and any operator or licensee of the Forest Hill Health Center shall each certify that the report is true, accurate, and complete.

XIII.

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.

XIV.

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 1

estimate of the Pension Fund Liability for the plan year ended December 31, 2019, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt. Thereafter, promptly following March 31 of each subsequent year until such time as the Closing occurs or this Agreement is terminated pursuant to Section 5.2, Seller shall obtain from the Existing Pension Fund an estimate of the withdrawal liability for the most recently ended plan year, and make its reasonable best efforts to obtain from the Existing Pension Fund an estimate of the Pension Fund Liability for the then-current plan, which estimate(s) shall be provided to Buyer by Seller promptly upon receipt.

Section 9.19 Post-Closing Business Plans. From and after the Closing, Buyer or its Affiliates will continue to own and operate the Communities as senior housing communities and, in connection therewith, shall (i) undertake certain phased capital improvements at the Communities in the amount of approximately $7,000,000, and (ii) grant Residents of the Communities the option to either maintain their existing Residency Agreements or to receive a full repayment of the repayable portion of their Entrance Fees and convert their existing Resident Agreements to alternative rental arrangements.

Section 9.20 Regulatory Approvals. Not earlier than fifteen (15) Business Days following the later of (i) Buyer's receipt from Seller of evidence reasonably satisfactory to Buyer that Seller has submitted its complete notice to the Attorney in accordance with Section 5914 (as contemplated by Section 9.16), or (ii) the Due Diligence Expiration Date, Buyer shall provide Seller with evidence of Buyer's initial filings with the appropriate State Regulatory Agencies to obtain the Regulatory Approvals; provided, however, that notwithstanding the foregoing, at least forty five (45) days prior to the Closing Date (or such other time period as is required by the California Department of Social Services), Buyer OpCo shall file an abbreviated "co-licensing" application with the California Department of Social Services to become the co-licensee with Seller for the Communities pending receipt of a new RCFE license, it being understood that, in connection therewith, and as required by California Law, at least thirty (30) days prior to the Closing Date, Buyer Opco shall notify the California Department of Public Health of the change in licensure.

ARTICLE 10

EMPLOYEE BENEFITS AND EMPLOYEE MATTERS

Section 10.1 Seller's Employee Benefit Plans.

(a) Except for the Assumed Pension Fund Liability assumed by Buyer or its permitted assignee (including Buyer OpCo, as designated by Buyer) under Section 3.1(a), Seller shall retain all obligations and liabilities under or relating to the Employee Benefit Plans, and Buyer or such permitted assignee shall assume none thereof. Neither Buyer nor any permitted assignee thereof shall have any responsibility, liability or obligation, whether to Property Employees, former employees, their beneficiaries or to any other person (including, without limitation, the Internal Revenue Service, the U.S. Department of Labor and the PBGC), with respect to any Employee Benefit Plans (including with respect to the establishment, operation, funding or termination thereof) maintained by Seller.

SCHEDULE 2.2

Assumed Contracts

1. All Residency Agreements in effect as of the Closing Date, shall be assumed by Buyer.

2. Schedule of Residents' Last Month's Monthly Service Fees (see attached rent roll).

3. Non-Restricted Entrance Fee Liability owed to those Residents identified in the Debtor's Amended Schedule E/F, filed on May 28, 2021 (Dkt. No. 162) as Resident 1, Residents 3-25, Residents 27-38, Residents 40-46, Residents 48-54, Residents 56-63, Residents 65-71, Residents 73-80, Residents 82-101, and Residents 104-105 as of the Effective Date as follows:

	Forest Hill	Lake Park	Totals
Liabilities under "Deferred Repay Contracts"	$5,985,251	$12,893,010	$18,878,261
Liabilities under "Classic Agreements"		$1,853,477	$1,853,477
Total	**$5,985,251**	**$14,746,487**	**$20,731,738**

4. Restricted Entrance Fee Liability in an amount equal to the Restricted Repayable Resident Entrance Fee Payments.

5. All commercial leases, contracts and agreements relating to the Facilities shall be terminated by Seller on or prior to Closing except those that Buyer elects to assume prior to the Assumption Notice Deadline, which shall hereinafter listed on, initialed by Buyer and attached as an amended Schedule 2.2:

[Buyer to list]

_____

_____

_____

SCHEDULE 2.5

Resident Security Deposits

SCHEDULE 4.2(a)

GRANT DEED

To be provided by Title Company

SCHEDULE 4.2(b)

BILL OF SALE

FOR VALUE RECEIVED, _____, a _____ (the "Transferor"), hereby sells, conveys, transfers, assigns and sets over unto PACIFICA COMPANIES LLC, a [_____] limited liability company (the "Transferee"), all of Transferor's right, title and interest in and to the assets listed on Exhibit "A" attached hereto (the "Assets").

TO HAVE AND TO HOLD the Assets unto the said Transferee, its successors and assigns forever.

Transferor hereby represents and warrants that Transferor is the owner of title to the Assets free and clear of all liens and encumbrances arising by, through or under Transferor, but not otherwise.

This Bill of Sale and all of its terms shall inure to the benefit of and be binding upon Transferor and Transferee and their respective successors and assigns.

IN WITNESS WHEREOF, Transferor has caused this Bill of Sale to be duly executed, sealed and delivered as of the _____ day of _____, 202_.

[SELLER]

By: _____

By: _____

Its:

EXHIBIT "A"

All Fixtures, Furniture and Equipment and all Inventory (as such terms are defined in that certain Amended and Restated Purchase and Sale Agreement by and between Transferor and Transferee) located or used at the following premises:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 (the "PG Parking Garage").

SCHEDULE 4.2(c)

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Assignment and Assumption Agreement") is made and entered into as of the ____ day of _____, 202_, by and between _____, a _____ (hereinafter referred to as "Seller") and PACIFICA COMPANIES LLC, a California limited liability company (hereinafter referred to as "Buyer").

RECITALS:

A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated as of December 17, 2021 (the "Agreement"), pursuant to which Seller agreed to sell and Buyer agreed to buy that land, improvements and related property and interests commonly described as follows:

a. CNMH Corporate Office Building located at 201 19th Street, Oakland. CA 94612 and more particularly described on **Schedule 1(a)** attached hereto (the "Corporate Office");

b. Lake Park, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 and more particularly described on **Schedule 1(b)** attached hereto ("Lake Park");

c. Forest Hill, a continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 511 Gibson Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(c)** attached hereto ("Forest Hill"); and

d. Pacific Grove Parking Garage located at 26 Sinex Ave., Pacific Grove, CA 93950 and more particularly described on **Schedule 1(d)** attached hereto (the "PG Parking Garage").

B. Pursuant to the Agreement, Seller has agreed to assign to Buyer all of its right, title and interest under, or that it holds pursuant to, those certain Assumed Contracts (as such term is defined in the Agreement) (the "Assigned Interests"), and Buyer has agreed to assume and perform all of Seller's duties and obligations under the Assigned Interests which arise on and after the Closing Date.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, including the payment of the Purchase Price more particularly described in the Agreement paid by Buyer, the receipt and sufficiency of which are hereby acknowledged the parties do hereby agree as follows:

1. Assignment and Assumption.

1.1 Assignment. Subject to Section 1.3 hereof, Seller, as of the date hereof does hereby SELL, ASSIGN, TRANSFER and DELIVER to Buyer, subject to the provisions of this Assignment and Assumption Agreement and all applicable Court orders, all of its rights, title and interest in the Assigned Interests, and each of them.

1.2 Assumption. Subject to Section 1.3 hereof Buyer, for itself and its successors and assigns, hereby succeeds to and assumes all of the right, title and interest of Seller to, and agrees to perform, or to cause to be performed, and otherwise to discharge or cause to be discharged, as such becomes due or performable, on or after the date hereof, as the case may be, all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests and each of them.

1.3 Further Assurance. After the Closing and without further consideration, each party will from time to time, at the reasonable request of any other party, execute and deliver such other instruments of conveyance and transfer and such other instruments, documents and agreements and take such other actions as such other party may reasonably request or as may be reasonably requested by any applicable governmental or regulatory entities or third parties, in each case in order to more effectively or more expeditiously consummate any of the transactions contemplated by this Assignment and Assumption Agreement and to vest in Buyer the right, title and interest in, to and under the Assigned Interests, provided that the requesting party will prepare any additional documents and instruments and will handle any submittal, applications, processing, recording and registrations at its sole cost. Seller shall use its reasonable good-faith efforts, and Buyer shall cooperate where appropriate, to ensure that all Assumed Contracts included as Assigned Interests not assigned or novated to Buyer on the Closing Date shall be assigned or novated, as the case may be, to Buyer within a reasonable time after the Closing Date. In furtherance of the foregoing, Seller shall enforce its rights under such Assumed Contracts for the benefit and at the expense of Buyer and in the manner that Buyer shall reasonably request during the period each such assignment or novation is pending. It is expressly acknowledged that to the extent that the assignment of any Assumed Contracts to be assigned as provided under the Agreement shall require the consent of another party thereto, this Assignment and Assumption Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof.

1.4 This Assignment and Assumption Agreement is being entered into and delivered pursuant to and subject to the terms and conditions set forth in the Agreement and is to be construed in a manner consistent with the terms and conditions of the Agreement. Additional rights and obligations of Seller and Buyer are expressly provided for in the Agreement. The execution and delivery of this Assignment and Assumption Agreement shall not impair or diminish any of the rights or obligations of any of the parties to the Agreement as set forth therein, and neither the representations and warranties nor the rights and remedies of any party under the Agreement shall be deemed to be enlarged, reduced, modified or altered by reason of the terms of this Assignment and Assumption Agreement. In the event of any conflict between the provisions of the Agreement and this Assignment and Assumption Agreement, the provisions of the Agreement will prevail and control.

1.5. Nothing in this Assignment and Assumption Agreement, whether express or implied, is intended, nor shall any provision contained herein be construed, to confer any rights or remedies under or by reason of this Assignment and Assumption Agreement on any persons other than the parties hereto (and their respective successors and permitted assigns), nor is anything in this Assignment and Assumption Agreement intended to relieve or discharge the obligation or liability of any third persons to Seller or Buyer, nor shall any provision contained herein give any third party any right of subrogation or action over or against Seller or Buyer. Notwithstanding the foregoing and for the sake of clarity, Residents (as defined in the Agreement) shall have the right to enforce the Non-Restricted Entrance Fee Liability (as defined in the Agreement) assumed by the Buyer as part of the Assumed Contracts.

1.6 Exclusions. The assumption by Buyer of all of Seller's duties and obligations under, or arising in connection with, the Assigned Interests expressly excludes any duties, liabilities or obligations of Seller arising prior to the date hereof under the Assigned Interests, except as otherwise set forth herein and in the Agreement.

1.7 Indemnification. The rights of either party to indemnification on account of the Assigned Interests are more particularly described in the Agreement.

2. General Provisions.

2.1 Successors and Assigns. This Assignment and Assumption Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto.

2.2 Capitalized Terms. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Agreement.

2.3 Counterparts. This Assignment and Assumption Agreement may be executed simultaneously in one or more and the same instrument.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment and Assumption Agreement, by and through the duly authorized representatives of each, and have executed this Assignment and Assumption Agreement individually, all on the date first above written.

SELLER:	BUYER:
California-Nevada Methodist Homes, a California nonprofit public benefit corporation	Pacifica Companies LLC By: PAC Investors Inc., its General Manager
By: _____ Garrett B. Cross	By:_____ Deepak Israni, Secretary
Its: Chairman of Board of Trustees	

SCHEDULE 12.8

Litigation

Executed Management Agreement between Pacific Grove Senior Living LLC (Owner) and California Senior Living Management LLC (Manager), dated March 1, 2022 for management of RCFE at Forest Hill

MANAGEMENT AGREEMENT

This Management Agreement (this "**Agreement**") is made and entered into as of March 1, 2022 ("**Effective Date**") by and between Pacific Grove Senior Living LLC ("**Owner**"), and California Senior Living Management LLC ("**Manager**") with regard to the following facts and circumstances:

R E C I T A L S

WHEREAS, Owner is acquiring the real estate, the improvements located thereon and certain personal property located thereon constituting that certain senior housing community consisting of 135 assisted living and and skilled nursing units commonly known as "Forest Hill Retirement Community" and located at 551 Gibson Avenue, Pacific Grove, California 93950 (collectively, the "**Property**").

WHEREAS, Manager, both individually and through affiliated entities, develops, manages, and operates assisted living and similar facilities. The Property, when operated and managed as a fully licensed and authorized assisted living or similar facility, is referred to herein as the "**Facility**".

WHEREAS, Owner wishes to engage Manager to manage the assisted living units of Facility for and on behalf of Owner.

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

A G R E E M E N T S

1. Appointment of Manager.

Subject to the terms of this Agreement, Owner delegates to Manager as its agent and independent contractor, and Manager accepts, those expressly delegated rights, powers and authorities of Owner with respect to the operation and management of the Facility, with full power and authority in the name of and on behalf of Owner, to do and perform all activities, transact business, make, execute, acknowledge and deliver all contracts, licenses, leases and other writings and instruments of every kind which may be required, proper, or convenient to operate and manage the Facility with the same validity as if performed or executed by Owner. As exclusive agent for the management of the Facility, Manager accepts this appointment, subject to the terms of this Agreement. Manager shall have no ownership, possessory, or leasehold interest in any of Owner's real or personal property constituting (or acquired in connection with) the Facility.

2. Manager's Representations, Covenants and Responsibilities.

a. Manager's Representations and Covenants. Manger hereby represents, warrants and covenants to and in favor of Owner the following:

(i) Manager is a limited liability company, duly organized, validly existing and in good standing under laws of California, having its principal offices at San Diego, CA. Manager shall, upon Owner's request, obtain and furnish to the Owner satisfactory evidence as to the foregoing at Manager's expense and as a condition precedent to Owner completing any obligation of Owner under this Agreement.

(ii) This Agreement, when executed by Manager, shall be a valid and legally binding obligation of Manager, enforceable in accordance with its terms.

(iii) Each individual executing this Agreement on behalf of Manager has full power and authority to do so and that no provision of any of Manager's governing documents prevents Manager from entering into this Agreement and conducting the activities and actions required of Manager under this Agreement.

(iv) There is no litigation, proceeding or governmental investigations pending or threatened against the Manager which could adversely impact the Owner, the Facility or the Manager.

(v) Manager has submitted and shall maintain, in the name of the Owner, at all times during the effectiveness of this Agreement all licenses, certificates, permits and other governmental approvals necessary to operate and manage the Property as a fully licensed and authorized assisted living or similar facility. Manager shall, upon Owner's request, obtain and furnish to the Owner satisfactory evidence as to the foregoing and as a condition precedent to Owner completing any obligation of Owner under this Agreement.

(vi) Manager agrees not to enter any new Consulting or Management Agreements during the first twelve (12) months of this agreement on any type of Senior Housing Facility within fifteen (15) miles of the Property.

b. Management Standards. Manager agrees to devote its reasonable best efforts to managing the Facility, to supervise all employees of Manager, to indirectly (through supervision of Facility supervisors) supervise all Facility Employees (defined below), to exercise professional skill and competence while performing the duties set forth in this Agreement, and to act in a manner consistent with prudent business practices customary in the industry.

3. Owner's Representations, Covenants and Responsibilities.

a. a. Owner's Covenants. Owner hereby represents, warrants and covenants to and in favor of Manger the following:

(i) Owner is a limited liability company, duly organized, validly existing and in good standing under laws of California.

(ii) This Agreement, when executed by Owner, shall be a valid and legally binding obligation of Owner, enforceable in accordance with its terms.

(iii) Each individual executing this Agreement on behalf of Owner has full power and authority to do so and that no provision of any of Owner's governing documents prevents Owner from entering into this Agreement and conducting the activities and actions required of Owner under this Agreement.

(iv) There is no litigation, proceeding or governmental investigations pending or threatened against the Owner which could adversely impact the Owner, the Facility or the Manager.

(v) Owner has the power and authority and has obtained the all licenses, certificates, permits and other governmental approvals necessary to own the Facility.

4. Manager's Services.

Manager shall begin providing the following services as of the Effective Date: January 1, 2020.

a. Manager's General Services. Manager shall oversee the day-to-day operation of the Facility. Manager shall hire and supervise, if necessary, all on-site administrative personnel and shall meet regularly with the Administrator (as defined below) and department heads of the Facility. Manager shall coordinate and monitor all surveys and reviews of the Facility. Manager shall implement and maintain marketing, resident services and quality assurance programs for the Facility. Manager shall use its best efforts to ensure the proper supply and scheduling of services to be provided at the Facility, including without limitation, dietary and food, housekeeping, maintenance, repairs and security.

b. Staffing. Manager shall develop and furnish to Owner copies of all departmental budgets for on-site personnel, including staffing and wages. All on-site personnel shall be employees of Owner or a Professional Employer Organization (PEO) designated by Pacific Grove Senior Living LLC, (such on-site personnel employees shall hereinafter be referenced to as "Facility Employees"), and the direct expenses of such Facility Employees (including wages, salaries, benefits and payroll taxes) shall be directly paid from the Project Operating Account (as defined herein) to the extent provided in the Approved Budget (as defined herein). Manager shall oversee all employees, including but not limited to all Facility Employees payroll and benefits (including payroll taxes), distribute employee income tax withholding forms at the end of each year, prepare payroll tax returns for said employees, and make payment of such taxes. All other personnel that provide services at the Facility from time to time shall be independent contractors under separate services agreements as approved by Owner and as included in the Approved Budget. Manager will not charge for any regional supervisor or a non facility employee that is not working directly at the facility without prior Owner approval.

(i) Manager shall, during the term hereof, hire or approve and provide direction to the qualified administrator (the "**Administrator**") and a qualified Assistant Administrator if such a position is appropriate for the administration of the Facility.

(ii) Manager shall establish salaries, employee benefits, and personnel policies and standards applicable to Facility Employees as needed and in line with the Approved Budget during the term of this Agreement.

c. Marketing. Manager (or a qualified third party selected and supervised by Manager) shall review, approve and implement with Owner a marketing program consisting of advertising, public relations and related activities designated to maintain and enhance the resident census at the Facility. The expenses for all such items shall be expenses of the Facility and shall be within the Approved Budget provided for such expenses.

d. Financial Records and Reports. Manager shall have the following responsibilities with respect to records and reports:

(i) Manager shall establish and maintain a system of records and books consistent with industry standards and applicable law and satisfactory to Owner. Copies of all records, books, and accounts shall be maintained at the Manager's central offices or the Facility and will be provided to Owner upon request. The originals of all books, records, and accounts shall be maintained at Manager's central offices or the Facility and shall be subject to examination at said location at all reasonable times by any authorized representative of Owner; Manager shall retain all books and records for the time period

required under any applicable law or regulation or, with Owner's written approval, surrender such books and records to Owner prior to the expiration of such period.

(ii) Upon the request of Owner, Manager shall cause a financial audit to be prepared by Owner's Certified Public Accountant ("CPA"), or another person designated by Owner and reasonably approved by Manager, for such fiscal years ending during the term of this Agreement as Owner shall designate. Such audit shall be prepared in accordance with generally accepted accounting principles. Compensation for the CPA's services shall be paid by the Owner and will not be considered an expense of the Facility. Owner shall insure the preparation of all tax and corporate records which Owner is required to file by any federal, state or local governmental agencies.

(iii) Manager shall prepare monthly financial reports comparing actual to budgeted financial projections in a format mutually agreed upon by Manager and Owner. Manager shall submit each report to Owner within twenty (20) days after the end of each preceding month, with exception to year end which will be submitted by February 15th;

(iv) Manager shall prepare an itemized list of all delinquent resident accounts on a monthly basis (e.g., a Rent Roll or Period Summary) and shall submit this report to Owner within thirty (30) days after the end of the preceding month; Manager shall submit a weekly census and marketing report to Owner

(v) Manager shall furnish Owner with a statement of receipts and disbursements during the previous month, along with a schedule of accounts receivable and payable and reconciled bank statements for the Project Operating Account, within thirty (30) days after the end of the preceding month.

(vi) Manager shall prepare occupancy reports comparing actual to budgeted projections in a format mutually agreed upon by Manager and Owner on a monthly basis and at any other time upon Owner's request. Manager shall submit each occupancy report to Owner within fifteen (15) business days after the end of each preceding month, with exception to year end which will be submitted by February 15th. Each such report shall be certified by Manager to Owner as being true, correct and complete.

(vii) Manager shall prepare and provide to the appropriate authorities on a timely basis, all records, certifications and reports that Owner is required to prepare and submit as required by law or as a condition of any financing. Owner will provide to Manager a detailed list of all required lender reports.

e. Resident Records and Reports. The originals of all resident records and reports (including without limitation of medical records), shall be maintained at the Facility. Manager may maintain copies of said records as necessary.

f. Budgets. Any annual budget for the facility must be approved of by the Owner, such budget the "**Approved Budget**". Each year during the term of this Agreement, Manager shall prepare a detailed annual budget for the Facility, which budget shall be segregated between operating and capital budget amounts. Manager shall submit such annual budget to Owner by December 1 of each year in a format mutually agreed upon by Owner and Manager. Owner shall give its approval or its disapproval of Manager's proposed budget or any portion thereof not later than thirty (30) days after receipt with respect to each calendar year. If approved by Owner pursuant to this Section 4(f), the budget shall be used for the next calendar year, replace any existing "Approved Budget", and shall be referred to as the "**Approved Budget**". If Owner fails to inform Manager of

its objections to any proposed budget within thirty (30) days after receipt, the proposed budget and budget format shall be adopted for the following calendar year and shall be deemed to be the "**Approved Budget**". If Owner objects to all or any portion of the proposed budget, Owner shall furnish Manager with the reasons for the objections and Owner and Manager shall attempt to reach agreement with respect to the items to which Owner objects. In the event the parties cannot agree upon the budget prior to the commencement of the next calendar year, the Facility shall be operated under a combination of (i) the then existing Approved Budget as to the items which Owner objects, subject to a percentage increase, for each expense item, equal to the change during the preceding twelve (12) months in the Consumer Price Index for All Urban Consumers (In the CPI-U relative to the Facility) (provided, however, that any expense item not within the control of Manager, including, but not limited to, utilities, shall be adjusted upward, if at all, to an amount equal to the total amount expended for each such expense item during the prior calendar year), and (ii) the portion of the proposed budget as to the items to which Owner does not object (collectively, the "**Approved Budget**"). Manager shall keep Owner informed of any matters or events that will or would likely result in material deviations from the receipts or disbursements stated in the Approved Budget (each such matter or event, a "**Material Matter**"). If at any time during the calendar year a Material Matter arises, Owner may modify the Approved Budget. Notwithstanding the foregoing provisions of this Section 4(f), Manager shall deliver to Owner a proposed budget for the 2019 calendar year on or before March 15 2019, which Owner shall review for its approval or disapproval within 15 days thereafter and if approved (as modified by Owner) shall be the "**Approved Budget**" for the remainder of calendar year 2019.

g. Purchasing. Manager shall arrange the purchase of all budgeted or Owner authorized inventories, provisions, supplies, and operating equipment necessary for maintenance and operation of the Facility.

h. Tax and Other Reporting. Manager shall assist Owner as requested by Owner in the timely preparation, execution and filing by Owner and/or Manager, all reports, tax returns (except federal, state, and local income tax returns of Owner), and other documents required by the jurisdiction of the Facility, to operate the Facility, including, but not limited to, business tax returns, gross receipts tax returns, and licensing forms. Owner shall be responsible for the costs associated with the preparation of any reports required under this section.

i. Responsibility for Expenses: Owner shall be solely responsible for any local, state and federal taxes, costs and assessments and all other costs and expenses imposed on the Facility of any kind associated with the Facility, and Manager shall have no liability or obligation with respect thereto. Owner agrees that Manager shall not, by entering into and performing under this Agreement, become liable for any of the future obligations, liabilities or debts of the Facility or Owner. Owner understands that Manager is solely working as an agent of Owner and in that role Manager does not assume any liability for Owner's business. Nothing contained herein shall excuse Manager from responsibility for the consequences of its gross negligence or willful misconduct.

j. Sub-Agreements. Manager shall enter into contracts in the name of and at the expense of Owner for the furnishing to the Facility of electricity, gas, water, steam, telephone, cleaning services, vermin extermination services, elevator and boiler maintenance if applicable, heating and air conditioning maintenance, cable and/or master television antennas, and other utilities or services, all as necessary and appropriate, and purchase all materials and supplies in the name of, and for the account and at the expense of Owner within approved budgetary limitations. Subject to any restrictions contained within Section 7 of this Agreement, Manager shall have the right to negotiate and enter into agreements with concessionaires and licensees of the Facility, in the name of and for the benefit of Owner. All such agreements shall be in writing and must conform to the limits of the Approved Budget for such goods or services. Manager shall not enter into or renew any

collective bargaining agreement that would be binding upon Owner without the prior written approval of Owner. Manager shall ensure that any subcontractors working on or about the Facility, as well as all contractors doing work at the Facility (i) carry and maintain in full force and effect commercially reasonable insurance, including without limitation Workmen's Compensation coverage, and (ii) obtain and maintain in full force and effect any licenses, permits or approvals that may be required, and (iii) shall name the Owner and Manager as additional insureds.

k. Maintenance and Repair. Within Approved Budget limitations, Manager shall cause the Facility to be maintained and repaired, at Owner's expense, in accordance with all applicable State and local statutes, ordinances and codes, and in a condition at all times acceptable to Owner. Manager shall be obligated to take the foregoing action only to the extent that there are adequate funds available therefore. Maintenance and repair activities shall include but not be limited to, cleaning, painting, decorating, plumbing, electrical, HVAC, appliances, carpentry, grounds care, and such other maintenance and repair work as Manager may deem reasonably necessary, subject to any reasonable limitations imposed by Owner. Within the Approved Budget limitations, Manager shall arrange for the making or installing, at Owner's expense and in the name of Owner, of such alterations, repairs, decorations or replacements of equipment, at the Facility as Manager deems reasonable or necessary, subject to Owner's approval which shall not be unreasonably withheld. Additional provisions with respect to the Facility's maintenance are:

(i) Manager shall devote special attention to preventative maintenance and, to the extent feasible, use the services of Facility Employees.

(ii) Manager shall contract with the qualified independent contractors for the maintenance and repair of heating and air-conditioning systems and elevators, and for ordinary and extraordinary repairs of the Facility beyond the capability of Facility Employees.

(iii) Manager shall systematically and promptly investigate all service requests received from residents, take responsible action on such requests, and keep records of the same. Residents' emergency requests for service shall be attended to within twenty-four (24) hours of receipt by Manager. Complaints that Manager believes are serious, in the reasonable exercise of its discretion, and complaints about which Owner specifically inquires shall be reported promptly to Owner after Manager's investigation.

(iv) Owner recognizes the necessity of replacement of furnishings and equipment at the Facility and other ordinary capital replacement items (collectively "**Capital Replacements**"). Owner agrees to expend such amounts for Capital Replacements, which have been previously approved by the Owner in the Approved Budget, as shall be required in the normal and ordinary course of operation of the Facility, to operate the Facility in accordance with Manager's reasonable recommendations and to renovate, modernize and improve the Facility as may become necessary. Manager shall make recommendations to Owner regarding the design of Capital Replacements and, if approved, manager shall supervise installation of Capital Replacements in accordance with such approval. If the total cost any repair, renovation or capital improvement is in excess of $15,000, and the Owner elects to have the Manager supervise said repair, renovation or capital improvement, the Owner shall be responsible for paying the Manager an amount equal to 15% of the total cost for repair/renovation/capital improvement for oversight.

(v) Manager shall make, or cause to be made, all improvements and repairs that are reasonably necessary to maintain the Facility's licensure at Owner's expense and such expenditures shall be included in the Approved Budget or any modification thereof. For Manager shall obtain the prior approval of Owner before committing to any such expense exceeding five thousand dollars ($5,000.00) that is not included in the Approved Budget, which consent or approval shall not be unreasonably withheld or delayed. Notwithstanding any other provision of this Agreement, Manager shall be entitled without Owner's prior consent to make unbudgeted expenditures regardless of the amount for the purpose of emergency repairs involving danger to persons or the Facility, recurring expenses within the limits of the Approved Budget, or expenditures that are required to avoid suspension of any necessary service at the Facility. Owner will be notified of any such emergency expenditure within forty-eight (48) hours following the expenditure.

(vi) Manager may institute, with the prior concurrence of Owner, in the name of Owner, at the expense of Owner, any necessary legal actions or proceedings to collect obligations owing to the Facility or to cancel or terminate any contract with the Facility for breach thereof or default thereunder.

(vii) Facility Employees responsible for maintenance, will at all times be familiar with the character, location, construction, layout, plan and operation of the Facility, including the electrical, heating, plumbing, air conditioning and ventilating systems, elevators and all other mechanical equipment.

l. Compliance with Laws. Manager shall use its best efforts to comply with all applicable federal, state and local laws pertaining to ownership, use or occupancy of the Facility; provided, however, that if Owner is the only entity capable of performing the activities required to achieve compliance or if funds are not available for Manager to take the actions necessary to achieve compliance, Manager shall not be liable under this Agreement for failing to take such action.

m. Insurance.

(i) Manager shall furnish Owner with certificates of insurance evidencing any required coverage and any renewals thereof that Manager obtains on behalf of Owner. All insurance policies obtained pursuant to this Agreement shall provide for a minimum of thirty (30) days' notice to both Owner and Manager in the event of cancellation, new-renewal or material modification;

(ii) All insurance policies shall provide that the insurance companies shall have no right of subrogation against either the Owner or Manager, or their respective agents or employees including but not limited to Facility Employees, to the extent permitted by the insurers; and

(iii) Owner shall maintain at expense of the Facility as included in the Approved Budget, all of the following coverages: (A) CGL coverage of at least one million dollars ($1,000,000) per occurrence and three million ($3,000,000) in the aggregate and five million dollars ($5,000,000) in the aggregate overall; (B) Fire and Casualty coverage for the full replacement cost of the Facility; (C) Professional Liability coverage of at least

one million dollars ($1,000,000) per occurrence and three million ($3,000,000) in the aggregate and five million dollars ($5,000,000) in the aggregate overall; (D) employee, including but not limited to Facility Employees, dishonesty coverage (blanket form) of at least one hundred thousand dollars ($100,000.00) (F) Employee Practices Liability Insurance coverage of at least $75,000. Manager shall maintain at the expense of the Facility workers' compensation insurance at statutory limits covering all employees, including but not limited to Facility Employees. For all claims-made policies, Owner will maintain coverage such that any event occurring during the period of this Agreement will be covered if reported within a period of two-years after the termination of this Agreement. All such policies shall be with a financial equivalent of a Best's insurance rating of "A VIII" or better. Owner and Owner's partners shall be named as primary insureds on all policies. Owner shall provide a current certificate of all insurance policies described in this Section to Manager. Sections 4(m)(i) and (ii) above shall apply to all policies maintained under this Section 4(m)(iii).

n. Insurance and Indemnification: Owner shall procure and maintain at Owner's expense such additional insurance in kinds and amounts as Owner shall be required to carry pursuant to the provisions of any note, loan agreement or mortgage outstanding affecting the Facility or the real property upon which it is erected, as well as any other insurance that Owner shall require (including without limitation worker's compensation insurance, professional liability insurance, and all other insurance which it deems appropriate). Owner and Manager each shall give prompt notice to the other of any claims made against either or both of them and shall cooperate fully with each other with any insurance carrier to the end that all such claims will be properly investigated, defended and adjusted. All policies of liability insurance shall:

(i) name the Owner and such other parties as may be required by the provisions of any note, loan agreement or mortgage as the insured thereunder, as their respective interests may appear as additional insureds; and

(ii) name Manager as an additional insured.

o. Indemnification of Manager. Owner shall indemnify, defend and hold Manager free and harmless from any loss, liability, or cost (including reasonable attorneys' fees, regardless of whether any litigation is brought, but excluding consequential or punitive damages) not covered by insurance proceeds[1] that Manager may sustain, incur or assume as a result of any claims that may be alleged, made, instituted, or maintained against Manager alleged to have resulted from gross negligence or willful misconduct of Owner, its agents (other than Manager), representatives or employees, in connection with the management or operation of the Property; provided, however, that in the event of any conflict between this Section 4(o) and any existing insurance coverage, this Section 4(o) shall be modified to the extent necessary to provide the maximum available insurance coverage.

p. Indemnification of Owner. Manager shall indemnify, defend and hold Owner free and harmless from any uninsured[2] loss, liability, or cost (including reasonable attorneys' fees, regardless of whether any

[1] The term "not covered by insurance proceeds" includes claims for which there is no insurance coverage at all under the policies required under Section 4(m), as well as the portion of any claim that is not covered by any insurance deductible or is in excess of the policy limits of insurance coverage under the policies required under Section 4(m).

[2] The term "uninsured" as used in this Agreement means any claim for which there is no insurance coverage at all under the policies required under Section 4(m). Such term is distinguished from the term "not covered by insurance proceeds" which includes the portion of any claim that is not covered by any insurance deductible or is in excess of the policy limits of insurance coverage under the policies required under Section 4(m).

litigation is brought, but excluding consequential or punitive damages) that Owner may sustain, incur or assume as a result of any claims that may be alleged, made, instituted, or maintained against Owner, determined to have resulted from any criminal act, gross negligence or willful misconduct of Manager, its agents, representatives or employees, including, but not limited to, the Facility Employees to the extent that it is reasonable for the Manager to have direct control of the Facility Employees in connection with the operation of the Facility; provided, however, that in the event of any conflict between this Section 4(p) and any existing insurance coverage, this Section 4(p) shall be modified to the extent necessary to provide the maximum available insurance coverage.

q. Residency Agreements.

(i) Manager shall implement a residency agreement form for use at the Facility, which shall be in compliance with all applicable governmental requirements and otherwise approved by Owner. Each such approved and executed residency agreement, a "**Residency Agreement**".

(ii) Manager shall use its reasonable best efforts to secure full compliance from each resident with the terms of his or her Residency Agreement. Voluntary compliance shall be encouraged. In cases of financial hardship, Manager shall counsel residents and refer them to community agencies to avoid involuntary termination of residency. Subject to applicable procedures and law, Manager may lawfully terminate any Residency Agreement and tenancy when, in Manager's judgment, sufficient cause for such termination (including, but not limited to, nonpayment of rent) exists under the terms of the applicable Residency Agreement. For this purpose, Manager is authorized to proceed with actions for eviction, execute notices to vacate, and file judicial pleadings to such actions, following consultation with Owner and Manager's legal counsel (or Owner's legal counsel if so elected by Owner), if necessary. All legal fees associated with actions for eviction shall be an operating expense of the Facility.

r. Collection of Rents and Other Receipts. Manager shall promptly bill and use its reasonable best efforts to collect all rents, monthly fees, optional fees, charges, and other amounts receivable in connection with the management and operation of the Facility. Manager shall be entitled to enforce the rights of Owner as creditor under any residency agreement, contract or in connection with the rendering of any services.

s. Rentals. Manager shall offer for occupancy and rent the dwelling units, and other rental facilities and concessions located at the Facility. Manager shall do all of the following with respect to renting units:

(i) Make preparations for initial rent-up;

(ii) Show the premises to prospective residents;

(iii) If an application is rejected, record the reasons for rejection in accordance with the Facility's policies;

(iv) Maintain and regularly update a list of prospective residents;

(v) Execute all residency agreements with residents as Manager of the Facility as Owner's agent. Manager shall review and approve each residency agreement. All residency agreements shall comply with applicable laws; and

(vi) Annually and upon Owner's request, furnish Owner with rental schedules, showing monthly fees for dwelling units and other charges for facilities and services as they may be modified from time to time.

t. Activities. Manager shall plan and conduct social and resident services programs at the Facility.

u. Outreach and Discharge Planning. Manager shall maintain a liaison with health facility discharge planners, community groups and public service organizations, and shall inform such organizations, by written notice or personal contact, of the criteria for residency at the Facility. In addition, as an operating expense to the Facility, Manager shall assure that brochures, newsletters, and other promotional materials are prepared and distributed in the local market area to publicize the Facility's availability. Manager shall ensure the facility staff has procedures, training and support so that residents who require skilled nursing care or other care beyond the capacity of the Facility's license are discharged to an appropriate facility. Manager shall take all steps, including cooperating with discharge planners, to assure a smooth transfer to such alternate facility.

v. Resident-Management Relations. Manager shall encourage and work to maintain good-faith communications with residents to help avoid and solve problems and disputes affecting the Facility and its residents. Manager shall assist residents in forming a resident council that convenes at noticed meetings with agendas and minutes.

w. Non-Discrimination. In performing its obligations under this Agreement, Manager shall use its reasonable best efforts to comply with all federal, state and local laws prohibiting illegal discrimination in housing on the basis of race, color, sex, creed, disability or national origin, including, without limitation, Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat.241); regulations issued pursuant to that Title (24 CFR, Subtitle A, Part 1); regulations issued pursuant to Executive Order 11063; Title VIII of the 1968 Civil Rights Act; the Americans with Disabilities Act of 1990 (42 USC § 12181 et seq.); the Fair Housing Amendments Act of 1988 (42 USC § 3604(f) et seq.); Section 504 of the Rehabilitation Act of 1973 (29 USC § 794). From and after the Effective Date, Manager shall ensure that all service contracts with third-party contractors and providers shall include the following language: "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the land."

x. Ownership of Documents. All accounting records and other financial data, reports and materials used by Manager in performance of its duties and obligations under this Agreement shall at all times be the property of Owner; provided, however, that Manager shall have access at all reasonable times to all records and instruments required to perform its duties under this Agreement and Manager has the right, at Operator's expense to make and retain copies of all such records. Manager agrees that Manager shall have access at all reasonable times to inspect and make copies of all data and materials pertaining to the services to be performed for the Facility under this Agreement. In the event that Manager brings to the Facility certain proprietary books, manuals, technical data, computer software, and the like, these items shall be the sole property of Manager, and Owner shall take reasonable steps to maintain the confidentiality of all such property. Both Owner and Manager shall have access to all such proprietary materials at all reasonable times, and shall maintain the confidentiality thereof to the fullest extent possible. If Owner and/or the Facility pays by direct invoice from a vendor for the ownership of any of these items, they shall thereupon become the sole property of Owner.

y. Safety. Manager shall exercise reasonable due diligence in all matters of safety, including but not limited to emergency evacuation of residents, maintaining safe conditions at the Facility, providing safety training to all Facility Employees, and promulgating rules and regulations for use of the central administration and service communities.

z. No Violation. Manager shall not be deemed to be in violation of this Agreement if Manager is prevented from performing any of its obligations hereunder for reasons beyond its reasonable control, including, without limitation, strikes, walkouts or other employee disturbances, acts of God, terrorism, or the effect or promulgation of any statute, rule, regulation or order by any federal, state or local governmental or judicial authority or official, or failure of Owner to provide sufficient funds, nor shall it be deemed to be in violation hereof or otherwise liable for any error of judgment or act or omission which is made in good faith but without negligence. In providing its services hereunder, Manager shall use commercially reasonable efforts to comply with all laws and regulations applicable to the Facility.

aa. Owner's Responsibilities. Subject to the terms of this Agreement, Owner agrees to take or cause to be taken any and all actions necessary to be taken by it as the entity with complete dominion and control over the assets and operations of the Facility in order to maintain all required licenses, permits for the operation of the Facility and the Facility's eligibility to participate in all public or private third-party medical payment programs, including providing sufficient funds to bring the Facility in compliance with all applicable fire safety codes and other laws, regulations and orders, and to correct all structural, maintenance, procedural and staffing deficiencies as shown on the surveys and reports of governmental agencies having jurisdiction over the Facility.

5. Confidentiality.

a. "Confidential Information" Defined. "Confidential Information" shall mean any and all information that is or has been disclosed in writing or orally by either party to the other party, which is either confidential or proprietary in nature. "Confidential Information" shall not include any of the following:

(i) Information that is or will become generally available to the public through no fault of the receiving party.

(ii) Information that was known to the receiving party before that party received it under this Agreement and was not acquired, directly or indirectly, from the disclosing party.

(iii) Information that is disclosed in good faith to the receiving party by a third party lawfully in possession of such information and who is not under an obligation of nondisclosure with respect to such information. All Confidential Information shall remain the sole property of the party that owned such information prior to the execution of this Agreement unless a sale or other transfer of the Confidential Information occurs during the term of this Agreement.

b. Nondisclosure. During the term of this Agreement and for five (5) years thereafter, neither party shall, without the prior written consent of the other party, disclose to any third party (unless such disclosures are required by law) or use for its own purposes (except as contemplated by this Agreement) any Confidential Information concerning the other party's business, operations, or products that is obtained in the course of performing this Agreement.

c. Treatment of Confidential Information. The parties acknowledge that they may have already received or will receive in the future Confidential Information concerning the other party. The parties agree that they shall do all of the following upon receipt of such Confidential Information:

(i) maintain Confidential Information in confidence and refrain from disclosing it to any third party; and

(ii) refrain from providing Confidential Information to its employees or its affiliates' employees, except to the extent necessary for the receiving party or its affiliates' employees to perform the obligations and services described in this Agreement.

6. Collection and Disbursement of Revenue.

a. Project Operating Account. Owner shall establish operating accounts for the Facility at a banking institution of its choosing, provided it is located in the area where the Facility is located, to deposit all income from the Facility's operations therein, and to pay all expenses of the Facility there from (collectively, the "**Project Operating Account**"). Owner shall be the only authorized signatory on such account. Owner shall provide sufficient working capital to fund the operation of the Facility and to service debt in connection therewith. Manager shall use commercially reasonable efforts to ensure that all revenues are either directly deposited into the Project Operating Account or are delivered to Owner and made payable to Owner. Manager shall encourage payors to make payments to Owner in forms other than cash and any cash payments made shall be delivered to Owner as soon as practicable after receipt of same.

b. Disbursements. From the funds collected and deposited by Manager or Owner in the Project Operating Account, Owner will make (or as requested by Manager in connection with Approved Budget expenses) the following disbursements promptly when payable:

(i) Compensation and fringe benefits (including severance pay) payable to and for Facility Employees, who work at the Facility and for the taxes and assessments payable to local, state, and federal governments in connection with the employment of such personnel; and

(ii) All sums otherwise due and payable by Owner as expenses of the Facility authorized under the Approved Budget or otherwise approved of by Owner under the terms of this Agreement, including compensation payable to Manager for the services described herein.

c. Non-Facility Obligation. The Project Operating Account shall not be used to pay any obligations that are not incurred by Manager or Owner for or on behalf of the Facility.

d. Operating Expenses. Owner shall deposit into the Project Operating Account funds necessary for the Facility's operating expenses or for expenses approved by Owner in excess of budgeted expenses.

e. Insufficient Funds. In the event that the balance in the Project Operating Account is at any time insufficient to pay disbursements that are due and payable under Section 6(b), Manager will inform Owner of that fact. Owner shall remit to Manager sufficient finds to cover the deficit within five (5) business days.

7. **Owner's Reserved Rights**.

Notwithstanding anything herein to the contrary, Owner expressly reserves the right to approve all of the following under this Agreement:

a. Marketing plans and programs (on an annual basis) and any non-affiliate entity of Manager retained by Manager to create such plans and programs, which approval by Owner shall not be withheld unreasonably.

b. All agreements affecting the Facility with a term of greater than one year, which approval by Owner may be withheld in its sole and absolute discretion.

c. All agreements affecting the Facility (regardless of length of term and notwithstanding subsection "b" above) that cannot be terminated without (i) cause by Owner upon thirty (30) days notice or less and (ii) payment of any termination fees or penalties, which approval by Owner shall not be withheld unreasonably;

d. All contracts with entities affiliated with Manager or any of its principals, which approval by Owner may be withheld in its sole and absolute discretion;

e. Annual budgets, which approval by Owner shall not be withheld unreasonably;

f. Subject to Section 4(k)(v), unbudgeted capital costs and improvements involving costs exceeding five thousand dollars ($5,000.00), which approval by Owner shall not be withheld unreasonably;

g. Insurance coverage for the Facility, which approval by Owner shall not be withheld unreasonably;

h. Settlement of any litigation or substantial claim affecting the Facility (regardless of whether Owner is a named party), which approval by Owner shall not be withheld unreasonably;

i. Any material structural and/or physical changes to the Facility, which approval by Owner may be withheld in its sole and absolute discretion;

j. All leases to non-residents, which approval by Owner shall not be withheld unreasonably; and

k. All loans, advances, hypothecation's, and draws of five thousand dollars ($5,000.00) or more related to the Facility, which approval by Owner may be withheld in its sole and absolute discretion.

8. MIS: Manager shall provide computer support services to Owner including but not limited to:

- Oversight of acquisition and maintenance of equipment
- Computer related technical support
- Network management of all data
- Software license management
- Data retention and recovery systems
- Virus and security protection systems
- Email and internet access

All software licensed to the Manager and provided to the Owner for shared use shall remain the property of the Manager unless agreed to otherwise in writing by both parties. All hardware and software solely used at the Facility is property of the Owner. The Owner shall be responsible for a pro rata payment based on total number of units licensed of all costs associated with Manager's

provision of the above services to include but not limited to equipment, hardware, software, software licensing, voice and data services, equipment and software maintenance and technical support

9. Manager's Compensation and Expenses.

a. Startup / Conversion Service Fee A Startup/Conversion Service Fee in the amount of $5,000.00 is to be paid by Owner to Manager upon execution of this agreement. The Startup/Conversion Service Fee covers all of the Manager's services outlined below:

Cash Management

- Use existing bank accounts
- Access online banking
- Establish electronic funds transfer

Financial Systems

- Create Great Plains Database (Financial)
- Create Senior Master Database (Rent roll)
- Create Fixed Asset Database
- Create Accounts Receivable Filing Systems (Billing)
- Create Accounts Payable Filing Systems
- Create Other Accounting Filing Systems

Budgeting

- Competitive Wage Studies
- Competitive Rate and Market Studies
- Create initial budgets
- Create budget variations and analysis
- Finalize budget
- Load budgets into Great Plains Database

Insurance

Human Resources

-

Licensing

- Review and update of facility Disaster Plan

Transfer of Liabilities

- Coordinate transfer and assumption of leases and maintenance agreements
- Set-up new credit relationships with all vendors

Contract Negotiations

- Review and participation in development of sales contract.

b..Management Fee. The service fees to be paid by Owner to Manager will be paid on a monthly basis calculated as cumulative total of 5% percent of collected gross revenues derived from the Owner's operations including rental from concessions at the facility and all other sources relating to the operation of the facility on a cash basis, and in accordance with generally accepted accounting principles. A fee of the previous month's Management Fee shall be payable by the 5th of each month. Any excess or shortage over the fee for a particular month shall be reconciled and paid within 5 days of completion of the financial statements for that month.

(i) Incentive Bonus. Manager shall receive an annual bonus of ten percent (10%) of the amount by which Net Operating Income exceeds the Net Operating Income in the Approved Budget, tested and paid quarterly, payable no later than thirty (30) days following the budget period. Manager's Incentive Bonus is not an ownership or equity interest in the project.

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c. Employee Expenses. In addition to the above management fee, either (i) Manager shall be reimbursed for the direct employee and Facility Employee expenses or (ii) the direct employee expenses for employees, including but not limited to Facility Employees, shall be paid from the Project Operating Account; provided that in all cases, such reimbursements shall not exceed those allocated in the Approved Budget and that any Facility Employee that devotes time to other facilities of Manager or the general overhead management of Manger shall have the portion of such time not devoted to the Facility paid exclusively by Manager from sources other than Owner, the Facility or the Project Operating Account. In addition, the following expenses shall not be the obligation of Owner or the Facility nor paid from the Project Operating Account and shall be the sole obligation of the Manager:

(i) General accounting and reporting services, as such services are considered to be within the reasonable scope of Manager's responsibility to Owner;

(ii) Cost of forms, stationery, ledgers and other supplies and equipment used in Manager's principal office or regional office;

(iii) Cost or pro-rata cost of telephone and general office expenses incurred at the Facility by Manager for the operation and management of properties other than the Facility;

(iv) Cost or pro-rata cost of electronic data processing, for data processing provided by computer service companies, except as outlined in paragraph 8;

(v) Cost of all bonuses, incentive compensation, profit sharing, or any pay advances by Manager to Manager's employees, except to employees located at the Facility and then only to the extent approved under the then Approved Budget;

(vi) Third party claims resulting from criminal acts or from gross negligence or fraud on the part of those Facility Employees to the extent that it is reasonable for the Manager to have direct control of the Facility Employees, the Manager or Manager's affiliates or employees, or any other claims, actions, suits, proceedings, losses, costs and expenses for which Manager is obligated to indemnify Owner under Section 4(p).

(vii) Cost of comprehensive crime insurance purchased by Manager for its own account.

(viii) Costs for meals, travel and hotel accommodations for Manager's principal office or regional office personnel who travel to and from the Facility.

d. Payment Policy. Owner will pay Manager from the Project Operating Account the management fee described in Section 8(a) on the fifth (5^{th}) day of the calendar month as defined in section 8(b)

e. Owner's Failure to Pay. As described in Section 9(c), Owner's nonpayment of any management fees or employee expenses due under this Section 8 shall constitute cause for termination of this Agreement by Manager.

10. Term and Termination.

a. Term. The initial term of this Agreement shall begin on Effective Date, and shall end after one year unless sooner terminated as set forth below (the "**Initial Term**"). This Agreement shall renew for one additional one (1) year period (the "**Renewal Term**") at the expiration of the Initial Term if Owner has not given Manager at least thirty (30) days prior written notice of its election to terminate this Agreement. Notwithstanding anything to the contrary in this Agreement, Owner and/or Manager shall be entitled to terminate this Agreement for any reason or no reason at all and any time during the Initial Term or the Renewal Term upon thirty (30) days prior written notice.

b. Termination by Owner for Cause. Owner may terminate this Agreement immediately for "cause" if any of the following occurs:

(i) If Manager or any of its directors, officers, employees, contractors, subcontractors or agents shall be guilty of any gross negligence, willful misconduct, fraud, malfeasance or breach of fiduciary duty, with respect to the Facility or the Project Operating Account;

(ii) Subject to the notice and cure period described in Section 9(d), Manager's material breach of any of the provisions of this Agreement.

(ii) Manager or any of its principal operating officers is convicted of any felony or any other crime that materially affects the operation of reputation of the Facility.

(iii) The filing of a voluntary or involuntary petition to declare Manager bankrupt or insolvent if such petition is not discharged within ninety (90) days after its filing.

(iv) Owner substantiated Manager has committed fraud, material misrepresentation, embezzlement or gross negligence in the performance of any of its obligations under this Agreement.

(v) If any material license held by Manager and necessary for the performance of its duties or services hereunder shall be terminated or suspended, and Manager does not arrange for the reinstatement of such license within five (5) days after its termination or suspension.

(vi) If Manager's company existence shall be dissolved or terminated by merger, consolidation or otherwise without the consent of Owner.

(vii) Upon the sale of the Facility by Owner or any successor-in-interest to Owner.

c. Termination by Manager for Cause. Manager may terminate this Agreement for "cause" if any of the following occur:

(i) Owner fails, within five (5) business days following receipt of notice of a Project Operating Account deficit from Manager, to provide adequate cash funds for reasonable, Approved Budget expenses incurred in managing and operating the Facility.

(ii) Subject to the notice and cure period under Section 9(b), Owner materially breaches any of the provisions of this Agreement.

(iii) The filing of a voluntary or involuntary petition to declare Owner bankrupt or insolvent if such petition is not discharged within ninety (90) days after its filing.

d. Notice and Cure Period. In the event that Owner or Manager determines that the other party has materially breached this Agreement, the non-breaching party shall allow the other party a period of sixty (60) days to cure the breach after receipt of notice thereof from the non-breaching party. If the default cannot be cured within sixty (60) days, no material breach shall occur so long as the breaching party begins curing the breach within sixty (60) days of receiving notice from the non-breaching party and diligently continues to cure the breach thereafter. Notwithstanding the foregoing, there shall be no notice or cure period for criminal acts or any other willful misconduct that is the basis of a breach under this Agreement.

e. Manager's Obligations after Termination.

(i) Manager shall submit all of the following to Owner within ten (10) days following this Agreement's termination: (A) all books, records, contracts, leases, receipts for deposits, unpaid bills then in the possession of Manager, the then current rent roll, and all other papers or documents (including, without limitation, all computer tapes, disks and software) which pertain to the Facility; (B) all financial statements; (C) any plans and specifications pertaining to the Project then in the possession of Manager; (D) all bank and petty cash assets under the responsibility of Manager for the operation of the Facility; (E) any trust and investment accounts under responsibility of Manager for the operation of the Facility; (F) all of Owner's intellectual community, including, without limitation, trademarks, service marks, copyrights, patents, resident lists and trade secrets; and (G) a complete reconciliation of all records pertaining to the operation of the Facility.

(ii) Manager shall submit all of the following to Owner within one (1) day of the termination of this Agreement: all keys and keycards to any locks at the Facility then in the possession of Manager.

(iii) In addition, upon notice of termination of this Agreement, Manager shall assist Owner in coordinating with any successor manager of the Facility to ensure a smooth transition from Manager to such successor manager.

f. Owner's Obligations after Termination. In the event of any termination of this Agreement, Manager shall be entitled to the payment of any management fees and reimbursable expenses due to Manager through the effective date of any such termination and all Facility Employees expenses shall be paid through to such date on the terms provided herein. Notwithstanding the foregoing, in the event Owner terminates this Agreement under Section 9(b)(i), Manager shall forfeit and Owner shall have no obligation to pay any accrued but unpaid management fees.

g. Management Fee Post Sale by Owner. Upon the sale of the Facility by Owner or a successor-in-interest to Owner, the existing management compensation structure set forth herein shall continue to inure to the benefit of Manager in compensation for management services conducted up until the consummation of escrow.

h. If the Facility is meeting or exceeding budget and Owner terminates this agreement without cause within the Initial Term, the Owner shall pay Manager a termination fee equal to the three (3) months management fee based on the three (3) months immediately preceding the termination notice. This termination fee must be paid prior to receiving a final accounting from Manager. Termination of this Agreement due to monetary default shall be considered termination by Owner.

i. Upon termination and at the discretion of the Owner, the Manager will submit to the Manager or assigns a final accounting within 45 days after the termination date provided the Manager has been furnished all necessary and proper information, statistics, records and data to compile and summarize such final accounting. The Owner shall be obligated to pay Manager an amount equal to $5,000.

11. General Provisions.

a. Relationship of Parties: Owner and Manager shall not by virtue of this Agreement be deemed partners or joint ventures in the operation of the Facility. It is expressly understood that Manager is retained by Owner to manage the Facility on behalf of Owner and the Manager is the sub-agent of Owner only for the purpose of carrying out its obligations under this Agreement. Nothing in this Agreement shall be deemed to restrict in any way the freedom of Manager to conduct any other business or activity whatsoever including but not limited to the management and or ownership of congregate care communities, nursing homes, assisted living communities or retirement homes without accountability to Owner or to any other party hereto.

b. Independent Contractors. Nothing in this Agreement shall be construed to create a partnership, joint venture, or employer-employee relationship between the Owner and the Manager. Manager and Owner are at all times independent contractors under this Agreement. Manager shall not be jointly liable with Owner for Owner's debts or obligations with respect to the Facility or any financing arrangements entered into by Owner with respect to the Facility.

c. Counterparts. This Agreement may be executed in several counterparts, each of which shall constitute a complete original Agreement.

d. Headings. The article and paragraph headings contained herein are for convenience of reference only and are not intended to define the scope or intent of any term of this Agreement.

e. Applicable Law. This Agreement shall be construed under California law.

f. Severability: If any of the provisions of the Agreement are determined by a court of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the remaining provision of this Agreement.

g. No Waiver. The failure of either party to insist upon strict performance of any term of this Agreement or to exercise any option, right or remedy herein shall not be deemed a waiver of such term, provision, option, right, or remedy. No waiver by either party of any term hereof shall be valid unless contained in a writing signed by the waiving party.

h. Reasonableness. Except as expressly provided herein, all consents, approvals, determinations, requirements, and other acts required by either party hereunder shall be reasonable under the circumstances, and no such consents, approvals, determinations, requirements or other acts required by either party shall be unreasonably withheld, delayed, or denied.

i. Mutual Cooperation. The parties shall execute and deliver all appropriate instruments and take all actions necessary to make this Agreement fully and legally effective, binding and enforceable, as between the parties and as against third parties.

j. Time of Essence. Time is of the essence in each and all of the agreements, covenants, and conditions hereof.

k. No Third Party Beneficiaries. This Agreement is entered into for the benefit of Manager and Owner. No other parties are intended to be third-party beneficiaries of this Agreement.

l. Rights of Non-Parties: Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective successors and permitted assigns. Subject to the preceding sentence, no term or provision of this Agreement is intended (i) to relieve or discharge the obligation or liability of any non-party to any party to the Agreement; or (ii) to give any non-party any right of subrogation or action over and against any party to this Agreement.

m. Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered, sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy, when the sender receives a confirmation of receipt generated by the sending telecopy machine, if sent during ordinary business hours of the sender. Any notice, request, demand, direction, or other communication sent by telecopy must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Owner:

Pacific Grove Senior Living LLC
Attn: Deepak Israni
1785 Hancock Street, Suite 100
San Diego, CA 92110
Phone: 619-296-9000
Fax: 619-296-9090
(e-mail):
disrani@pacificacompanies.com

and

Thomas P. Sayer, Jr., Esq.
9974 Scripps Ranch Blvd., #284
San Diego, CA 92131
(858) 335-9590 (voice)
(858) 348-2348 (fax)
tsayer1@san.rr.com (e-mail)

If to Manager:

California Senior Living Management LLC
Attention: Adam Bandel
1785 Hancock Street
Telephone: 619-296-9000
Facsimile: 619-296-9090
(e-mail):
abandel@pacifciaseniorliving.com

and

Any of the parties may designate a change of address by Notice to the other parties. Whenever in this Agreement the giving of Notice is required, the giving of such Notice may be waived in writing by the person or persons entitled to receive such Notice.

n. Assignment. Neither party shall assign, transfer or delegate any of its rights or duties hereunder without the prior written approval of the other party.

o. Survival. Sections 5, 9e, and shall survive the termination of this Agreement.

p. Attorneys' Fees. If any party to this Agreement shall bring any action for any relief against any other party, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorneys fees incurred in bringing such suit and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered in such action shall contain a specific provision for the recovery of attorneys fees and costs incurred in enforcing such judgment. For the purposes of this section, attorneys fees shall include, without limitation, fees incurred in the following: (i) post-judgment motions; (ii) contempt proceedings; (iii) garnishment, levy, and debtor and third party examinations; (iv) discovery; and (v) bankruptcy litigation.

q. Entire Agreement and Amendment: This Agreement and the documents incorporated by reference herein constitute the entire Agreement regarding management services between Owner and Manager and supersede all prior proposals, negotiations, representations and other communications between Owner and Manager, whether oral or written. This Agreement may not be amended except by a written agreement fully executed by Manager and Owner.

r. Subordination of Management Agreement: Manager acknowledges this Agreement shall be subject and subordinate to the lien of holder of the first deed of trust secured by the Property. Manager shall execute an *Assignment and Subordination Agreement* on commercially reasonable terms as required by Owner's lender.

Manager shall provide such commercially reasonable estoppel certificates as may be requested by Owner from time to time.

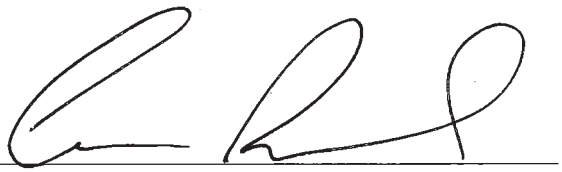
s. Destruction by Casualty: In the event that fire or other casualty destroys the Owner's facility wholly or partially, Owner will notify Manager of the decision to repair or restore within sixty (60) days of the date the casualty occurs. Despite the occurrence of said casualty, this Agreement shall continue in full force and effect with Manager receiving the normal compensation provided for herein. If Owner elects to repair or restore the premises to their former condition the normal compensation will amount to payment of a fee equivalent to the monthly fee for the month preceding the month the casualty occurs. In the event Owner elects not to repair or restore the premises to an acceptable and operable condition as prior to the date of the casualty, this Agreement shall be terminated within thirty (30) days after proper notice is given to Manager.

[SIGNATURE PAGE TO FOLLOW]

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

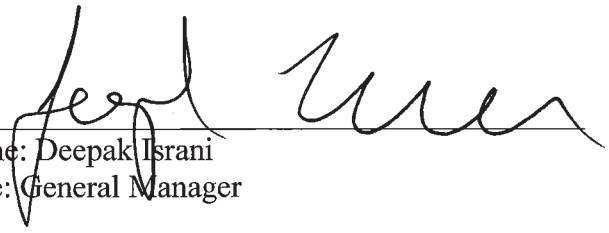
MANAGER:

CALIFORNIA SENIOR LIVING MANAGEMENT LLC,
a California limited liability company

By: 
Name: Adam Bandel
Title: General Manager

OWNER:

PACIFIC GROVE SENIOR LIVING LLC,
a California limited liability company

By: 
Name: Deepak Israni
Title: General Manager

Executed Lease and Operational Control Agreement between Pacific Grove Senior Living LLC and 551 Gibson Ave SNF, LLC
for operation of SNF at Forest Hill

LEASE AND OPERATIONAL CONTROL AGREEMENT

THIS LEASE AND OPERATIONAL CONTROL AGREEMENT ("**Agreement**" or "**Lease**") is made as of April 1, 2022 (the "**Effective Date**"), between Pacific Grove Senior Living LLC, a California limited liability company ("**Owner**") and 551 Gibson Ave. SNF, LLC, a California limited liability company (the "**Operator**"). Owner and Operator are collectively referred to herein as "Parties."

WITNESSETH:

WHEREAS, on February 8, 2022, the bankruptcy judge who presided over that certain Chapter 11 bankruptcy case before the United States Bankruptcy Court, Northern District of California, Oakland Division that involved California-Nevada Methodist Homes entered an order approving the sale of that certain senior housing and continuing care retirement community consisting of ___assisted living units and 26 skilled nursing beds commonly known as "Forest Hill Retirement Community" and located at 551 Gibson Avenue, Pacific Grove, California 93950 (the "Property"), to Owner;

WHEREAS, the skilled nursing component of the Facility is generally described as _____ (the "**Facility**"; and together with the real property and improvements related to the Facility, the "**SNF Premises**");

WHEREAS, Owner (or an affiliate) intends to operate the residential living and assisted living components of the Property (the "**Non-SNF Premises**"), and Operator shall have no liability for the Non-SNF Premises, except as may be specifically set forth herein;

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

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

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

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

1. Lease and Operations. For and in consideration of the covenants and agreements hereinafter contained, Owner does hereby let, lease, and demise unto Operator, and Operator does hereby lease from Owner, the SNF Premises and the parking spaces (on a non-exclusive basis), equipment, inventory and furnishings located at the SNF Premises that are being utilized by the SNF Premises.

TO HAVE AND TO HOLD the same unto Operator and unto Operator's successors and assigns, together with all privileges and appurtenances thereunto belonging, for the term and under the conditions hereinafter set forth. The SNF Premises shall be used solely for the purpose of conducting a skilled nursing facility business thereon.

2. Term.

(a) The term of this Agreement shall be for a period of twelve (12) years beginning on the date that that is the earlier of the dates described in subsections (i) and (ii), below (the "**Commencement Date**"), and ending on the twelfth (12th) anniversary of such date (including any Extended Term described below, the "**Term**"). Once the Commencement Date has been determined, Owner and Operator agree to promptly enter into an amendment to this Lease to amend the terms of this Section 2(a) to identify the Commencement Date.

(i) the Effective Date; and

(ii) the date that the following conditions are satisfied: (1) Operator shall have received its skilled nursing facility license from CDPH (as defined below) to operate the SNF Premises; and (2) Operator and the Facility shall have completed the Medicare and Medicaid certification process, enabling Operator and the Facility to participate in the Medicare and Medicaid programs, and to bill and collect reimbursements from Medicare and/or Medicaid for services rendered by Operator to eligible patients at the Facility; and (3) the current tenant shall have vacated the SNF Premises. Operator shall promptly make all applications to satisfy the conditions described in this subsection (ii) and shall prosecute such applications to completion in a commercially reasonable manner without undue delay.

(b) Operator shall have and is hereby granted one (1) option (the "**Extension Option**") to extend the Term (an "**Extended Term**") for an additional twelve (12) years, upon the terms, covenants, conditions, and rental as set forth herein; provided no continuing Event of Default then exists hereunder at the commencement of the Extended Term. Operator may exercise such Extension Option by giving written notice to Owner not less than six (6) months nor more than twelve (12) months prior to the expiration of the Term. Should Operator fail to give Owner such timely written notice during the required period, the then current Term and all rights of renewal shall automatically expire as of the then scheduled expiration date of the Term.

(c) Other than as set forth in subsections (a) and (b), above, this Agreement may not be further extended without the consent of both Owner and Operator.

3. Rental. As rental for the SNF Premises, Operator shall pay to Owner;

(a) Commencing with the Commencement Date and continuing on the first day of each month for the first twelve months of the Term, rent equal to Fifteen Thousand Six Hundred and No/100 Dollars ($15,600.00) per month ($600/bed x 26 beds).

(b) Commencing with the first annual anniversary date of the Term (month 13) and continuing on each subsequent annual anniversary date of the commencement of this Lease (each a "**Rent Adjustment Date**") Base Rent (including any per licensed bed increase) shall be increased by three percent (3%) of the Base Rent in effect immediately prior to each Rent Adjustment Date.

(c) A late payment charge of five percent (5.0%) of the rental amount may be charged if the rent is not paid by the fifth (5th) business day of any month during the Term. In addition, any amount of rent not paid by the fifth (5th) day of any month shall bear interest until paid at the annual rate of four percent (4.0%), or the highest rate allowed under California

law, whichever is less. The rent shall be prorated for any month in which this Agreement commences or expires on a day other than the first or last day of such month.

(d) The Parties believe the rent to be a fair market value like lease expense for similarly operated facilities, and as such, the rent is a direct payment for the use of and right to operate the Facility.

4. Triple Net Lease. This is a triple net lease, meaning that in addition to the rental payment set forth in Section 3 above, Operator shall pay all amounts necessary to operate and maintain the SNF Premises, including without limitation, all real property taxes and assessments, repairs, maintenance and replacements for the SNF Premises, and insurance, excluding however, any county, state or federal income taxes of Owner, and any municipal, county, state or federal franchise, gross receipts, estate, gift, succession, inheritance taxes of Owner and/or all other taxes applicable to Owner's gross or net income. Notwithstanding the foregoing, Owner shall be responsible for the repairs identified in Section 5 below. Property tax and insurance payments shall be paid by Operator to Owner quarterly. The timing and amount of such quarterly payments shall be such that Owner will have sufficient funds from which to pay all property tax and insurance invoices at such times as to avoid any and all penalties and to take maximum advantage of any and all discounts available.

The Parties acknowledge that this Lease covers only the skilled nursing facility portion of the campus currently known as "Forest Hill Retirement Community," a senior housing facility and does not include the independent living, assisted living and memory care components of "Forest Hill Retirement Community". The Parties agree that certain expenses of the entire facility will be shared in accordance with that certain Shared Services Agreement attached hereto as Exhibit "B" and incorporated herein by this reference (the "**SSA**"). Such SSA shall control notwithstanding any provision to the contrary regarding the obligation for expenses contained in this Lease.

5. Facility Improvements. Owner covenants and agrees that, to the extent that any repairs, alterations, construction or any other work has been performed or initiated at the SNF Premises prior to the Commencement Date of this Lease whether such work was initiated by Owner, by its affiliate, or a former tenant that operated the SNF Premises prior to the Commencement Date hereof ("**Pre-Commencement Date Repairs**"), Owner and/or its affiliate shall remain solely responsible for the completion and costs of all such Pre-Commencement Date Repairs, and Owner further covenants and agrees that it shall, or shall cause its affiliate to, complete all such Pre-Commencement Date Repairs in accordance with all applicable laws and regulations, including without limitation, all regulations and requirements of the Department of Health Care Access and Information ("**HCAI"**). In acknowledgement of the foregoing, Owner agrees to indemnify, defend, and hold harmless Operator from any and all liabilities, fees, costs, fines and/or other penalties that may be assessed against the SNF Premises and/or Operator by HCAI or any other governmental agency in connection with any and all such Pre-Commencement Date Repairs.

6. Absolute Net Lease.

(a) All rent payments shall be absolutely net to the Owner free of taxes, assessments, utility charges, operating expenses, refurnishings, insurance premiums or any other charge or expense in connection with the SNF Premises. All expenses and charges, whether for upkeep, maintenance, repair, (whether structural or non-structural) refurnishing,

refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other operating or other charges of a like nature or otherwise, shall be paid by Operator provided, however, that Operator shall not be responsible for repair or replacement necessary to cure any condition for which Owner is responsible under Paragraph 5. This provision is not in derogation of the specific provisions of this Lease, but in expansion thereof and as an indication of the general intentions of the Parties hereto.

7. Utilities. Subject to the SSA, Operator shall be responsible for the prompt and full payment, as and when due, of all charges (including taxes) for water, sewer, sanitation, electricity, gas, telephone, and other utilities consumed on the SNF Premises.

8. Collection of Revenue. Operator shall be entitled to collect and retain all payments, third party reimbursements, and receivables arising from services provided at the Facility during the Term, and further, in the event a life care contract provides a resident the benefit of not being charged for certain skilled nursing care for a period of time, and the resident uses such benefit, Owner shall reimburse Operator by paying Operator the applicable rate for such billable time period not to exceed thirty (30) days. For the avoidance of doubt, Operator shall not receive an extra payment from any third-party payor in addition to Owner's reimbursement.

9. Taxes & Quality Assurance Fees. Subject to the SSA, Operator shall 1) pay to the applicable taxing authority all ad valorem taxes and assessments due to improvement districts or governmental bodies which may be levied, assessed or charged against the SNF Premises by reason of the real property and premises leased hereunder including, but not limited, to real estate and personal property taxes, business and occupational taxes, license taxes, intangible property, gross receipts, or other excise taxes; and 2) be responsible for all taxes attributable to the property of Operator on the SNF Premises and for all license, privilege and occupation taxes levied, assessed or charged against Operator on account of the operation of the business from the SNF Premises. Operator shall pay all real property tax bills on or relating to the SNF Premises before such bills become past due. Taxes for any partial year shall be prorated between Operator and Owner, with Owner to be responsible for the taxes attributable to periods prior to the Commencement Date, and Operator to be responsible for taxes attributable to periods on and after the Commencement Date. Notwithstanding the foregoing, Owner acknowledges that Operator will not be assuming any quality assurance fees owed by the Facility, or by Owner's prior tenant for periods prior to the Commencement Date (the "**Pre-Commencement Date QAF**") and Owner shall be solely responsible for the payment of any and all such Pre-Commencement Date QAF owed to the California Department of Healthcare Services.

10. Operational Responsibilities.

(a) Responsibilities of Owner.

(i) Owner shall execute and deliver any documents reasonably necessary to facilitate the change of operational control of the Facility.

(ii) Owner shall and shall cause the current operator of the Facility to execute and timely deliver any documents reasonably necessary to effectuate the change of ownership with respect to the license of the Facility to Operator as of the

Effective Date, including a Change of Ownership Notification, and a Notice of Change of Operational Control, substantially similar to the form attached hereto as Exhibit C.

(iii) Owner shall cooperate with and timely provide to Operator any and all information Operator may reasonably request with such licensing. Further, Owner shall cooperate in the development by Operator of a strategic marketing plan to provide for the continued occupancy of the Facility; provided, however, that Operator shall not advertise or otherwise use Owner's name, trade name, trademarks, or corporate symbols without the prior written consent of Owner.

(iv) Owner shall endeavor to refer residents from the independent living, assisted living, and memory care components of the Non-SNF Premises to the Facility when reasonable in accordance with applicable laws. Likewise, Operator shall endeavor to refer residents from the Facility to the Non-SNF Premises when reasonable in accordance with applicable laws. Neither party shall pay nor be entitled to remuneration nor compensation of any kind for such referrals. For the avoidance of doubt, neither Owner nor Operator has an obligation to provide such referrals as a matter of compliance with this Lease.

(b) Responsibilities of Operator. Operator shall operate the Facility at Operator's expense in a professional and competent manner. In addition, Operator shall have the following specific obligations along with the authority to implement such obligations to achieve the orderly operation of the Facility, all at Operator's expense:

(i) Recruit, screen, employ, train, promote, direct and terminate the employment of Facility personnel as necessary for the operation of all departments and services of the Facility, including without limitation, setting the salary levels, establishing personnel policies, and maintaining employee benefits within prescribed regulatory limits and consistent with developed performance standards. At or prior to the Commencement Date, Operator will tender offers of employment to all of the Employees involved in the skilled nursing facility activities at the Facility in good standing. Such offers of employment made by Operator will be made in a manner sufficient to comply with federal, state, and local law.

(ii) Implement policies and procedures for each department and service of the Facility as required by the California Department of Public Health ("CDPH") rules and regulations, federal regulations for nursing facilities and materially comply with any rules and regulations of HUD pursuant to financing secured by the Premises.

(iii) Assure the continuing good standing of the skilled nursing facility license and Medicare and Medicaid certification as required for the operation of the Facility maintaining licenses for no fewer beds than as shown on Exhibit A-1 and participate as necessary in obtaining any certification and licensing required by the regulatory agencies.

(iv) Cooperate with Owner in complying with any and all obligations under the CCRC Lifecare Contracts of residents at the Non-SNF Premises including, by way

of example and not by limitation, providing priority placement for such residents in the Facility.

(v) Maintain the necessary contracts with agencies and intermediaries to ensure continuing eligibility for participation in the State Medicaid Program Title XIX of the Social Security Act, as amended, and Medicare Program Title XVIII of the Social Security Act, as amended.

(vi) Perform all other activities related to the establishment and operation of the Facility as a fully licensed, certified, and functioning free standing skilled nursing facility.

(vii) Be responsible for purchase of supplies, equipment, maintaining supply agreements or purchase contracts, implement repairs and continued maintenance of Facility equipment and buildings and conduct periodic on-site inspections of the Facility, announced and unannounced, to ensure the physical plant and grounds are in satisfactory repair and condition.

(viii) Maintain a set and system of accounting books and records used in the operation of the Facility at Operator's expense. Such books and records shall be maintained on the basis of a December 31st calendar year or other such fiscal year elected by the Operator with written notice to Owner and shall permit Owner or any of its agents (upon reasonable prior notice to Operator), representatives or lenders to have access to and to examine and copy or make abstracts of all such books and records at any time or times hereafter during normal business hours. In addition, Operator shall provide to Owner an income statement, balance sheet, cash flow statement and census trend report on a monthly basis in form and content satisfactory to Owner in Owner's reasonable discretion.

(ix) Maintain, at Operator's expense, the overall management and operational responsibility of the Facility ensuring the Facility is efficient and effective and operated in good standing with CDPH. This includes responsibility for hiring and maintaining staff and professional consultants, billing for services and all other operational activities as required.

(x) Maintain material compliance with all federal, state, and local licensing and other laws and regulations applicable to the operation of a licensed nursing facility at the SNF Premises as well as with the certification requirements of Medicare and Medicaid (or any successor program), as applicable. Further, Operator shall ensure that the SNF Premises continues to be operated as skilled nursing facility licensed for no fewer beds than as shown on Exhibit A-1, all without any suspension, revocation, decertification or other limitation. Operator shall maintain all necessary permits, licenses and approvals for the operation of the Facility.

(xi) The matters set forth above are not intended to be limitations upon the management or operation activities, but are set forth to specify the general nature of the rights and responsibilities of the Parties.

11. Continuous Use. Operator shall, at Operator's expense, continuously use and occupy and operate the SNF Premises during the Term as a nursing facility licensed for not less than the number of beds listed on Exhibit A-1 and for ancillary services relating thereto, but for no other purpose. Notwithstanding the foregoing, Operator may temporarily interrupt the continuous operation of all or a portion of the Facility (i) for purposes of restoration following a casualty; (ii) for a reasonable period of time to complete refurbishment work approved by Owner; (iii) to, as reasonably necessary, construct alterations or improvements or to perform maintenance, repair, and replacement as may be required or permitted under this Lease. In the event Operator fails to perform its obligation, Owner shall be entitled to (a) injunctive relief requiring Operator to occupy the Premises and operate as hereinabove provided and/or (b) at Owner's election to immediately possess the SNF Premises for the purpose of commencing reletting efforts or other operational efforts without prejudice in each instance to Owner's right to damages and other remedies as set forth herein or available under applicable law.

12. Repairs and Replacements. Operator agrees, at its own cost and expense, to keep and maintain each and every part of the Facility both structural and non-structural and the equipment and furnishings on the SNF Premises, (including the roof, walls, electrical systems and all plumbing) in at least as good repair as when the premises were received, ordinary wear and tear and casualties beyond Operator's control alone excepted and to be responsible for the maintenance and normal operating condition of all heating, electrical and air conditioning equipment and plumbing on the SNF Premises at its own cost and expense. Operator shall return the SNF Premises at the expiration or termination of this Agreement in good order and condition, excepting only ordinary wear and tear and casualties beyond Operator's control. Further, Operator shall promptly make or cause to be made all repairs, interior and exterior, structural, and nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary to keep the SNF Premises in good and lawful order and condition, normal wear and tear excepted, and in substantial compliance with all applicable local, state and federal laws and licensing requirements. Operator shall also replace any worn out equipment located at the Facility in accordance with practices which are reasonable or customary in the operation of nursing homes. Provided, however, in the event Operator does not wish to remain in possession of any such worn out equipment which is not needed in connection with the operation of the SNF Premises, in lieu of replacing or retaining at the SNF Premises, Operator may return to Owner, or, at Owner's discretion, discard the same. Commencing with month thirteen (13) of the Lease Term, Operator shall spend at least Thirteen Thousand and No/100 Dollars ($13,000/year ($500.00/bed)) on capital improvements to the Facility, and submit all such documentation to Owner on a bi-annual basis on June 30 and December 31st of each year. In the event for any calendar year Operator fails to provide adequate documentation of expenditures of at least Thirteen Thousand and No/100 Dollars ($13,000.00) during such year, then Operator shall pay the shortfall to Owner as additional rent with the documentation that is due on December 31st of such year. All such capital expenditures shall become the property of Owner and shall remain with the Facility at the expiration of the Term. All such capital expenditures shall become the property of Owner and shall remain with the Facility at the expiration of the Term.

13. Operator Liens. Operator may secure a working capital line of credit from a third party lender collateralized by facility accounts receivable and accounts receivable related collateral as more fully described in such working capital lender loan documents and UCC-1 financing statements. Owner agrees to subordinate any interest it may now or in the future have in such collateral and further agrees to reasonably cooperate with Operator and Operator's lender,

including, but not limited to, executing applicable legal documents that are customary in such transactions. Upon Owner's request, Operator agrees to cause the accounts receivable lender to execute a customary Intercreditor Agreement with respect to any liens granted in connection with such financing. For the avoidance of doubt, the collateral for the accounts receivable loan shall only consist of that property owned solely by Operator and Owner is not subordinating its interest in any property owned solely by Owner.

14. Alterations. Operator shall have the right and privilege to make, at Operator's expense, ordinary repairs, and alterations to the SNF Premises; provided, however, no alterations or changes of a structural nature exceeding One Hundred Thousand Dollars ($100,000.00) shall be made without the prior written consent of Owner.

15. Fixtures/Equipment. All equipment, furnishings, or trade fixtures installed by Operator or acquired by Operator independently of this Agreement which are not replacements of equipment, furnishings, or trade fixtures of Owner shall remain Operator's property and may be removed by Operator at the expiration of this Agreement; provided, however, Operator shall restore the SNF Premises and repair any damage thereto caused by such removal.

16. Untenantability. Should the improvements on the SNF Premises be rendered unfit for occupancy for the purposes for which they are hereby let, by reason of fire, windstorm or other act of nature or unavoidable casualty, the rentals hereinabove stipulated to be paid by Operator, or such proportion thereof as is related to that portion of the improvements on the Premises rendered untenantable by reason of such damage, shall continue and not be remitted or abated, the parties recognizing that Operator shall purchase and obtain Business Interruption Insurance under Section 22 of this Lease and Operator shall, subject to the provisions of Section 12, repair, reconstruct, and replace such affected improvements, provided, however, Owner may, upon the occurrence of any such casualty, elect to terminate this Agreement if the cost of replacing or repairing the improvements so damaged upon the SNF Premises equals or exceeds fifty percent (50%) of the appraised property value prior to such damage. Owner shall in no way be liable or responsible for any damage to any property of Operator in or about the SNF Premises by reason of flood, water, fire, windstorm or other casualty or act of nature.

17. Representations and Warranties of Owner. Owner hereby warrants and covenants with and unto Operator as follows:

(a) Title. That it has (or at the Commencement Date will have) an absolute and indefeasible title to the SNF Premises now and continuing during the Term, subject to the recitals and restrictions and covenants of record as of the first day of the Term, and that Owner will, during the Term, defend the same and hold harmless Operator against the lawful claims of any and all persons whomsoever but excepting any claims caused by or relating to actions of Operator.

(b) Encumbrances. Owner shall continue to satisfy all of its financial obligations that have or could give rise to encumbrances on the SNF Premises, including, but not limited to, existing mortgages, notes and similar obligations, provided that the Operator shall be responsible for all financial obligations or encumbrances arising from or relating to Operator or its operations on the SNF Premises.

(c) Lease. There is no lease affecting the SNF Premises that Owner does not have the power to terminate on or before the Effective Date.

(d) Authorization. Owner has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Owner.

(e) No Conflicts. Neither the execution and delivery of this Agreement by Owner, nor the consummation by Owner of the transactions contemplated hereby, conflict with or will result in a breach or default under any agreement or obligation, or known potential litigation or liability, to which Owner is a party or is otherwise bound or subject.

(f) No Consent. No consent or approval of any third party is required in connection with the execution and delivery of this Agreement by Owner or the consummation by Owner of the transactions contemplated hereby, other than governmental licenses required for the operation of the Facility.

(g) Compliance With Laws. Owner hereby represents and warrants to Operator that the SNF Premises and all parts thereof are currently in material compliance with all applicable codes, laws, regulations, and ordinances of all county and municipal authorities.

(h) Binding Effect. This Agreement has been duly executed and delivered by Owner and constitutes the legal, valid, and binding obligation of Owner, enforceable against Owner in accordance with its terms.

(i) Broker or Finder. Neither party has had any dealings with any broker, finder, or other party concerning this Agreement and each agree to indemnify and hold the other harmless from all loss, costs, damage, or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any broker, finder or other party.

(j) Disclosure. Owner has no knowledge of any untrue statement of material fact or the omission or failure to state a fact necessary to make the statements contained herein not misleading.

(l) Non-SNF Premises. Owner owns the Non-SNF Premises and operates the assisted living and memory care units (which is housed in a building physically connected to the Facility). Owner agrees to provide Operator with access in and to the Facility as well as an easements or licenses necessary for Operator's access to and lawful operation of the Facility.

(m) Parking. The parking spaces (including the handicap spaces) located underground below the Facility are included in the SNF Premises and leased to Operator on a non-exclusive basis (i.e, shared with the Non-SNF Premises) pursuant to this Lease. Owner certifies that the parking spaces included in the Lease are ample for Facility employees and visitors.

18. Representations and Warranties of Operator. Operator hereby warrants and covenants with and unto Owner as follows:

(a) Status. Operator shall, as soon as is reasonable, procure all requisite authority to do business in California as a skilled nursing facility operator and shall maintain this status during the Term.

(b) Authorization. Operator has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Operator.

(c) No Conflicts. Neither the execution and delivery of this Agreement by Operator, nor the consummation by Operator of the transactions contemplated hereby, conflict with or result in a breach or default under agreement or obligation, or known potential litigation or liability, to which Operator is a party or is otherwise bound or subject.

(d) No Consent. Other than the licensure approval issued by CDPH, no consent or approval of any third party is required in connection with the execution and delivery of this Agreement by Operator or the consummation by Operator of the transactions contemplated hereby.

(e) Binding Effect. This Agreement has been duly executed and delivered by Operator and constitutes the legal, valid, and binding obligation of Operator, enforceable against Operator in accordance with its terms.

(f) Broker or Finder. Operator is not obligated to any broker or finder, and has not incurred any liability for any brokerage fee or commission, in connection with the transactions contemplated in this Agreement.

(g) Disclosure. Operator has no knowledge of any untrue statement of material fact contained in the Agreement or the omission or failure to state a fact necessary to make the statements contained in this Agreement not misleading.

(h) Compliance With Laws by Operator. During the Term and any renewal or extension term, Operator shall, at its sole cost and expense, comply with (and shall be liable for violations and cure of) all local legal requirements relating to the physical condition of all parts of the SNF Premises. Operator shall not commit any act or omission that would in any way violate a certificate of occupancy affecting the SNF Premises.

19. Owner May Grant Liens. Owner may, from time to time, directly or indirectly, create or otherwise cause to exist any lien, encumbrance, or title retention agreement ("Encumbrance") upon the SNF Premises, or any portion thereof or interest therein (including this Agreement), whether to secure any borrowing or other means of financing or refinancing or otherwise. At the request of any party, Owner, Operator, and any lien holder agree to execute a subordination, non-disturbance and attornment agreement in form and substance reasonably acceptable to Owner and Operator (the "SNDA"). Any such Encumbrance shall provide that it is subject to the rights of Operator under this Agreement, and shall further provide that so long as no Default (as such term is defined in Section 28) shall have occurred under this Agreement, Operator's occupancy

hereunder, including, but without limitation, Operator's right of quiet enjoyment provided herein, shall not be disturbed in the event any such lienholder or any other person takes possession of the SNF Premises through foreclosure proceeding or otherwise. Upon the request of Owner, Operator shall subordinate this Agreement to the lien of a new Encumbrance on the SNF Premises, on the condition that the proposed lender agrees not to disturb Operator's rights under this Agreement so long as Operator is not in Default hereunder.

20. Conveyance by Owner. If Owner or any successor owner of the SNF Premises shall convey all or any portion of the SNF Premises, Owner or such successor owner shall thereupon be released from all future liabilities and obligations of Owner under this Agreement arising or accruing from and after the date of such conveyance or other transfer as to all or any portion of the SNF Premises conveyed, and all such future liabilities and obligations shall thereupon be binding upon the new owner.

21. Conduct of Business and Uses. The SNF Premises are leased to Operator for the purpose of operating the Facility as a skilled nursing facility and Operator covenants and agrees with and unto Owner that the SNF Premises will be used only for such purpose, except with the prior written consent of Owner. Operator covenants and agrees that Operator will not do or permit to be done anything in, upon, or about the SNF Premises that increases the hazard of fire beyond that which are reasonable and customary of the SNF Premises for Operator's stated purpose. Operator will not do or permit to be done anything within Operator's control which would make the SNF Premises, or the improvements thereon, uninsurable in whole or in part. Operator agrees that Operator will neither commit waste nor permit waste to be committed or done upon the SNF Premises.

22. Insurance.

(a) Fire and Extended Coverage. Operator shall keep the SNF Premises insured against loss or damage from all causes under standard "all risk" property insurance coverage, without exclusion for fire, lightning, windstorm, explosion, smoke damage, vehicle damage, sprinkler leakage, flood, vandalism, malicious mischief or any other risks as are normally covered under an extended coverage endorsement, in the amounts that are not less than the full insurable value of the SNF Premises including all equipment and personal property used in the operation of the SNF Premises. The term "full insurable value" as used in this Lease shall mean the actual replacement value of the SNF Premises (including all improvements) and every portion thereof, including the cost of compliance with changes in zoning and building codes and other laws and regulations, demolition and debris removal and increased cost of construction.

(b) Professional and Contractual Liability Insurance. Operator shall procure and maintain at all times during the Term, at its sole expense, such insurance against liability imposed by law in such amounts and with such companies as are reasonable and customary with respect to similar long-term care facilities located in California. Such insurance shall include coverage for contractual and negligence liability of Operator for damages on account of professional services rendered or which should have been rendered by Operator or any person for which Operator is legally liable, on account of injury, sickness, or disease, including death at any time resulting therefrom, and including damages allowed for loss of

service. Operator shall cause Owner and Owner's affiliated senior housing management entities to be named as additional insureds under all liability policies required hereunder.

(c) General Liability. Operator shall procure and maintain at all times during the Term, at its sole expense, commercial general public liability insurance coverage (including products liability, contractual liability and broad form coverage) against claims for bodily injury, death, or property damage occurring on, in, or about the SNF Premises and the adjoining sidewalks and passageways, which will indemnify Owner and Operator against liability for loss, damage, or injury to property or person. The amount of such liability insurance shall be at least $500,000.00 per occurrence, and $1,000,000.00 in the aggregate or such lesser amount as Owner in Owner's discretion may accept.

(d) Boiler Insurance. If applicable, Operator shall maintain boiler and pressure vessel insurance, including an endorsement for boiler business interruption insurance, on any fixtures or equipment which are capable of bursting or exploding, in an amount not less than Five Hundred Thousand Dollars ($500,000.00) for damage to property, bodily injury or death resulting from such perils.

(e) Business Interruption Insurance. Operator shall maintain, at its expense, business interruption and extra expense insurance insuring against loss of rental value for a period not less than one (1) year.

(f) General Insurance Requirements.

(i) If Operator fails to procure or maintain any insurance required hereunder, after written notice by Owner to Operator and ten (10) business days opportunity to cure, Owner may procure or maintain any such insurance and charge Operator with the expense thereof, plus two percent (2%), as additional rent. Operator shall be solely responsible for maintaining insurance on Operator's products, inventory, business equipment, furniture, files and other property of Operator kept in, on or about the SNF Premises and Owner shall not be responsible for any damages whatsoever occurring to Operator's property.

(ii) All insurance provided for in this Lease shall be maintained under valid and enforceable policies issued by insurers of recognized responsibility, which are acceptable to Owner in its reasonable discretion. Any and all policies of insurance required under this Lease shall name the Owner as an additional insured. In addition, Owner shall be shown as the loss payable beneficiary under the casualty insurance policy maintained by Operator pursuant to this Section 22. Original policies or satisfactory certificates from the insurers evidencing the existence of all policies of insurance required by this Lease and showing the interest of the Owner shall be provided to Owner prior to the commencement of the Term and shall provide that the subject policy may not be canceled except upon not less than ten (10) days prior written notice to Owner. If Owner is provided with a certificate, upon Owner's request Operator shall provide Owner with a complete copy of the insurance policy evidenced by such certificate within thirty (30) days of the commencement of the Term. Renewal policies or certificates therefor from the insurers evidencing the existence thereof shall be provided to Owner not less than ten (10) days prior to

the expiration dates of the policies. If Owner is provided with a certificate for a renewal policy, upon Owner's request Operator shall deliver a copy of the complete renewal policy to Owner within thirty (30) days of the expiration of the replaced policy. Any claims under any policies of insurance described in this Lease shall be adjudicated by and at the expense of Operator or of its insurance carrier, but shall be subject to joint control of Operator and Owner. Operator shall comply with the reasonable requirements of a mortgagee, if any, with respect to naming the mortgagee as additional insured or loss payee.

23. No Liens, Permitted Contests. Operator shall not cause or permit any liens, levies or attachments to be placed or assessed against the SNF Premises or the operation thereof for any reason except as permitted in Section 13 hereof. However, Operator shall be permitted in good faith and at its expense to contest the existence, amount, or validity of any lien upon the SNF Premises by appropriate proceedings sufficient to prevent the collection or other realization of the lien or claim so contested, as well as the sale, forfeiture, or loss of any of the SNF Premises or any rent to satisfy the same. Operator shall provide Owner with security satisfactory to Owner in Owner's reasonable judgment to assure the foregoing. Each contest permitted by this Section 23 shall be promptly and diligently prosecuted to a final conclusion by Operator.

24. Financial Statements. Within thirty (30) days of the end of each quarter during the term of this Lease, Operator shall deliver to Owner the financial and operating statements of Operator (including income statement, balance sheet, census report and other such reports reasonably requested by Owner), which statements do not have to be audited but may be internally prepared by Operator. The financial and operating statements of Operator shall be certified as true, correct, and accurate by an officer of Operator. Operator shall provide such additional and further financial information as may be reasonably requested by Owner from time to time.

25. Workers Compensation/Employment Taxes. Operator shall comply with all legal requirements regarding worker's compensation, including any requirement to maintain worker's compensation insurance against claims for injuries sustained by Operator's employees in the course of their employment.

26. Confidential Information. For the purposes of this Agreement, the term "Confidential Information" shall include the following:

(a) All documents and other materials, including but not limited to memoranda, manuals, handbooks, electronic data and media, product books and audio or visual recordings, which are developed by Operator or the Owner and contain written information relating to the Facility operation.

(b) All methods, techniques and procedures developed by Operator and utilized in providing long-term nursing and rehabilitation care and treatment to patients at the Facility, which are not readily available through sources in the public domain.

(c) The Parties agree and acknowledge that the Confidential Information is disclosed to it in confidence and with the understanding that it constitutes valuable business information developed by Operator or the Owner, at great expenditure of time, effort and money. The Parties agree to not, without the prior written consent of the other, except as

required by law, use Confidential Information for any purpose other than the performance of this Agreement. The Parties further agree to keep strictly confidential all Confidential Information and not disclose or reveal such information to any third party without prior written consent of the other, except as required by law.

(d) Unless otherwise required by law or court order, the Parties shall not disclose information relating to the operation of the Facility to any third party. Operator and Owner shall protect the confidentiality of patient information maintained at the Facility and will comply with applicable state and federal laws and all policies and procedures concerning the release of information about patients.

Notwithstanding any other provision of this Section 26, Operator agrees that any information furnished by Operator to Owner under this Lease may be furnished to Owner's lender pursuant to Owner's mortgage financing on the SNF Premises and that such disclosure shall not violate the provisions of this Section 26.

27. Indemnification.

(a) By Operator: Subject in all respects to Section 30 hereof, to the fullest extent permitted by law, Operator agrees to protect, indemnify, defend and save harmless Owner, its directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on account of any action (or failure to act) of Operator arising out of or in connection with this Lease (including, without limitation, the breach by Operator of any of its obligations hereunder), or (ii) relating in any manner to the operations of Operator on or relating to the Facility or SNF Premises. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Owner believes is covered by this indemnity, Owner shall give Operator written notice of the matter. Operator shall defend Owner against such matters that are covered by this indemnity at Operator's sole cost and expense (including, without limitation, Owner's reasonable attorneys' fees and costs) with legal counsel reasonably satisfactory to Owner. Owner may elect to defend the matter with its own counsel at Owner's expense.

(b) By Owner. Subject in all respects to Section 30 hereof, to the fullest extent permitted by law, Owner agrees to protect, indemnify, defend and save harmless Operator, its directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on account of any action (or failure to act) of Owner arising out of or in connection with this Lease (including, without limitation, the breach by Owner of any of its obligations hereunder), or (ii) relating in any manner to the operations of Owner, its affiliates, or a prior tenant on or relating to the SNF Premises or the Non-SNF Premises, including specifically any fines, penalties, fees and/or other liabilities issued by the CDPH, the Centers for Medicare and Medicare, HCAI or any other governmental agency having jurisdiction over the SNF Premises, Owner, or its affiliate that

operated the SNF Premises prior to the Commencement Date hereof; or (iii) relating in any manner to the operation of the Facility or Non-SNF Premises by Owner or its affiliates or the provision of those certain shared services under the Shared Services Agreement. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Operator believes is covered by this indemnity, Operator shall give Owner written notice of the matter. Owner shall defend Operator against such matters that are covered by this indemnity at Owner's sole cost and expense (including, without limitation, Operator's reasonable attorneys' fees and costs) with legal counsel satisfactory to Operator. Operator may elect to defend the matter with its own counsel at Owner's expense.

(c) The provisions of this Paragraph 27 shall survive the termination of this Agreement.

28. Default. In the event either party fails to perform any material obligations under this Agreement and such failure continues for a period of five (5) days (following any applicable grace period) in connection with a payment default or thirty (30) days with respect to any other default after written notice is given by the other party which sets forth the nature of the default, such party shall be deemed to be in "Default" and any applicable remedies thereon shall be available to such other party; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within such thirty (30) day period, the defaulting party shall not be deemed to be in Default if it, within such thirty (30) day period, commences cure of such Default and thereafter diligently pursues the same to completion within a reasonable time. In addition to the foregoing, the Operator and Owner agree that the following shall constitute a Default by Operator under this Agreement and Operator shall have no cure period with respect thereto:

(a) If Operator has its license to operate the Facility as a provider of nursing home services suspended or revoked by final non-appealable order, determination or judgment by the applicable governmental agencies having jurisdiction over the Facility;

(b) If Operator fails to cure or fails to make diligent efforts to cure, in accordance with applicable law and related time frames, any deficiency required to be corrected as cited by regulatory or licensing agency (delays in acceptance of any plan of correction by any regulatory or licensing agency which are not the fault of Operator shall not constitute a Default hereunder);

(c) If Operator is terminated as a provider of nursing services in the Medicare or Medicaid programs for the Facility by final non-appealable order, determination or judgment by the applicable governmental agencies having jurisdiction over the Facility;

(d) If Operator or any of its respective members, managers, directors or officers is criminally convicted under any law that would lead to a forfeiture of any of the licenses necessary for the operation of the Facility as a skilled nursing facility or ancillary uses or to disqualification under any government provider agreement or program;

(e) If any insurance required hereunder is terminated or lapsed without an acceptable replacement coverage and notice thereof being provided to Owner;

(f) If the Operator files for voluntary petition in bankruptcy court or other insolvency, dissolution or reorganization proceedings commence against Operator; and/or

(g) If the Operator is in default beyond any cure period under the SSA.

(h) If the Operator is in default beyond any cure period under that certain *Lease and Operational Control Agreement* and related *Shared Services Agreement* between 3747 Atlantic Ave. SNF, LLC, a California limited liability company, as Operator, and Pacific Grove Senior Living LLC, a California limited liability company, as Owner, for the skilled nursing component of the senior housing facility commonly known as "Bixby Knowles Towers" and located at 3747 and 3737 Atlantic Ave. Long Beach, CA 90807.

29. Remedies Upon Default. In the event of a Default by Operator, Owner shall be entitled to all rights and remedies available under applicable law. Without limiting the foregoing, Owner may, at its option, declare this Agreement terminated, but in all cases, whether or not Owner declares the lease terminated, shall have the right to enter upon and take possession of the Premises, without notice, and to evict and expel Operator and any or all of Operator's property, belongings and effects therefrom, without legal process and without thereby being guilty of any manner of trespass, which remedy is in addition to any other remedies of Owner, including, without limitation, the collection of delinquent rents, possession of the SNF Premises, damages for breach of this Agreement by Operator or otherwise. No delay in or failure to exercise any of the options herein granted to Owner by reason of a default shall be a waiver thereof, and the waiver on one (1) occasion of a default shall not be deemed a waiver of Owner's right to exercise its remedies by reason of the same or a similar default at any later occasion.

In the event of a breach by Operator of any of its obligations under this Lease, Owner shall also have the right of injunction.

Suit or suits for the recovery of such damages, or any installments thereof, may be brought by Owner from time to time at its election, and nothing contained herein shall be deemed to required Owner to postpone suit until the date when the term of this Lease would have expired if it had not been so terminated under the provisions of this Section, or under any provision of law, or had Owner not reentered the SNF Premises.

Nothing contained in this Section 29 shall be construed to limit or preclude recovery by Owner against Operator of any sums or damages or remedies to which, in addition to or in lieu of the damages particularly provided above, Owner may lawfully be entitled by reason of any default hereunder on the part of the Operator. Nothing herein contained shall be construed to limit or prejudice the right of Owner to prove for and obtain as damages by reason of the termination of this Lease or reentry on the SNF Premises for the default of the Operator under this Lease an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved whether or not this Lease has been terminated or Owner has re-entered the SNF Premises. Provided, however, nothing herein contained shall relieve Owner of a duty to mitigate damages by making reasonable efforts to relet the SNF Premises at a fair market rate in an arms length transaction.

Operator acknowledges that one of the rights and remedies available to Owner under applicable law is to apply to a court of competent jurisdiction for the appointment of a receiver to take possession of the SNF Premises, to collect the rents, issues, profits and income of the SNF Premises and to manage the operation of the SNF Premises. Operator further acknowledges that the triggering of a Default pursuant to Sections 28(a) or (c) above will materially and irreparably impair the value of Owner's investment in the SNF Premises. Therefore, in any of such events, and in addition to any other right or remedy of Owner under this Lease, Owner may petition any appropriate

court for, and Operator hereby consents to, the appointment of a receiver to take possession of the SNF Premises, to manage the operation of the SNF Premises and the Facility, to collect and disburse all rents, issues, profits and income generated thereby and to preserve or replace to the extent possible any such license and provider certification for the SNF Premises and the Facility or to otherwise substitute the licensee or provider thereof. The receiver shall be entitled to a reasonable fee for its services as a receiver. Operator hereby irrevocably stipulates to the appointment of a receiver under such circumstances and for such purposes and agrees not to contest such appointment.

30. Waiver of Subrogation. Owner and Operator hereby waive any right of subrogation and right or recovery or cause of action for injury or lawsuit to the extent that such injury or loss is covered by fire, extended coverage, "all risk" or similar policies covering real property or personal property required to be obtained and maintained under this Lease (or which would have been covered if the party claiming such right of subrogation or recovery or cause of action had carried the insurance required by this Lease) or covered by any other insurance maintained by the waiving party. Written notice of the terms of the above mutual waiver shall be given to the insurance carriers of Owner and Operator, and the Parties' insurance policies shall be properly endorsed, if necessary, to prevent the invalidation of the policies by reason of such waivers.

31. Assignment and Subletting. Operator shall not assign this Agreement, without the prior consent in writing of Owner which may be withheld or conditioned in Owner's reasonable discretion. Additionally, Operator shall not sublet the SNF Premises or any part thereof, without the prior written consent of Owner, which consent shall not be unreasonably withheld or denied, provided that Owner is afforded the opportunity to review the financials of such proposed subtenant and the terms and conditions of the proposed sublease agreement for the SNF Premises. The consent by Owner to a particular assignment or subletting shall not be construed to relieve Operator from the obligation to obtain the consent in writing of Owner on any other or future assignment or subletting. Any change in the majority ownership of the Operator shall constitute an assignment for purposes of this Agreement; except that the foregoing shall not apply to (i) a transfer of an ownership interest in Operator to a relative of a member of Operator for estate planning purposes; (ii) if, after effectuating the change, there is no change in the voting or operational control of Operator; or (iii) in connection with a capital transaction involving a new equity partner at the parent level of Operator. Notwithstanding the foregoing, Operator may, without Owner's prior written consent, assign this Lease or sublease the Facility to a person wholly owned and controlled by Operator. Owner may assign this lease without the prior written consent of Lessee and will provide Operator with ninety (90) days advance written notice of such assignment.

32. Condemnation. In the event all or any part of the SNF Premises should be subjected to eminent domain proceedings, and a portion of the SNF Premises shall be condemned so as to render the residue inadequate for Operator's purposes as herein set forth, Operator shall have the option to terminate and cancel this Agreement by giving written notice to Owner. If any such taking shall not render the residue of the SNF Premises wholly inadequate for Operator's purposes as herein set forth, Operator's rent payments hereunder shall be reduced and abated in proportion to the number of licensed beds lost at the Facility due to such taking, by multiplying the then current rent (as of the date of such taking) by a fraction, the numerator of which is the number of licensed beds located at the Facility after such taking, and the denominator of which is the number of licensed beds located at the Facility immediately prior to such taking. In any such condemnation proceedings, all damages allocable to full fee simple ownership of the SNF Premises shall be payable to Owner, and any damages for loss of leasehold interest, including the unamortized portion

of the value involved in such condemnation of any non-removable fixture placed on the SNF Premises by Operator shall be payable to Operator provided such payment to Operator does not reduce the amount payable to Owner as compensation for the fee simple ownership interest alone.

33. Surrender of Possession. At the end of the Term, or upon earlier termination by Owner in accordance with the options herein reserved, Operator agrees to surrender possession of the SNF Premises without demand. Should Operator fail so to do, Operator shall be responsible in addition to the damages generally recoverable by Owner by reason of any breach by Operator, for all damages Owner may sustain, including claims made by any succeeding operator against Owner which are founded upon delay or failure in delivering possession of the SNF Premises to such succeeding operator. Operator hereby waives any and all notice to which it may otherwise be entitled under the laws of the State of California as a prerequisite to a suit against Operator for the unlawful detention of the SNF Premises.

34. Termination. In addition to, and not in lieu of, any other means of termination described herein, this Agreement may be terminated prior to the expiration of the Term as follows:

(a) Consent. This Agreement may be terminated without cause and without penalty upon the written mutual consent of both Parties.

(b) Intentionally Omitted.

35. Relationship of the Parties.

(a) Generally. It is understood and agreed, and the Parties hereby declare that their relationship is that of Owner and Operator only, and nothing contained herein shall be deemed or construed by the Parties, or by any third party, to create the relationship of principal and agent or partnership or joint venture between the Parties.

(b) Independent Contractor. The Parties acknowledge and agree that the relationship created between them with respect to the operation of the subject long-term care facility is that of independent contractor. Nothing contained herein shall be deemed or construed by the Parties otherwise. It is expressly understood that each of the Parties hereto shall be responsible for its own employees and shall make no claims to the other for work and vacation pay, sick leave, retirement benefits, social security, worker's compensation, disability or unemployment insurance benefits or employee benefits of any kind. Nothing contained herein shall create any equity interest in the Facility on the part of Operator, except for the leasehold interests granted herein. In the absence of express authorization of the other party, neither party shall enjoy the use of any trademark, trade secrets, trade name, service mark, property information, or any other intangible property belonging to the other party. Nothing in this Agreement shall be construed to confer upon either party any authority express or implied, to bind or commit the other party to any third party in any way.

36. No Fraud or Abuse. Owner and Operator acknowledge that the terms and conditions of this Lease are based on fair market value, and that neither party, during the negotiation of this Lease, has engaged knowingly or willfully in any activities which are prohibited under federal Medicare and Medicaid statutes, including, without limitation, 42 U.S.C. §1320-7b and 42 U.S.C. §1395nn or similar state or local statutes or regulations, or which otherwise constitutes fraud, including, without limitation, knowingly or willfully soliciting or receiving any remuneration

(including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (i) in return for referring an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medicaid, or (ii) in return for purchasing, leasing, or ordering or arranging for or recommending purchasing, leasing, or ordering any good, facility, service, or item for which payment may be made in whole or in part by Medicare or Medicaid.

37. Provisions on Termination of Term.

(a) Intentionally Omitted.

(b) Removal of Personal Property. If Operator is not then in Default hereunder Operator shall have the right in connection with the surrender of the SNF Premises to remove from the SNF Premises all personal property of Operator ("**Operator Personal Property**") but not any personal property located at the Facility that existed on the effective date of this Lease or personal property of Owner which was replaced by Operator or any personal property required by the State of California or any other governmental entity to operate the SNF Premises as a skilled nursing facility in a manner consistent with the operation of the Facility on the date hereof. Any such removal shall be done in a workmanlike manner leaving the SNF Premises in good and presentable condition and appearance, including repair of any damage caused by such removal. At the end of the Term or upon the earlier termination of this Lease or upon Owner taking possession of the SNF Premises under Section 33, Operator shall return the SNF Premises to Owner with the personal property required to be returned hereunder (or replacements thereof) in the same condition and utility as was delivered to Operator at the commencement of the Term, ordinary wear and tear excepted.

(c) Title to Personal Property Not Removed. Any Operator Personal Property which is not removed by Operator upon the expiration of the Term shall, at Owner's election, vest in Owner, provided, however, Owner may remove and dispose at Operator's expense any or all of Operator Personal Property which is not so removed by Operator without obligation or accounting to the Operator.

(d) Management of Premises. Upon the expiration or earlier termination of the Term, or upon Owner taking possession of the SNF Premises under Section 33, Owner or its designee, upon written notice to Operator, may elect to assume the responsibilities and obligations for the management and operation of the SNF Premises and Operator agrees to cooperate with Owner or its designee to accomplish the transfer of such management and operation without interrupting the operation of the SNF Premises. Operator shall not commit any act or fail to act so as to jeopardize any licensure or certification of the Facility, and Operator shall comply with all reasonable requests for an orderly transfer of the nursing facility license, Medicare and Medicaid (or any successor program) certifications and possession of the Facility at the time of any such surrender. However, Operator shall not be obligated to permit a successor operator (if such successor operator is not taking over due to a Lease termination due solely to a Default) or manager to utilize Operator's CDPH license, Medicare or Medicaid provider numbers or agreements should Operator anticipate that allowing such arrangement could potentially cause harm to Operator's reputation or good standing with CDPH, Medicare, Medicaid or such similar successor reimbursement programs.

(e) If this Lease is terminated by reason of Default by Operator, or upon the expiration of the Term, or upon Owner taking possession of the SNF Premises under Section 33, then, and in any of such events, Operator, upon Owner's written request, shall to the greatest extent permitted by law, transfer to Owner or its assigns, the following: (i) all federal, state or municipal certificates, licenses and permits which relate to the operation of the Facility; and (ii) all rights attendant to the name of the Facility as then known to the general public (excluding however, any rights to use Operator's corporate name "551 Gibson Ave. SNF" or any derivations thereof) and (iii) at Owner's option, any provider agreements relating to the Facility (or allow Owner, at its option, to assume such agreements). In the event Operator fails or refuses to transfer any such certificate, license, permit or trade name, or other items then this provision shall constitute an act of assignment by Operator to Owner or its assigns without the necessity of any further written instrument and Owner hereby grants to Operator an irrevocable power of attorney and appoints Owner its true and lawful attorney by this instrument, said appointment being coupled with an interest, to sign such documents and take such action in Operator's name to accomplish the actions contemplated by this Section 37.

(f) Operator shall execute any and all documents reasonably requested by Owner in order to effectuate the provisions of this Section 37.

38. Miscellaneous Provisions.

(a) Binding Effect. This Agreement shall inure to the benefit of and be binding upon the Parties hereto, their respective successors, legal representatives, and assigns, except as expressly limited otherwise herein.

(b) Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered, sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

Pacific Grove Senior Living LLC:

Pacific Grove Senior Living LLC
Address: 1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Telephone: 619-296-9000

Facsimile: 619-296-9090
Email: disrani@pacificacompanies.com

with a copy to:

Thomas P. Sayer, Jr., Esq.
Address: 9984 Scripps Ranch Blvd. #284
San Diego, CA 92131
Telephone: 858-335-9590
Facsimile: 619-296-9090
Email: tsayer1@gmail.com

Operator:

551 Gibson Ave. SNF, LLC
Address: 4747 Viewridge Avenue #105
San Diego, CA 92123
Attn: Richard Martin
Telephone: _____
Facsimile: _____
Email: ricky@buenavistahc.com

with a copy to:

Address: Sternshein Legal Group, LLP
5316 E. Chapman Avenue
Orange, CA 92869
Attn: Jennifer Sternshein

Telephone: (714) 242-3450
Facsimile: _____
Email: Jennifer@sternsheingroup.com

Telephone numbers are included above for informational purposes and to facilitate instances where this Lease expressly provides for non-written notice. Any written notice shall be deemed given upon receipt or documented refusal of delivery. Designations of address may be changed by written notice given in accordance with the foregoing.

(c) Intentionally Omitted.

(d) Partial Invalidity. If any provision of this Agreement or the application thereof to any person or event shall to any extent be held illegal, invalid or unenforceable, the remainder of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

(e) No Third Party Rights. Nothing in this Agreement shall be construed as creating or giving rise to any rights in any third parties or any persons other than the Parties hereto.

(f) Entire Agreement. This Agreement, including the Exhibits and Schedules hereto (if any), contains the entire agreement of all the Parties hereto, and no other oral or written agreement shall be binding upon the Parties hereto. This Agreement supersedes all prior agreements, contracts, and understandings of any kind between the Parties relating to the subject matter hereof.

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

(h) Amendments. This Agreement may be amended at any time by mutual agreement of the Parties without additional consideration, provided that before any amendment shall become effective, it shall be reduced to writing and signed by each of the Parties.

(i) Interpretation. Both Owner and Operator have had the opportunity to, or have been, represented by counsel and this Agreement has been freely and fairly negotiated. Consequently, all provisions of this Agreement shall be interpreted according to their fair meaning and shall not be strictly construed against any party.

(j) Governing Law. The validity, interpretation, and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to such state's conflict of laws provisions.

(k) Effective Date. This Lease shall become effective as of 12:01a.m. on the date that Owner acquires ownership of the Premises. Notwithstanding the foregoing, if CDPH fails to approve the change of ownership with respect to the license necessary to operate the Facility within one hundred eighty (180) days after execution of this Lease for any reason, either party shall then have the right to terminate this Lease at any time prior to the receipt of such license as long as the actions of such terminating party have not caused such delay. All inspection fees, costs and charges associated with a change of such licensure or certification shall be borne solely by Operator.

(l) Quiet Enjoyment. Operator shall, and may peacefully have, hold and enjoy the Premises, subject to the terms of this Lease, provided Operator pays the rent and fully performs all of its covenants and agreements. This covenant and all other covenants of Owner shall be binding upon Owner and its successors and assigns.

39. Intentionally Omitted.

40. Deposit. Operator agrees that a deposit in the total amount of Thirty-One Thousand Two Hundred and No/100 Dollars ($31,200.00) shall be paid in connection with this Agreement. Such deposit may be applied against any and all payments or obligations owed by Operator under this Agreement to Owner if Operator fails to pay such payments or comply with such obligations on or before the date on which such payments are due or the date on which such obligations are to be satisfied. The portion of deposit not so applied shall be returned to Operator within fifteen (15) days after the expiration or earlier termination of this Lease.

41. Owner's Security Interest. The Parties intend and agree that upon a Default, Owner will be entitled to exercise the remedies of a secured party under the UCC with respect to the Operator Personal Property so that Owner or its designee will be entitled to operate or re-let the SNF Premises intact for use as a Facility licensed for the applicable primary intended use.

42. Grant of Security Interest.

(i) To implement the intention of the Parties, and for the purpose of securing the payment and performance of the Operator's obligations under this Lease, Operator, as debtor, hereby assigns, delivers, sets over, transfers and grants to Owner, its successors and assigns, as secured party: a continuing first priority security interest in all of its right, title and interest, whether now owned or hereafter acquired, now existing or hereafter arising wherever located, in and to the Operator Personal Property and the proceeds thereof (collectively, the "Collateral"), to have and to hold same, unto Owner such transfer and assignment to automatically become a present unconditional assignment. Operator and shall sign and deliver to Owner, or if Operator's signature is not required, Operator hereby authorizes Owner to file in all governmental offices, one or more financing statements to perfect the interest granted by Operator to Owner hereunder. Owner shall have all rights and remedies available to a secured party under the Uniform Code, as amended from time to time. Operator acknowledges that Owner may assign its security interest in the Operator Property. This security agreement and the security interest herein shall survive the termination of this Lease if such termination results from the occurrence of a Default.

(ii) To further secure the payment and performance of Operator's obligations under this Lease, Operator, as debtor, hereby assigns and grants to Owner, as secured party, a security interest in and an express contractual lien upon, all of Operator's right, title and interest in and to any subleases and all of Operator's rights therein; provided that Owner's may exercise rights and remedies with respect to such assignment and grant only following a Default hereunder.

43. Lender Requirements. The SNF Premises are or will be initially subject to a secured loan and, thereafter, may be refinanced with one or more different lender(s). For so long as any such bank loan is outstanding, the following provisions shall apply to this Lease:

(i) [Bank] shall have the right to approve any proposed change in the terms of this Lease, with its approval not to be unreasonably withheld.

(ii) if and to the extent required by HUD, Operator will enter into a customary HUD skilled nursing regulatory agreement(s) on terms and conditions acceptable to HUD;

(iii) if and to the extent required by HUD, Operator and Operator's accounts receivable lender will enter into an intercreditor agreement in customary form as required by HUD;

(iv) As necessary, Operator’s accounts receivable lender and [Bank] shall enter into an intercreditor agreement in compliance with Section 13 hereof; and

(v) Owner, at [Bank]’s request and subject to Operator’s consent, shall be entitled to extend the term of this Lease to meet lender requirements.

(vi) reserves for insurance premiums and/or real estate taxes will be established if required by [Bank].

(vii) To the extent the insurance requirements in this Lease are materially different from the insurance requirements set forth in the [Bank] loan documents, Operator shall comply with the insurance requirements set forth in the [Bank] loan documents.

Furthermore, in the event the SNF Premises are refinanced with another lender, Operator shall reasonably cooperate in amending this Lease to accommodate any other requirements of Owner's future lenders, so long as such amendment does not degrade Operator's economic or operational rights as provided in the Lease prior to such amendment.

44. Conditions Precedent. Operator's obligation to consummate the transactions contemplated in this Agreement shall be subject to the following conditions precedent:

(i) Pacifica _____, LLC, a California limited liability company, and 3747 Atlantic Ave. SNF, LLC, a California limited liability company, shall have executed that certain Lease and Operational Control Agreement;

(ii) the execution of that certain Management Operations Transfer Agreement by and between Operator and California Nevada Methodist Homes dba Forest Hill Manor Health Center.

The remainder of this page intentionally left blank. Signature pages follow on the next page.

IN WITNESS WHEREOF, Owner and Operator have hereunto set their hands as of the date first above written.

Owner:

Pacific Grove Senior Living LLC, a California limited liability company

By: _____

Name: Deepak Israni
Title: General Manager

Operator:

551 GIBSON AVE. SNF, LLC, a California limited liability company

By: Executed In Counterpart

Name: Richard Martin
Title: Manager

IN WITNESS WHEREOF, Owner and Operator have hereunto set their hands as of the date first above written.

Owner:

Pacific Grove Senior Living LLC, a California limited liability company

By: Executed In Counterpart
Name: Deepak Israni
Title: General Manager

Operator:

551 GIBSON AVE. SNF, LLC, a California limited liability company

By: _____
Name: Richard Martin
Title: Manager

EXHIBIT A

EXHIBIT A-1

Description of Facility

OWNER	PROPERTY LOCATION	LICENSED BEDS
Pacific Grove Senior Living LLC, a California limited liability company	The skilled nursing component of that certain senior housing community consisting of 26 skilled nursing beds commonly known as "Forest Hill Retirement Community" and located at 551 Gibson Avenue, Pacific Grove, California 93950	26

EXHIBIT B

Shared Services Agreement

EXHIBIT C

(Operational Control Transfer and Assignment Agreement)

NOTICE OF CHANGE IN OPERATIONAL CONTROL

1. Effective _____, 2022, **551 Gibson Ave. SNF, LLC, a California limited liability company** will control operations of the 26-bed skilled nursing facility now controlled by _____, a _____ and licensed at:

551 Gibson Avenue, Pacific Grove, California 93950

2. _____, a _____, relinquished control of the operations of the above-referenced skilled nursing facility as of _____, 2022.

3. This Notice of Operational Control may be signed in counterparts.

The foregoing terms and conditions are hereby accepted and approved by the undersigned as of November __, 2022.

_____, a _____

By: _____
Name:
Title:

551 Gibson Ave. SNF, LLC, a California limited liability company

By: _____
Name: Richard Martin
Title: Manager

Executed Management Agreement between Lake Merritt Senior Living LLC (Owner) and Northstar Senior Living Inc. (Manager), dated February 25, 2022 for management of RCFE at Lake Park

MANAGEMENT AGREEMENT

This Management Agreement (this "**Agreement**") is made and entered into as of February 25, 2022 ("**Effective Date**") by and between Lake Merritt Senior Living LLC, a California limited liability company ("**Owner**"), and Northstar Senior Living Inc. ("**Manager**") with regard to the following facts and circumstances:

RECITALS

WHEREAS, Owner is under contract to acquire that certain continuing care retirement community including residential living, assisted living, and skilled nursing facilities located at 1850 Alice St., Oakland. CA 94612 currently known as Lake Park (the "**Property**") to be re-branded at a later date;

WHEREAS, the skilled nursing component to the Facility consists of that portion of the Property generally described as the low-rise building adjacent to southeasterly high-rise tower and identified with the arrow on the diagram attached hereto as Exhibit "A" and incorporated herein by this reference (the "**SNF Premises**");

WHEREAS, that portion of the Property that consists of the two high-rise towers but excluding the SNF Premises shall be referred to herein as the "**Premises**" or the "**Facility**;"

WHEREAS, Owner intends to hire a third party to lease the SNF Premises and Operator shall have no liability for the SNF Premises except as may be specifically set forth herein;

WHEREAS, Manager, both individually and through affiliated entities, develops, manages, and operates residential living, assisted living and similar facilities;

WHEREAS, Owner wishes to engage Manager to manage the Facility for and on behalf of Owner;

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

AGREEMENTS

1. Appointment of Manager.

Subject to the terms of this Agreement, and subject to the closing of the escrow under which Owner has contracted to acquire the Property, Owner delegates to Manager as its agent and independent contractor, and Manager accepts, those expressly delegated rights, powers and authorities of Owner with respect to the operation and management of the Facility, with full power and authority in the name of and on behalf of Owner, to do and perform all activities, transact business, make, execute, acknowledge and deliver all contracts, licenses, leases and other writings and instruments of every kind which may be required, proper, or convenient to operate and manage the Facility with the same validity as if performed or executed by Owner. As exclusive agent for the management of the Facility, Manager accepts this appointment, subject to the terms of this Agreement. Manager shall have no ownership, possessory, or leasehold interest in any of Owner's real or personal property constituting (or acquired in connection with) the Facility. For purposes of clarity, Manager shall have no responsibilities with regard to the SNF Premises except as expressly set forth herein.

2. Manager's Representations, Covenants and Responsibilities.

a. Manager's Representations and Covenants. Manger hereby represents, warrants and covenants to and in favor of Owner the following:

(i) Manager is a limited liability company, duly organized, validly existing and in good standing under laws of the California having its principal offices at Redding, CA, and is authorized as a foreign company under the laws of the State of Oregon. Manager shall, upon Owner's request, obtain and furnish to the Owner satisfactory evidence as to the foregoing at Manager's expense and as a condition precedent to Owner completing any obligation of Owner under this Agreement.

(ii) This Agreement, when executed by Manager, shall be a valid and legally binding obligation of Manager, enforceable in accordance with its terms.

(iii) Each individual executing this Agreement on behalf of Manager has full power and authority to do so and that no provision of any of Manager's governing documents prevents Manager from entering into this Agreement and conducting the activities and actions required of Manager under this Agreement.

(iv) There is no litigation, proceeding or governmental investigations pending or threatened against the Manager which could adversely impact the Owner, the Facility or the Manager.

(v) Manager has submitted and shall maintain, in the name of the Manager, at all times during the effectiveness of this Agreement all licenses, certificates, permits and other governmental approvals necessary to operate and manage the Property as a fully licensed and authorized assisted living or similar facility. Manager shall, upon Owner's request, obtain and furnish to the Owner satisfactory evidence as to the foregoing and as a condition precedent to Owner completing any obligation of Owner under this Agreement.

(vi) Manager agrees not to enter any new Consulting or Management Agreements on any type of Senior Housing Facility within fifteen (15) miles of the Property.

(vii) Manager's Regional Director of Operations and the Regional Sales and Marketing executive shall both visit the Facility at least monthly. Owner shall reimburse travel expenses for such visits in the amount of One Thousand and No/100 Dollars ($1,000.00) per month. Manager agrees to provide monthly detailed Site Visit reports covering Operations and Sales.

(viii) Manager agrees to submit to Owner a copy of all regulatory correspondence including but not limited to surveys, complaints, and site visits within five (5) days of receipt.

b. Management Standards. Manager agrees to devote its reasonable best efforts to managing the Facility, to supervise all employees of Manager, to indirectly (through supervision of Facility supervisors) supervise all Facility Employees (defined below), to exercise professional skill and competence while performing the duties set forth in this Agreement, and to act in a manner consistent with prudent business practices customary in the industry.

3. Owner's Representations, Covenants and Responsibilities.

a. Owner's Covenants. Owner hereby represents, warrants and covenants to and in favor of Manger the following:

(i) Owner is a limited liability company, duly organized, validly existing and in good standing under laws of California.

(ii) This Agreement, when executed by Owner, shall be a valid and legally binding obligation of Owner, enforceable in accordance with its terms.

(iii) Each individual executing this Agreement on behalf of Owner has full power and authority to do so and that no provision of any of Owner's governing documents prevents Owner from entering into this Agreement and conducting the activities and actions required of Owner under this Agreement.

(iv) There is no litigation, proceeding or governmental investigations pending or threatened against the Owner which could adversely impact the Owner, the Facility or the Manager.

4. Manager's Services.

Manager shall begin providing the following services as of the date that Owner acquires title to the Property:

a. Manager's General Services. Manager shall oversee the day-to-day operation of the Facility. Manager shall hire and supervise, if necessary, all on-site administrative personnel and shall meet regularly with the Administrator (as defined below) and department heads of the Facility. Manager shall coordinate and monitor all surveys and reviews of the Facility. Manager shall implement and maintain marketing, resident services and quality assurance programs for the Facility. Manager shall use its best efforts to ensure the proper supply and scheduling of services to be provided at the Facility, including without limitation, dietary and food, housekeeping, maintenance, repairs and security.

b. Staffing. Manager shall develop and furnish to Owner copies of all departmental budgets for on-site personnel, including staffing and wages. All on-site personnel shall be employees of Owner or a Professional Employer Organization (PEO) designated by Owner (such on-site personnel employees shall hereinafter be referenced to as "Facility Employees"), and the direct expenses of such Facility Employees (including wages, salaries, benefits and payroll taxes) shall be directly paid from the Project Operating Account (as defined herein) to the extent provided in the Approved Budget (as defined herein). Manager shall oversee all employees, including but not limited to all Facility Employees payroll and benefits (including payroll taxes), distribute employee income tax withholding forms at the end of each year, prepare payroll tax returns for said employees, and make payment of such taxes. Other personnel that provide services at the Facility from time to time will not be compensated by owner or independent consultants. Manager will not charge for any regional supervisor or a non facility employee that is not working directly at the facility without prior Owner approval.

(i) Manager shall, during the term hereof, hire or approve and provide direction to the qualified administrator (the "**Administrator**") and a qualified Assistant Administrator if such a position is appropriate for the administration of the Facility.

(ii) Owner shall have the right to interview all managerial position candidates

(ii) Manager shall establish salaries, employee benefits, and personnel policies and standards applicable to Facility Employees as needed and in line with the Approved Budget during the term of this Agreement.

c. Marketing. Manager (or a qualified third party selected and supervised by Manager) shall review, approve and implement with Owner a marketing program consisting of advertising, public relations and related activities designated to maintain and enhance the resident census at the Facility. The expenses for all such items shall be expenses of the Facility and shall be within the Approved Budget provided for such expenses.

d. Financial Records and Reports. Manager shall have the following responsibilities with respect to records and reports:

(i) Manager shall establish and maintain a system of records and books consistent with industry standards and applicable law and satisfactory to Owner. Copies of all records, books, and accounts shall be maintained at the Manager's central offices or the Facility and will be provided to Owner upon request. The originals of all books, records, and accounts shall be maintained at Manager's central offices or the Facility and shall be subject to examination at said location at all reasonable times by any authorized representative of Owner; Manager shall retain all books and records for the time period required under any applicable law or regulation or, with Owner's written approval, surrender such books and records to Owner prior to the expiration of such period.

(ii) Upon the request of Owner, Manager shall cause a financial audit to be prepared by Owner's Certified Public Accountant ("CPA"), or another person designated by Owner and reasonably approved by Manager, for such fiscal years ending during the term of this Agreement as Owner shall designate. Such audit shall be prepared in accordance with generally accepted accounting principles. Compensation for the CPA's services shall be paid by the Owner and will not be considered an expense of the Facility. Owner shall insure the preparation of all tax and corporate records which Owner is required to file by any federal, state or local governmental agencies.

(iii) Manager shall prepare monthly financial reports comparing actual to budgeted financial projections in a format mutually agreed upon by Manager and Owner. Manager shall submit each report to Owner within twenty (20) days after the end of each preceding month, with exception to year end which will be submitted by February 15th;

(iv) Manager shall prepare an itemized list of all delinquent resident accounts on a monthly basis (e.g., a Rent Roll or Period Summary) and shall submit this report to Owner within thirty (30) days after the end of the preceding month; Manager shall submit a weekly census and marketing report to Owner

(v) Manager shall furnish Owner with a statement of receipts and disbursements during the previous month, along with a schedule of accounts receivable and payable and reconciled bank statements for the Project Operating Account, within thirty (30) days after the end of the preceding month.

(vi) Manager shall prepare occupancy reports comparing actual to budgeted projections in a format mutually agreed upon by Manager and Owner on a monthly basis and at any other time upon Owner's request. Manager shall submit each occupancy report to Owner within fifteen (15) business days after the end of each preceding month, with exception to year end which will be submitted by February 15th. Each such report shall be certified by Manager to Owner as being true, correct and complete.

(vii) Manager shall prepare and provide to the appropriate authorities on a timely basis, all records, certifications and reports that Owner is required to prepare and submit as required by law or as a condition of any financing. Owner will provide to Manager a detailed list of all required lender reports.

e. Resident Records and Reports. The originals of all resident records and reports (including without limitation of medical records), shall be maintained at the Facility. Manager may maintain copies of said records as necessary.

f. Budgets. Any annual budget for the facility must be approved of by the Owner, such budget the "**Approved Budget**". Each year during the term of this Agreement, Manager shall prepare a detailed annual budget for the Facility, which budget shall be segregated between operating and capital budget amounts. Manager shall submit such annual budget to Owner by November 1 of each year in a format mutually agreed upon by Owner and Manager. Owner shall give its approval or its disapproval of Manager's proposed budget or any portion thereof not later than thirty (30) days after receipt with respect to each calendar year. If approved by Owner pursuant to this Section 4(f), the budget shall be used for the next calendar year, replace any existing "Approved Budget", and shall be referred to as the "**Approved Budget**". If Owner fails to inform Manager of its objections to any proposed budget within thirty (30) days after receipt, the proposed budget and budget format shall be adopted for the following calendar year and shall be deemed to be the "**Approved Budget**". If Owner objects to all or any portion of the proposed budget, Owner shall furnish Manager with the reasons for the objections and Owner and Manager shall attempt to reach agreement with respect to the items to which Owner objects. In the event the parties cannot agree upon the budget prior to the commencement of the next calendar year, the Facility shall be operated under a combination of (i) the then existing Approved Budget as to the items which Owner objects, subject to a percentage increase, for each expense item, equal to the change during the preceding twelve (12) months in the Consumer Price Index for All Urban Consumers (In the CPI-U relative to the Facility) (provided, however, that any expense item not within the control of Manager, including, but not limited to, utilities, shall be adjusted upward, if at all, to an amount equal to the total amount expended for each such expense item during the prior calendar year), and (ii) the portion of the proposed budget as to the items to which Owner does not object (collectively, the "**Approved Budget**"). Manager shall keep Owner informed of any matters or events that will or would likely result in material deviations from the receipts or disbursements stated in the Approved Budget (each such matter or event, a "**Material Matter**"). If at any time during the calendar year a Material Matter arises, Owner may modify the Approved Budget. Notwithstanding the foregoing provisions of this Section 4(f), Manager shall deliver to Owner a proposed budget for the 2015 calendar year on or before February 1, 2016, which Owner shall review for its approval or disapproval within 15 days thereafter and if approved (as modified by Owner) shall be the "**Approved Budget**" for the remainder of calendar year 2015.

g. Purchasing. Manager shall arrange the purchase of all budgeted or Owner authorized inventories, provisions, supplies, and operating equipment necessary for maintenance and operation of the Facility.

h. Tax and Other Reporting. Manager shall assist Owner as requested by Owner in the timely preparation, execution and filing by Owner and/or Manager, all reports, tax returns (except federal, state, and local income tax returns of Owner), and other documents required by the jurisdiction of the Facility, to operate the Facility, including, but not limited to, business tax returns, gross receipts tax returns, and licensing forms. Owner shall be responsible for the costs associated with the preparation of any reports required under this section.

i. Responsibility for Expenses: Owner shall be solely responsible for any local, state and federal taxes, costs and assessments and all other costs and expenses imposed on the Facility of any kind associated with the Facility, and Manager shall have no liability or obligation with respect thereto. Owner agrees that Manager shall not, by entering into and performing under this Agreement, become liable for any of the future obligations, liabilities or debts of the Facility or Owner. Owner understands that Manager is solely working as an agent of Owner and in that role Manager does not assume any liability for Owner's business. Nothing contained herein shall excuse Manager from responsibility for the consequences of its gross negligence or willful misconduct.

j. Sub-Agreements. Manager shall enter into contracts in the name of and at the expense of Owner for the furnishing to the Facility of electricity, gas, water, steam, telephone, cleaning services, vermin extermination services, elevator and boiler maintenance if applicable, heating and air conditioning maintenance, cable and/or master television antennas, and other utilities or services, all as necessary and appropriate, and purchase all materials and supplies in the name of, and for the account and at the expense of Owner within approved budgetary limitations. Subject to any restrictions contained within Section 7 of this Agreement, Manager shall have the right to negotiate and enter into agreements with concessionaires and licensees of the Facility, in the name of and for the benefit of Owner. All such agreements shall be in writing and must conform to the limits of the Approved Budget for such goods or services. Manager shall not enter into or renew any collective bargaining agreement that would be binding upon Owner without the prior written approval of Owner. Manager shall ensure that any subcontractors working on or about the Facility, as well as all contractors doing work at the Facility (i) carry and maintain in full force and effect commercially reasonable insurance, including without limitation Workmen's Compensation coverage, and (ii) obtain and maintain in full force and effect any licenses, permits or approvals that may be required, and (iii) shall name the Owner and Manager as additional insureds.

k. Maintenance and Repair. Within Approved Budget limitations, Manager shall cause the Facility to be maintained and repaired, at Owner's expense, in accordance with all applicable State and local statutes, ordinances and codes, and in a condition at all times acceptable to Owner. Manager shall be obligated to take the foregoing action only to the extent that there are adequate funds available therefore. Maintenance and repair activities shall include but not be limited to, cleaning, painting, decorating, plumbing, electrical, HVAC, appliances, carpentry, grounds care, and such other maintenance and repair work as Manager may deem reasonably necessary, subject to any reasonable limitations imposed by Owner. Within the Approved Budget limitations, Manager shall arrange for the making or installing, at Owner's expense and in the name of Owner, of such alterations, repairs, decorations or replacements of equipment, at the Facility as Manager deems reasonable or necessary, subject to Owner's approval which shall not be unreasonably withheld. Additional provisions with respect to the Facility's maintenance are:

(i) Manager shall devote special attention to preventative maintenance and, to the extent feasible, use the services of Facility Employees.

(ii) Manager shall contract with the qualified independent contractors for the maintenance and repair of heating and air-conditioning systems and elevators, and for ordinary and extraordinary repairs of the Facility beyond the capability of Facility Employees.

(iii) Manager shall systematically and promptly investigate all service requests received from residents, take responsible action on such requests, and keep records of the same. Residents' emergency requests for service shall be attended to within twenty-four (24) hours of receipt by Manager. Complaints that Manager believes are serious, in the

reasonable exercise of its discretion, and complaints about which Owner specifically inquires shall be reported promptly to Owner after Manager's investigation.

(iv) Owner recognizes the necessity of replacement of furnishings and equipment at the Facility and other ordinary capital replacement items (collectively **"Capital Replacements"**). Owner agrees to expend such amounts for Capital Replacements, which have been previously approved by the Owner in the Approved Budget, as shall be required in the normal and ordinary course of operation of the Facility, to operate the Facility in accordance with Manager's reasonable recommendations and to renovate, modernize and improve the Facility as may become necessary. Manager shall make recommendations to Owner regarding the design of Capital Replacements and, if approved, manager shall supervise installation of Capital Replacements in accordance with such approval.

(v) Manager shall make, or cause to be made, all improvements and repairs that are reasonably necessary to maintain the Facility's licensure at Owner's expense and such expenditures shall be included in the Approved Budget or any modification thereof. For Manager shall obtain the prior approval of Owner before committing to any such expense exceeding five thousand dollars ($5,000.00) that is not included in the Approved Budget, which consent or approval shall not be unreasonably withheld or delayed. Notwithstanding any other provision of this Agreement, Manager shall be entitled without Owner's prior consent to make unbudgeted expenditures regardless of the amount for the purpose of emergency repairs involving danger to persons or the Facility, recurring expenses within the limits of the Approved Budget, or expenditures that are required to avoid suspension of any necessary service at the Facility. Owner will be notified of any such emergency expenditure within forty-eight (48) hours following the expenditure.

(vi) Manager may institute, with the prior concurrence of Owner, in the name of Owner, at the expense of Owner, any necessary legal actions or proceedings to collect obligations owing to the Facility or to cancel or terminate any contract with the Facility for breach thereof or default thereunder.

(vii) Facility Employees responsible for maintenance, will at all times be familiar with the character, location, construction, layout, plan and operation of the Facility, including the electrical, heating, plumbing, air conditioning and ventilating systems, elevators and all other mechanical equipment.

l. Compliance with Laws. Manager shall use its best efforts to comply with all applicable federal, state and local laws pertaining to ownership, use or occupancy of the Facility; provided, however, that if Owner is the only entity capable of performing the activities required to achieve compliance or if funds are not available for Manager to take the actions necessary to achieve compliance, Manager shall not be liable under this Agreement for failing to take such action.

m. Insurance.

(i) Manager shall furnish Owner with certificates of insurance evidencing any required coverage and any renewals thereof that Manager obtains on behalf of Owner. All

insurance policies obtained pursuant to this Agreement shall provide for a minimum of thirty (30) days' notice to both Owner and Manager in the event of cancellation, new-renewal or material modification;

(ii) All insurance policies shall provide that the insurance companies shall have no right of subrogation against either the Owner or Manager, or their respective agents or employees including but not limited to Facility Employees, to the extent permitted by the insurers; and

(iii) Owner shall maintain at expense of the Facility as included in the Approved Budget, all of the following coverages: (A) CGL coverage of at least one million dollars ($1,000,000) per occurrence and three million ($3,000,000) in the aggregate and five million dollars ($5,000,000) in the aggregate overall; (B) Fire and Casualty coverage for the full replacement cost of the Facility; (C) Professional Liability coverage of at least one million dollars ($1,000,000) per occurrence and three million ($3,000,000) in the aggregate and five million dollars ($5,000,000) in the aggregate overall; (D) employee, including but not limited to Facility Employees, dishonesty coverage (blanket form) of at least one hundred thousand dollars ($100,000.00) (F) Employee Practices Liability Insurance coverage of at least $75,000. Manager shall maintain at the expense of the Facility workers' compensation insurance at statutory limits covering all employees, including but not limited to Facility Employees. For all claims-made policies, Owner will maintain coverage such that any event occurring during the period of this Agreement will be covered if reported within a period of two-years after the termination of this Agreement. All such policies shall be with a financial equivalent of a Best's insurance rating of "A VIII" or better. Owner and Owner's partners shall be named as primary insureds on all policies. Owner shall provide a current certificate of all insurance policies described in this Section to Manager. Sections 4(m)(i) and (ii) above shall apply to all policies maintained under this Section 4(m)(iii).

n. Insurance and Indemnification: Owner shall procure and maintain at Owner's expense such additional insurance in kinds and amounts as Owner shall be required to carry pursuant to the provisions of any note, loan agreement or mortgage outstanding affecting the Facility or the real property upon which it is erected, as well as any other insurance that Owner shall require (including without limitation worker's compensation insurance, professional liability insurance, and all other insurance which it deems appropriate). Owner and Manager each shall give prompt notice to the other of any claims made against either or both of them and shall cooperate fully with each other with any insurance carrier to the end that all such claims will be properly investigated, defended and adjusted. All policies of liability insurance shall:

(i) name the Owner and such other parties as may be required by the provisions of any note, loan agreement or mortgage as the insured thereunder, as their respective interests may appear as additional insureds; and

(ii) name Manager as an additional insured.

o. Indemnification of Manager. Owner shall indemnify, defend and hold Manager free and harmless from any loss, liability, or cost (including reasonable attorneys' fees, regardless of whether any

litigation is brought, but excluding consequential or punitive damages) not covered by insurance proceeds[1] that Manager may sustain, incur or assume as a result of any claims that may be alleged, made, instituted, or maintained against Manager alleged to have resulted from gross negligence or willful misconduct of Owner, its agents (other than Manager), representatives or employees, in connection with the management or operation of the Property; provided, however, that in the event of any conflict between this Section 4(o) and any existing insurance coverage, this Section 4(o) shall be modified to the extent necessary to provide the maximum available insurance coverage.

p. Indemnification of Owner. Manager shall indemnify, defend and hold Owner free and harmless from any uninsured[2] loss, liability, or cost (including reasonable attorneys' fees, regardless of whether any litigation is brought, but excluding consequential or punitive damages) that Owner may sustain, incur or assume as a result of any claims that may be alleged, made, instituted, or maintained against Owner, determined to have resulted from any criminal act, gross negligence or willful misconduct of Manager, its agents, representatives or employees, including, but not limited to, the Facility Employees to the extent that it is reasonable for the Manager to have direct control of the Facility Employees in connection with the operation of the Facility; provided, however, that in the event of any conflict between this Section 4(p) and any existing insurance coverage, this Section 4(p) shall be modified to the extent necessary to provide the maximum available insurance coverage.

q. Residency Agreements.

(i) Manager shall implement a residency agreement form for use at the Facility, which shall be in compliance with all applicable governmental requirements and otherwise approved by Owner. Each such approved and executed residency agreement, a "**Residency Agreement**".

(ii) Manager shall use its reasonable best efforts to secure full compliance from each resident with the terms of his or her Residency Agreement. Voluntary compliance shall be encouraged. In cases of financial hardship, Manager shall counsel residents and refer them to community agencies to avoid involuntary termination of residency. Subject to applicable procedures and law, Manager may lawfully terminate any Residency Agreement and tenancy when, in Manager's judgment, sufficient cause for such termination (including, but not limited to, nonpayment of rent) exists under the terms of the applicable Residency Agreement. For this purpose, Manager is authorized to proceed with actions for eviction, execute notices to vacate, and file judicial pleadings to such actions, following consultation with Owner and Manager's legal counsel (or Owner's legal counsel if so elected by Owner), if necessary. All legal fees associated with actions for eviction shall be an operating expense of the Facility.

r. Collection of Rents and Other Receipts. Manager shall promptly bill and use its reasonable best efforts to collect all rents, monthly fees, optional fees, charges, and other amounts receivable in connection with

[1] The term "not covered by insurance proceeds" includes claims for which there is no insurance coverage at all under the policies required under Section 4(m), as well as the portion of any claim that is not covered by any insurance deductible or is in excess of the policy limits of insurance coverage under the policies required under Section 4(m).

[2] The term "uninsured" as used in this Agreement means any claim for which there is no insurance coverage at all under the policies required under Section 4(m). Such term is distinguished from the term "not covered by insurance proceeds" which includes the portion of any claim that is not covered by any insurance deductible or is in excess of the policy limits of insurance coverage under the policies required under Section 4(m).

the management and operation of the Facility. Manager shall be entitled to enforce the rights of Owner as creditor under any residency agreement, contract or in connection with the rendering of any services.

(i) SNF SSA Collections. Manager shall collect all amounts owed by the tenant for the SNF Premises under the Shared Services Agreement between such tenant and Owner.

s. Rentals. Manager shall offer for occupancy and rent the dwelling units, and other rental facilities and concessions located at the Facility. Manager shall do all of the following with respect to renting units:

(i) Make preparations for initial rent-up;

(ii) Show the premises to prospective residents;

(iii) If an application is rejected, record the reasons for rejection in accordance with the Facility's policies;

(iv) Maintain and regularly update a list of prospective residents;

(v) Execute all residency agreements with residents as Manager of the Facility as Owner's agent. Manager shall review and approve each residency agreement. All residency agreements shall comply with applicable laws; and

(vi) Annually and upon Owner's request, furnish Owner with rental schedules, showing monthly fees for dwelling units and other charges for facilities and services as they may be modified from time to time.

t. Activities. Manager shall plan and conduct social and resident services programs at the Facility.

u. Outreach and Discharge Planning. Manager shall maintain a liaison with health facility discharge planners, community groups and public service organizations, and shall inform such organizations, by written notice or personal contact, of the criteria for residency at the Facility. In addition, as an operating expense to the Facility, Manager shall assure that brochures, newsletters, and other promotional materials are prepared and distributed in the local market area to publicize the Facility's availability. Manager shall ensure the facility staff has procedures, training and support so that residents who require skilled nursing care or other care beyond the capacity of the Facility's license are discharged to an appropriate facility. Manager shall take all steps, including cooperating with discharge planners, to assure a smooth transfer to such alternate facility.

v. Resident-Management Relations. Manager shall encourage and work to maintain good-faith communications with residents to help avoid and solve problems and disputes affecting the Facility and its residents. Manager shall assist residents in forming a resident council that convenes at noticed meetings with agendas and minutes.

w. Non-Discrimination. In performing its obligations under this Agreement, Manager shall use its reasonable best efforts to comply with all federal, state and local laws prohibiting illegal discrimination in housing on the basis of race, color, sex, creed, disability or national origin, including, without limitation, Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 78 Stat.241); regulations issued pursuant to that Title (24 CFR, Subtitle A, Part 1); regulations issued pursuant to Executive Order 11063; Title VIII of the 1968 Civil Rights Act; the Americans with Disabilities Act of 1990 (42 USC § 12181 et seq.); the Fair Housing Amendments Act of 1988 (42 USC § 3604(f) et seq.); Section 504 of the Rehabilitation Act of 1973 (29 USC § 794). From and after the Effective Date, Manager shall ensure that all service contracts with third-party

contractors and providers shall include the following language: "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the land."

x. Ownership of Documents. All accounting records and other financial data, reports and materials used by Manager in performance of its duties and obligations under this Agreement shall at all times be the property of Owner; provided, however, that Manager shall have access at all reasonable times to all records and instruments required to perform its duties under this Agreement and Manager has the right, at Operator's expense to make and retain copies of all such records. Manager agrees that Manager shall have access at all reasonable times to inspect and make copies of all data and materials pertaining to the services to be performed for the Facility under this Agreement. In the event that Manager brings to the Facility certain proprietary books, manuals, technical data, computer software, and the like, these items shall be the sole property of Manager, and Owner shall take reasonable steps to maintain the confidentiality of all such property. Both Owner and Manager shall have access to all such proprietary materials at all reasonable times, and shall maintain the confidentiality thereof to the fullest extent possible. If Owner and/or the Facility pays by direct invoice from a vendor for the ownership of any of these items, they shall thereupon become the sole property of Owner.

y. Safety. Manager shall exercise reasonable due diligence in all matters of safety, including but not limited to emergency evacuation of residents, maintaining safe conditions at the Facility, providing safety training to all Facility Employees, and promulgating rules and regulations for use of the central administration and service communities.

z. No Violation. Manager shall not be deemed to be in violation of this Agreement if Manager is prevented from performing any of its obligations hereunder for reasons beyond its reasonable control, including, without limitation, strikes, walkouts or other employee disturbances, acts of God, terrorism, or the effect or promulgation of any statute, rule, regulation or order by any federal, state or local governmental or judicial authority or official, or failure of Owner to provide sufficient funds, nor shall it be deemed to be in violation hereof or otherwise liable for any error of judgment or act or omission which is made in good faith but without negligence. In providing its services hereunder, Manager shall use commercially reasonable efforts to comply with all laws and regulations applicable to the Facility.

aa. Owner's Responsibilities. Subject to the terms of this Agreement, Owner agrees to take or cause to be taken any and all actions necessary to be taken by it as the entity with complete dominion and control over the assets and operations of the Facility in order to maintain all required licenses, permits for the operation of the Facility and the Facility's eligibility to participate in all public or private third-party medical payment programs, including providing sufficient funds to bring the Facility in compliance with all applicable fire safety codes and other laws, regulations and orders, and to correct all structural, maintenance, procedural and staffing deficiencies as shown on the surveys and reports of governmental agencies having jurisdiction over the Facility.

5. Confidentiality.

a. "Confidential Information" Defined. "Confidential Information" shall mean any and all information that is or has been disclosed in writing or orally by either party to the other party, which is either confidential or proprietary in nature. "Confidential Information" shall not include any of the following:

(i) Information that is or will become generally available to the public through no fault of the receiving party.

(ii) Information that was known to the receiving party before that party received it under this Agreement and was not acquired, directly or indirectly, from the disclosing party.

(iii) Information that is disclosed in good faith to the receiving party by a third party lawfully in possession of such information and who is not under an obligation of nondisclosure with respect to such information. All Confidential Information shall remain the sole property of the party that owned such information prior to the execution of this Agreement unless a sale or other transfer of the Confidential Information occurs during the term of this Agreement.

b. Nondisclosure. During the term of this Agreement and for five (5) years thereafter, neither party shall, without the prior written consent of the other party, disclose to any third party (unless such disclosures are required by law) or use for its own purposes (except as contemplated by this Agreement) any Confidential Information concerning the other party's business, operations, or products that is obtained in the course of performing this Agreement.

c. Treatment of Confidential Information. The parties acknowledge that they may have already received or will receive in the future Confidential Information concerning the other party. The parties agree that they shall do all of the following upon receipt of such Confidential Information:

(i) maintain Confidential Information in confidence and refrain from disclosing it to any third party; and

(ii) refrain from providing Confidential Information to its employees or its affiliates' employees, except to the extent necessary for the receiving party or its affiliates' employees to perform the obligations and services described in this Agreement.

6. Collection and Disbursement of Revenue.

a. Project Operating Account. Owner shall establish operating accounts for the Facility at a banking institution of its choosing, provided it is located in the area where the Facility is located, to deposit all income from the Facility's operations therein, and to pay all expenses of the Facility there from (collectively, the "**Project Operating Account**"). Owner shall be the only authorized signatory on such account. Owner shall provide sufficient working capital to fund the operation of the Facility and to service debt in connection therewith. Manager shall use commercially reasonable efforts to ensure that all revenues are either directly deposited into the Project Operating Account or are delivered to Owner and made payable to Owner. Manager shall encourage payors to make payments to Owner in forms other than cash and any cash payments made shall be delivered to Owner as soon as practicable after receipt of same.

b. Disbursements. From the funds collected and deposited by Manager or Owner in the Project Operating Account, Owner will make (or as requested by Manager in connection with Approved Budget expenses) the following disbursements promptly when payable:

(i) Compensation and fringe benefits (including severance pay) payable to and for Facility Employees, who work at the Facility and for the taxes and assessments payable to local, state, and federal governments in connection with the employment of such personnel; and

(ii) All sums otherwise due and payable by Owner as expenses of the Facility authorized under the Approved Budget or otherwise approved of by Owner under the terms of this Agreement, including compensation payable to Manager for the services described herein.

c. Non-Facility Obligation. The Project Operating Account shall not be used to pay any obligations that are not incurred by Manager or Owner for or on behalf of the Facility.

d. Operating Expenses. Owner shall deposit into the Project Operating Account funds necessary for the Facility's operating expenses or for expenses approved by Owner in excess of budgeted expenses.

e. Insufficient Funds. In the event that the balance in the Project Operating Account is at any time insufficient to pay disbursements that are due and payable under Section 6(b), Manager will inform Owner of that fact. Owner shall remit to Manager sufficient finds to cover the deficit within five (5) business days.

7. **Owner's Reserved Rights.**

Notwithstanding anything herein to the contrary, Owner expressly reserves the right to approve all of the following under this Agreement:

a. Marketing plans and programs (on an annual basis) and any non-affiliate entity of Manager retained by Manager to create such plans and programs, which approval by Owner shall not be withheld unreasonably.

b. All agreements affecting the Facility with a term of greater than one year, which approval by Owner may be withheld in its sole and absolute discretion.

c. All agreements affecting the Facility (regardless of length of term and notwithstanding subsection "b" above) that cannot be terminated without (i) cause by Owner upon thirty (30) days notice or less and (ii) payment of any termination fees or penalties, which approval by Owner shall not be withheld unreasonably;

d. All contracts with entities affiliated with Manager or any of its principals, which approval by Owner may be withheld in its sole and absolute discretion;

e. Annual budgets, which approval by Owner shall not be withheld unreasonably;

f. Subject to Section 4(k)(v), unbudgeted capital costs and improvements involving costs exceeding five thousand dollars ($5,000.00), which approval by Owner shall not be withheld unreasonably;

g. Insurance coverage for the Facility, which approval by Owner shall not be withheld unreasonably;

h. Settlement of any litigation or substantial claim affecting the Facility (regardless of whether Owner is a named party), which approval by Owner shall not be withheld unreasonably;

i. Any material structural and/or physical changes to the Facility, which approval by Owner may be withheld in its sole and absolute discretion;

j. All leases to non-residents, which approval by Owner shall not be withheld unreasonably; and

k. All loans, advances, hypothecation's, and draws of five thousand dollars ($5,000.00) or more related to the Facility, which approval by Owner may be withheld in its sole and absolute discretion.

8. MIS: Manager shall provide computer support services to Owner including but not limited to:

- Oversight of acquisition and maintenance of equipment
- Computer related technical support
- Network management of all data
- Software license management
- Data retention and recovery systems
- Virus and security protection systems
- Email and internet access

All software licensed to the Manager and provided to the Owner for shared use shall remain the property of the Manager unless agreed to otherwise in writing by both parties. All hardware and software solely used at the Facility is property of the Owner. The Owner shall be responsible for a pro rata payment based on total number of units licensed of all costs associated with Manager's provision of the above services to include but not limited to equipment, hardware, software, software licensing, voice and data services, equipment and software maintenance and technical support

9. Manager's Compensation and Expenses.

Cash Management

- Use existing bank accounts
- Access online banking
- Establish electronic funds transfer

Financial Systems

- Create Great Plains Database (Financial)
- Create Senior Master Database (Rent roll)
- Create Fixed Asset Database
- Create Accounts Receivable Filing Systems (Billing)
- Create Accounts Payable Filing Systems
- Create Other Accounting Filing Systems

Budgeting

- Competitive Wage Studies
- Competitive Rate and Market Studies
- Create initial budgets
- Create budget variations and analysis
- Finalize budget
- Load budgets into Great Plains Database

Insurance

Human Resources

-

Licensing

- Review and update of facility Disaster Plan

Transfer of Liabilities

- Coordinate transfer and assumption of leases and maintenance agreements
- Set-up new credit relationships with all vendors

Contract Negotiations

- Review and participation in development of sales contract.

a. Management Fee. The service fees to be paid by Owner to Manager will be paid on a monthly basis calculated as cumulative total of 2.5% percent of collected gross revenues derived from the Owner's operations including rental from concessions at the facility and all other sources relating to the operation of the facility on a cash basis, and in accordance with generally accepted accounting principles. A fee of the previous month's Management Fee shall be payable by the 5th of each month. Any excess or shortage over the fee for a particular month shall be reconciled and paid within 5 days of completion of the financial statements for that month. In the event occupancy at the Facility increases to and remains at or above 80% for a period of ninety (90) days, then the above 2.5% Management Fee shall be increased to 3.0%.

(i). SSA Collection Fee. Manager shall be entitled to retain 1.25% of all amounts collected from the tenant for the SNF Premises under the Shared Services Agreement between such tenant and Owner.

b. Employee Expenses. In addition to the above management fee, either (i) Manager shall be reimbursed for the direct employee and Facility Employee expenses or (ii) the direct employee expenses for employees, including but not limited to Facility Employees, shall be paid from the Project Operating Account; provided that in all cases, such reimbursements shall not exceed those allocated in the Approved Budget and that any Facility Employee that devotes time to other facilities of Manager or the general overhead management of Manger shall have the portion of such time not devoted to the Facility paid exclusively by Manager from sources other than Owner, the Facility or the Project Operating Account. In addition, the following expenses shall not be the obligation of Owner or the Facility nor paid from the Project Operating Account and shall be the sole obligation of the Manager:

(i) General accounting and reporting services, as such services are considered to be within the reasonable scope of Manager's responsibility to Owner;

(ii) Cost of forms, stationery, ledgers and other supplies and equipment used in Manager's principal office or regional office;

(iii) Cost or pro-rata cost of telephone and general office expenses incurred at the Facility by Manager for the operation and management of properties other than the Facility;

(iv) Cost or pro-rata cost of electronic data processing, for data processing provided by computer service companies, except as outlined in paragraph 8;

(v) Cost of all bonuses, incentive compensation, profit sharing, or any pay advances by Manager to Manager's employees, except to employees located at the Facility and then only to the extent approved under the then Approved Budget;

(vi) Third party claims resulting from criminal acts or from gross negligence or fraud on the part of those Facility Employees to the extent that it is reasonable for the Manager to have direct control of the Facility Employees, the Manager or Manager's affiliates or employees, or any other claims, actions, suits, proceedings, losses, costs and expenses for which Manager is obligated to indemnify Owner under Section 4(p).

(vii) Cost of comprehensive crime insurance purchased by Manager for its own account.

(viii) Costs for meals, travel and hotel accommodations for Manager's principal office or regional office personnel who travel to and from the Facility.

c. Payment Policy. Owner will pay Manager from the Project Operating Account the management fee described in Section 8(a) on the fifth (5^{th}) day of the calendar month as defined in section 8(b)

d. Owner's Failure to Pay. As described in Section 9(c), Owner's nonpayment of any management fees or employee expenses due under this Section 8 shall constitute cause for termination of this Agreement by Manager.

10. Term and Termination.

a. Term. The initial term of this Agreement shall begin on the date of the closing of the escrow under which Owner has contracted to acquire the Property, and shall be month to month unless sooner terminated as set forth below (the "**Initial Term**"). Notwithstanding anything to the contrary in this Agreement, Owner and/or Manager shall be entitled to terminate this Agreement for any reason or no reason at all and any time during the Initial Term upon thirty (30) days prior written notice.

b. Termination by Owner for Cause. Owner may terminate this Agreement immediately for "cause" if any of the following occurs:

(i) If Manager or any of its directors, officers, employees, contractors, subcontractors or agents shall be guilty of any gross negligence, willful misconduct, fraud, malfeasance or breach of fiduciary duty, with respect to the Facility or the Project Operating Account;

(ii) Subject to the notice and cure period described in Section 9(d), Manager's material breach of any of the provisions of this Agreement.

(ii) Manager or any of its principal operating officers is convicted of any felony or any other crime that materially affects the operation of reputation of the Facility.

(iii) The filing of a voluntary or involuntary petition to declare Manager bankrupt or insolvent if such petition is not discharged within ninety (90) days after its filing.

(iv) Owner substantiated Manager has committed fraud, material misrepresentation, embezzlement or gross negligence in the performance of any of its obligations under this Agreement.

(v) If any material license held by Manager and necessary for the performance of its duties or services hereunder shall be terminated or suspended, and Manager does not arrange for the reinstatement of such license within five (5) days after its termination or suspension.

(vi) If Manager's company existence shall be dissolved or terminated by merger, consolidation or otherwise without the consent of Owner.

(viii) Upon the sale of the Facility by Owner or any successor-in-interest to Owner.

(ix) For no cause or any reason.

c. Termination by Manager for Cause. Manager may terminate this Agreement for "cause" if any of the following occur:

(i) Owner fails, within five (5) business days following receipt of notice of a Project Operating Account deficit from Manager, to provide adequate cash funds for reasonable, Approved Budget expenses incurred in managing and operating the Facility.

(ii) Subject to the notice and cure period under Section 9(b), Owner materially breaches any of the provisions of this Agreement.

(iii) The filing of a voluntary or involuntary petition to declare Owner bankrupt or insolvent if such petition is not discharged within ninety (90) days after its filing.

d. Notice and Cure Period. In the event that Owner or Manager determines that the other party has materially breached this Agreement, the non-breaching party shall allow the other party a period of sixty (60) days to cure the breach after receipt of notice thereof from the non-breaching party. If the default cannot be cured within sixty (60) days, no material breach shall occur so long as the breaching party begins curing the breach within sixty (60) days of receiving notice from the non-breaching party and diligently continues to cure the breach thereafter. Notwithstanding the foregoing, there shall be no notice or cure period for criminal acts or any other willful misconduct that is the basis of a breach under this Agreement.

e. Manager's Obligations after Termination.

(i) Manager shall submit all of the following to Owner within ten (10) days following this Agreement's termination: (A) all books, records, contracts, leases, receipts for deposits, unpaid bills then in the possession of Manager, the then current rent roll, and all other papers or documents (including, without limitation, all computer tapes, disks and software) which pertain to the Facility; (B) all financial statements; (C) any plans and specifications pertaining to the Project then in the possession of Manager; (D) all bank and petty cash assets under the responsibility of Manager for the operation of the Facility; (E) any trust and investment accounts under responsibility of Manager for the operation of the Facility; (F) all of Owner's intellectual community, including, without limitation,

trademarks, service marks, copyrights, patents, resident lists and trade secrets; and (G) a complete reconciliation of all records pertaining to the operation of the Facility.

(ii) Manager shall submit all of the following to Owner within one (1) day of the termination of this Agreement: all keys and keycards to any locks at the Facility then in the possession of Manager.

(iii) In addition, upon notice of termination of this Agreement, Manager shall assist Owner in coordinating with any successor manager of the Facility to ensure a smooth transition from Manager to such successor manager.

f. Owner's Obligations after Termination. In the event of any termination of this Agreement, Manager shall be entitled to the payment of any management fees and reimbursable expenses due to Manager through the effective date of any such termination and all Facility Employees expenses shall be paid through to such date on the terms provided herein. Notwithstanding the foregoing, in the event Owner terminates this Agreement under Section 9(b)(i), Manager shall forfeit and Owner shall have no obligation to pay any accrued but unpaid management fees.

g. Management Fee Post Sale by Owner. Upon the sale of the Facility by Owner or a successor-in-interest to Owner, the existing management compensation structure set forth herein shall continue to inure to the benefit of Manager in compensation for management services conducted up until the consummation of escrow.

h. If the Facility is meeting or exceeding budget and Owner terminates this agreement without cause within the Initial Term, the Owner shall pay Manager a termination fee equal to the three (3) months management fee based on the three (3) months immediately preceding the termination notice. This termination fee must be paid prior to receiving a final accounting from Manager. Termination of this Agreement due to monetary default shall be considered termination by Owner.

i. Upon termination and at the discretion of the Owner, the Manager will submit to the Manager or assigns a final accounting within 45 days after the termination date provided the Manager has been furnished all necessary and proper information, statistics, records and data to compile and summarize such final accounting. The Owner shall be obligated to pay Manager an amount equal to $5,000.

11. General Provisions.

a. Relationship of Parties: Owner and Manager shall not by virtue of this Agreement be deemed partners or joint ventures in the operation of the Facility. It is expressly understood that Manager is retained by Owner to manage the Facility on behalf of Owner and the Manager is the sub-agent of Owner only for the purpose of carrying out its obligations under this Agreement. Nothing in this Agreement shall be deemed to restrict in any way the freedom of Manager to conduct any other business or activity whatsoever including but not limited to the management and or ownership of congregate care communities, nursing homes, independent living communities or retirement homes without accountability to Owner or to any other party hereto.

b. Independent Contractors. Nothing in this Agreement shall be construed to create a partnership, joint venture, or employer-employee relationship between the Owner and the Manager. Manager and Owner are at all times independent contractors under this Agreement. Manager shall not be jointly liable with Owner for Owner's debts or obligations with respect to the Facility or any financing arrangements entered into by Owner with respect to the Facility.

c. Counterparts. This Agreement may be executed in several counterparts, each of which shall constitute a complete original Agreement.

d. Headings. The article and paragraph headings contained herein are for convenience of reference only and are not intended to define the scope or intent of any term of this Agreement.

e. Applicable Law. This Agreement shall be construed under Florida law.

f. Severability: If any of the provisions of the Agreement are determined by a court of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the remaining provision of this Agreement.

g. No Waiver. The failure of either party to insist upon strict performance of any term of this Agreement or to exercise any option, right or remedy herein shall not be deemed a waiver of such term, provision, option, right, or remedy. No waiver by either party of any term hereof shall be valid unless contained in a writing signed by the waiving party.

h. Reasonableness. Except as expressly provided herein, all consents, approvals, determinations, requirements, and other acts required by either party hereunder shall be reasonable under the circumstances, and no such consents, approvals, determinations, requirements or other acts required by either party shall be unreasonably withheld, delayed, or denied.

i. Mutual Cooperation. The parties shall execute and deliver all appropriate instruments and take all actions necessary to make this Agreement fully and legally effective, binding and enforceable, as between the parties and as against third parties.

j. Time of Essence. Time is of the essence in each and all of the agreements, covenants, and conditions hereof.

k. No Third Party Beneficiaries. This Agreement is entered into for the benefit of Manager and Owner. No other parties are intended to be third-party beneficiaries of this Agreement.

l. Rights of Non-Parties: Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and their respective successors and permitted assigns. Subject to the preceding sentence, no term or provision of this Agreement is intended (i) to relieve or discharge the obligation or liability of any non-party to any party to the Agreement; or (ii) to give any non-party any right of subrogation or action over and against any party to this Agreement.

m. Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered, sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy, when the sender receives a confirmation of receipt generated by the sending telecopy machine, if sent during ordinary business hours of the sender. Any notice, request, demand, direction, or other communication sent by telecopy must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

If to Owner:

Lake Merritt Senior Living LLC
Attn: Deepak Israni
1775 Hancock Street, Suite 200
San Diego, CA 92110
Phone: 619-296-9000
Fax: 619-296-9090
(e-mail):
disrani@pacificacompanies.com

and

Thomas P. Sayer, Jr., Esq.
9984 Scripps Ranch Blvd., #284
San Diego, CA 92131
(858) 335-9590 (voice)
(619) 296-9090 (fax)
tsayer1@gmail.com (e-mail)

If to Manager:

Northstar Senior Living Inc.
Attention: Rick Jensen
2334 Washington Ave. Suite A
Redding, CA 96001
Telephone: 530-242-8300
(e-mail): rjensen@northstarsl.com

and

Any of the parties may designate a change of address by Notice to the other parties. Whenever in this Agreement the giving of Notice is required, the giving of such Notice may be waived in writing by the person or persons entitled to receive such Notice.

n. Assignment. Neither party shall assign, transfer or delegate any of its rights or duties hereunder without the prior written approval of the other party.

o. Survival. Sections 5, 9e, and shall survive the termination of this Agreement.

p. Attorneys' Fees. If any party to this Agreement shall bring any action for any relief against any other party, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorneys' fees incurred in bringing such suit and/or enforcing any judgment granted therein, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered in such action shall contain a specific provision for the recovery of attorneys' fees and costs incurred in enforcing such judgment. For the purposes of this section, attorneys' fees shall include, without limitation, fees incurred in the following: (i) post-judgment motions; (ii) contempt proceedings; (iii) garnishment, levy, and debtor and third party examinations; (iv) discovery; and (v) bankruptcy litigation.

q. Entire Agreement and Amendment: This Agreement and the documents incorporated by reference herein constitute the entire Agreement regarding management services between Owner and Manager and supersede all prior proposals, negotiations, representations and other communications between Owner and Manager, whether oral or written. This Agreement may not be amended except by a written agreement fully executed by Manager and Owner.

r. Subordination of Management Agreement: Manager acknowledges this Agreement shall be subject and subordinate to the lien of holder of the first deed of trust secured by the Property. Manager shall execute an *Assignment and Subordination Agreement* on commercially reasonable terms as required by Owner's lender. Manager shall provide such commercially reasonable estoppel certificates as may be requested by Owner from

time to time. This Agreement and the payments thereunder to Manager shall also be subject and subordinate to the Lease and the payments of rent to the Landlord under the Lease.

s. Destruction by Casualty: In the event that fire or other casualty destroys the Owner's facility wholly or partially, Owner will notify Manager of the decision to repair or restore within sixty (60) days of the date the casualty occurs. Despite the occurrence of said casualty, this Agreement shall continue in full force and effect with Manager receiving the normal compensation provided for herein. If Owner elects to repair or restore the premises to their former condition the normal compensation will amount to payment of a fee equivalent to the monthly fee for the month preceding the month the casualty occurs. In the event Owner elects not to repair or restore the premises to an acceptable and operable condition as prior to the date of the casualty, this Agreement shall be terminated within thirty (30) days after proper notice is given to Manager.

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

MANAGER:

NORTHSTAR SENIOR LIVING INC.

By: _____

~~Rick Jenson~~ STEVE KREGOL
Managing Director

OWNER:

LAKE MERRITT SENIOR LIVING LLC, a California limited liability company

By: _____
Deepak Israni
General Manager

Exhibit "A"



Executed Lease and Operational Control Agreement between AOAS, LLC and Lake Merritt Senior Living LLC for operation of SNF at Lake Park, dated April 1, 2022

LEASE AND OPERATIONAL CONTROL AGREEMENT

THIS LEASE AND OPERATIONAL CONTROL AGREEMENT ("**Agreement**" or "**Lease**") is made as of April 1, 2022 (the "**Effective Date**"), between Lake Merritt Senior Living LLC, a California limited liability company ("**Owner**") and AOAS, LLC, a California limited liability company (the "**Operator**"). Owner and Operator are collectively referred to herein as "Parties."

WITNESSETH:

WHEREAS, Owner is a limited liability company organized in the state of California and is under contract to acquire that certain continuing care retirement community consisting of 213 total units – 35 skilled nursing units (the "**SNF Units**"), 130 independent living and assisted living units in the main building (the "**IL/AL Units**"), and 48 independent living apartment units on floors 10, 11 and 12 of the tower building (the "**Apt. Units**") – all located at 1850 Alice St., Oakland. CA 94612 (the "**Property**") to be re-branded as Lake Park Senior Living (the "**Facility**"), together with the other real property and improvements identified as the "**Premises**" as defined herein below;

WHEREAS, Owner intends to operate the IL/AL Units and the Apt. Units at the Facility (the "**Non-SNF Premises**") and Operator shall have no liability for the Non-SNF Premises except as may be specifically set forth herein;

WHEREAS, the skilled nursing component to the Facility consists of that portion of the Property generally described as the low-rise building adjacent to southeasterly tower and identified with the arrow on the diagram attached hereto as Exhibit "A" and incorporated herein by this reference (the "**SNF Premises**");

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

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

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

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

1. Lease and Operations. For and in consideration of the covenants and agreements hereinafter contained, Owner does hereby let, lease, and demise unto Operator, and Operator does hereby lease from Owner, the SNF Premises and the parking spaces (on a non-exclusive basis), equipment, inventory and furnishings located at the Facility that are being utilized by the SNF Premises.

TO HAVE AND TO HOLD the same unto Operator and unto Operator's successors and assigns, together with all privileges and appurtenances thereunto belonging, for the term and under the conditions hereinafter set forth. The Premises shall be used solely for the purpose of conducting a skilled nursing facility business thereon.

2. Term.

(a) The term of this Agreement shall be for a period of ten (10) years beginning on the date that that is the earlier of the dates described in subsections (i) and (ii), below (the "**Commencement Date**"), and ending on the tenth (10^{th}) anniversary of such date (including any Extended Term described below, the "**Term**"). Once the Commencement Date has been determined, Owner and Operator agree to promptly enter into an amendment to this Lease to amend the terms of this Section 2(a) to identify the Commencement Date.

(i) the Effective Date; and

(ii) the date that the following conditions are satisfied: (1) Operator shall have received its skilled nursing facility license from CDPH (as defined below) to operate the SNF Premises; and (2) Operator and the Facility shall have completed the Medicare and Medicaid certification process, enabling Operator and the Facility to participate in the Medicare and Medicaid programs, and to bill and collect reimbursements from Medicare and/or Medicaid for services rendered by Operator to eligible patients at the Facility. Operator shall promptly make all applications to satisfy the conditions described in this subsection (ii) and shall prosecute such applications to completion in a commercially reasonable manner without undue delay.

(b) Operator shall have and is hereby granted one (1) option (the "**Extension Option**") to extend the Term (an "**Extended Term**") for an additional ten (10) years, upon the terms, covenants, conditions and rental as set forth herein; provided no continuing Event of Default then exists hereunder at the commencement of the Extended Term. Operator may exercise such Extension Option by giving written notice to Owner not less than six (6) months nor more than twelve (12) months prior to the expiration of the Term. Should Operator fail to give Owner such timely written notice during the required period, the then current Term and all rights of renewal shall automatically expire as of the then scheduled expiration date of the Term.

(c) Other than as set forth in subsections (a) and (b), above, this Agreement may not be further extended without the consent of both Owner and Operator.

3. Rental. As rental for the Premises, Operator shall pay to Owner;

(a) Commencing with the Commencement Date and continuing on the first day of each month for the first twenty-four months of the Term, rent equal to Twenty-Six Thousand Two Hundred Fifty and No/100 Dollars ($26,250.00) per month ($750/bed x 35 beds).

(b) Commencing with the second annual anniversary date of the Term (month 25) and continuing on the first day of each month for the next twelve months of the Term, rent equal to Thirty Thousand Six Hundred Twenty-Five and No/100 Dollars ($30,625.00) per month ($875/bed x 35 beds).

(c) Commencing with the third annual anniversary date of the Term (month 37) and continuing on each subsequent annual anniversary date of the commencement of this Lease (each a "**Rent Adjustment Date**") Base Rent (including any per licensed bed increase) shall be increased by three percent (3%) of the Base Rent in effect immediately prior to each Rent Adjustment Date.

(d) A late payment charge of five percent (5.0%) of the rental amount may be charged if the rent is not paid by the fifth (5^{th}) business day of any month during the Term. In addition, any amount of rent not paid by the fifth (5^{th}) day of any month shall bear interest until paid at the annual rate of four percent (4.0%), or the highest rate allowed under California law, whichever is less. The rent shall be prorated for any month in which this Agreement commences or expires on a day other than the first or last day of such month.

(e) The Parties believe the rent to be a fair market value like lease expense for similarly operated Facilities, and as such, the rent is direct payment for the use of and right to operate the Facility.

4. Triple Net Lease. This is a triple net lease, meaning that in addition to the rental payment set forth in Section 3 above, Operator shall pay all amounts necessary to operate and maintain the Facility, including without limitation, all real property taxes and assessments, repairs, maintenance and replacements for the Premises, and insurance, excluding however, any county, state or federal income taxes of Owner, and any municipal, county, state or federal franchise, gross receipts, estate, gift, succession, inheritance taxes of Owner and/or all other taxes applicable to Owner's gross or net income. Notwithstanding the foregoing, Owner shall be responsible for the repairs identified in Section 5 below, until Owner has expended sums up to the Owner's Repair Contribution Limit. The rent due under this lease will be paid by Operator and be received by Owner without any deduction or offset whatsoever by Operator, foreseeable or unforeseeable. Property tax and insurance payments shall be paid by Operator to Owner quarterly. The timing and amount of such quarterly payments shall be such that Owner will have sufficient funds from which to pay all property tax and insurance invoices at such times as to avoid any and all penalties and to take maximum advantage of any and all discounts available.

The parties acknowledge that this Lease covers only the skilled nursing facility portion of the campus currently known as "Healdsburg Senior Living Community," a senior housing facility which includes independent living, assisted living and memory care components that are not subject to this Lease. The parties agree that certain expenses of the entire facility will be shared in accordance with that certain Shared Services Agreement attached hereto as Exhibit "B" and incorporated herein by this reference (the "**SSA**"). Such SSA shall control notwithstanding any provision to the contrary regarding the obligation for expenses contained in this Lease.

5. Facility Improvements. Owner covenants and agrees that, to the extent that any repairs, alterations, construction or any other work has been performed or initiated at the Premises prior to the Commencement Date of this Lease whether such work was initiated by Owner or by its affiliate that operated the Premises prior to the Commencement Date hereof ("**Pre-Commencement Date Repairs**"), Owner and/or its affiliate shall remain solely responsible for the completion and costs of all such Pre-Commencement Date Repairs, and Owner further covenants and agrees that it shall, or shall cause its affiliate to, complete all such Pre-Commencement Date Repairs in accordance with all applicable laws and regulations, including without limitation, all regulations and requirements of the Department of Health Care Access and Information ("**HCAI**"). In acknowledgement of the foregoing, Owner agrees to indemnify, defend and hold harmless Operator from any and all liabilities, fees, costs, fines and/or other penalties that may be assessed against the Premises and/or Operator by HCAI or any other governmental agency in connection with any and all such Pre-Commencement Date Repairs.

6. Absolute Net Lease.

(a) All rent payments shall be absolutely net to the Owner free of taxes, assessments, utility charges, operating expenses, refurnishings, insurance premiums or any other charge or expense in connection with the Premises. All expenses and charges, whether for upkeep, maintenance, repair, (whether structural or non-structural) refurnishing, refurbishing, restoration, replacement, insurance premiums, taxes, utilities, and other operating or other charges of a like nature or otherwise, shall be paid by Operator provided, however, that Operator shall not be responsible for repair or replacement necessary to cure any condition for which Owner is responsible under Paragraph 5 until Owner has expended the total of the Owner's Repair Contribution Limit. This provision is not in derogation of the specific provisions of this Lease, but in expansion thereof and as an indication of the general intentions of the parties hereto. Operator shall continue to perform its obligations under this Lease even if Operator claims that Operator has been damaged by any act or omission of Owner. Therefore, Operator shall at all times remain obligated under this Lease without any right of set-off, counterclaim, abatement, deduction, reduction or defense of any kind, except as otherwise expressly provided for in this Agreement. Operator's sole right to recover damages against Owner by reason of a breach or alleged breach of Owner's obligations under this Lease shall be to prove such damages in a separate action against Owner.

7. Utilities. Subject to the SSA, Operator shall be responsible for the prompt and full payment, as and when due, of all charges (including taxes) for water, sewer, sanitation, electricity, gas, telephone, and other utilities consumed on the Premises.

8. Collection of Revenue. Operator shall be entitled to collect and retain all payments, third party reimbursements, and receivables arising from services provided at the Facility during the Term.

9. Taxes. Subject to the SSA, Operator shall 1) pay to the applicable taxing authority all ad valorem taxes and assessments due to improvement districts or governmental bodies which may be levied, assessed or charged against the Premises by reason of the real property and premises leased hereunder including but not limited to real estate and personal property taxes, business and occupational taxes, license taxes, intangible property, gross receipts, or other excise taxes; and 2) be responsible for all taxes attributable to the property of Operator on the Premises and for all license, privilege and occupation taxes levied, assessed or charged against Operator on account of the operation of the business from the Premises. Operator shall pay all real property tax bills on or relating to the Premises before such bills become past due. Taxes for any partial year shall be prorated between Operator and Owner, with Owner to be responsible for the taxes attributable to periods prior to the Commencement Date, and Operator to be responsible for taxes attributable to periods on and after the Commencement Date.

10. Operational Responsibilities.

(a) Responsibilities of Owner.

(i) Owner shall execute and deliver any documents reasonably necessary to facilitate the change of operational control of the Facility.

(ii) Owner shall and shall cause the current operator of the Premises to execute and timely deliver any documents reasonably necessary to effectuate the change of ownership with respect to the license of the Facility to Operator as of the Effective Date, including a Change of Ownership Notification, and a Notice of Change of Operational Control, substantially similar to the form attached hereto as Exhibit C.

(iii) Owner shall cooperate with and timely provide to Operator any and all information Operator may reasonably request with such licensing. Further, Owner shall cooperate in the development by Operator of a strategic marketing plan to provide for the continued occupancy of the Facility; provided, however, that Operator shall not advertise or otherwise use Owner's name, trade name, trademarks or corporate symbols without the prior written consent of Owner.

(iv) Owner shall endeavor to refer residents from the independent living, assisted living, and memory care components of Healdsburg Senior Living Community to the skilled nursing Facility to the greatest extent feasible in accordance with applicable laws. Likewise, Operator shall endeavor to refer residents from the skilled nursing Facility to the independent living, assisted living, and memory care components of Healdsburg Senior Living Community to the greatest extent feasible. Neither party shall pay nor be entitled to remuneration nor compensation of any kind for such referrals. For the avoidance of doubt, Neither Owner nor Operator has an obligation to provide such referrals as a matter of compliance with this Lease.

(b) Responsibilities of Operator. Operator shall operate the Facility at Operator's expense in a professional and competent manner. In addition, Operator shall have the following specific obligations along with the authority to implement such obligations to achieve the orderly operation of the Facility, all at Operator's expense:

(i) Recruit, screen, employ, train, promote, direct and terminate the employment of Facility personnel as necessary for the operation of all departments and services of the Facility, including without limitation, setting the salary levels, establishing personnel policies, and maintaining employee benefits within prescribed regulatory limits and consistent with developed performance standards. At or prior to the Commencement Date, Operator will tender offers of employment to all of the Employees involved in the skilled nursing facility activities at the Facility in good standing. Such offers of employment made by Operator will be made in a manner sufficient to comply with federal, state, and local law.

(ii) Implement policies and procedures for each department and service of the Facility as required by California Department of Public Health ("CDPH") rules and regulations, federal regulations for nursing Facility and in material compliance with any rules and regulations of HUD pursuant to financing secured by the Premises.

(iii) Assure the continuing good standing of the skilled nursing facility license and Medicare and Medicaid certification as required for the operation of the Facility maintaining licenses for no fewer beds than as shown on Exhibit A-1 and participate as necessary in obtaining any certification and licensing required by the regulatory agencies.

(iv) Cooperate with Owner in complying with any and all obligations under the CCRC Lifecare Contracts of residents at the Non-SNF Premises including, by way of example and not by limitation, providing priority placement for such residents in the Facility.

(v) Maintain the necessary contracts with agencies and intermediaries to ensure continuing eligibility for participation in the State Medicaid Program Title XIX of the Social Security Act, as amended, and Medicare Program Title XVIII of the Social Security Act, as amended.

(vi) Perform all other activities related to the establishment and operation of the Facility as a fully licensed, certified and functioning free standing skilled nursing facility.

(vii) Be responsible for purchase of supplies, equipment, maintaining supply agreements or purchase contracts. Implement repairs and continued maintenance of Facility equipment and buildings. Be responsible for conducting periodic on-site inspections of the Facility, announced and unannounced, to ensure the physical plant and grounds are in satisfactory repair and condition.

(viii) Maintain a set and system of accounting books and records used in the operation of the Facility at Operator's expense by Operator's employees. Such books and records shall be maintained on the basis of a December 31st calendar year or other such fiscal year elected by the Operator with written notice to Owner and shall permit Owner or any of its agents (upon reasonable prior notice to Operator), representatives or lenders to have access to and to examine and copy or make abstracts of all such books and records at any time or times hereafter during normal business hours. In addition, Operator shall provide to Owner an income statement, balance sheet, cash flow statement and census trend report on a monthly basis in form and content satisfactory to Owner in Owner's reasonable discretion.

(ix) Maintain, at Operator's expense, the overall management and operational responsibility of the Facility ensuring the Facility is efficient and effective and operated in good standing with CDPH. This includes responsibility for hiring and maintaining staff and professional consultants, billing for services and all other operational activities as required.

(x) Maintain material compliance with all federal, state and local licensing and other laws and regulations applicable to the operation of a licensed nursing facility at the Premises as well as with the certification requirements of Medicare and Medicaid (or any successor program), as applicable. Further, Operator shall ensure that the Premises continue to be operated as skilled nursing Facility licensed for no fewer beds than as shown on Exhibit A-1, all without any suspension, revocation, decertification or other limitation. Operator shall maintain all necessary permits, licenses and approvals for the operation of the Facility.

(xi) The matters set forth above are not intended to be limitations upon the management or operation activities, but are set forth to specify the general nature of the rights and responsibilities of the parties.

11. Continuous Use. Operator shall, at Operator's expense, continuously use and occupy and operate the Premises during the Term as a nursing facility licensed for not less than the number of beds listed on Exhibit A-1 and for ancillary services relating thereto, but for no other purpose. Notwithstanding the foregoing, Operator may temporarily interrupt the continuous operation of all or a portion of the Facility (i) for purposes of restoration following a casualty (ii) for a reasonable period of time to complete refurbishment work approved by Owner (iii) to as reasonably necessary construct alterations or improvements or to perform maintenance, repair, and replacement as may be required or permitted under this Lease. In the event Operator fails to perform its obligation, Owner shall be entitled to (a) injunctive relief requiring Operator to occupy the Premises and operate as hereinabove provided and/or (b) at Owner's election to immediately possess the Premises for the purpose of commencing reletting efforts or other operational efforts without prejudice in each instance to Owner's right to damages and other remedies as set forth herein or available under applicable law.

12. Repairs and Replacements. Operator agrees, at its own cost and expense, to keep and maintain each and every part of the Facility both structural and non-structural and the equipment and furnishings on the Premises, (including the roof, walls, electrical systems and all plumbing) in at least as good repair as when the premises were received, ordinary wear and tear and casualties beyond Operator's control alone excepted and to be responsible for the maintenance and normal operating condition of all heating, electrical and air conditioning equipment and plumbing on the Premises at its own cost and expense. Operator shall return the Premises at the expiration or termination of this Agreement in good order and condition, excepting only ordinary wear and tear and casualties beyond Operator's control. Further, Operator shall promptly make or cause to be made all repairs, interior and exterior, structural and nonstructural, ordinary and extraordinary, foreseen and unforeseen, necessary to keep the Premises in good and lawful order and condition, normal wear and tear excepted, and in substantial compliance with all applicable local, state and federal laws and licensing requirements. Operator shall also replace any worn out equipment located at the Facility in accordance with practices which are reasonable or customary in the operation of nursing homes. Provided, however, in the event Operator does not wish to remain in possession of any such worn out equipment which is not needed in connection with the operation of the Premises, in lieu of replacing or retaining at the Premises, Operator may return to Owner, or, at Owner's discretion, may discard same. Commencing with Month 37 of the Lease Term, Operator shall spend at least $17,500/year ($500.00/bed) on capital improvements to the Facility, and submit all such documentation to Owner of Tenant's capital expenditures on a bi-annual basis on June 30 and December 31 of each year. In the event for any calendar year Operator fails to provide adequate documentation of expenditures of at least $17,500.00 during such year, then Operator shall pay the shortfall to Owner as additional rent with the documentation that is due on December 31 of such year. All such capital expenditures shall become the property of Owner and shall remain with the Facility at the expiration of the Term. All such capital expenditures shall become the property of Owner and shall remain with the Facility at the expiration of the Term.

13. Operator Liens. Operator may secure a working capital line of credit from a third party lender collateralized by facility accounts receivable and accounts receivable related collateral as more fully described in such working capital lender loan documents and UCC-1 financing

statements. Owner agrees to subordinate any interest it may now or in the future have in such collateral and further agrees to execute applicable legal documents with Operator's lender customary in such transactions. Upon Owner's request, Operator agrees to cause the accounts receivable lender to execute a customary Intercreditor Agreement with respect to any liens granted in connection with such financing. For the avoidance of doubt, the collateral for the accounts receivable loan shall only consist of that property owned solely by Operator and Owner is not subordinating its interest in any property owned solely by Owner.

14. Alterations. Operator shall have the right and privilege to make, at Operator's expense, ordinary repairs and alterations to the Premises; provided, however, no alterations or changes of a structural nature exceeding One Hundred Thousand Dollars ($100,000.00) shall be made without the prior written consent of Owner.

15. Fixtures/Equipment. All equipment, furnishings, or trade fixtures installed by Operator or acquired by Operator independently of this Agreement which are not replacements of equipment, furnishings, or trade fixtures of Owner shall remain Operator's property and may be removed by Operator at the expiration of this Agreement; provided, however, Operator shall restore the Premises and repair any damage thereto caused by such removal.

16. Untenantability. Should the improvements on the Premises be rendered unfit for occupancy for the purposes for which they are hereby let, by reason of fire, windstorm or other act of nature or unavoidable casualty, the rentals hereinabove stipulated to be paid by Operator, or such proportion thereof as is related to that portion of the improvements on the Premises rendered untenantable by reason of such damage, shall continue and not be remitted or abated, the parties recognizing that Operator shall purchase and obtain Business Interruption Insurance under Section 22 of this Lease. Provided, however, Owner may, upon the occurrence of any such casualty, elect to terminate this Agreement if the cost of replacing or repairing the improvements so damaged upon the Premises equals or exceeds fifty percent (50%) of the appraised property value prior to such damage. Owner shall in no way be liable or responsible for any damage to any property of Operator in or about the Premises by reason of flood, water, fire, windstorm or other casualty or act of nature.

17. Representations and Warranties of Owner. Owner hereby warrants and covenants with and unto Operator as follows:

(a) Title. That it has (or at the Commencement Date will have) an absolute and indefeasible title to the Premises now and continuing during the Term, subject to the Interim Lease referred to in the recitals and restrictions and covenants of record as of the first day of the Term, and that Owner will, during the Term, defend the same and hold harmless Operator against the lawful claims of any and all persons whomsoever but excepting any claims caused by or relating to actions of Operator.

(b) Encumbrances. Owner shall continue to satisfy all of its financial obligations that have or could give rise to encumbrances on the Premises, including, but not limited to, existing mortgages, notes and similar obligations, provided that the Operator shall be responsible for all financial obligations or encumbrances arising from or relating to Operator or its operations on the Premises.

(c) Lease. Other than the Interim Lease referred to in the recitals, there is no lease affecting the Premises that Owner does not have the power to terminate on or before the Effective Date.

(d) Authorization. Owner has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Owner.

(e) No Conflicts. Neither the execution and delivery of this Agreement by Owner, nor the consummation by Owner of the transactions contemplated hereby, conflict with or result in a breach or default under agreement or obligation, or known potential litigation or liability, to which Owner is a party or is otherwise bound or subject.

(f) No Consent. No consent or approval of any third party is required in connection with the execution and delivery of this Agreement by Owner or the consummation by Owner of the transactions contemplated hereby, other than governmental licenses required for the operation of the Facilities.

(g) Compliance With Laws. Owner hereby represents and warrants to Operator that the Premises and all parts thereof are currently in material compliance with all applicable codes, laws, regulations and ordinances of all county and municipal authorities.

(h) Binding Effect. This Agreement has been duly executed and delivered by Owner and constitutes the legal, valid and binding obligation of Owner, enforceable against Owner in accordance with its terms.

(i) Broker or Finder. Neither party has had any dealings with any broker, finder, or other party concerning this Agreement and each agree to indemnify and hold the other harmless from all loss, costs, damage or expense, including reasonable attorney's fees incurred by the other as a result of any claim arising out of the acts of the indemnifying party for a commission, finder's fee, or similar compensation made by any broker, finder or other party.

(j) Disclosure. Owner has no knowledge of any untrue statement of material fact or the omission or failure to state a fact necessary to make the statements contained herein not misleading.

(l) Non-SNF Premises. Owner owns the Non-SNF Premises and operates the assisted living and memory care units (which is housed in a building physically connected to the Facility). Owner agrees to provide Operator with access in and to the Facility as well as an easements or licenses necessary for Operator's access to and lawful operation of the Facility.

(m) Parking. The parking spaces (including the handicap spaces) located underground below the Facility are included in the Premises and leased to Operator on a non-exclusive basis (i.e, shared with the Non-SNF Premises) pursuant to this Lease. Owner certifies that the parking spaces included in the Lease are ample for Facility employees and visitors.

18. Representations and Warranties of Operator. Operator hereby warrants and covenants with and unto Owner as follows:

(a) Status. Operator shall, as soon as is reasonable, procure all requisite authority to do business in California as a skilled nursing facility operator and shall maintain this status during the Term.

(b) Authorization. Operator has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Operator.

(c) No Conflicts. Neither the execution and delivery of this Agreement by Operator, nor the consummation by Operator of the transactions contemplated hereby, conflict with or result in a breach or default under agreement or obligation, or known potential litigation or liability, to which Operator is a party or is otherwise bound or subject.

(d) No Consent. Other than the licensure approval issued by CDPH, no consent or approval of any third party is required in connection with the execution and delivery of this Agreement by Operator or the consummation by Operator of the transactions contemplated hereby.

(e) Binding Effect. This Agreement has been duly executed and delivered by Operator and constitutes the legal, valid and binding obligation of Operator, enforceable against Operator in accordance with its terms.

(f) Broker or Finder. Operator is not obligated to any broker or finder, and has not incurred any liability for any brokerage fee or commission, in connection with the transactions contemplated in this Agreement.

(g) Disclosure. Operator has no knowledge of any untrue statement of material fact contained in the Agreement or the omission or failure to state a fact necessary to make the statements contained in this Agreement not misleading.

(h) Compliance With Laws by Operator. During the Term and any renewal or extension term, Operator shall, at its sole cost and expense, comply with (and shall be liable for violations and cure of) all local legal requirements relating to the physical condition of all parts of the Premises. Operator shall not commit any act or omission that would in any way violate a certificate of occupancy affecting the Premises.

19. Owner May Grant Liens. Owner may, from time to time, directly or indirectly, create or otherwise cause to exist any lien, encumbrance, or title retention agreement ("Encumbrance") upon the Premises, or any portion thereof or interest therein (including this Agreement), whether to secure any borrowing or other means of financing or refinancing or otherwise. At the request of any Party, Owner, Operator and any lien holder agree to execute a subordination, non-disturbance and attornment agreement in form and substance reasonably acceptable to Owner and Operator (an "SNDA"). Any such Encumbrance shall provide that it is subject to the rights of Operator under this Agreement, and shall further provide that so long as no Default (as such term is defined in Paragraph 27 herein) shall have occurred under this Agreement, Operator's occupancy hereunder,

including but without limitation Operator's right of quiet enjoyment provided herein, shall not be disturbed in the event any such lienholder or any other person takes possession of the Premises through foreclosure proceeding or otherwise. Upon the request of Owner, Operator shall subordinate this Agreement to the lien of a new Encumbrance on the Premises, on the condition that the proposed lender agrees not to disturb Operator's rights under this Agreement so long as Operator is not in Default hereunder.

20. Conveyance by Owner. If Owner or any successor owner of the Premises shall convey all or any portion of the Premises, Owner or such successor owner shall thereupon be released from all future liabilities and obligations of Owner under this Agreement arising or accruing from and after the date of such conveyance or other transfer as to all or any portion of the Premises conveyed, and all such future liabilities and obligations shall thereupon be binding upon the new owner.

21. Conduct of Business and Uses. The Premises are leased to Operator for the purpose of operating the Facility as a skilled nursing facility and Operator covenants and agrees with and unto Owner that the Premises will be used only for such purpose, except with the prior written consent of Owner. Operator covenants and agrees that Operator will not do or permit to be done anything in, upon, or about the Premises that increases the hazard of fire beyond that which exists by reason of the uses and occupancy of the Premises for Operator's stated purpose. Operator will not do or permit to be done anything within Operator's control which would make the Premises, or the improvements thereon, uninsurable in whole or in part. Operator agrees that Operator will neither commit waste nor permit waste to be committed or done upon the Premises.

22. Insurance.

(a) Fire and Extended Coverage. Operator shall keep the Premises (including the buildings constituting part of the Premises) insured against loss or damage from all causes under standard "all risk" property insurance coverage, without exclusion for fire, lightning, windstorm, explosion, smoke damage, vehicle damage, sprinkler leakage, flood, vandalism, malicious mischief or any other risks as are normally covered under an extended coverage endorsement, in the amounts that are not less than the full insurable value of the Premises including all equipment and personal property used in the operation of the Premises. The term "full insurable value" as used in this Lease shall mean the actual replacement value of the Premises (including all improvements) and every portion thereof, including the cost of compliance with changes in zoning and building codes and other laws and regulations, demolition and debris removal and increased cost of construction.

(b) Professional and Contractual Liability Insurance. Operator shall procure and maintain at all times during the Term, at its sole expense, such insurance against liability imposed by law in such amounts and with such companies as are reasonable and customary with respect to similar long-term care Facility located in California. Such insurance shall include coverage for contractual and negligence liability of Operator for damages on account of professional services rendered or which should have been rendered by Operator or any person for which Operator is legally liable, on account of injury, sickness, or disease, including death at any time resulting therefrom, and including damages allowed for loss of service. Operator shall cause Owner and Owner's affiliated senior housing management entities to be named as additional insureds under all liability policies required hereunder.

(c) General Liability. Operator shall procure and maintain at all times during the Term, at its sole expense, commercial general public liability insurance coverage (including products liability, contractual liability and broad form coverage) against claims for bodily injury, death, or property damage occurring on, in, or about the Premises and the adjoining sidewalks and passageways, which will indemnify Owner and Operator against liability for loss, damage, or injury to property or person. The amount of such liability insurance shall be at least $500,000 per occurrence, $1,000,000 per location general aggregate or such lesser amount as Owner in Owner's discretion may accept.

(d) Boiler Insurance. If applicable, Operator shall maintain boiler and pressure vessel insurance, including an endorsement for boiler business interruption insurance, on any fixtures or equipment which are capable of bursting or exploding, in an amount not less than Five Hundred Thousand Dollars ($500,000) for damage to property, bodily injury or death resulting from such perils.

(e) Business Interruption Insurance. Operator shall maintain, at its expense, business interruption and extra expense insurance insuring against loss of rental value for a period not less than one (1) year.

(f) General Insurance Requirements.

(i) If Operator fails to procure or maintain any insurance required hereunder, after written notice by Owner to Operator and ten (10) business days opportunity to cure, Owner may procure or maintain any such insurance and charge Operator with the expense thereof, plus two percent (2%), as additional rent. Operator shall be solely responsible for maintaining insurance on Operator's products, inventory, business equipment, furniture, files and other property of Operator kept in, on or about the Premises and Owner shall not be responsible for any damages whatsoever occurring to Operator's property.

(ii) All insurance provided for in this Lease shall be maintained under valid and enforceable policies issued by insurers of recognized responsibility, which are acceptable to Owner in its reasonable discretion. Any and all policies of insurance required under this Lease shall name the Owner as an additional insured. In addition, Owner shall be shown as the loss payable beneficiary under the casualty insurance policy maintained by Operator pursuant to this Section 22. Original policies or satisfactory certificates from the insurers evidencing the existence of all policies of insurance required by this Lease and showing the interest of the Owner shall be provided to Owner prior to the commencement of the Term and shall provide that the subject policy may not be canceled except upon not less than ten (10) days prior written notice to Owner. If Owner is provided with a certificate, upon Owner's request Operator shall provide Owner with a complete copy of the insurance policy evidenced by such certificate within thirty (30) days of the commencement of the Term. Renewal policies or certificates therefor from the insurers evidencing the existence thereof shall be provided to Owner not less than ten (10) days prior to the expiration dates of the policies. If Owner is provided with a certificate for a renewal policy, upon Owner's request Operator shall deliver a copy of the complete renewal policy to Owner within thirty (30) days of the expiration of the replaced

policy. Any claims under any policies of insurance described in this Lease shall be adjudicated by and at the expense of Operator or of its insurance carrier, but shall be subject to joint control of Operator and Owner. Operator shall comply with the reasonable requirements of Facility Mortgagee, if any, with respect to naming the Facility Mortgagee as additional insured or loss payee.

23. No Liens, Permitted Contests. Operator shall not cause or permit any liens, levies or attachments to be placed or assessed against the Premises or the operation thereof for any reason except as permitted in Section 13 hereof. However, Operator shall be permitted in good faith and at its expense to contest the existence, amount or validity of any lien upon the Premises by appropriate proceedings sufficient to prevent the collection or other realization of the lien or claim so contested, as well as the sale, forfeiture or loss of any of the Premises or any rent to satisfy the same. Operator shall provide Owner with security satisfactory to Owner in Owner's reasonable judgment to assure the foregoing. Each contest permitted by this Section 23 shall be promptly and diligently prosecuted to a final conclusion by Operator.

24. Financial Statements. Within thirty (30) days of the end of each quarter during the term of this Lease, Operator shall deliver to Owner the financial and operating statements of Operator (including income statement, balance sheet, census report and other such reports reasonably requested by Owner), which statements do not have to be audited but may be internally prepared by Operator but shall be certified as true, correct and accurate by an officer of Operator. Operator shall provide such additional and further financial information as may be reasonably requested by Owner from time to time.

25. Workers Compensation/Employment Taxes. Operator shall comply with all legal requirements regarding worker's compensation, including any requirement to maintain worker's compensation insurance against claims for injuries sustained by Operator's employees in the course of their employment.

26. Confidential Information. For the purposes of this Agreement, the term "Confidential Information" shall include the following:

(a) All documents and other materials, including but not limited to memoranda, manuals, handbooks, electronic data and media, product books and audio or visual recordings, which are developed by Operator or the Owner and contain written information relating to the Facility operation.

(b) All methods, techniques and procedures developed by Operator and utilized in providing long-term nursing and rehabilitation care and treatment to patients at the facility, which are not readily available through sources in the public domain.

(c) The Parties agree and acknowledge that the Confidential Information is disclosed to it in confidence and with the understanding that it constitutes valuable business information developed by Operator or the Owner, at great expenditure of time, effort and money. The Parties agree to not, without the prior written consent of the other, except as required by law, use Confidential Information for any purpose other than the performance of this Agreement. The Parties further agree to keep strictly confidential all Confidential

Information and not disclose or reveal such information to any third party without prior written consent of the other, except as required by law.

(d) Unless otherwise required by law or court order, the Parties shall not disclose information relating to the operation of the facility to any third party. Operator and Owner shall protect the confidentiality of patient information maintained at the Facility and will comply with applicable state and federal laws and all policies and procedures concerning the release of information about patients.

Notwithstanding any other provision of this Section 26, Operator agrees that any information furnished by Operator to Owner under this Lease may be furnished to Owner's lender providing the mortgage financing on the Premises and that such disclosure shall not violate the provisions of this Section 26.

27. Indemnification.

(a) By Operator: Subject in all respects to Section 30 hereof, to the fullest extent permitted by law, Operator agrees to protect, indemnify, defend and save harmless Owner, its directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on account of any action (or failure to act) of Operator arising out of or in connection with this Lease (including, without limitation, the breach by Operator of any of its obligations hereunder), or (ii) relating in any manner to the operations of Operator on or relating to the Premises, or (iii) relating in any manner to the operation of the Facility by Operator. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Owner believes is covered by this indemnity, Owner shall give Operator written notice of the matter. Operator shall defend Owner against such matters that are covered by this indemnity at Operator's sole cost and expense (including, without limitation, Owner's reasonable attorneys' fees and costs) with legal counsel reasonably satisfactory to Owner. Owner may elect to defend the matter with its own counsel at Owner's expense.

(b) By Owner. Subject in all respects to Section 30 hereof, to the fullest extent permitted by law, Owner agrees to protect, indemnify, defend and save harmless Operator, its directors, officers, shareholders, agents, affiliated companies and employees from and against any and all foreseeable or unforeseeable liability, expense loss, costs, deficiency, fine, penalty, injury, claims or damage (including, without limitation, punitive or consequential damages) of any kind or nature, including reasonable attorneys' fees, from or relating to any suits, claim or demands based on events occurring during the Term, (i) on account of any action (or failure to act) of Owner arising out of or in connection with this Lease (including, without limitation, the breach by Owner of any of its obligations hereunder), or (ii) relating in any manner to the operations of Owner or its affiliates on or relating to the Premises or the Non-SNF Premises, including specifically any fines, penalties, fees and/or other liabilities issued against the Premises, Owner or any affiliate of Owner, by the California Department of Public Health, the Centers for Medicare and Medicaid Services, HCAI or any other governmental agency having jurisdiction over the Premises, Owner, or its affiliate that operated the Premises prior

to the Commencement Date hereof; or (iii) relating in any manner to the operation of the Facility or Non-SNF Premises by Owner or its affiliates or the provision of the Shared Services under the Shared Services Agreement. Upon receiving knowledge of any suit, claim or demand asserted by a third party that Operator believes is covered by this indemnity, Operator shall give Owner written notice of the matter. Owner shall defend Operator against such matters that are covered by this indemnity at Owner's sole cost and expense (including, without limitation, Operator's reasonable attorneys' fees and costs) with legal counsel satisfactory to Operator. Operator may elect to defend the matter with its own counsel at Owner's expense. Notwithstanding any other provision of this Paragraph 27(b), Owner shall have no indemnity obligation under this Paragraph 27(b) for or with respect to or relating to any matter which is or would be covered by the insurance required under Section 22.

(c) The provisions of this Paragraph 27 shall survive the termination of this Agreement.

28. Default. In the event either party fails to perform any material obligations under this Agreement and such failure continues for a period of three (3) days (following any applicable grace period) in connection with a payment default or thirty (30) days with respect to any other default after written notice is given by the other party which sets forth the nature of the default, such party shall be deemed to be in "Default" and any applicable remedies thereon shall be available to such other party; provided, however, that if the nature of the default is such that the same cannot reasonably be cured within such thirty (30) day period, the defaulting party shall not be deemed to be in Default if it, within such thirty (30) day period, commences cure of such Default and thereafter diligently pursues the same to completion within a reasonable time. In addition to the foregoing, the Operator and Owner agree that the following shall constitute a Default by Operator under this Agreement and Operator shall have no cure period with respect thereto:

(a) If Operator has its license to operate the Facility as a provider of nursing home services suspended or revoked by final non-appealable order, determination or judgment by the applicable governmental agencies having jurisdiction over the Facility; or

(b) If Operator fails to cure or fails to make diligent efforts to cure, in accordance with applicable law and related time frames, any deficiency required to be corrected as cited by regulatory or licensing agency (delays in acceptance of any plan of correction by any regulatory or licensing agency which are not the fault of Operator shall not constitute a Default hereunder);

(c) If Operator is terminated as a provider of nursing services in the Medicare or Medicaid programs for the Facility by final non-appealable order, determination or judgment by the applicable governmental agencies having jurisdiction over the Facility;

(d) If Operator or any of its respective members, managers, directors or officers is criminally convicted under any law that would lead to a forfeiture of any of the licenses necessary for the operation of the Facility as a skilled nursing facility or ancillary uses or to disqualification under any government provider agreement or program;

(e) If any insurance required hereunder is terminated or lapsed without an acceptable replacement coverage and notice thereof being provided to Owner;

(f) If the Operator files for voluntary petition in bankruptcy court or other insolvency, dissolution or reorganization proceedings commence against Operator; and/or

(g) If the Operator is in default beyond any cure period under the SSA.

29. Remedies Upon Default. In the event of a Default by Operator, Owner shall be entitled to all rights and remedies available under applicable law. Without limiting the foregoing, Owner may, at its option, declare this Agreement terminated, but in all cases, whether or not Owner declares the lease terminated, shall have the right to enter upon and take possession of the Premises, without notice, and to evict and expel Operator and any or all of Operator's property, belongings and effects therefrom, without legal process and without thereby being guilty of any manner of trespass, which remedy is in addition to any other remedies of Owner, including, without limitation, the collection of delinquent rents, possession of the Premises, damages for breach of this Agreement by Operator or otherwise. No delay in or failure to exercise any of the options herein granted to Owner by reason of a default shall be a waiver thereof, and the waiver on one (1) occasion of a default shall not be deemed a waiver of Owner's right to exercise its remedies by reason of the same or a similar default at any later occasion.

In the event of a breach by Operator of any of its obligations under this Lease, Owner shall also have the right of injunction.

Suit or suits for the recovery of such damages, or any installments thereof, may be brought by Owner from time to time at its election, and nothing contained herein shall be deemed to required Owner to postpone suit until the date when the term of this Lease would have expired if it had not been so terminated under the provisions of this Section, or under any provision of law, or had Owner not reentered the Premises.

Nothing contained in this Paragraph 28 shall be construed to limit or preclude recovery by Owner against Operator of any sums or damages or remedies to which, in addition to or in lieu of the damages particularly provided above, Owner may lawfully be entitled by reason of any default hereunder on the part of the Operator. Nothing herein contained shall be construed to limit or prejudice the right of Owner to prove for and obtain as damages by reason of the termination of this Lease or reentry on the Premises for the default of the Operator under this Lease an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved whether or not this lease has been terminated or Owners has re-entered the Premises. Provided, however, nothing herein contained shall relieve Owner of a duty to mitigate damages by making reasonable efforts to relet the Premises at a fair market rate in an arms length transaction.

Operator acknowledges that one of the rights and remedies available to Owner under applicable law is to apply to a court of competent jurisdiction for the appointment of a receiver to take possession of the Premises, to collect the rents, issues, profits and income of the Premises and to manage the operation of the Premises. Operator further acknowledges that the triggering of a Default pursuant to Sections 27(a) or (c) above will materially and irreparably impair the value of Owner's investment in the Premises. Therefore, in any of such events, and in addition to any other right or remedy of Owner under this Lease, Owner may petition any appropriate court for, and Operator hereby consents to, the appointment of a receiver to take possession of the Premises, to manage the

operation of the Premises and the Facility, to collect and disburse all rents, issues, profits and income generated thereby and to preserve or replace to the extent possible any such license and provider certification for the Premises and the Facility or to otherwise substitute the licensee or provider thereof. The receiver shall be entitled to a reasonable fee for its services as a receiver. Operator hereby irrevocably stipulates to the appointment of a receiver under such circumstances and for such purposes and agrees not to contest such appointment.

30. Waiver of Subrogation. Owner and Operator hereby waive any right of subrogation and right or recovery or cause of action for injury or lawsuit to the extent that such injury or loss is covered by fire, extended coverage, "all risk" or similar policies covering real property or personal property required to be obtained and maintained under this Lease (or which would have been covered if the party claiming such right of subrogation or recovery or cause of action had carried the insurance required by this Lease) or covered by any other insurance maintained by the waiving party. Written notice of the terms of the above mutual waiver shall be given to the insurance carriers of Owner and Operator, and the parties' insurance policies shall be properly endorsed, if necessary, to prevent the invalidation of the policies by reason of such waivers.

31. Assignment and Subletting. Operator shall not assign this Agreement, without the prior consent in writing of Owner which may be withheld or conditioned in Owner's reasonable discretion. Additionally, Operator shall not sublet the Premises or any part thereof, without the prior written consent of Owner, which consent shall not be unreasonably withheld or denied, provided that Owner is afforded the opportunity to review the financials of such proposed subtenant and the terms and conditions of the proposed sublease agreement for the Premises. The consent by Owner to a particular assignment or subletting shall not be construed to relieve Operator from the obligation to obtain the consent in writing of Owner on any other or future assignment or subletting. Any change in the majority ownership of the Operator shall constitute an assignment for purposes of this Agreement; except that the foregoing shall not apply to (i) a transfer of an ownership interest in Operator to a relative of a member of Operator for estate planning purposes; (ii) if, after effectuating the Change, there is no change in the voting or operational control of Operator; or (iii) in connection with a capital transaction involving a new equity partner at the parent level of Operator.. Owner may assign this lease without the prior written consent of Lessee and will provide Operator with ninety (90) days advance written notice of such assignment.

32. Condemnation. In the event all or any part of the Premises should be subjected to eminent domain proceedings, and a portion of the Premises shall be condemned so as to render the residue inadequate for Operator's purposes as herein set forth, Operator shall have the option to terminate and cancel this Agreement by giving written notice to Owner. If any such taking shall not render the residue of the Premises wholly inadequate for Operator's purposes as herein set forth, Operator's rent payments hereunder shall be reduced and abated in proportion to the number of licensed beds lost at the Facility due to such taking, by multiplying the then current rent (as of the date of such taking) by a fraction, the numerator of which is the number of licensed beds located at the Facility after such taking, and the denominator of which is the number of licensed beds located at the Facility immediately prior to such taking. In any such condemnation proceedings, all damages allocable to full fee simple ownership of the Premises shall be payable to Owner, and any damages for loss of leasehold interest, including the unamortized portion of the value involved in such condemnation of any non-removable fixture placed on the Premises by Operator shall be payable to Operator provided such payment to Operator does not reduce the amount payable to Owner as compensation for the fee simple ownership interest alone.

33. Surrender of Possession. At the end of the Term, or upon earlier termination by Owner in accordance with the options herein reserved, Operator agrees to surrender possession of the Premises without demand. Should Operator fail so to do, Operator shall be responsible in addition to the damages generally recoverable by Owner by reason of any breach by Operator, for all damages Owner may sustain, including claims made by any succeeding operator against Owner which are founded upon delay or failure in delivering possession of the Premises to such succeeding operator. Operator hereby waives any and all notice to which it may otherwise be entitled under the laws of the State of California as a prerequisite to a suit against Operator for the unlawful detention of the Premises.

34. Termination. In addition to, and not in lieu of, any other means of termination described herein, this Agreement may be terminated prior to the expiration of the Term as follows:

(a) Consent. This Agreement may be terminated without cause and without penalty upon the written mutual consent of both parties.

(b) Legislation. This Agreement shall terminate automatically, without notice, upon the enactment of any state or federal law or regulation during the term hereof, which prevents Operator from receiving Medicare or Medicaid reimbursement for services provided by Operator, if such law or regulation would prohibit or deny such reimbursement because of any arrangement between Owner and Operator set forth herein. Notwithstanding the foregoing, Owner and Operator agree in good faith to explore alternate business arrangements that comply with the new regulations that would substantially replicate the rights and economics of each party herein.

35. Relationship of the Parties.

(a) Generally. It is understood and agreed, and the Parties hereby declare that their relationship is that of Owner and Operator only, and nothing contained herein shall be deemed or construed by the Parties, or by any third party, to create the relationship of principal and agent or partnership or joint venture between the Parties.

(b) Independent Contractor. The Parties acknowledge and agree that the relationship created between them with respect to the operation of the subject long-term care facility is that of independent contractor. Nothing contained herein shall be deemed or construed by the Parties otherwise. It is expressly understood that each of the Parties hereto shall be responsible for its own employees and shall make no claims to the other for work and vacation pay, sick leave, retirement benefits, social security, worker's compensation, disability or unemployment insurance benefits or employee benefits of any kind. Nothing contained herein shall create any equity interest in the Facility on the part of Operator, except for the leasehold interests granted herein. In the absence of express authorization of the other party, neither party shall enjoy the use of any trademark, trade secrets, trade name, service mark, property information, or any other intangible property belonging to the other party. Nothing in this Agreement shall be construed to confer upon either party any authority express or implied, to bind or commit the other party to any third party in any way.

36. No Fraud or Abuse. Owner and Operator acknowledge that the terms and conditions of this Lease are based on fair market value, and that neither party, during the negotiation of this

Lease, has engaged knowingly or willfully in any activities which are prohibited under federal Medicare and Medicaid statutes, including, without limitation, 42 U.S.C. §1320-7b and 42 U.S.C. §1395nn or similar state or local statutes or regulations, or which otherwise constitutes fraud, including, without limitation, knowingly or willfully soliciting or receiving any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (i) in return for referring an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by Medicare or Medicaid, or (ii) in return for purchasing, leasing, or ordering or arranging for or recommending purchasing, leasing, or ordering any good, facility, service, or item for which payment may be made in whole or in part by Medicare or Medicaid.

37. Provisions on Termination of Term.

(a) Surrender of Possession. Operator shall, on or before the last day of the Term, or upon earlier termination of this Lease or upon Owner taking possession of the Premises under Paragraph 28, surrender to Owner the Premises (including, if required by law, all patient charts and resident records along with appropriate patient and resident consents, if necessary in accordance with applicable law) in good condition and repair, ordinary wear and tear excepted. Operator, to the extent permitted by law, may request and receive a copy of any records relating to patients in the prior care of Operator for a preceding period of five (5) years.

(b) Removal of Personal Property. If Operator is not then in Default hereunder Operator shall have the right in connection with the surrender of the Premises to remove from the Premises all personal property of Operator but not any personal property located at the Facility that existed on the effective date of this Lease or personal property of Owner which was replaced by Operator or any personal property required by the State of California or any other governmental entity to operate the Premises as a skilled nursing facility in a manner consistent with the operation of the Facility on the date hereof. Any such removal shall be done in a workmanlike manner leaving the Premises in good and presentable condition and appearance, including repair of any damage caused by such removal. At the end of the Term or upon the earlier termination of this Lease or upon Owner taking possession of the Premises under Paragraph 28, Operator shall return the Premises to Owner with the personal property required to be returned hereunder (or replacements thereof) in the same condition and utility as was delivered to Operator at the commencement of the Term, ordinary wear and tear excepted.

(c) Title to Personal Property Not Removed. Title to any personal property which is not removed by Operator upon the expiration of the Term shall, at Owner's election, vest in Owner; provided, however, that Owner may remove and dispose at Operator's expense of any or all of such personal property which is not so removed by Operator without obligation or accounting to the Operator.

(d) Management of Premises. Upon the expiration or earlier termination of the Term, or upon Owner taking possession of the Premises under Paragraph 28, Owner or its designee, upon written notice to Operator, may elect to assume the responsibilities and obligations for the management and operation of the Premises and Operator agrees to cooperate with Owner or its designee to accomplish the transfer of such management and

operation without interrupting the operation of the Premises. Operator shall not commit any act or fail to act so as to jeopardize any licensure or certification of the Facility, and Operator shall comply with all reasonable requests for an orderly transfer of the nursing facility license, Medicare and Medicaid (or any successor program) certifications and possession of the facility at the time of any such surrender. However, Operator shall not be obligated to permit a successor operator (if such successor operator is not taking over due to a Lease termination due solely to an Operator Default) or manager to utilize Operator's CDPH license, Medicare or Medicaid provider numbers or agreements should Operator anticipate that allowing such arrangement could potentially cause harm to Operator's reputation or good standing with CDPH, Medicare, Medicaid or such similar successor reimbursement programs.

(e) If this Lease is terminated by reason of Default by Operator, or upon the expiration of the Term, or upon Owner taking possession of the Premises under Paragraph 28, then, and in any of such events, Operator, upon Owner's written request, shall to the greatest extent permitted by law, transfer to Owner or its assigns, the following: (i) all federal, state or municipal certificates, licenses and permits which relate to the operation of the Facility; and (ii) all rights attendant to the name of the Facility as then known to the general public (excluding however, any rights to use Operator's corporate name "Aspen Skilled Healthcare" or any derivations thereof) and (iii) at Owner's option, any provider agreements relating to the Facility (or allow Owner, at its option, to assume such agreements). In the event Operator fails or refuses to transfer any such certificate, license, permit or trade name, or other items then this provision shall constitute an act of assignment by Operator to Owner or its assigns without the necessity of any further written instrument and Owner hereby grants to Operator an irrevocable power of attorney and appoints Owner its true and lawful attorney by this instrument, said appointment being coupled with an interest, to sign such documents and take such action in Operator's name to accomplish the actions contemplated by this Paragraph 36.

(f) Operator shall execute any and all documents reasonably requested by Owner in order to effectuate the provisions of this Paragraph 36.

38. Miscellaneous Provisions.

(a) Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective successors, legal representatives, and assigns, except as expressly limited otherwise herein.

(b) Notices. All notices or other communications required or permitted hereunder shall be in writing and addressed as set forth below and either personally delivered, sent by overnight mail (Federal Express or the like), or sent by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or electronic mail. Notice hereunder shall be deemed to have been properly given or served for all purposes and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice if delivered during ordinary business hours; (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility; (iii) if mailed, on the third business day following the date of posting by the United States post office; or (iv) if given by telecopy or electronic mail, when the sender receives a confirmation of receipt generated by the sending machine, if sent during ordinary business hours. Any notice, request, demand, direction, or other communication sent by telecopy or electronic mail must

be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

OWNER:

Lake Merritt Senior Living LLC
Address: 1775 Hancock Street, Suite 200
San Diego, CA 92110
Attn: Deepak Israni
Telephone: 619-296-9000
Facsimile: 619-296-9090
Email: disrani@pacificacompanies.com

with a copy to:
Thomas P. Sayer, Jr., Esq.
Address: 9984 Scripps Ranch Blvd. #284
San Diego, CA 92131
Telephone: 858-335-9590
Facsimile: 619-296-9090
Email: tsayer1@gmail.com

OPERATOR:

Address: 28202 Cabot Road, #412
Laguna Niguel, CA 92677
Attn: Jay Brady
Telephone: (949) 347-7100
Facsimile: (949) 347-7800
Email: jbrady@aspenskilledhealth.com

with a copy to: Jennifer M. Sternshein
Address: Sternshein Legal Group, LLP
5316 E. Chapman Avenue
Orange, CA 92869-4236
Telephone: (714) 450-3887
Facsimile: (714) 289-7071
Email: jennifer@sternsheingroup.com

Telephone numbers are included above for informational purposes and to facilitate instances where this Lease expressly provides for non-written notice. Any written notice shall be deemed given upon receipt or documented refusal of delivery. Designations of address may be changed by written notice given in accordance with the foregoing.

(c) No Referrals. No provision of this Agreement is intended to create any obligation or requirement that Owner, or any person affiliated with Owner, refer patients to the Operator or Operator's affiliates.

(d) Partial Invalidity. If any provision of this Agreement or the application thereof to any person or event shall to any extent be held illegal, invalid or unenforceable, the remainder of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

(e) No Third Party Rights. Nothing in this Agreement shall be construed as creating or giving rise to any rights in any third parties or any persons other than the parties hereto.

(f) Entire Agreement. This Agreement, including the Exhibits and Schedules hereto (if any), contains the entire agreement of all the parties hereto, and no other oral or written agreement shall be binding upon the parties hereto. This Agreement supersedes all prior agreements, contracts, and understandings of any kind between the parties relating to the subject matter hereof.

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

(h) Amendments. This Agreement may be amended at any time by mutual agreement of the parties without additional consideration, provided that before any amendment shall become effective, it shall be reduced to writing and signed by each of the parties.

(i) Interpretation. Both Owner and Operator have had the opportunity to, or have been, represented by counsel and this Agreement has been freely and fairly negotiated. Consequently, all provisions of this Agreement shall be interpreted according to their fair meaning and shall not be strictly construed against any party.

(j) Governing Law. The validity, interpretation, and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to such state's conflict of laws provisions.

(k) Effective Date. This Lease shall become effective as of 12:01a.m. on the date that Owner acquires ownership of the Premises. Notwithstanding the foregoing, if CDPH fails to approve the change of ownership with respect to the license necessary to operate the Facility within one hundred eighty (180) days after execution of this Lease for any reason, either party shall then have the right to terminate this Lease at any time prior to the receipt of such license as long as the actions of such terminating party have not caused such delay. All inspection fees, costs and charges associated with a change of such licensure or certification shall be borne solely by Operator.

(l) Quiet Enjoyment. Operator shall, and may peacefully have, hold and enjoy the Premises, subject to the terms of this Lease, provided Operator pays the rent and fully performs all of its covenants and agreements. This covenant and all other covenants of Owner shall be binding upon Owner and its successors and assigns.

39. Key Payment. In consideration for the execution of this Lease, Operator shall pay Owner a contract fee in the total amount of Fifty Thousand and No/100 Dollars ($50,000.00) at the Commencement Date which fee shall be fully earned by Owner.

40. Deposit. Operator agrees that a deposit in the total amount of Fifty-Two Thousand Five Hundred and No/100 Dollars ($52,500.00) shall be paid in connection with this Agreement. Such deposit may be applied against any and all payments or obligations owed by Operator under this Agreement to Owner if Operator fails to pay such payments or comply with such obligations on or before the date on which such payments are due or the date on which such obligations are to be satisfied. The portion of deposit not so applied shall be returned to Operator within fifteen (15) days after the expiration or earlier termination of this Lease.

41. Owner's Security Interest. The parties intend and Operator agree that upon a Default, Owner will be entitled to exercise the remedies of a secured party under the UCC with respect to the Operator Property so that Owner or its designee will be entitled to operate or re-let the Premises intact for use as a Facility licensed for the applicable Primary Intended Use.

42. Grant of Security Interest.

(i) To implement the intention of the parties, and for the purpose of securing the payment and performance of the Operator's obligations under this Lease, Operator, as debtor, hereby assigns, delivers, sets over, transfers and grants to Owner, its successors and assigns, as secured party: a continuing first priority security interest in all of its right, title and interest, whether now owned or hereafter acquired, now existing or hereafter arising wherever located, in and to the "Operator Property" as hereinafter defined (collectively, the "Collateral"), to have and to hold same, unto Owner such transfer and assignment to automatically become a present unconditional assignment. Operator and shall sign and deliver to Owner, or if Operator's signature is not required, Operator hereby authorizes Owner to file in all governmental offices, one or more financing statements to perfect the interest granted by Operator to Owner hereunder. Owner shall have all rights and remedies available to a secured party under the Uniform Code, as amended from time to time. Operator acknowledges that Owner may assign its security interest in the Operator Property. This security agreement and the security interest herein shall survive the termination of this Lease if such termination results from the occurrence of a Default. As used in this Lease, "Operator Property" shall mean and include only all Inventory and Equipment, as those terms are defined in the Uniform Commercial Code in effect in the State of California, owned by the Operator and located at the Facility, and the proceeds thereof.

(ii) To further secure the payment and performance of Operator's obligations under this Lease, Operator, as debtor, hereby assigns and grants to Owner, as secured party, a security interest in and an express contractual lien upon, all of Operator's right, title and interest in and to any subleases and all of Operator's rights therein; provided that Owner's may exercise rights and remedies with respect to such assignment and grant only following a Default hereunder.

43. Lender Requirements. The Premises are or will be initially subject to a secured loan and, thereafter, may be refinanced with one or more different lender(s). For so long as any such bank loan is outstanding, the following provisions shall apply to this Lease:

(i) [Bank] shall have the right to approve any proposed change in the terms of this Lease, with its approval not to be unreasonably withheld.

(ii) if and to the extent required by HUD, Operator will enter into a customary HUD skilled nursing regulatory agreement(s) on terms and conditions acceptable to HUD;

(iii) if and to the extent required by HUD, Operator and Operator's accounts receivable lender will enter into an intercreditor agreement in customary form as required by HUD;

(iv) As necessary, Operator's accounts receivable lender and [Bank] shall enter into an intercreditor agreement in compliance with Section 13 hereof; and

(v) Owner, at [Bank]'s request, shall be entitled to extend the term of this Lease to meet lender requirements.

(vi) reserves for insurance premiums and/or real estate taxes will be established if required by [Bank].

(vii) To the extent the insurance requirements in this Lease are materially different from the insurance requirements set forth in the [Bank] loan documents, Operator shall comply with the insurance requirements set forth in the [Bank] loan documents.

Furthermore, in the event the Premises are refinanced with another lender, Operator shall cooperate in amending this Lease to accommodate any other requirements of Owner's future lenders, so long as such amendment does not degrade Operator's economic or operational rights as provided in the Lease prior to such amendment.

The remainder of this page intentionally left blank. Signature pages follow on the next page.

IN WITNESS WHEREOF, Owner and Operator have hereunto set their hands as of the date first above written.

Owner:

Lake Merritt Senior Living LLC, a California limited liability company

By: Signed in Counterpart
Name: Deepak Israni
Title: General Manager

Operator:

AOAS, LLC, a California limited liability company

By: _____
Name: Jay Brady
Title: Manager

IN WITNESS WHEREOF, Owner and Operator have hereunto set their hands as of the date first above written.

Owner:

Lake Merritt Senior Living LLC, a California limited liability company

By: _____
Name: Deepak Israni
Title: General Manager

Operator:

AOAS, LLC, a California limited liability company

By: Signed in Counterpart
Name: Jay Brady
Title: Manager

EXHIBIT A

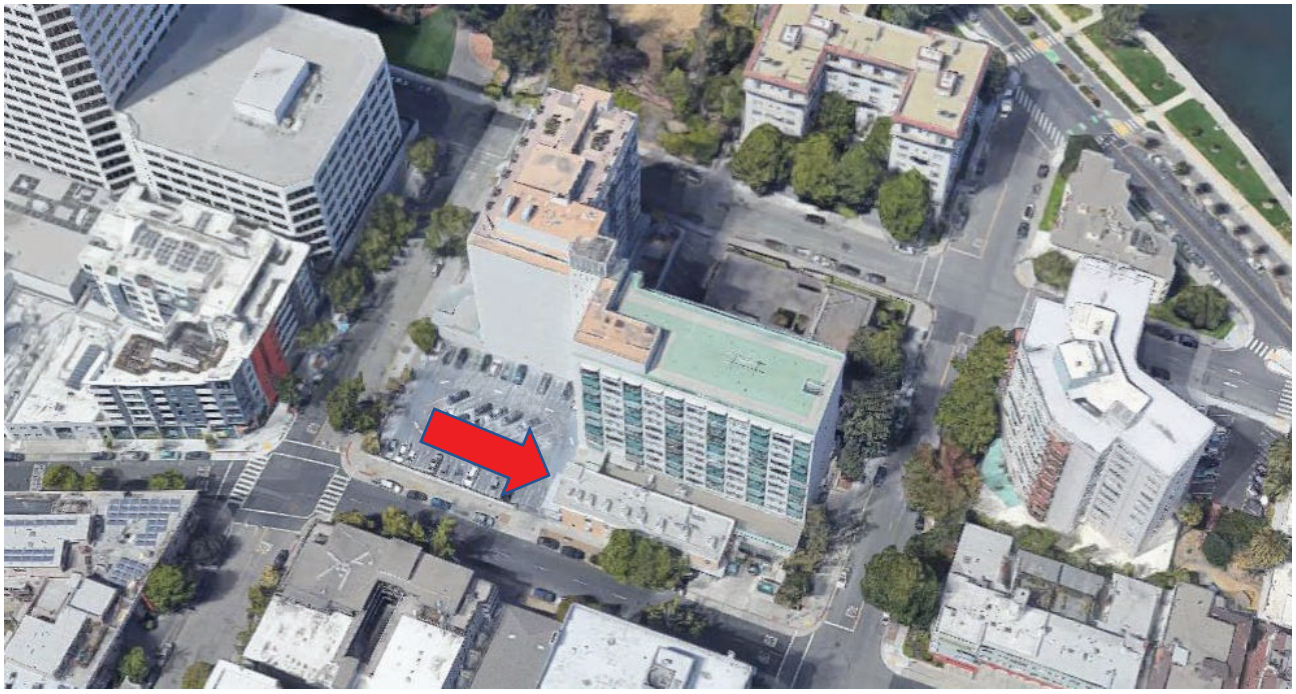


EXHIBIT A-1

Description of Facility

OWNER	PROPERTY LOCATION	LICENSED BEDS
Lake Merritt Senior Living LLC, a California limited liability company	The skilled nursing component of that certain continuing care retirement community consisting of 213 total units – 35 skilled nursing units (the "SNF Units"), 130 independent living and assisted living units in the main building (the "IL/AL Units"), and 48 independent living apartment units on floors 10, 11 and 12 of the tower building (the "Apt. Units") – all located at 1850 Alice St., Oakland. CA 94612	35

EXHIBIT B

Shared Services Agreement

EXHIBIT C

(Operational Control Transfer and Assignment Agreement)

NOTICE OF CHANGE IN OPERATIONAL CONTROL

1. Effective _____, 2022, _____, a California limited liability company will control operations of the 35-bed skilled nursing facility now controlled by _____, a _____ and licensed at:

1850 Alice St., Oakland. CA 94612

2. _____, a _____, relinquished control of the operations of the above-referenced skilled nursing facility as of _____, 2022.

3. This Notice of Operational Control may be signed in counterparts.

The foregoing terms and conditions are hereby accepted and approved by the undersigned as of November __, 2022.

_____, a _____

By: _____
Name:
Title:

_____, LLC, a California limited liability company

By: _____
Name: Jay Brady
Title: Manager

Assignment and Assumption Agreement between Buyer and Lake Merritt Senior Living LLC and Pacific Grove LLC, dated March 1, 2022

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment") is made as of March 1, 2022 by and between Pacifica Companies LLC, a California limited liability company ("Assignor"), and Lake Merritt Senior Living LLC, a California limited liability company, and Pacific Grove Senior Living LLC, a California limited liability company (collectively, "Assignees"), with reference to the facts set forth below.

WHEREAS, Assignor has entered into that certain Purchase and Sale Agreement dated December 17, 2021, as approved by the United States Bankruptcy Court for the Northern District of California on February 8, 2022, between Assignor between Assignor and California-Nevada Methodist Homes, a California nonprofit public benefit corporation ("Seller"), relating to those certain properties located at 1850 Alice Street, Oakland, California, 201 19th Street, Oakland, California, 511 Gibson Avenue, Pacific Grove, California, and 26 Sinex Avenue, Pacific Grove, California, as more particularly described in the Agreement; and

WHEREAS, in consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. Assignor hereby assigns and transfers to Assignee all rights, title and interest in and to the Agreement, as-is and without recourse.

2. Assignee hereby accepts the assignment of the Agreement and assumes and agrees to keep, perform and fulfill all of the duties, covenants, provisions, conditions and obligations arising thereunder from and after the date hereof. Assignee indemnifies and holds harmless Assignor from and against any and all liabilities, claims, damages, costs and expenses (including reasonable attorneys' fees and court costs) arising under the Agreement as a result of obligations and duties thereunder whether arising before or after the date hereof.

3. This Assignment shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

4. Each of the parties signing this Assignment hereby warrants and represents that it has the full legal power, authority and right to execute, deliver and perform the obligations under this Assignment, that this Assignment has been duly authorized by all requisite actions on the part of such warranting party, and that no remaining action or third party action is required to make this Assignment binding upon such party.

5. In the event a party defaults under this Assignment, such party will pay the reasonable attorneys' fees and court costs incurred by the other party to enforce its rights regarding such default.

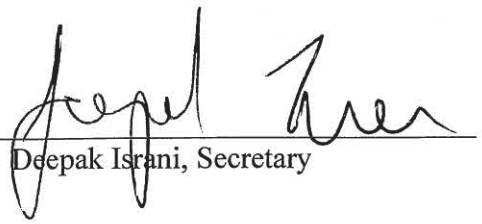
6. This Assignment may be executed in any number of counterparts, each of which, when so executed and when delivered, shall be an original, but such counterparts shall together constitute but one and the same instrument.

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

Assignor:

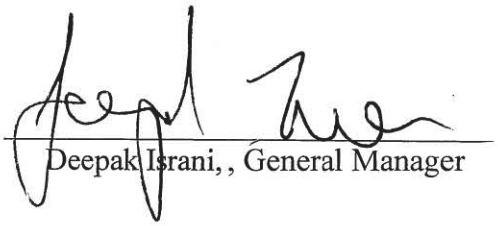
Pacifica Companies LLC, a California limited liability company

By: PAC Investors Inc., a California corporation, its General Manager

By: 
Deepak Israni, Secretary

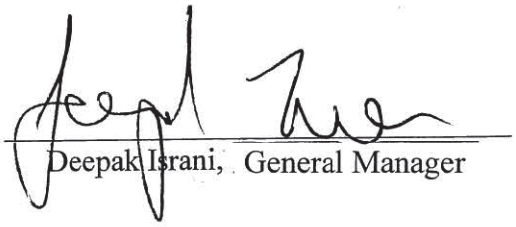
Assignee:

Lake Merritt Senior Living LLC, a California limited liability company

By: 
Deepak Israni, , General Manager

Assignee:

Pacific Grove Senior Living LLC, a California limited liability company

By: 
Deepak Israni, General Manager

VOLUME II OF II

NOTICE TO

CALIFORNIA ATTORNEY GENERAL

OF

SALE OF CALIFORNIA-NEVADA METHODIST HOMES

PURSUANT TO 11 CCR 999.5(d)

SECTIONS (1)(C) – (11)(H)

Attorney General Notice Pursuant to 11 CCR §999.5(d)
Sale of California-Nevada Methodist Homes

VOLUME II — TABLE OF CONTENTS

(1)(C) Reasons why board of directors believes affiliation is necessary or desirable

FAIR MARKET VALUE

(2)(A) Estimated value applicant will be receiving for each health facility covered

(2)(B) Estimated market value of each health facility or other asset to be transferred

(2)(C) Description of methods used to determine market value of assets involved in transaction

(2)(D) Reports, analysis, requests for proposal that relate to valuation of any asset involved in the transaction

(2)(E) Joint venture

INUREMENT AND SELF DEALING

(3)(A) Confirmation of no self-dealing or private inurement by officers, directors, etc.

(3)(B) Identity of any interested officer, director, trustee

(3)(C) Compliance with Health and Safety Code §§1260 & 1260.1

CHARITABLE USE OF ASSETS

(4)(A) Articles and bylaws

(4)(B) Plan for use of net proceeds from sale

IMPACTS ON HEALTH CARE SERVICES

(5)(A) Impact of transaction on health care services (community needs assessments)

(5)(B) Description of last 5 years' hardship policy

(5)(C) Description of last 5 years' Medicare and private pay services

(5)(D) Description of community benefit programs exceeding $10,000 annual cost

(5)(E) Description of staffing & health quality policies/procedures, employee wage information

(5)(F) Guarantees made to current employees

(5)(G) Material effects the transaction may have on health services available to community

(5)(H) Measures to be taken to mitigate adverse effects on health services

(5)(I) City Contracts

(5)(J) Seismic Compliance

(5)(K) Measures Taken to Mitigate Adverse Effects on Health Care Access

POSSIBLE EFFECTS ON COMPETITION

(6)(A) Anti-Competition/Antitrust – Premerger analysis

(6)(B) Anti-Competition/Antitrust – Premerger notification form

OTHER PUBLIC INTEREST FACTORS

(7) Other public interest factors in favor of transaction

ADDITIONAL SUPPORTING DOCUMENTATION

(8) **Board resolution authorizing filing, signed statement by board chair attesting to contents**

(9) **Corporate governance and financial documents for transferee**

(10) **Notice efforts to inform government, staff, residents, & public of transaction**

(11)(A) **Board minutes/other documents considered by the board**

(11)(B) **Documents related to reasons why any potential transferees were excluded**

(11)(C) **RFPs sent by applicant to potential transferees and responses received**

(11)(D) **Documents related to deliberative process**

(11)(E) **Copies of proposals received from any potential transferee**

(11)(F) **Financial documents**

(11)(G) **Requests for opinion from IRS**

(11)(H) **Pro forma post-transaction balance sheet**

SECTION 999.5(d)(1)(C)

(C) A statement of all of the reasons the board of directors of applicant believes that the proposed agreement or transaction is either necessary or desirable.

The Board of CNMH has determined that the transaction is desirable because the sale protects residents and staff at Lake Park and Forest Hill by continuing the activities for which CNMH was formed. As described in Section 999.5(d)(1)(A) above, CNMH's Chief Restructuring Officer determined that for CNMH to survive financially, it needed to enter into a sale, affiliation, or merger transaction as soon as possible with a highly qualified and financially sound entity.

As noted under Section 999.5(d)(1)(B), Buyer was an attractive buyer because of its considerable senior care and housing experience in California, its familiarity with California's legal requirements for CCRCs, RCFEs, and SNFs, its reputation with California regulatory bodies, its financial strength, its willingness and ability to assume and perform all contractual obligations to residents and former residents, the absence of third-party financing, and its ability and willingness to close quickly.

In addition, CNMH has determined that the sale of substantially all of CNMH's assets to Buyer is desirable because: (a) it will allow CNMH to sell its assets on terms that will cover virtually all of its legal and financial obligations; (b) Buyer has agreed to assume all of CNMH's obligations under its residency agreements, including its current and future entrance fee repayment obligations under such agreements, subject to a dollar maximum determined by CNMH; (c) Buyer will offer or will cause the management companies and operators for the two communities to offer employment to all qualified employees of CNMH after review of their personnel files; and (d) a sale to affiliates of Buyer, an experienced owner and operator, will help assure a smooth transition for residents and staff at Lake Park and Forest Hill.

SECTION 999.5(d)(2)

FAIR MARKET VALUE

(d)(2)(A)

(A) The estimated market value of all cash, property, stock, notes, assumption or forgiveness of debt, and any other thing of value that the applicant would receive for each health facility or facility that provides similar health care services covered by the proposed agreement or transaction.

The purchase price for CNMH's assets was determined by means of a competitive auction as described above. The estimated value is $34,000,000 (the winning bid) plus the assumption of entrance fee repayment liabilities not to exceed $20,731,738. The net sale proceeds (based on the cash portion) will not be paid to CNMH but to its creditors, including B.H. Capital Ventures, the debtor-in-possession lender; Ziegler, the financial advisor which is owed a sales commission upon closing; Wilmington Trust, the bond trustee for the benefit of the bondholders; and, with HCAI's consent, the holders of pre-bankruptcy general unsecured claims.

SECTION 999.5(d)(2)(B)

(B) The estimated market value of each health facility, facility that provides similar health care services or other asset to be sold or transferred by the applicant under the proposed agreement or transaction.

Lake Park contains 143 residential (independent) living units, 37 assisted living apartments, and a 35-unit SNF. Forest Hill contains 91 residential living units,18 assisted living apartments, and a 26-unit SNF. Of these units, only the SNFs are “health facilities” under 11 CCR Section 999.5(d).

The agreed purchase price for both communities is $34,000,000.00 and the process for obtaining the fair market value for the communities is described above in Section 999.5 (d)(1)(A). This amount does not include the entrance fee repayment obligations described above.

SECTION 999.5(d)(2)(C)

(C) A description of the methods used by the applicant to determine the market value of any assets involved in the proposed agreement or transaction. This description shall include a description of the efforts made by the applicant to sell or transfer each health facility or facility that provides similar health care services that is the subject of the proposed agreement or transaction.

The market value was determined by an auction conducted pursuant to Sections 363 and 365 of the Bankruptcy Code. See Section 999.5(d)(1)(A).

SECTION 999.5(d)(2)(D)

(D) Reports, analysis, Requests for Proposal, and any other documents that refer or relate to the valuation of any asset involved in the agreement or transaction.

Attached to this section please find:

1) Copies of proposals received by Hanson Bridgett from three investment banks (Cain Brothers, Piper Sandler & Co., and Ziegler) to serve as financial advisor to CNMH to develop and implement a sale, affiliation, or merger strategy;

2) A copy of the Letter Agreement between Ziegler and CNMH.

3) A copy of the Acquisition Opportunity Memorandum prepared by Ziegler;

4) A copy of the Executive Summary prepared by Ziegler;

5) Copies of signed NDAs from interested parties;

6) Copies of the letters of interest with purchase/affiliation offers made by prospective buyers; and

7) A matrix prepared by Ziegler comparing ten letters of interest from prospective buyers from the first and second rounds of offers.

Copies of proposals received by Hanson Bridgett from three investment banks (Cain Brothers, Piper Sandler & Co., and Ziegler) to serve as financial advisor to CNMH to develop and implement a sale, affiliation, or merger strategy

Copy of proposals received by Hanson Bridgett from Cain Brothers

California Nevada Methodist Homes

Strategic Advisory Proposal

March 23, 2021

CAIN BROTHERS
A division of
KeyBanc Capital Markets

CALIFORNIA-NEVADA METHODIST HOMES

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Confidential

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I. Introduction and Executive Summary
II. Cain Brothers Overview
III. Strategic Partnership Models
IV. Proposed Workplan and Fee Structure

I. Introduction and Executive Summary

Executive Summary

- California-Nevada Methodist Homes ("CNMH"), a nonprofit corporation that owns and operates two Life Plan Communities in California, filed Chapter 11 Bankruptcy on March 17, 2021
- CNMH and its advisors are seeking a strategic advisor to structure and execute a solution which ensures ongoing care and safety of the residents at its campuses and satisfies the Corporation's creditors
- Cain Brothers is uniquely positioned to serve as the strategic advisor to CNMH and its bankruptcy team
  - The two CNMH campuses are currently operated as Life Plan Communities ("LPC") with repayable entrance fee resident contracts and which have three separate licenses at each campus: Continuing Care Retirement Community Certificate of Authority, Residential Care Facilities for the Elderly and Skilled Nursing
  - The complexity of the LPC business model requires knowledge of the operating, marketing, financial and regulatory factors to effectively communicate the opportunity to prospective partners/buyers
    > Cain Brothers is recognized national for its knowledge and activity within the LPC sector and Kathy Kirchhoff, Managing Director has served on California state level CCRC commissions and advisory groups and has testified regarding proposed CCRC legislation and regulatory changes and has made presentations with and for the Department of Social Services, Continuing Care Contracts Department
  - CNMH has $30 million outstanding tax-exempt, insured fixed rate Series 2015 Bonds which have specific covenants, provisions and redemption requirements. Cal-Mortgage as the bond insurer on the Series 2015 Bonds will represent the bondholders and will be involved in decisions or solutions regarding debt restructuring
    > Cain Brothers is a leading underwriter of tax-exempt senior living bonds nationally having underwritten more than 33 transactions / $1.6 billion par amount since 2016 and is the leading underwriter of California tax-exempt senior living transactions insured by Cal-Mortgage
    > Additionally, Cain Brothers was the underwriter on the CNMH Series 2015 Bonds and has continued to support the CNMH quarterly continuing disclosure to the capital markets and as a result is familiar with Series 2015 Bond documents and CNMH performance and reporting

Executive Summary (continued)

- Cain Brothers is uniquely positioned to serve as the strategic advisor to CNMH and its bankruptcy team
  - Finally, since CNMH has completed two searches to find a strategic partner/buyer over the past 3 years, a fresh approach and experience with sell-side advisory and M&A is critical to attract interest
    - > Cain Brothers is the nation's leading healthcare investment bank for middle market transactions ($50-$500 million) – we have experience and resources to efficiently plan and execute development and negotiation of a solution
    - > We have completed several LPC strategic asset sales, in addition to transactions for other senior living and healthcare assets
    - > Additionally, Cain Brothers offers the broadest coverage of the senior living industry through several different channels within the larger KeyBank organization. We work closely together to benefit our clients. Through KeyBank, we work with many of the largest senior living REITs in the country, and our affiliate, KeyBank Real Estate Capital, is one of the nation's leading mortgage bankers for FHA, Fannie Mae, and FreddieMac programs with client relationships across the country.
- This proposal provides additional details regarding our qualifications, discussion regarding potential membership substitution for nonprofit solution and includes a proposed workplan and proposed fee structure.
- We are very interested in working with CNMH and its bankruptcy team and are prepared to begin working on this engagement immediately

II. Cain Brothers Overview

Boutique Culture, Full-Service Banking Capabilities

CALIFORNIA-NEVADA METHODIST HOMES

Our clients access the full-service investment and corporate banking platform offered by KeyBanc Capital Markets

CAIN BROTHERS
A division of
KeyBanc Capital Markets

KeyBanc Capital Markets

- **Full-Service** Corporate and Investment Banking
- Focus on **emerging growth** and **middle market** clients
- Over **800 professionals** in **15 offices** in North America, Europe and Asia
- World-Class **M&A Advisory** services
- Debt and Equity **Capital Markets,** Healthcare Research
- **Deep industry expertise** in targeted vertical market segments

Full-Service Capabilities

M&A Advisory	Debt Capital Markets	Equity Capital Markets	Sales & Trading	Corporate Banking	
• Sell-side M&A • Buy-side M&A • Advisory Services • Fairness Opinions • Private Capital Raise	• Loan Syndications • Leveraged Finance • Bonds • Bridge Financing • ABL	• Equity Research • Securities Issuance • Equity Syndications • Block Trades • Industry Conferences	• Institutional Equities • Investment Grade Debt • High Yield Debt • Foreign Exchange • Corporate Access	• Commercial Lending • Treasury Management • Derivatives • Foreign Exchange	• Acquisition Financing • Dividend Recap • Corporate Finance Solutions • Strategy Advisory • Portfolio Exits

KeyBank

- **12th** largest bank in U.S.
- **$19 Billion** market capitalization[1]
- **$147 Billion** of total assets[2]
- **Federal Reserve "Well-Capitalized"** Bank: **Tier 1** Capital Ratio of **10.8%**
- Serving **corporate and retail** clients

1. As of February 11, 2020.
2. As of September 30, 2019.

Cain Brothers: Pre-Eminent Healthcare Investment Bank

Knowledge and knowhow to generate exceptional outcomes for our clients

100+
Professionals Exclusively Focused on Healthcare

CAIN BROTHERS
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KeyBanc Capital Markets

200+
Healthcare M&A Transactions Since 2016

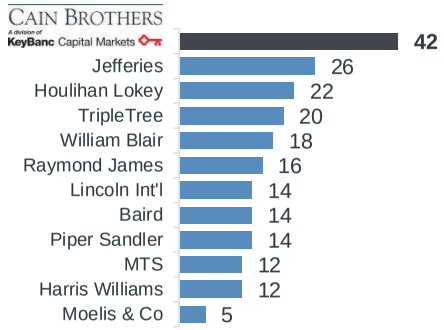
20+
Average Years of Experience of Managing Directors

300+
Number of Investors with Long-Standing Cain Brothers / KBCM Relationships

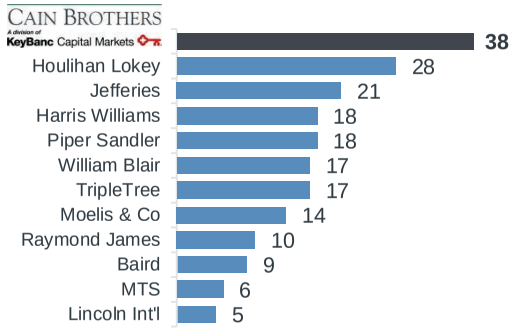
80%+
Of Transactions Closed At or Above Pitch Range (2017-2020)

#1 Ranked Healthcare Investment Bank in the Middle Market[1,2]

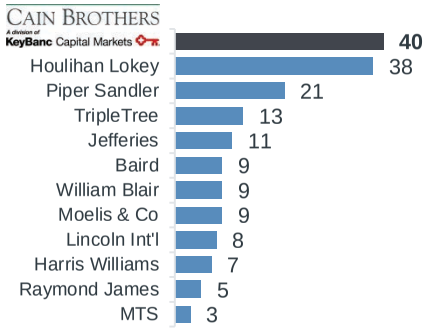
2020 Transactions



2019 Transactions



2018 Transactions



Deep Domain and Execution Expertise from Decades of Experience

Long-standing Relationships and Consistent Dialogue with Leading Consolidators

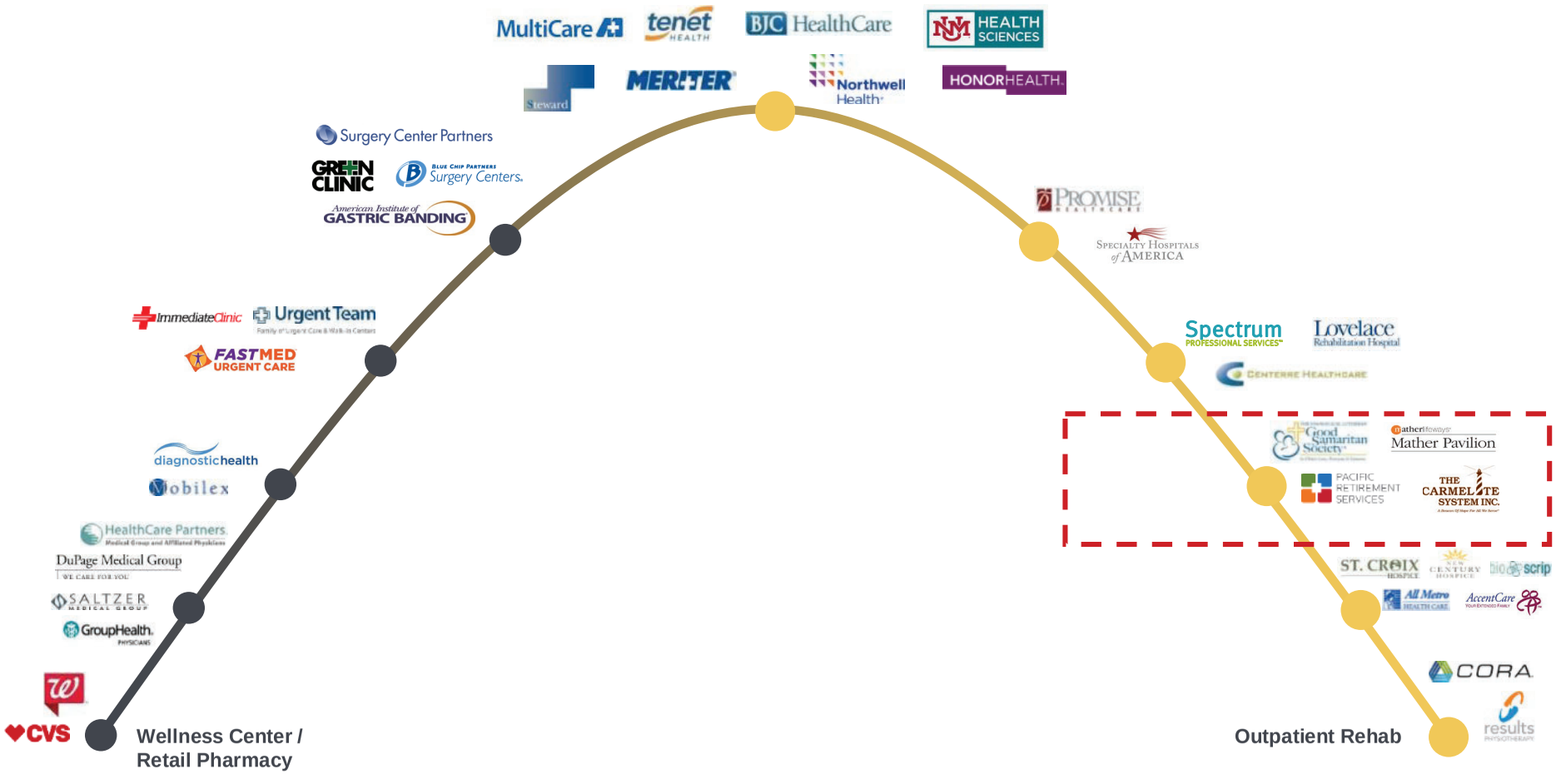
Customized Processes Designed to Meet Strategic and Financial Objectives

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1. League Table Source: Mergermarket and firm websites, 2020
2. Excludes pharmaceuticals and bio-pharmaceuticals

Experience Across the Healthcare Continuum

As the leading middle market healthcare M&A advisor, Cain Brothers has deep transaction experience with providers and services across all subsectors



How Cain Brothers Will Help CNMH Achieves Its Objectives

CALIFORNIA-NEVADA METHODIST HOMES

Potential Challenges	Cain Brothers Advantage
Accessing the Right Partners	• We have extensive relationships built over 37-year history of executing transactions across multiple healthcare verticals and capabilities to identify likely interested parties • We maintain active dialogues with the operators that would likely be part of a process
Communicating Value Proposition	• As one of the most active advisers in the space, we have a deep understanding of the major factors driving senior living provider joint ventures • Ability to communicate economic and strategic rationale of a transaction to community not-for-profit, faith-based, state-affiliated, and investor-owned partners
Structuring the Transaction	• Seasoned negotiators with experience designing creative, accretive partnerships for senior living providers across multiple transaction models • Active involvement of senior bankers ensures proper day-to-day transaction leadership and the best advice for our clients
Avoiding Deal Inertia	• Success-based fee structure aligns our incentive to work thoughtfully and expeditiously to facilitate the right deal • Appreciation for transaction management approach necessary to achieve buy-in and broad support from board, management, medical staff, employees, patients, and community
Documenting and Closing the Transaction	• Expertise in helping attorneys translating complex concepts – which are a common feature of senior living provider transactions – into joint venture terms • Substantial experience with state and federal regulatory review processes, including working on a court-mandated divestiture

Cal-Mortgage Transactions

CALIFORNIA-NEVADA METHODIST HOMES

19 Transactions, ~$1.2 Billion Par amount (*since 2009*)

$37,275,000 California Statewide Communities Development Authority *Series 2020A (Taxable Bonds)* Sole Manager	$18,425,000 California Municipal Finance Authority *Series 2020* Sole Manager	$49,730,000 California Statewide Communities Development Authority *Series 2019B* Sole Manager	$13,785,000 California Statewide Communities Development Authority *Series 2019A* Sole Manager	$34,385,000 California Municipal Finance Authority *Series 2019* Sole Manager	$36,055,000 California Municipal Finance Authority *Series 2016 A and B* Sole Manager
$135,920,000 California Statewide Communities Development Authority *Series 2016* Sole Manager	$13,240,000 California Statewide Communities Development Authority *Series 2016* Sole Manager	$173,730,000 California Statewide Communities Development Authority *Series 2015* Sole Manager*	$32,920,000 California Health Facilities Financing Authority *Series 2015* Sole Manager		$49,115,000 ABAG Finance Authority for Nonprofit Corporations *Series 2013* Sole Manager
	$98,550,000 ABAG Finance Authority for Nonprofit Corporations *Series 2012* Sole Manager	$54,310,000 ABAG Finance Authority for Nonprofit Corporations *Series 2010* Sole Manager	$64,020,000 ABAG Finance Authority for Nonprofit Corporations *Series 2010* Sole Manager	$26,500,000 California Municipal Finance Authority *Series 2009 A and B* Sole Manager	$42,100,000 ABAG Finance Authority for Nonprofit Corporations *Series 2009A and B* Sole Manager

*Denotes transactions completed by Cain Brothers bankers prior to joining Cain Brothers

Select Strategic Advisory Roles for Post-Acute Care

CALIFORNIA-NEVADA METHODIST HOMES

OPTIMAL HEALTH SERVICES
has been acquired by
Bristol Hospice
A portfolio company of
Webster Capital
SELLSIDE M&A ADVISORY
July 2018

Brazos Presbyterian Homes
has acquired
LONGHORN VILLAGE
SELLSIDE M&A ADVISORY
July 2018

A portfolio company of
PALLADIUM EQUITY PARTNERS
Has been acquired by
SELLSIDE M&A ADVISORY
May 2018

isabella
Has entered into a strategic affiliation with
MJHS
SELLSIDE M&A ADVISORY
December 2017

ST. CROIX HOSPICE
A portfolio company of
Clearview Capital
Has been acquired by
VISTRIA
SELLSIDE M&A ADVISORY
September 2017

Affiliates of
UNM HEALTH SCIENCES CENTER
Have entered into a joint venture and academic affiliation with
Lovelace Rehabilitation Hospital
A subsidiary of
Ardent HEALTH SERVICES
BUYSIDE M&A ADVISORY
May 2017

JOHN MUIR HEALTH
Skilled Nursing Facility Joint Venture
STRATEGIC ADVISORY
Pending

VANDERBILT UNIVERSITY MEDICAL CENTER
PAC Advisory
STRATEGIC ADVISORY
Pending

Kruse Village
An affiliate of
LSS Lutheran Social Services of the South
Upbring
has been acquired by
HEALTH DIMENSIONS GROUP
SELLSIDE M&A ADVISORY
December 2016

BELMONT Village SENIOR LIVING
Site selection for the development of a high quality senior living facility in Lincoln Park (Chicago)
REAL ESTATE ADVISORY
June 2016

MultiCare BetterConnected
Development of Post-Acute Care Narrow Network
STRATEGIC ADVISORY
May 2016

All Metro HEALTH CARE
A portfolio company of
Nautic Partners
Has been acquired by
One Equity Partners
SELLSIDE M&A ADVISORY
February 2016

LSS Lutheran Social Services of the South
Has sold three senior living facilities to
BROOKDALE SENIOR LIVING
HCP
Prime Life Communities
SELLSIDE M&A ADVISORY
August / November 2015

NEW CENTURY HOSPICE
A portfolio company of
Scale Venture & Petra Capital
Has been acquired by
CURO HEALTH SERVICES
SELLSIDE M&A ADVISORY
January 2016

CENTERRE HEALTHCARE
A portfolio company of
Three Arch Partners, Sterling Partners, Pacific Venture Group, RiverVest, River Cities Capital Funds and Sightline Partners
Has been acquired by
Kindred Healthcare
SELLSIDE M&A
December 2014

Recent Healthcare Real Estate Advisory Transactions

CALIFORNIA-NEVADA METHODIST HOMES

Our specific Real Estate Advisory focus has allowed us to develop a strong track record as an advisor for portfolio sales and recapitalizations with an exceptional track record in the seniors housing space

Pending Seniors housing portfolio $2 Billion *Sell-side Advisor*	Pending Geographically diversified portfolio of 11 MOB assets $200 Million *Sell-side Advisor*	Pending Portfolio of 14 Midwest value-add Seniors housing assets $70 Million *Sell-side Advisor*	Pending Portfolio of 12 seniors housing assets in the southeast $190 Million *Sell-side Advisor*	welltower Has acquired a 55 property medical office building portfolio from CNL Healthcare Properties $1.25 Billion *Sell-side Advisor*	GLOBAL MEDICAL REIT Has acquired a 4 property IRF portfolio from CNL Healthcare Properties $94 Million *Sell-side Advisor*
A portfolio of 4 seniors housing properties owned by Capital Health Group, LLC Has been acquired by RENEW *Sell-side Advisor*	A portfolio of 5 seniors housing properties owned by LTC Has been acquired by a joint venture of Bickford Senior Living NHI *Sell-side Advisor*	HTI Healthcare Trust Inc Has acquired substantially all of the assets of ARHT III American Realty Capital Healthcare Trust III, Inc. $120 million *Buy-side Advisor*	Legacy Living very well Has been acquired by a **Public Non-Traded REIT** and will be operated by a **National Best-in-Class Operator** *Sell-side Advisor*	CARESPRING a portfolio of SNF's has been acquired by NHP $170 Million *Sell-side Advisor*	PRIMROSE a portfolio of AL/IL facilities has been acquired by NHP $55 Million *Sell-side Advisor*
SUNRISE and KKR Recapitalization of company to welltower and revera *Financial Advisor*	SUNRISE and *JV Partner* have sold a portfolio of 16 Senior Living Communities to VENTAS and Joint Venture affiliates $362 Million *Sell-side Advisor*	SOUTH BAY PARTNERS, LTD. has sold a portfolio of senior living communities to CNL Healthcare Properties $268 Million *Sell-side Advisor*	Genesis HealthCare Acquisition of 24 Property SNF Portfolio from revera $240 Million *Sell-side Advisor*	GRIFFIN-AMERICAN HEALTHCARE REIT II Has been acquired by NorthStar REALTY FINANCE $4 Billion *Sell-side Advisor*	SUNRISE has been acquired by welltower $4.3 Billion *Sell-side Advisor*

CAIN BROTHERS
A division of KeyBanc Capital Markets

Note(s): Blue highlight denotes seniors housing transaction.

Cain Brothers Healthcare Public Finance Team

CALIFORNIA-NEVADA METHODIST HOMES

One of the largest teams of healthcare investment bankers focused solely on capital markets



Bart Plank
Managing Director
Co-head of Healthcare Public Finance

(212) 981-6915 | bplank@cainbrothers.com



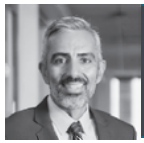
Zach Kau
Managing Director
Co-head of Healthcare Public Finance

(415)-486-3422 | zach.kau@key.com



James Cain
Managing Director
Co-Founder of Cain Brothers

(212)-981-6955 | jcain@cainbrothers.com



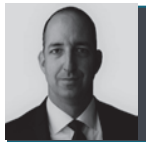
Ila Afsharipour
Managing Director
Head of Higher Ed Public Finance

(415) 962-2928 | iafsharipour@key.com



Matthew Goldreich
Managing Director

(212) 981-6946 | mgoldreich@cainbrothers.com



Joe Pollock
Managing Director

(415) 962-2957 | jpollock@cainbrothers.com



Katherine Kirchhoff
Managing Director

(562) 264-0300 | kkirchhoff@cainbrothers.com



Joe Mulligan
Managing Director

(314) 800-0441 | jmulligan@cainbrothers.com



Donald Persinski
Managing Director

(412)-807-2837| donald.persinski@key.com



Bill Pomeranz
Managing Director

(415) 962-2954 | bpomeranz@cainbrothers.com



Liza Hing
Director

(415) 962-2945 | lhing@cainbrothers.com



James Kim
Director

(917) 368-2242 | james.kim@key.com



Taaha Shaikh
Director

(212) 981-6903 | tshaikh@cainbrothers.com



Joanna Stephenson
Director

(646) 205-0276 | jstephenson@cainbrothers.com



James Conahan
Vice President

(212)-981-6893 | jconahan@cainbrothers.com



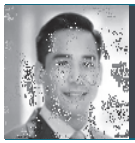
Kate Biggar
Vice President

(216)-689-3254 | kbiggar@key.com



Thomas Culhane
Vice President

(646) 205-0268 | tculhane@cainbrothers.com



Sean Gomez
Vice President

(646) 205-0274 | sgomez@cainbrothers.com



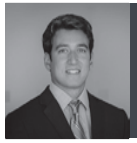
Conor Shriwise
Associate

(646) 205-0260 | cshriwise@cainbrothers.com



Eugene Colucci
Associate

(212)-297-2729 | eugene.colucci@key.com



Taylor Moore
Associate

212)-981-6931 | tmoore@cainbrothers.com



James Sternheim
Associate

(212) 981-6933 | jsternheim@cainbrothers.com



Ted Grace
Analyst

(415) 486-3419 | tgrace@cainbrothers.com



Matt Shen
Analyst

(808) 352-2599 | mshen@cainbrothers.com

Cain Brothers Health Systems M&A Team

CALIFORNIA-NEVADA METHODIST HOMES



Carsten Beith
Managing Director
Vice Chairman, Health Systems M&A

(312) 604-0500 | cbeith@cainbrothers.com

- Joined Cain Brothers in 1993
- 30 years of industry experience
- Co-Head of Health Systems M&A Group
- Member of Cain Brothers Executive Committee and Board of Directors
- B.A. from Michigan State University and M.B.A. from the Stern School of Business at New York University



Jim Moloney
Managing Director
Co-Head, Health Systems M&A

(415) 962-2961 | jmoloney@cainbrothers.com

- Joined Cain Brothers in 1995
- 30 years of industry experience
- Member of Cain Brothers Executive Committee and Board of Directors
- Co-Head of Health Systems M&A Group
- B.A. from the University of Washington and M.B.A. from the University of Rochester



Dave Morlock
Managing Director
Co-Head, Health Systems M&A

(312) 604-0575 | dmorlock@cainbrothers.com

- Joined Cain Brothers in 2016
- 32 years of industry experience
- Former CEO of the University of Toledo Medical Center and former CFO of the University of Michigan Health System
- M.B.A. from Eastern Michigan University's Owen School of Business



Andrew Labovitz
Director

(212) 981-6940 | alabovitz@cainbrothers.com

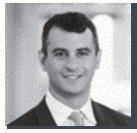
- 20 years of investment banking experience
- Formerly a Vice President at JP Morgan
- B.A. from Bucknell University and M.B.A. from the Stern School of Business at New York University



David Levine
Director

(212) 981-6941 | dlevine@cainbrothers.com

- Over 7 years of healthcare research/investment banking experience
- Formerly a Credit Research Analyst at AllianceBernstein focusing on Nonprofit Hospital and Senior Living sectors
- Chartered Financial Analyst (CFA)
- B.A. in Biology from Yeshiva University



Dan Gold
Associate

(415) 962-2923 | dgold@cainbrothers.com

- Over 5 years of nonprofit and public finance experience
- Formerly a Public Sector Consulting Manager at Accenture and a Special Education Teacher with Teach For America
- B.S. from the University of Illinois at Urbana Champaign and M.P.P. from the University of Chicago



Elizabeth Kim
Vice President

(415) 962-2921 | ekim@cainbrothers.com

- Over 7 years of investment banking experience
- Focus on M&A and joint ventures in acute care, physician group and post acute care sectors and medical real estate transactions
- B..S from University of California, Berkeley, Haas Schools of Business and M.B.A. from University of Chicago Booth School of Business



Ted Kaehler
Vice President

(415) 962-2924 | tkaehler@cainbrothers.com

- 10+ years of M&A, treasury and strategy experience
- Previously with 3M Company
- M.B.A. from University of Chicago
- B.B.A. from University of Wisconsin – Madison



Garrett Colgan
Associate

(212) 869-5603 | gcolgan@cainbrothers.com

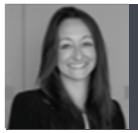
- Over 6 years of healthcare M&A and operational experience
- Formerly a Manager of Ambulatory Business Operations at NYU Langone Health
- B.S. from Skidmore College



Casey Wade
Associate

(415) 962-2930 | cwade@cainbrothers.com

- Over 6 years of healthcare M&A experience
- Formerly a Consulting Manager in Ernst & Young's and KPMG's Healthcare M&A practice
- B.S. in Accounting and Finance from University of New Hampshire



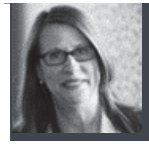
Jamie Seman
Associate

(212) 981-6896 | jseman@cainbrothers.com

- Over 8 years of healthcare finance and corporate and advisory experience
- Formerly an Associate Director at S&P in the Healthcare Practice
- B.A. from the University of Pittsburgh and M.B.A. from the University of Maryland, Robert H. Smith School of Business

CNMH's Dedicated Cain Brothers Team

CALIFORNIA-NEVADA METHODIST HOMES

	 **Kathy Kirchhoff** Managing Director	 **Bart Plank** Co-Head Healthcare Public Finance Managing Director	 **Liza Hing** Director	 **Conor Shriwise** Associate
Experience	• Over 30 years' experience helping clients with capital funding, financial planning, feasibility analysis, and strategic planning • Member of the firm's President's Advisory Council • Board Member of Partners in Care Foundation	• Over 20 years healthcare investment banking experience • Formerly managed Cain Brothers' Healthcare Public Finance Group and served as a member of the Firm's Executive Committee and Commitment Committee	• Over 10 years of investment banking experience • Focus on long-term care and senior housing • Formerly with UBS Investment Bank • Prior to finance, served as a U.S. diplomat	• Over 4 years healthcare investment banking experience • Previously worked at Piper Jaffray
Selected Transaction Experience	• Transactions totaling nearly $4.5 billion, including: • 2015 and 2016 divestiture of 4 senior living campuses for Lutheran Social Services of the South • 13 financings totaling $1.1 billion for Pacific Retirement Services and its affiliates since 2008 • The design and implementation of an overall capital strategy for Front Porch Communities and Services, including four FHA refinancings totaling $118 million and $105 million tax-exempt bank direct placement debt • Participation in strategic discussion and planning for Sun Health Senior Living Portfolio (2011)	• Served as lead underwriter or financial advisor on approximately $8 billion of tax-exempt healthcare financings since 2010 • $1.2 billion financing for University of Oklahoma Medicine, Inc. • $175 and $37 million financings for MaineHealth • $251 million financing for Mirabella at ASU • $265 million bond issue for Prime Healthcare Foundation • $164 million bond issue for LA Jewish Home	• Transactions totaling more than $1.4 billion in capital markets transactions, including public offerings, private placements, and structured products, including: • 7 financings totaling over $400 million through the Cal-Mortgage program since 2008 • Capital raises for numerous San Francisco Bay Area senior living providers, such as Jewish Senior Living Group, Elder Care Alliance, and Odd Fellows Home of California • 2015 and 2016 divestiture of 4 senior living campuses for Lutheran Social Services of the South • Advisor to Seton Medical Center (Daughters of Charity Health System) on campus re-use plan for post-acute care (2014)	• $737 million tax-exempt and taxable financing for Sanford Health • $195 million tax-exempt and taxable public fixed rate bond financing along with a $40 million bank direct placement for MaineHealth • $48 million public fixed rate bond financing on behalf of Friendship Village of St. Louis • $15 million bank direct purchase on behalf of skilled nursing facility, Beechwood Health Care Center • $37 million public fixed rate bond financing for On Lok • Other experience includes bond and swap restructuring, HUD/FHA financings, bank direct placements, and divestitures
Education	• B.B.A. from California State University Fullerton • M.B.A. from Golden Gate University • Certified Public Accountant (inactive)	• B.A. from Middlebury College	• B.A. from Harvard College • M.P.P. (Master in Public Policy) from Harvard University's John F. Kennedy School of Government	• B.A. from Saint Louis University

III. Strategic Partnership Models

Strategic Partnership Models

- There are a number of structuring variables and options that may influence the final structure for resolving the CNMH bankruptcy
- Cain Brothers experience will allow us to work with prospective partners and respond to various proposals which will expand the number of potential partners and the final structure
- Given the nonprofit status of CNMH, a membership substitution is a viable approach if the preferred partner/buyer is also a nonprofit organization – the following pages provide an overview of the membership substitution approach
- Cain Brothers will work with CNMH and its advisory team to define, evaluate and prioritize proposals from both nonprofit and for profit partners/buyers

Strategic Partnership Models

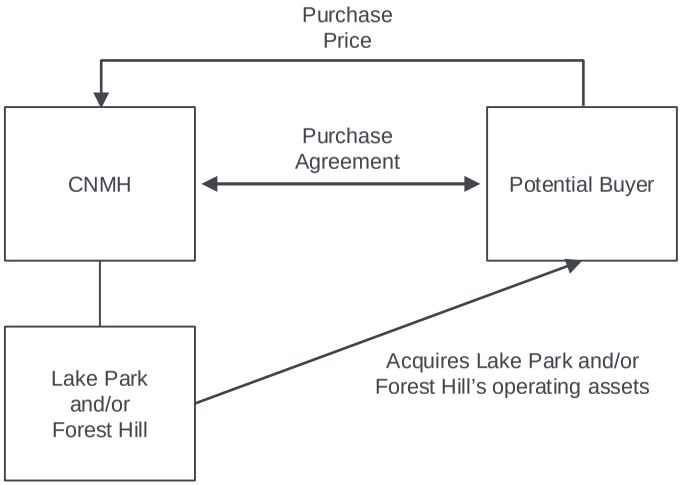
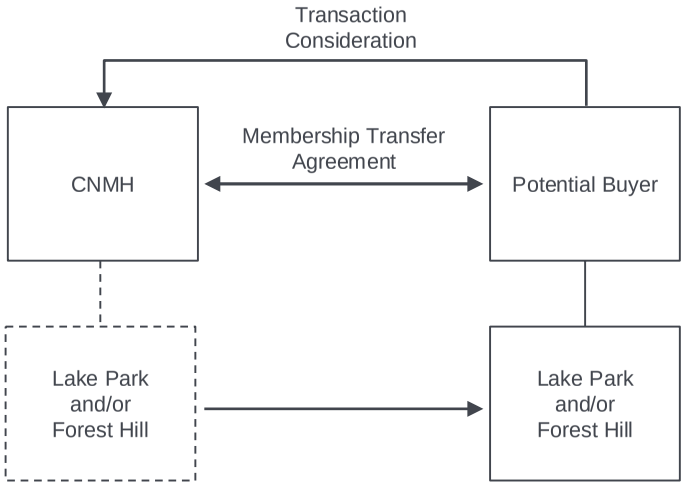
Membership Substitution: The most common type of strategic merger transaction for a not-for-profit senior living provider is a membership substitution

- Not for profit senior living provider becomes the parent company of CNMH
- Results in consolidation of all assets and liabilities into new parent
- Entities remain in existence and no new entities need to be created
  - CNMH Board continues; its (typically advisory) powers are delegated from the Partner's Board
- Purchase price is often minimized in exchange for future operational and capital expenditure commitments
- Partner exercises operational and financial control of CNMH as new controlling entity
- Potential for refinancing of CNMH's debt through Partner's obligated group

Strategic Partnership Models

CALIFORNIA-NEVADA METHODIST HOMES

Asset Purchase vs. Membership Substitution key benefits and considerations

	Asset Purchase	Membership Substitution
Structure		
Benefits	▪ Potential buyer would not be required to restructure the corporate entities ▪ Consideration would likely be in cash	▪ Consideration could be in the form of assumed liabilities (e.g., pension or debt) ▪ Simple to transition operations as existing contracts and relationships survive the transaction
Considerations	▪ Requires heightened diligence of assets ▪ More complicated to transition operations (e.g., contracts, vendor relationships)	▪ Requires heighted diligence of corporation ▪ Requires restructuring of corporate entities ▪ Potential buyers may be reluctant to acquire all unknown assets and liabilities associated with Lake Park and/or Forest Hill

IV. Proposed Workplan and Fee Structure

Illustrative Timeline

A full process typically takes 6-9 months, though bankruptcy process will be a key factor in determining ultimate timing

Cain Brothers will work closely with CNMH and its bankruptcy advisors, Cal-Mortgage – the primary creditor and DSS – the regulatory agency throughout the process

Preparation for Formal Sale Process

- Host organizational meeting
- Meet with management and board and bankruptcy advisor(s) to establish goals/objectives
- Conduct detailed internal diligence
- Define the goals, objectives, and parameters of the process
- Identify and review potential interested parties
- Prepare teaser and Information Memorandum

Solicitation & Marketing

- Contact potential interested parties
- Disseminate Information Memorandum and first-round instructions letter
- Follow up with parties and respond to questions
- Receive preliminary indications of interest
- Evaluate proposals and select candidates for due diligence
- Prepare and finalize data room

Due Diligence

- Hold partner presentations
- Provide potential partners with data room access
- Distribute draft purchase agreement and final bidding procedures
- Receive final proposals and mark-up of draft purchase agreement
- Evaluate proposals and select candidates for final round of evaluation

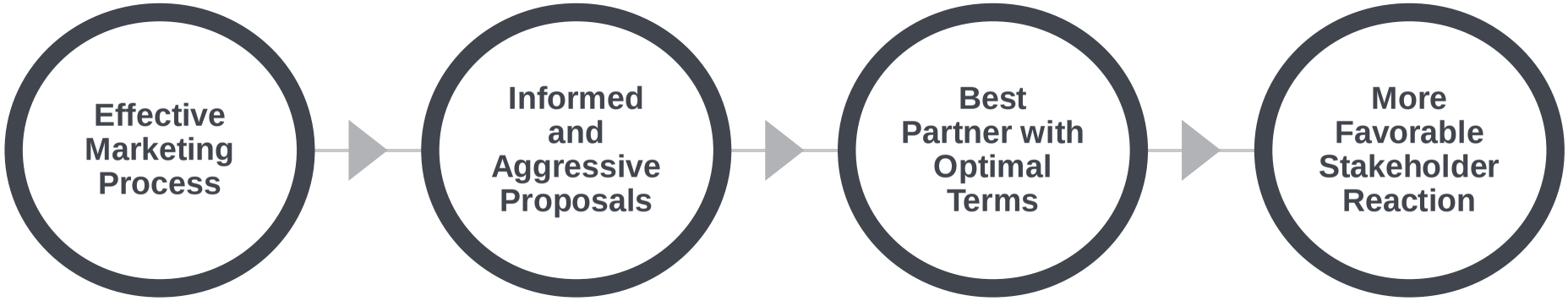
Negotiation & Documentation

- Conduct rigorous reverse due diligence on potential partners, including site visits and meetings with senior leadership
- Select final partner/ confirmatory due diligence
- Negotiation and finalize terms
- Sign definitive agreement and announce transaction
- Receive regulatory and other approvals
- Closing

Benefits of Well-Managed Process

CALIFORNIA-NEVADA METHODIST HOMES

A disciplined, competitive process is important for achieving the best outcome



- Detailed financial and operational review to best position the opportunity
- Affiliation objectives to focus on what really matters
- Marketing strategy to maximize competitive tension

- More aggressive terms and concessions
- Balanced reaction to negative developments or adverse diligence findings
- Expedited timeframe and managed diligence process to ensure actionable proposals

- Ability to improve offers through comparison
- Confidence in receiving best proposal and full understanding of trade-offs
- Multi-party reverse due diligence to reinforce partner decision

- Credibility of professionally managed process
- Communications planning and involvement of key stakeholders throughout the process to achieve consensus buy-in

Fee Proposal

Alignment of financial incentives with transaction results

- Retainer Fee: $50,000
- Transaction Fee: 2% of transaction value up to $35 million, 2.5% of transaction value over $35 million
  - Transaction value includes all debt and liabilities
- Reimbursement of out-of-pocket expenses related to the transaction

Proven Ability to Produce Favorable Results for Our Clients:

- Cain Brothers is uniquely qualified to assist CNMH evaluate and prioritize its strategic options
  - Familiarity with CNMH
  - Leading underwriter of Cal-Mortgage insured tax-exempt senior living bonds
  - Understanding of geographic market dynamics
  - Recognized leader within LPC sector
  - Successful track-record of senior living sales and affiliation transactions
  - Leading health care M&A firm for past 4 years
  - Dedicated team for tax-exempt mergers and acquisitions
- Financial incentives and compensation are aligned with transaction outcomes and economic benefit to CNMH
- Competitive selection process which drives value for our clients is in our DNA
- Well established process and broad experience negotiating and structuring successful affiliations

Copy of proposals received by Hanson Bridgett from Piper Sandler & Co.

PIPER | SANDLER

April 1, 2021

Response to Request for Proposal for the Sale or Affiliation of California-Nevada Methodist Homes

CALIFORNIA-NEVADA METHODIST HOMES

Amy Hayman
MANAGING DIRECTOR
Tel: +1 312 267-5058
Email: amy.hayman@psc.com

Rick Lohr
MANAGING DIRECTOR & HEAD OF SENIOR LIVING GROUP
Tel: +1 281 907-4918
Email: richard.lohr@psc.com

Ogieva Guobadia
SENIOR VICE PRESIDENT
Tel: +1 281 907-4917
Email: ogieva.guobadia@psc.com

Matt Wunderlich
ASSOCIATE
Tel: +1 612-303-6427
Email: matthew.wunderlich@psc.com

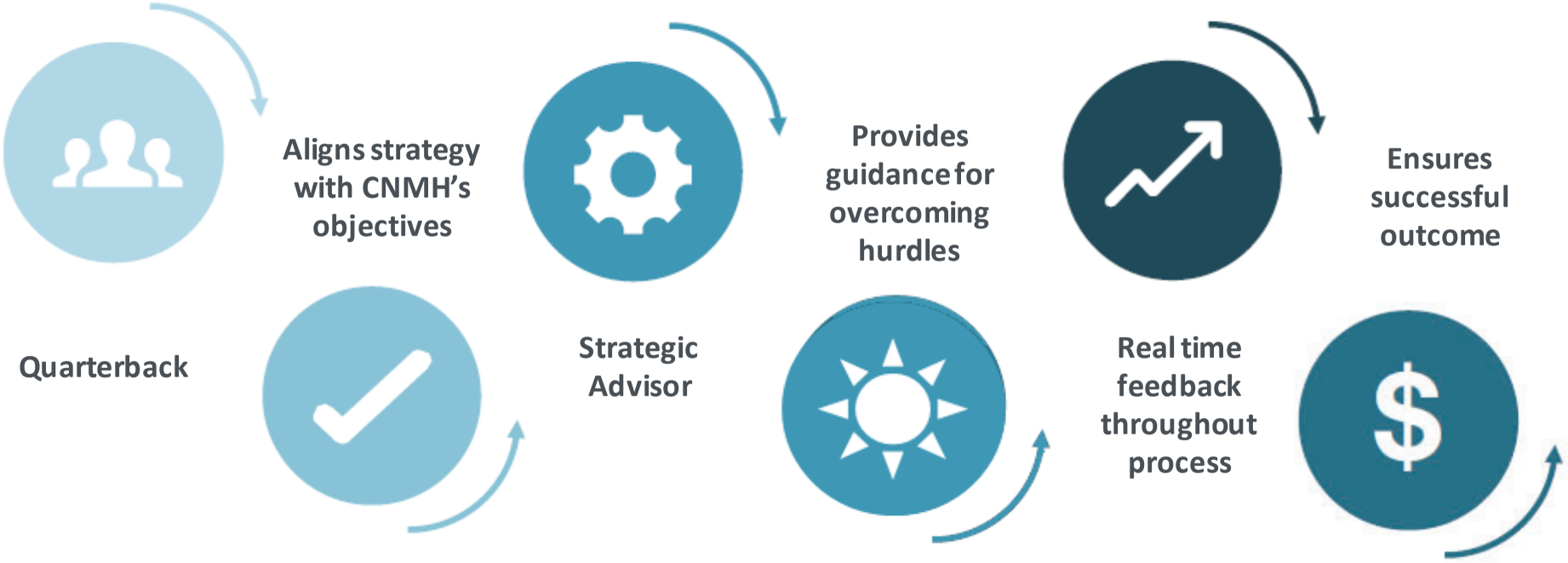
Our Approach

Piper will thoroughly understand the strategy and objectives of California-Nevada Methodist Homes (CNMH) for a sale or affiliation

Once the objectives and goals of the transaction are confirmed, Piper will work closely to develop the most efficient and effective sales strategy while meeting CNMH's strategic objectives

Piper will communicate with California-Nevada Methodist Homes throughout the process, providing real time feedback

Given our extensive CCRC experience in California, coupled with our Department of Social Services experience and our significant M&A experience, Piper will deliver the most efficient and effective sales solution to California-Nevada Methodist Homes



CNMH001363

Experience

Piper Sandler has a dedicated senior living team bringing unique and creative solutions to our clients

California Experience

In California, Piper Sandler has successfully completed over 880 transactions as lead manager with a total par amount over $26.4 billion since 2013. In 2019 and 2020 alone, Piper Sandler successfully completed 158 transactions in the state of California with an approximate par amount of $6.9 billion.

Piper Sandler has successfully completed 57 transactions as lead manager in the Senior Living and Healthcare space in California with a total par amount over $1.57 billion since 2013.

During her career in senior living, Amy Hayman has completed over $1 billion in transactions in the State of California and has worked with the Department of Social Services on many transactions securing their approval.

Amy has completed California transactions with senior living providers including Pacific Retirement Services, Eskaton, Odd Fellows, Retirement Housing Foundation, Channing House, Lincoln Glenn, Be Group, LA Jewish among others.

California Department of Social Service Experience

Amy Hayman has extensive experience working with the California Department of Social Services, helping educate DSS on her clients' transactions. Amy was instrumental in helping educate DSS on the need to reduce the required entrance fee pre-sale deposit from 20% to 10%. In addition, in her role as a member of the Financial Advisory Panel of CARF/CCAC, Amy met with leadership at DSS and CARF to educate them on the senior living industry and key financial and benchmarks that should be evaluated.

Amy has assisted many of her California clients securing approval from DSS

CRMH001364

Experience

California CCRC Experience

- Air Force Village West
- Eskaton
- University Retirement at Davis
- Peninsula Regent
- The Odd Fellows
- Solheim Lutheran Home
- Eden Hospital Health Service Corp
- Atherton Baptist Homes
- The Reutlinger
- Lincoln Glenn Manor for Senior Citizens
- Sierra View Homes
- Asian Community Center of Sacramento
- Solvang Lutheran Home

M&A Transaction Experience

- Bethesda
- Cardinal Bay, Inc.
- Minnesota Senior Living
- Stoney Brook
- Woodland Towers
- Leading Life
- Ralston Creek at Arvada
- H-Bay Ministries, Inc. – Superior Residences
- Covenant Communities, Inc.
- Sanders Glen
- Brookdale

CRMH001365

Banking Team



AMY HAYMAN

Managing Director

Amy Hayman joined Piper Sandler in September 2016, and brings over 31 ears of corporate and investment banking experience to her clients. Hayman focuses on strategic and capital solutions for senior living and post-acute care providers. She has extensive experience working with and executing financing plans for independent living, assisted living, skilled nursing and continuing care retirement communities. Hayman has executed over $4 billion in senior living transactions and is active with mergers, acquisitions and sales. She is a frequent speaker at senior living and real estate conferences, and Board retreats across the country.

Prior to joining Piper Sandler, Hayman was a managing director at Cain Brothers as well as a member of their President Advisory Counsel. From 2004 through 2015, Hayman was a member of the Financial Advisory Panel for CARF/CCAC. Before joining Cain Brothers, Hayman served as vice president at B.C. Ziegler and Company, specializing in senior living finance. Prior to that, she spent seven years in corporate banking.

Hayman received a bachelor's degree in business administration from the University of Wisconsin, Madison and holds a General Securities Registered Representatives Series 7, Series 50 and Series 63 license.

CRMPH001366

Banking Team (cont'd)



RICHARD W. LOHR

Managing Director, Head of Senior Living Group

Richard Lohr is a managing director in the public finance investment banking group of Piper Sandler. He is located in Houston, Texas and is the head of the nationwide senior living finance group, with responsibilities including business strategy, coordination with key platform groups and bank affiliates, geographic expansion of the platform as well as diversification and execution of the growth mandate. He has over 25 years of experience in both private and public company environments.

Prior to joining Piper Sandler, Lohr was co-head of the housing and healthcare group at BB&T Capital Markets. Previous to investment banking, Lohr was an equity partner and member of senior management at Greystone Communities, Inc. He was responsible for business development activities, including the development of strategy, business plans and operations improvements as well as coordinating and financing the execution of plans developed. He was responsible for managing the development of complex financial models as well as financial reporting and continuing disclosure to the board of directors and institutional investors of various projects and investments. Greystone Communities was subsequently acquired by Sunrise Senior Living.

Lohr began his career at Bank One, Texas. Subsequent to Bank One, he worked in the management consulting sector for Peterson Consulting and Tucker Alan, Inc. and provided various business advisory services to clients in the insurance, manufacturing, aerospace and defense as well as other sectors.

Lohr is a graduate of Baylor University.

CRMH001367

Banking Team (cont'd)



OGIEVA GUOBADIA

Senior Vice President

Ogieva Guobadia joined Piper Sandler in 2014 and is a senior vice president in the firm's senior living investment banking group. Guobadia has extensive transaction experience, including structuring bond issues, credit analysis, identifying refunding opportunities, debt structure evaluation, financial modeling and quantifying savings and cost implications of capital structuring alternatives. Guobadia is primarily responsible for the coordination and execution of transactions from engagement to completion. He has focused expertise across various industry sectors, including the for-profit and non-for-profit senior living, healthcare, housing and education sectors.

Prior to joining Piper Sandler, Guobadia spent three years with BB&T Capital Markets and five years with HJ Sims.

Guobadia earned a bachelor's degree in economics from the College of Arts and Sciences at Boston College. He also earned a Master of Business Administration degree and a master's degree in finance from Clark University. Guobadia received the Chartered Financial Analyst® designation in 2017 and is currently a member of the CFA Institute and CFA Society Houston.



MATT WUNDERLICH

Associate

Matt Wunderlich joined Piper Sandler in 2015 as a member of the Minneapolis public finance investment banking team. He focuses on quantitative analysis, cash flow modeling, and debt structure analysis for various sectors. He has successfully completed 26 transactions with a total par amount of approximately $1 billion. Prior to joining Piper Sandler, Matt worked at U.S. Bank within their wealth management space for three years analyzing investment strategies of high net worth individuals. Matt received his bachelor's degree in finance from the University of Minnesota – Carlson School of Management.

CRMH001363

References

Todd Murch
PRESIDENT & CHIEF FINANCIAL OFFICER
Eskaton
Carmichael, CA

Todd.murch@eskaton.org
(916) 334-0810

Bill Pace
CHIEF FINANCIAL OFFICER

Bill.Pace@eskaton.org
(916) 334-0810

Eric Sholty
CHIEF EXECUTIVE OFFICER
PRS
Medford, OR

esholty@retirement.org
(541) 646-3422

Mary Schoeggl
CHIEF FINANCIAL OFFICER

Mary@retirement.org
(541) 857-7610

DeAnn Eaton
PRESIDENT & CHIEF FINANCIAL OFFICER
Haverland Carter Lifestyles Group
Albuquerque, NM

Deaton@haverlandcarter.com
(505) 923-4832

Andre Dawkins
CHIEF FINANCIAL OFFICER

AHawkins@haverlandcarter.com
(505) 291-3100

CNM1001309

Why Piper

- Experience with CCRCs, restructurings and California Department of Social Services

- Experienced Team
-
- Customized Rather Than "Cookie Cutter" Solutions
-
- Tangible track record in executing M&A transactions
-
- Proven ability to act quickly and nimbly in the face of changing market and/or project dynamics
-
- Regardless of the challenge, we are committed to finding a solution

CNMH001310

Proposed Fees

- Piper Sandler & Co. proposes the following fee structure for the transaction:

Prosed Fee Structure	
Engagement Fee	$25,000 upon engagement letter execution
Monthly Retainer	Waived
Completed Sale and/or affiliation	1.75% of bond proceeds at close

CNMH002311

Disclosure

Piper Sandler is providing the information contained herein for discussion purposes only in anticipation of being engaged to serve as underwriter or placement agent on a future transaction and not as a financial advisor or municipal advisor. In providing the information contained herein, Piper Sandler is not recommending an action to you and the information provided herein is not intended to be and should not be construed as a "recommendation" or "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. Piper Sandler is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act or under any state law to you with respect to the information and material contained in this communication. As an underwriter or placement agent, Piper Sandler's primary role is to purchase or arrange for the placement of securities with a view to distribution in an arm's-length commercial transaction, is acting for its own interests and has financial and other interests that differ from your interests. You should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material.

The information contained herein may include hypothetical interest rates or interest rate savings for a potential refunding. Interest rates used herein take into consideration conditions in today's market and other factual information such as credit rating, geographic location and market sector. Interest rates described herein should not be viewed as rates that Piper Sandler expects to achieve for you should we be selected to act as your underwriter or placement agent. Information about interest rates and terms for SLGs is based on current publically available information and treasury or agency rates for open-market escrows are based on current market interest rates for these types of credits and should not be seen as costs or rates that Piper Sandler could achieve for you should we be selected to act as your underwriter or placement agent. More particularized information and analysis may be provided after you have engaged Piper Sandler as an underwriter or placement agent or under certain other exceptions as describe in the Section 15B of the Exchange Act.

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Ziegler CAPITAL :: INVESTMENTS :: ADVICE

April 1, 2021

CALIFORNIA-NEVADA METHODIST HOMES

PROPOSAL TO PROVIDE DISPOSITION/AFFILIATION SERVICES TO:
CALIFORNIA-NEVADA METHODIST HOMES

ZIEGLER

SENIOR LIVING INVESTMENT BANKING

MARY MUÑOZ
SENIOR MANAGING DIRECTOR

SARKIS GARABEDIAN
MANAGING DIRECTOR

DAREN BELL
DIRECTOR

ADAM VANUCCI
SENIOR ASSOCIATE

SENIOR LIVING SPONSORSHIP TRANSITION

STEVE JOHNSON
MANAGING DIRECTOR

KYLE JOHNSTON
ANALYST

PATRICK MORAN
ANALYST

SENIOR HOUSING AND CARE PRACTICE

DAN REVIE
MANAGING DIRECTOR

NICHOLAS GLAISNER
DIRECTOR

TEDD VAN GORDEN
VICE PRESIDENT

MICHAEL ANTHONY
SENIOR ASSOCIATE

LUCAS DESANTIS
ASSOCIATE

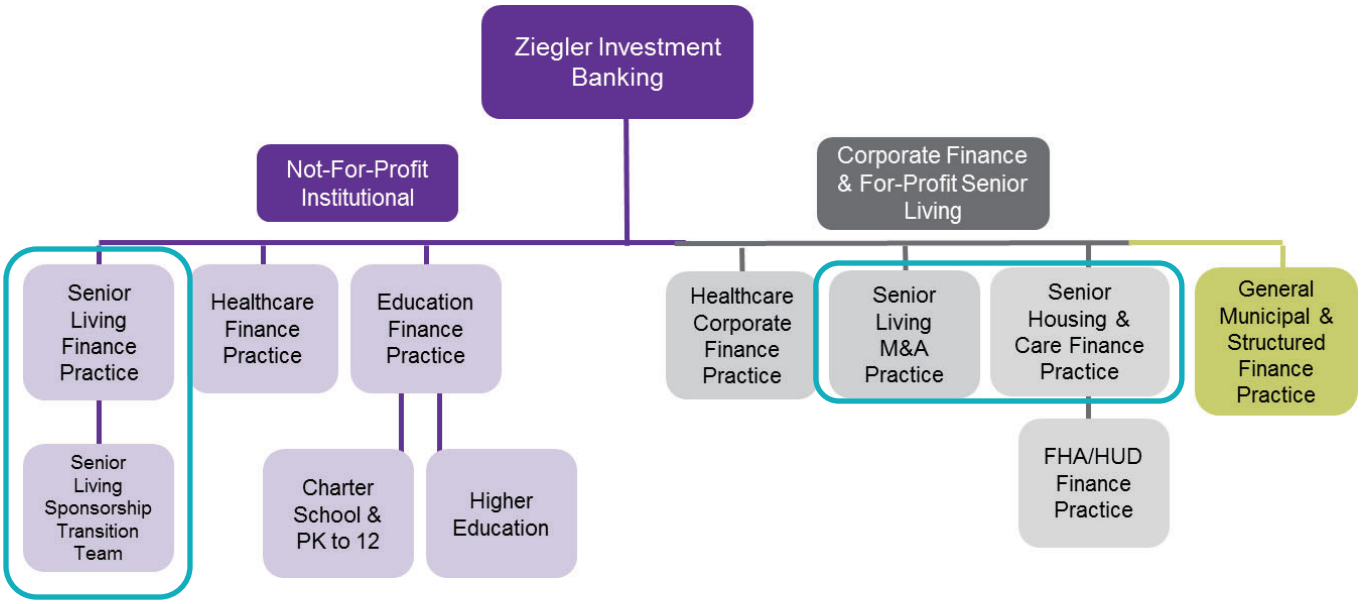
SECTION 1 – ZIEGLER OVERVIEW

Overview of Ziegler

Headquartered in Chicago, Ziegler is a boutique investment bank serving quality senior living and healthcare clients, higher education, charter schools, and structured finance clients. Ziegler's first bond financing was completed in 1928, and today the firm remains the oldest and largest investment banking firm specializing in senior living and healthcare.

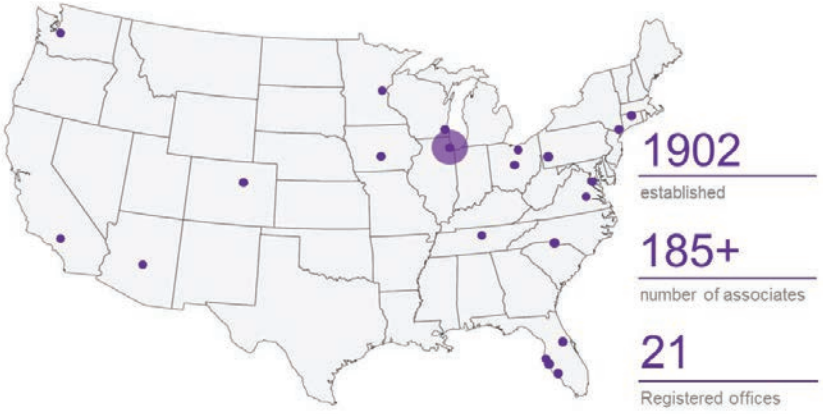
Our financing experience includes all sectors of the healthcare industry – Life Plan Communities ("LPCs" fka "CCRCs"), assisted living and personal care facilities, acute care hospitals, multi-hospital systems, rehabilitation hospitals, psychiatric hospitals, nursing centers, clinics and other specialty healthcare providers. Over the past century, Ziegler has grown into a national multi-faceted investment bank while keeping true to its boutique nature. In early 2015, Ziegler realized a long-term goal and became a privately-owned company. Many of Ziegler's associates and all of its Director-level employees and above are owners of the firm. We feel that employee ownership further aligns our company's interests with those of our clients.

As Ziegler continues to expand and innovate, its core strategy stays the same – advancing health, wealth and well-being through tailored financial solutions. The chart below shows Ziegler's investment banking practices:



Investment Banking Office Locations

Ziegler has more than 90 investment banking professionals solely committed to senior living finance. The backgrounds of Ziegler's investment banking personnel enable us to provide our clientele with unmatched investment banking services. In addition to our investment banking professionals, Ziegler has a strong support staff in place to assist in structuring, marketing, research and strategy. Ziegler has 21 registered office locations throughout the country, in addition to our flagship headquarters in Chicago, including our Western Region offices in Scottsdale, Arizona and Seattle, Washington.



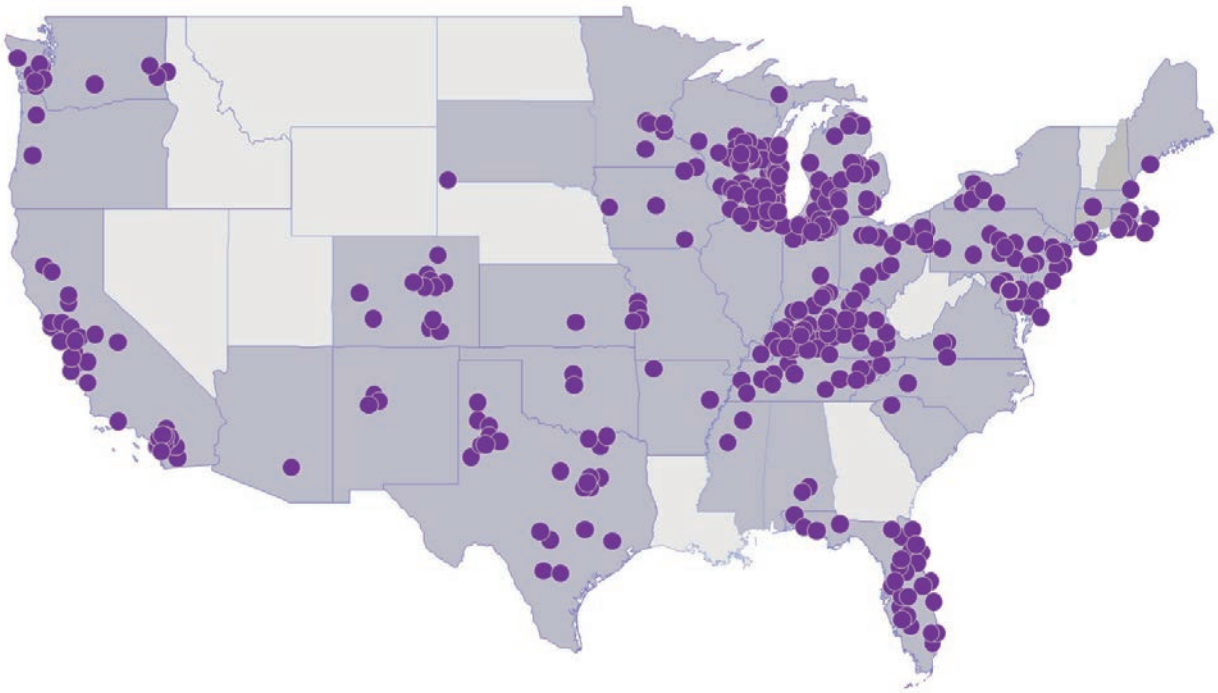
SECTION 2 – SENIOR HOUSING AND CARE PRACTICE AND PROPOSED FEES

Ziegler's National Senior Housing and Care Finance Practice M&A Experience

Over the years we have formed long-lasting relationships with hundreds of senior housing providers non-profits for-profits), investors and lenders. These firms have relied on our expertise, experience and integrity to complete even the most difficult of transactions and formulate an unrivaled database of potential purchasers. Ziegler approaches each engagement as a strategic partner and counselor for our clients. This approach, matched with superior results **(≈ 90% execution rate)**, explains why many of our engagements come from repeat customers.

As an investment bank, Ziegler brings a comprehensive knowledge of senior living finance, transaction expertise and level of service that we are routinely told exceeds our competitors' services, and certainly exceeds the service levels of traditional real estate brokers. The team has a diverse background including provider-side experience and multiple CPAs that distinguishes us from competition.

The M&A advisory team that will be assigned to this transaction has completed senior housing and long-term care merger acquisition transactions nationwide involving **over 400 facilities** valued at **over $3.0 billion**. Additionally, Ziegler's M&A advisory team has a proven track record executing swiftly on distressed transactions.



Recent Tombstones



Engagement Team Background



DAN REVIE — **DREVIE@ZIEGLER.COM**
MANAGING DIRECTOR & GROUP CO-HEAD

As Managing Director and co-head of Ziegler's Senior Housing & Care Finance team, Dan Revie specializes in strategic advisory assignments including: mergers, acquisitions, divestitures, and recapitalizations, as well as financial advisory services for healthcare entities including: skilled nursing, assisted living, memory care facilities, and entrance fee and rental continuing care retirement communities / life plan communities. He has also frequently represented non-profit clients with divesting non-core assets. Dan also has extensive experience with FHA/HUD. Dan holds a B.B.A. in Accounting and Finance from the University of Wisconsin – Madison and an M.B.A. from the University of Wisconsin – Milwaukee. Dan is a Certified Public Accountant. He holds a FINRA Series 79 license.



K. NICHOLAS GLAISNER — **NGLAISNER@ZIEGLER.COM**
DIRECTOR

Nick Glaisner joined Ziegler's Corporate Finance group in January 2000. He specializes in mergers and acquisitions and strategic advisory engagements for senior living and healthcare providers. Nick has significant transaction experience involving skilled nursing facilities, assisted living centers, CCRCs and home health organizations He has participated in over $1.8 billion worth of healthcare, senior living and long-term care transactions and has also worked closely with Ziegler Finance Corporation on over $80 million of refinancing projects using the HUD/FHA 232 Program. Nick graduated from the University of Wisconsin in December 1999. He holds a B.B.A in Marketing and Finance. He holds a Series 79 license.



TEDD VAN GORDEN — **TVANGORDEN@ZIEGLER.COM**
VICE PRESIDENT

Tedd Van Gorden joined the corporate finance team at Ziegler in 2015. He works with mergers and acquisitions, strategic advisory and capital formation engagements, as well as FHA/HUD financing programs. Prior to Ziegler, Tedd was a senior financial analyst at Brady Corporation where Tedd was responsible for the global financial consolidation process for all of Brady's entities and subsidiaries. Tedd graduated with a B.B.A. from the Grainger School of Business at the University of Wisconsin majoring in finance, investment and banking and minoring in German. He is currently pursuing an M.B.A. from the University of Illinois at Urbana-Champaign. He holds a FINRA Series 79 license.



MICHAEL ANTHONY — **MANTHONY@ZIEGLER.COM**
SENIOR ASSOCIATE

Michael Anthony joined the Senior Housing & Care Finance team at Ziegler in 2019. He works with mergers and acquisitions, strategic advisory, and capital formation engagements for senior living and healthcare providers. He also has experience working with the FHA/HUD, FNMA, and FHLMC financing programs and mezzanine debt/preferred equity providers. Michael graduated with a B.A. in Economics from Vanderbilt University where he also minored in Finance and Corporate Strategy. He holds FINRA Series 79 and 63 securities licenses.



LUCAS DESANTIS — **LDESANTIS@ZIEGLER.COM**
ANALYST

Lucas DeSantis joined the Senior Housing & Care Finance team at Ziegler in 2020. He works with mergers and acquisitions, strategic advisory, and capital formation engagements for senior living and healthcare providers. Prior to Ziegler, Lucas worked as a business valuation & litigation support analyst at LBMC, PC. Lucas graduated with a B.A. in Economics from Sewanee: The University of the South where he also minored in Philosophy and Business.

Ziegler Proposed Fees

Ziegler's fees will be structured as follows:

Initial and Monthly Fees – Ziegler agrees to waive any Initial and Monthly Fees.

Transaction Success Fee – Ziegler shall be paid a Transaction Success Fee equal to:

2.25% of Aggregate Consideration.

Minimum Transaction Success Fee – Notwithstanding the above, Ziegler will be due a Minimum Transaction Success Fee of $450,000.

Ziegler Proposed Timeline

Ziegler understands that an expedited process is desired, and will endeavor to bring the ultimate transaction to a successful close as quickly as possible. That being said, we also understand the nuances of the bankruptcy process and the various layers of governmental approval in California that will need to be navigated. To that end, Ziegler's M A advisory team has a proven track record executing swiftly on distressed transactions and is confident it can execute on an aggressive timeline.

SECTION 3 – SPONSORSHIP TRANSITION PRACTICE

Sponsorship Transition Practice

An increasingly complex business climate and growing market competition are leading many well-respected senior living organizations to explore strategic alliances, including affiliations. Such a partnership can secure the mission and strengthen the reputation of an organization through expanded capital access, enhanced market expertise and substantial operating efficiencies.

Strategic affiliation offers one organization the opportunity to join with another that brings a compatible culture. Expanding resources and combining strengths help to address future challenges, including health care reform, labor market constraints, changing resident expectations and growing capital needs.

In response to growing demand, Ziegler has expanded its expertise and resources to better serve clients' sponsorship transition, merger and affiliation needs. Since 2010, approximately 576 organizations in the LeadingAge Ziegler 200 group of largest organizations have changed ownership, representing 762 transactions (some multi-site to multi-site combinations are included). With Covid-19, the number of affiliation discussions continues to accelerate.

Ziegler assists teams seeking to navigate efficiently in this environment by bringing the following skills to the table:

- Deep knowledge of the not-for-profit senior living sector and the universe of potential affiliation candidates;
- Unique understanding of commonly used criteria and filters used to optimize the search, evaluation and selection process;
- Thorough analysis of the value proposition ways in which the affiliation would contribute to the overall mission of the organization;
- Understanding of the affiliation process and the considerations driving different organizations as they look toward their futures;
- Transition expertise, helping to ensure that assumptions developed in the due diligence process are properly implemented; and
- Transaction execution to facilitate efficient negotiation, documentation and closing.

In recent years, Ziegler has served as strategic advisor to many of the leading change of sponsor transactions in the not-for-profit senior living industry. Selected engagements include:



This practice is distinguished from Ziegler's merger and acquisition practice by its focus on not-for-profit initiating corporations that typically take over sponsorship of target organizations. Capital may or may not be exchanged. Valuation generally is based more upon the existing debt that is assumed plus any capital reinvestment needed (debt capacity of target organization) rather than third-party market valuation.

Steve Johnson, Managing Director, leads Ziegler's Sponsorship Transition practice.

ZIEGLER INVESTMENT BANKING

OVERVIEW OF SPONSORSHIP TRANSITIONS

WHO WE ARE

Specializing in the healthcare, senior living, and education, as well as general municipal and structured finance, enables us to generate a positive impact on the communities we serve. Headquartered in Chicago with regional and branch offices throughout the U.S., Ziegler provides its clients with capital raising, strategic advisory services, fixed income sales & trading and research.

ZIEGLER'S SPONSORSHIP TRANSITION INITIATIVE

Ziegler's ongoing commitment to supporting the senior living sector is evidenced by the creation of the specialized practice area for Sponsorship Transition. The Sponsorship Transition specialty practice represents Ziegler's ability to play a strategic advisory role in support of not-for-profit organizational growth and mission enhancement. Our services include:

- Assessing organizational readiness and strategic opportunities for Sponsorship Transition
- Identifying potential candidates for a sponsorship or affiliation transition (for either party involved)
- Supporting co-venture initiatives in support of healthcare realignment
- Advising organizations on due diligence work and risk identification
- Supporting all parties through the transition and integration of the two organizations
- Board & Leadership Team education and strategy sessions on industry trends, common drivers for sponsorship transition and peer case study reviews

VARIED SPONSORSHIP TRANSITION STRUCTURES

We recognize that Sponsorship Transitions are not "one-size-fits-all." We can assist in determining the best path for your unique organization.

- Consolidation
- Joint ventures for sharing expertise
- Partnerships to gain efficiencies
- Not-for-profit and for-profit sharing of resources or collaboration in markets
- Limited Liability Company formation

CANDIDATES FOR SPONSORSHIP TRANSITION

COMMUNITIES IN TRANSITION

- Occupancy or financial challenges
- Leadership transition
- Board transition
- Dated physical plant

COMMUNITIES THAT RECOGNIZE THE MERITS OF THE SERVICES AND SCOPE OF A LARGER PLATFORM

- Additional expertise available in a system
- Act before pressure begins
- Mergers between single-sites who form a system

DISPOSITION SCENARIOS

- Releasing non-core assets to market
- Seeking additional expertise

FOR-PROFIT COMMUNITIES/ FACILITIES ON A SELECT BUT LIMITED BASIS

- Existing market depth & expansion



STEPHEN JOHNSON
Managing Director, Senior Living Finance

sjohnson@ziegler.com
312 596 1512

200 South Wacker Drive
Suite 2000
Chicago, IL 60606

Information contained or referenced in this document is for informational purposes only and is not intended to be a solicitation of any security or services.

SECTION 4 – SENIOR LIVING INVESTMENT BANKING, NATIONAL, WEST COAST AND CALIFORNIA

Ziegler's National Senior Living Experience

Ziegler excels at sourcing capital for not-for-profit senior living providers in both the private sector and public bond markets. As the leader in senior living finance, Ziegler's goal is to obtain the lowest possible financing cost for clients while customizing solutions that are flexible and anticipate future capital needs.

Since 1990, Ziegler has lead-managed 962 senior living public bond issues totaling over $37 billion – more than three times the volume of our nearest competitor. Ziegler's senior living clients have traditionally included CCRCs, skilled and rehabilitative care, intermediate care, assisted living, and independent living on both an entrance fee and rental basis. Two of the most significant reasons for Ziegler's senior living leadership position are: (1) a commitment of financial resources and professional talent unmatched by any other firm in the sector; and (2) the ability to develop customized plans of finance which are not dependent upon one method of distribution. Ziegler's market-leading position benefits clients through superior execution, cutting-edge and flexible financing terms and covenants, and optimal cost of capital.

Top Lead Managing Underwriters
Senior Living Finance Issues
1990 - 2020

Rank	Underwriter	# of Issues	$ Millions
1	Ziegler	962	$37,098.3
2	Herbert J. Sims & Co.	357	12,197.9
3	Cain Brothers	181	6,339.5
4	Piper Jaffray & Co.	273	6,206.7
5	BB&T Capital Markets	137	5,107.5
6	Wachovia	220	4,117.9
7	RBC Capital Markets	119	2,629.8
8	Citi	83	2,372.2
9	UBS Securities	50	2,308.2
10	Dougherty & Company	219	2,138.2

Based on full credit given to senior manager of lead-managed underwriting principal volume for senior living transactions completed nationally. Rankings and amounts through Refinitiv data as of 12/31/20. Excludes for-profit bond financings.

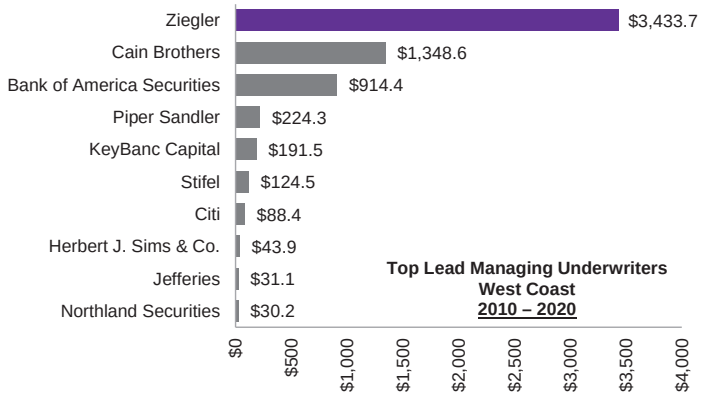
Multi-Site Experience

Ziegler is an industry leader in multi-site senior living financing as either a primary or secondary investment banker for 13 out of the top 25 largest multi-site senior living organizations in the country based on the 2020 LeadingAge Ziegler 200 ("LZ 200"). We are the primary banker to 10 of the 20 western-based LeadingAge Ziegler 200 largest systems.

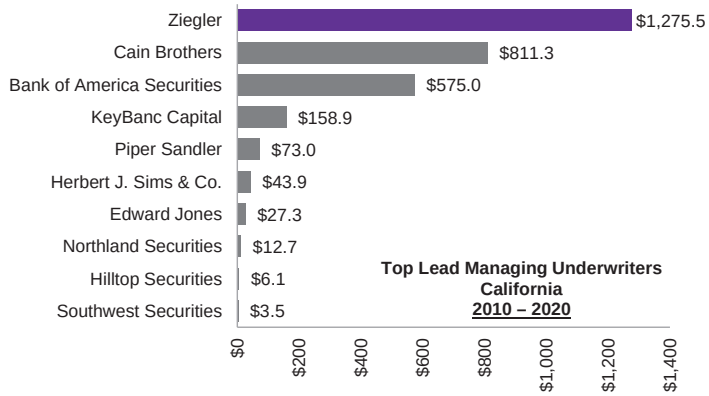
Ziegler's California Experience

Since January 2010, Ziegler has executed, as underwriter or placement agent, 33 senior living financings in the State of California, totaling approximately $1.8 billion in par amount. Numerous financing structures have been employed, from unrated to Cal-Mortgage insured, bank debt placements, and both variable-rate and fixed-rate financings. In addition to our experience with California not-for-profit borrowers, Ziegler has excellent relationships with institutional buyers and banks who participate in the California market.

The following tables summarize Ziegler's West Coast and California issuing experience, specific to publicly offered fixed rate bonds.



Source: Refinitiv Data. Full credit given to Senior Manager, as of 12/31/20.
Note: Ranking totals include all Senior Living not-for-profit tax-exempt bond financings (and 142(d)/145(d) rental not-for-profit), but excludes for-profit bonds financings.



Source: Refinitiv data as of 12/31/20; and Ziegler Investment Banking.
Note: Ranking totals include all Senior Living not-for-profit tax-exempt bond financings (and 142(d)/145(d) rental not-for-profit), but excludes for-profit bonds financings.

Ziegler's California Clients

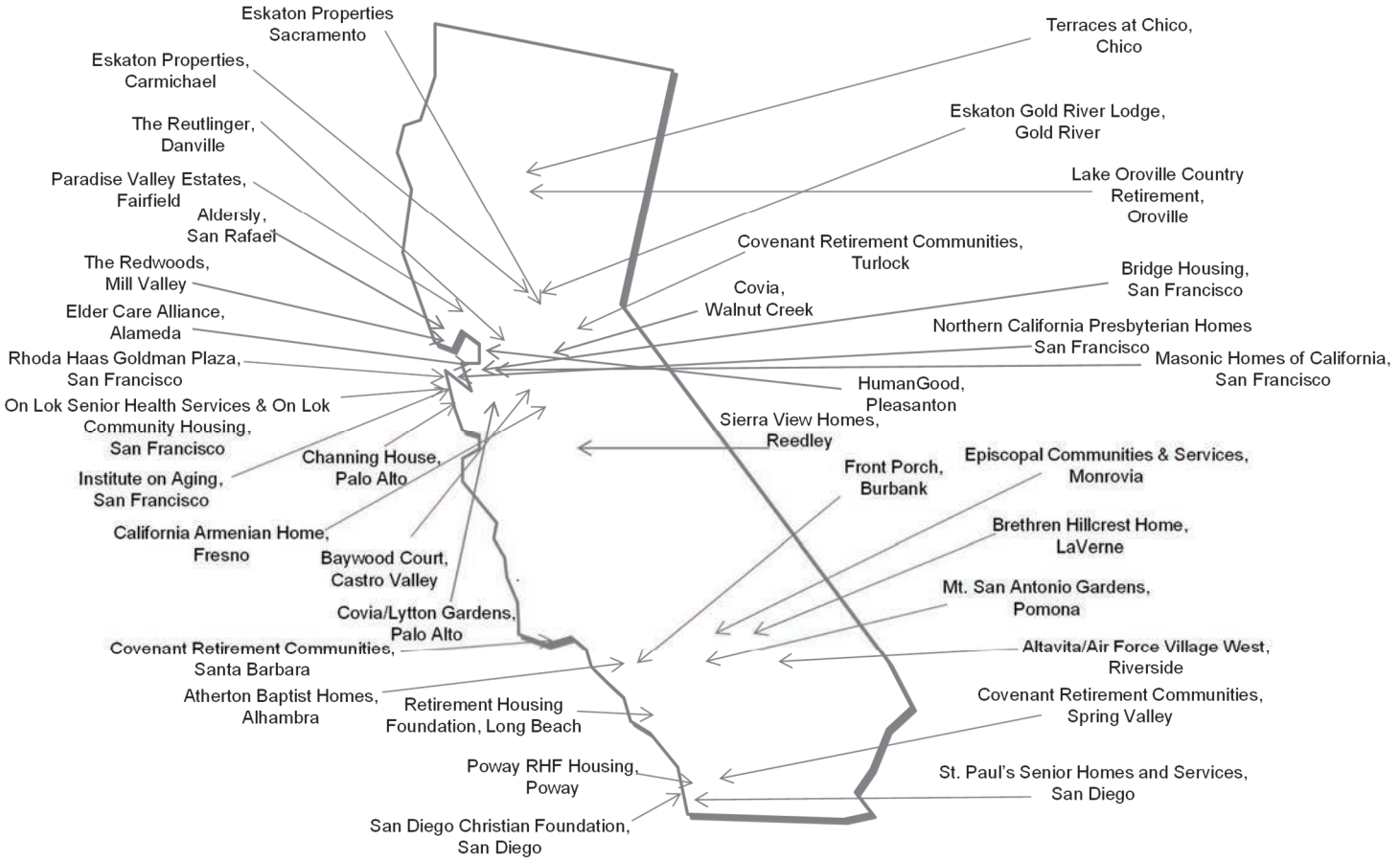


EXHIBIT – ZIEGLER DEAL TEAM BIOS

ZIEGLER PROFESSIONAL PROFILE

DANIEL C. REVIE
MANAGING DIRECTOR



Dan Revie joined Ziegler in 2000. As a Managing Director and co-practice head, he is responsible for the management of the firm's Senior Housing & Care Finance Practice. Dan specializes in strategic advisory assignments including: mergers, acquisitions, divestitures, and recapitalizations, as well as financial advisory services for healthcare entities including: skilled nursing, assisted living, memory care facilities, and entrance fee and rental continuing care retirement communities / life plan communities.

During his nearly 20 years with Ziegler, Dan has completed numerous M&A assignments for public, private, and non-profit organizations. Dan has been involved with several recapitalization assignments for large assisted living and skilled nursing portfolios. He has also frequently represented Ziegler's nonprofit clients with divesting non-core assets. Recently, Dan and his team have been heavily involved with distressed situations in the senior and long-term care living space. Dan also has extensive experience with FHA/ HUD financing programs.

Dan's background is in accounting. Prior to joining Ziegler he worked as an audit manager for PriceWaterhouseCoopers, and an accounting manager for Northwestern Mutual.

Dan holds undergraduate degrees in accounting and finance from the University of Wisconsin – Madison, and an M.B.A. from the University of Wisconsin – Milwaukee. Dan is also a certified public accountant.

ZIEGLER INVESTMENT BANKING

SENIOR HOUSING & CARE FINANCE

DANIEL C. REVIE
MANAGING DIRECTOR

Tel: 414 978 6556
Fax: 414 978 6550

drevie@ziegler.com

735 North Water Street
Suite 1000
Milwaukee, WI 53202

www.ziegler.com

ZIEGLER PROFESSIONAL PROFILE

MARY K. MUÑOZ

SENIOR MANAGING DIRECTOR



Mary Muñoz joined the senior living team at Ziegler in 1999. She manages the western region of Ziegler's senior living practice.

Mary works with a broad variety of senior living communities and multi-facility systems in strategic planning for growth, as well as creative financing strategies. She has extensive experience with start-up CCRC projects, campus expansions and redevelopments, and refinancings. She also specializes in financing senior living mergers and acquisitions, and in strategic and capital planning consulting services. Mary's senior living bond transactions since joining Ziegler total over $6.5 billion in par amount.

Prior to joining Ziegler, Mary spent 12 years in a variety of healthcare lending and corporate finance roles. Immediately prior to joining Ziegler, she was a managing director in KPMG's Health Ventures practice. She worked with clients on strategic capital planning, private equity financing, and business plan development. While at KPMG, she structured and executed over $500 million of senior and subordinated debt offerings for healthcare clients. Prior to joining KPMG, Mary managed the national healthcare finance groups at Wells Fargo Bank and The Bank of Nova Scotia, raising over $5 billion to fund healthcare provider mergers and acquisitions and leveraged recapitalizations.

Mary is a frequent speaker at state and national conferences on a wide variety of senior living topics, and has published numerous articles on senior living finance and credit topics. She received a B.A. and a M.B.A. from Emory University, Atlanta, Georgia. Mary also holds Series 7, 66, 53 and 24 licenses.

ZIEGLER INVESTMENT BANKING

SENIOR LIVING

TENURE WITH ZIEGLER: 22+ YEARS
TIME DEDICATED TO NOT-FOR-PROFIT SENIOR LIVING: 100%

MARY K. MUÑOZ
SENIOR MANAGING DIRECTOR

Tel: 800 327 3666

mmunoz@ziegler.com

14850 N. Scottsdale Rd
Suite 350
Scottsdale, AZ 85254

www.ziegler.com

ZIEGLER PROFESSIONAL PROFILE

STEPHEN JOHNSON

MANAGING DIRECTOR



Stephen Johnson is a Managing Director and leader of the Senior Living Sponsorship Transition Advisory Practice at Ziegler in Chicago.

Since joining the firm in 1999, Steve has senior managed or co-senior managed more than 80 public debt offerings – raising more than $4 billion through a variety of diverse capital structures.

His current focus is advising not-for-profit providers on growth through strategic initiatives including affiliations, mergers and joint ventures. In all of these activities, he has become a leading authority on the metro-Chicago senior living marketplace.

Previously, Steve served as executive director of one of the nation's premiere senior living organizations, Willow Valley Retirement Communities and as an associate with a leading venture firm in the Silicon Valley of northern California. There, he participated in raising and managing private equity in the United States and Japan.

Steve received a M.B.A. from Northwestern University's Kellogg Graduate School of Management, Evanston, IL and a B.A. from Wheaton College, Wheaton, IL. He is a member of the President's Club of the Chicago Council on Global Affairs and a third generation Cubs fan.

ZIEGLER INVESTMENT BANKING

SPONSORSHIP TRANSITION ADVISORY PRACTICE

STEPHEN JOHNSON

MANAGING DIRECTOR

Tel: 312 596 1512
Cell: 312 208 2465

sjohnson@ziegler.com

One North Wacker Drive
Suite 2000

www.ziegler.com

ZIEGLER PROFESSIONAL PROFILE

K. NICHOLAS GLAISNER

DIRECTOR



K. Nicholas (Nick) Glaisner joined the Senior Housing & Care Finance team at Ziegler in 1999. He specializes in mergers and acquisitions and strategic advisory engagements for senior living and healthcare providers. Nick has significant transaction experience involving skilled nursing facilities, assisted living centers, continuing care retirement communities and home health organizations.

Nick has participated in numerous sell-side transactions involving both public and private healthcare providers, primarily in an analytical capacity. He has participated in over $2 billion worth of healthcare, senior living and long-term care transactions in addition to working closely with Ziegler Financing Corporation on well over $100 million of refinancing projects using the HUD/FHA 232 Program.

Nick received his B.B.A. from the University of Wisconsin.

ZIEGLER INVESTMENT BANKING

SENIOR HOUSING & CARE FINANCE

K. NICHOLAS GLAISNER

DIRECTOR

Tel: 414 978 6557
Fax: 414 978 6550

nglaisner@ziegler.com

735 North Water Street
Suite 1000
Milwaukee, WI 53202

www.ziegler.com

ZIEGLER PROFESSIONAL PROFILE

SARKIS GARABEDIAN

MANAGING DIRECTOR



Sarkis Garabedian is an investment banker specializing in serving the needs of senior living clients throughout the Western United States. Over his 17-year career, Sarkis has sourced over $4.4 billion of capital for a wide variety of healthcare and senior living organizations. Sarkis joined Ziegler in 2013 to establish its Seattle office where he serves as Managing Director. Prior to joining Ziegler, Sarkis worked as a healthcare investment banker for over nine years covering the West Coast.

Sarkis has extensive experience working with senior living and healthcare providers to develop customized finance plans to help balance and optimize his client's capital objectives with their long-term strategic goals. His senior living experience runs the full spectrum of projects and financing vehicles. He is proficient in leading complex fixed- and variable-rate public bond offerings and private placements, while providing credit, legal and refunding analyses to help evaluate potential impact to credit ratings, market access and cost of capital. Sarkis also has considerable experience negotiating and implementing new legal structures and favorable credit terms for the benefit of his clients, including financial covenants, security and disclosure requirements and call features.

Sarkis regularly speaks at Board retreats and industry conferences with topics ranging from industry strategy and trends to capital market conditions, new and emerging capital sources and financing structures.

Sarkis is a member of LeadingAge and serves as a frequent speaker at industry conferences. He received a B.A. in business administration with a concentration in finance and an M.B.A from Western Washington University. He holds Series 7, 79, 63, and 52 securities licenses.

ZIEGLER INVESTMENT BANKING
SENIOR LIVING

SARKIS GARABEDIAN
MANAGING DIRECTOR

Tel: 312 705 7232
Cell: 206 335 7081

sgarabedian@ziegler.com

520 Pike Street
Suite 1505
Seattle, WA 98101

www.ziegler.com

ZIEGLER PROFESSIONAL PROFILE

DAREN BELL

DIRECTOR



Daren Bell joined Ziegler in 2014. As a director in Ziegler's Senior Living Finance practice, his primary focus is to serve the needs of the not-for-profit senior living clients throughout the western region.

With 13+ years of experience in investment banking, Daren has worked on hundreds of financings across the country. His experience spans a variety of not-for-profit sectors including senior living, healthcare, and higher education. Daren brings extensive senior living experience, working on complex financings across a full spectrum of projects, including new campus financings, expansion and repositioning financing, and restructurings. Additionally, Daren is well versed in all avenues of capital sources, including fixed- and variable-rate bond financings, tax-exempt and taxable debt, limited and private placements, as well as a plethora of bank capital structures. Daren has vast knowledge in capital planning, strategic planning, credit and covenant analysis, finance structuring and restructuring, and a variety of other relevant services.

Since joining Ziegler, Daren has worked with the western region team to bring more than 60 senior living financings to market, totaling north of $3 billion in par amount.

Daren received a B.A. in business administration with a concentration in finance from Western Washington University. He holds Series 7, 63 and 79 licenses.

ZIEGLER INVESTMENT BANKING

SENIOR LIVING

TENURE WITH ZIEGLER : 6 YEARS
TIME DEDICATED TO NOT-FOR-PROFIT SENIOR LIVING: 100%

DAREN BELL
DIRECTOR

Tel: 312 596 1549
Cell: 253 261 4924

dbell@ziegler.com

www.ziegler.com

ZIEGLER PROFESSIONAL PROFILE

TEDD VAN GORDEN

VICE PRESIDENT



Tedd Van Gorden joined the Senior Housing & Care Finance team at Ziegler in 2015. He works with mergers and acquisitions, strategic advisory and capital formation engagements, as well as FHA/HUD financing programs for senior living and healthcare providers.

Since joining Ziegler, Tedd has had extensive involvement in providing analytical support for new business origination and deal execution involving both public and private healthcare providers on numerous sell-side transactions, as well as HUD/FHA Multifamily, LEAN and Hospital program financings.

Prior to Ziegler, Tedd was a financial analyst at Brady Corporation, where he was the global financial consolidations analyst for all of Brady's entities and subsidiaries. Prior to that he served as the operations finance analyst for multiple North American manufacturing facilities in Brady's portfolio.

Tedd graduated with a BBA from the Grainger School of Business at the University of Wisconsin majoring in finance, investment and banking and minoring in German. He is currently pursuing an M.B.A. from the University of Illinois at Urbana-Champaign. He holds a FINRA Series 79 security license.

ZIEGLER INVESTMENT BANKING

SENIOR HOUSING & CARE FINANCE

TEDD VAN GORDEN
VICE PRESIDENT

Tel: 414 978 6510
Fax: 414 978 6550

tvangorden@ziegler.com

735 North Water Street
Suite 1000
Milwaukee, WI 53202

www.ziegler.com

ZIEGLER PROFESSIONAL PROFILE

MICHAEL ANTHONY

SENIOR ASSOCIATE



Michael Anthony joined the Senior Housing & Care Finance team at Ziegler in 2019 as a Senior Analyst and was promoted to Associate in 2020 and Senior Associate in 2021. He works with mergers and acquisitions, strategic advisory, and capital formation engagements for senior living and healthcare providers.

Since joining Ziegler, Michael has had extensive involvement in providing analytical support for new business origination and deal execution involving both public and private healthcare providers on numerous sell-side and buy-side M&A engagements, equity raises, and bank direct placements. He also has experience working with the FHA/HUD, FNMA, and FHLMC financing programs and mezzanine debt/preferred equity providers.

Prior to Ziegler, Michael worked as an investment banking analyst at Regions Securities LLC first in the healthcare corporate finance coverage vertical and later in the healthcare real estate coverage vertical where he focused on sponsor acquisition financing, leveraged loan syndications, and sell-side M&A advisory engagements across the healthcare space.

Michael graduated with a B.A. in Economics from Vanderbilt University where he also minored in Finance and Corporate Strategy. He holds FINRA Series 79 and 63 securities licenses.

ZIEGLER INVESTMENT BANKING

SENIOR HOUSING & CARE FINANCE

MICHAEL ANTHONY

SENIOR ASSOCIATE

Tel: 615 982 7563
Cell: 609 707 4194

manthony@ziegler.com

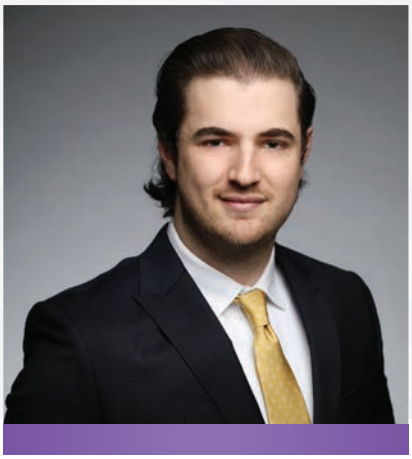
150 3rd Avenue South
Suite 1810
Nashville, TN 37201

www.ziegler.com

ZIEGLER PROFESSIONAL PROFILE

LUCAS DESANTIS

ANALYST



Lucas DeSantis joined the Senior Housing & Care Finance team at Ziegler in 2020. He works with mergers and acquisitions, strategic advisory, and capital formation engagements for senior living and healthcare providers. Since joining Ziegler, Lucas has had extensive involvement in providing analytical support for new business origination and deal execution involving both public and private healthcare providers on numerous sell-side transactions, equity raises, and bank direct placements, as well as work with the HUD/FHA, FNMA, and FHLMC financing programs. Prior to Ziegler, Lucas worked as a business valuation & litigation support analyst at LBMC, PC where he focused on gift and estate tax planning, financial and forensic analysis for commercial and family law litigators, and transaction-related valuation work. Lucas graduated with a B.A. in Economics from Sewanee: The University of the South where he also minored in Philosophy and Business.

ZIEGLER INVESTMENT BANKING

CORPORATE FINANCE HEALTHCARE

LUCAS DESANTIS

ANALYST

Tel: 312 596 1564
Cell: 303 902 2442

ldesantis@ziegler.com

One North Wacker Drive
Suite 2000
Chicago, IL 60606

www.ziegler.com

ZIEGLER PROFESSIONAL PROFILE

PATRICK MORAN

ANALYST



Patrick Moran joined Ziegler in 2019. His primary responsibilities include providing technical support to the investment banking team, performing high-level financial analysis of current and prospective clientele. Additionally, he is responsible for performing detailed credit analysis, and providing industry research and analysis to address clientele needs.

Prior to Ziegler, Patrick worked as an accounting, economics and information systems tutor at the University of Arizona. He also interned at a small tax accounting firm located in Tucson, Arizona. Additionally, Patrick previously held a position as a summer intern in the Senior Living Finance Practice at Ziegler.

Patrick graduated Summa Cum Laude with a B.S.B.A. in accounting from the Eller College of Management at the University of Arizona in 2019.

ZIEGLER INVESTMENT BANKING
SENIOR LIVING

PATRICK MORAN
ANALYST

Tel: 312 705 7309
Cell: 773 860 0013

pmoran@ziegler.com

One North Wacker Drive
Suite 2000
Chicago, IL 60606

www.ziegler.com

A copy of the Letter Agreement between Ziegler and CNMH

Ziegler

735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Fax: 414-877-5237

www.ziegler.com

April 19, 2021

Mr. Garrett B. Cross
Board Chair
California-Nevada Methodist Homes
201 19th St
Oakland, CA 94612

Re: California-Nevada Methodist Homes Portfolio

Dear Mr. Cross:

We are submitting this engagement letter (this "Agreement") for your evaluation and consideration between California-Nevada Methodist Homes ("CNMH" or the "Company") and B.C. Ziegler and Company ("Ziegler").

I. Background

California-Nevada Methodist Homes is a California non-profit corporation that owns and operates two continuing care retirement communities ("CCRC"): (i) Lake Park, located in Oakland; and (ii) Forest Hill, located in Pacific Grove, California (collectively, the "Portfolio"). Lake Park has 216 units and Forest Hills has 135 units. The Portfolio is more fully described in Exhibit A.

We understand that in recent years, CNMH has faced a growing number of financial challenges. Recognizing the financial challenges, the Company began exploring its strategic alternatives. We understand that in January 2020, a proposed sale of the Company was conditionally approved by California authorities, but the transaction was not completed.

You have indicated that these financial and operational challenges have continued and were intensified by the COVID-19 pandemic. In March 2021, the Company filed a chapter 11 petition in the United States Bankruptcy Court for the Northern District of California, Oakland Division (the "Court"), Case No. 21-40363.

II. The Engagement

This letter confirms our understanding that, subject to Court approval, the Company has engaged Ziegler to act as its exclusive financial advisor with respect to the Company's potential sale of the Portfolio, affiliation with another legal entity that assumes certain or all of the liabilities of the Company, or merger into another legal entity (collectively, the "Sale").

A. Services

As part of our engagement, Ziegler will, in conjunction with the Company and its other professionals:

i. analyze and evaluate the business, operations and financial position of the Portfolio;

ii. with the Company's assistance, prepare materials ("Offering Memorandum") suitable for distribution and presentation to a select group of qualified potential buyers, affiliates, or merger candidates (collectively, "Purchasers");

iii. populate, maintain, and utilize an online virtual data room for dissemination of information to potential Purchasers, and update the data room for information requests from potential Purchasers and pertinent new information (such data room maintenance will be performed in-house by Ziegler to ensure quality);

iv. present the Company with specific acquisition proposals from qualified Purchasers, and assist the Company in the screening of interested prospective Purchasers;

v. assist the Company in evaluating proposals which are received from potential Purchasers (assistance does not encompass a formal valuation, appraisal, or a "fairness opinion" as defined by standard industry convention);

vi. assist the Company in developing a process to select a stalking horse bidder;

vii. assist the Company in structuring and negotiating the Sale;

viii. assist Company's legal counsel with suggested forms of a purchase and sale, affiliation, or merger agreement, as applicable;

ix. assist the Company in structuring and facilitating an auction (if necessary);

x. coordinate with the Company, its constituents, and counsel as necessary and appropriate;

xi. provide such other investment banking services that are typical and customary in similar engagements or requested by the Company from time to time;

xii. attend and participate in Court proceedings as necessary; and

xiii. be available at the Company's request to meet with the Company's representatives to discuss the proposed Sale and its financial implications.

In connection with Ziegler's engagement, the Company will furnish Ziegler with all information concerning the Portfolio that Ziegler reasonably deems appropriate to enable Ziegler to perform under this Agreement (collectively, the "Information"). The Company will provide Ziegler with access at reasonable times and on reasonable notice to approved Company employees, accountants, and other representatives (collectively, the "Representatives"), it being understood that Ziegler will rely in good faith solely upon the Information supplied by the Company and its Representatives without any independent investigation or verification thereof. All non-public Information concerning the Community that is given to Ziegler will be used solely in the course of the performance of the services hereunder and will be treated confidentially by Ziegler for so long as it remains non-public. Except as otherwise required by this engagement or by

the Court, Ziegler will not disclose the Information to a third party without the consent of the Company.

B. Compensation

In consideration of the above, Ziegler's fees will be structured as follows:

i. *Initial Fee* – Ziegler agrees to waive its Initial Fee.

ii. *Transaction Success Fee* – Ziegler shall be paid a Transaction Success Fee equal to:

- 2.25% of Aggregate Consideration (defined below) for a Sale transaction.

iii. *Minimum Transaction Success Fee* – Notwithstanding the above, Ziegler shall be paid a Minimum Transaction Success Fee equal to $450,000.

The Transaction Success Fee shall be due and payable by the Company at closing of the Sale, and shall only be earned by Ziegler if and when a Sale closes.

C. Expenses

Ziegler shall also be reimbursed for all actual and reasonable out-of-pocket expenses, including the reasonable fees and expenses of its legal counsel, if any, and any other advisor retained by Ziegler. Expenses will be billed at direct cost and in accordance with Court procedures and are not contingent upon the Sale.

III. Other Matters

Aggregate Consideration. For the purposes of this Agreement, the term "Aggregate Consideration" shall mean the total fair market value of all consideration (including cash, securities, property, assumed debt, and other indebtedness, and obligations assumed by the Purchaser and any other form of consideration) paid or otherwise distributed, directly or indirectly, to the Company in connection with the Sale. For purposes of computing the full amount of Aggregate Consideration, any non-cash form of consideration shall be assumed to have a value equal to its fair market value at the time of the closing, as determined by mutual agreement between Ziegler and the Company.

Confidentiality. Ziegler will maintain the confidentiality of the Information and, unless and until the Information shall have been made publicly available by the Company or by others without breach of a confidentiality agreement, shall disclose the Information only as authorized by the Company or as required by law, or by order of the Court, or a governmental authority or court of competent jurisdiction. Notwithstanding the foregoing, Ziegler may disclose the Information to its employees, agents and advisors who need to know the Information to complete this engagement. In the event that Ziegler is legally required to make disclosure of any of the Information, Ziegler will give notice to the Company prior to such disclosure, to the extent that Ziegler can practically do so.

The foregoing paragraph shall not apply to Information that (i) at the time of disclosure or after disclosure, is or subsequently becomes generally available to the public or within the industries

which the Company or Ziegler and its affiliates conduct business, other than as a direct result of a breach by Ziegler of its obligations under the terms of this Agreement; (ii) prior to or at the time of disclosure by the Company, was already in the possession of, or conceived of, by Ziegler or its affiliates or generally available to the public or available to Ziegler or its affiliates, other than from the Company; (iii) at the time of disclosure or subsequent to disclosure, is obtained by Ziegler or its affiliates from a third party who is lawfully in possession of the Information and not in violation of any contractual, legal or fiduciary obligation to the Company with respect to that Information; or (iv) is or was independently developed by Ziegler or its affiliates without reference to any documents or other information that is to be treated as confidential under this Agreement.

Privilege. The Company acknowledges that all reports, analyses, and recommendations (written or oral) given by Ziegler to the Company in connection with Ziegler's engagement are intended to be provided to the Company's counsel for the purpose of developing a legal strategy with respect to the proposed Sale and all such communications are intended to be confidential and privileged. Moreover, such communications are solely for the benefit and use of the Company for the purposes of their evaluation of the proposed Sale. Unless otherwise expressly stated in an opinion letter issued by Ziegler or otherwise expressly agreed, no one other than such persons are authorized to rely upon this engagement of Ziegler or any statements or conduct by Ziegler. Except as required by this bankruptcy proceeding, the Company agrees that no such reports, analyses, or recommendations shall be used, reproduced, disseminated, quoted or referred to at any time, in any manner, or for any purpose, nor shall any public references to Ziegler be made by the Company or any of its representatives without the prior written consent of Ziegler.

The Company acknowledges and agrees that Ziegler has been retained to act solely as financial advisor to the Company and to solicit Sale offers. In such capacity, Ziegler shall be an independent contractor, and shall not act as an agent, partner, fiduciary, or joint venturer of the Company. Any duties arising out of Ziegler's engagement shall be owed solely to the Company.

Indemnity. In connection with Ziegler's engagement (which engagement may have commenced prior to the date hereof), the Company agrees to indemnify and hold harmless Ziegler and its affiliates, directors, officers, agents and employees and each other person, if any, controlling Ziegler or any of its affiliates and each of their respective successors and assigns, to the fullest extent permitted by law, from and against any losses, claims, damages or liabilities (or actions in respect thereof) related to or arising out of such engagement or Ziegler's role in connection therewith, and will reimburse Ziegler and any other party entitled to be indemnified hereunder for all expenses (including reasonable, documented counsel fees) as they are incurred by Ziegler or any such other indemnified party in connection with investigating, preparing or defending any such action or claim whether or not in connection with pending or threatened litigation in which Ziegler is a party. The Company will not, however, be responsible for any claims, liabilities, losses, damages or expenses which resulted from Ziegler's bad faith, willful misconduct or gross negligence.

If the indemnification provided for in the foregoing paragraph is judicially determined to be unavailable (other than in accordance, with the terms hereof) to any person otherwise entitled to indemnity in respect of any losses, claims, damages or liabilities referred to herein, then, in lieu

of indemnifying such person hereunder, the Company shall contribute to the amount paid or payable by such person as a result of such losses, claims, damages or liabilities (and expenses relating thereto) in such proportion as is appropriate to reflect the relative fault of each of the Company and Ziegler, as well as any other relevant equitable considerations; provided, however, in no event shall Ziegler's aggregate contribution to the amount paid or payable exceed the aggregate amount of fees actually received (or contemplated to be received, in the case of no actual fee being received) by Ziegler under this Agreement.

The Company also agrees that neither Ziegler, nor any of its affiliates nor any officer, director, employee or agent of Ziegler or any of its affiliates, nor any person controlling Ziegler or any of its affiliates, shall have any liability to the Company for or in connection with such engagement except for any such liability for losses, claims, damages, liabilities or expenses incurred by the Company which resulted from Ziegler's bad faith, willful misconduct or gross negligence. The foregoing Agreement shall be in addition to any rights that Ziegler, the Company or any indemnified party may have at common law or otherwise, including, but not limited to, any right to contribution.

The Company agrees that it will not, without the prior written consent of Ziegler, which consent shall not be unreasonably withheld, conditioned, or delayed, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not Ziegler is an actual or potential party to such claim, action, suit, or proceeding) unless such settlement, compromise or consent includes an unconditional release of Ziegler from all liability arising out of such claim, action, suit or proceeding.

For so long as the Company is actively pursuing a Sale, Ziegler shall not, without the Company's prior written consent, act as financial advisor to any other party (other than the Company) in connection with the Sale. Pursuant to applicable bankruptcy and local rules, Ziegler shall disclose in reasonable detail and in a manner not in violation of applicable confidentiality obligations at such times as the Company is actively pursuing a Sale during the term of this Agreement, any material relationship (pursuant to its internal procedures for identifying and assessing conflicts of interest) that Ziegler has determined constitutes a material conflict of interest with the engagement contemplated by this Agreement.

Term of Agreement. The term of Ziegler's engagement hereunder shall extend from the date hereof through the earlier of (i) twelve (12) months from the date hereof unless extended by the parties in writing, and (ii) the closing on the Sale, as applicable. Subject to the expenses, indemnity and contribution provisions herein, which shall survive any termination of this agreement, the Company or Ziegler may terminate Ziegler's engagement hereunder, for any reason or for no reason, upon giving the other parties hereto at least 10 days' prior written notice, and Ziegler shall be entitled to collect all such fees and expenses earned through the date of termination. In addition, any agreement or other arrangement with respect to a Sale entered into by the Company with a Protected Party (defined below) within a six (6) month period from the date of termination of Ziegler by the Company shall give rise to the fees stated above, payable in full via wire transfer by the Company to Ziegler, upon the completion of such Sale. A "Protected Party" is any party whose name appears on a list of parties ("List of Protected

Parties") to whom Ziegler sent an Offering Memorandum during the effectiveness of this Agreement.

Subject to Bankruptcy Court Approval. Notwithstanding any other term of this engagement letter, the parties acknowledge and agree that this engagement letter (1) is subject to U.S. Bankruptcy Court approval; (2) shall not take effect until after the U.S. Bankruptcy Court has issued an order authorizing the employment and retention of Ziegler under the terms of the engagement letter; and (3) shall be rescinded immediately and without penalty if the U.S. Bankruptcy Court rejects the Debtor's application to retain and employ Ziegler under the terms of this engagement letter for any reason.

Ziegler shall not publicize the availability of the Portfolio for Sale to the general public, whether by mail, electronic mail or other mass medium. All contact with prospective Purchasers shall be direct (telephone, individual email or letter). An Offering Memorandum, delivered at the request of the potential Purchaser, will be the primary means of providing information and will be provided after receipt a confidentiality agreement reasonably acceptable to the Company and its counsel. No tour of the Community will take place without a signed letter of intent or purchase, affiliation, or merger offer.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of California applicable to contracts executed in and to be performed in that state, without regard to such state's rules concerning conflicts of laws.

The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of the Agreement, which shall remain in full force and effect.

This Agreement constitutes the entire agreement and understanding between the parties as to the subject matter thereof and supersedes any prior understandings or representations. This Agreement may be amended or modified only by a writing signed by both parties.

<< Signature page to follow. >>

We are delighted to accept the engagement and look forward to working with you on this assignment. Please confirm that the foregoing is in accordance with your understanding by signing and returning to us this Agreement.

Sincerely,

B.C. Ziegler and Company

By: _____

Dan Revie
Managing Director
Ziegler Investment Banking
April 19, 2021

Accepted and Agreed to:

California-Nevada Methodist Homes

By: _____ Digitally signed by Garrett B. Cross DN: cn=Garrett B. Cross, o=California Nevada Methodist Homes, ou, email=cross2@pacbell.net, c=US Date: 2021.04.19 15:08:47 -07'00'

Mr. Garrett B. Cross
Board Chair
California-Nevada Methodist Homes
April 19, 2021

Exhibit A

The Portfolio

Lake Park
1850 Alice St.
Oakland, CA 94612
216 Units

Forest Hills
551 Gibson Ave.
Pacific Grove, CA 93950
135 Units

Total Portfolio
351 Total Units

A copy of the Acquisition Opportunity Memorandum prepared by Ziegler







ACQUISITION OPPORTUNITY

PORTFOLIO OF TWO CONTINUING CARE RETIREMENT COMMUNITIES IN NORTHERN CALIFORNIA

350 TOTAL BEDS/UNITS

SPRING 2021

Ziegler

CONFIDENTIAL MEMORANDUM

CNMH001350



TRANSACTION CONTACTS:

Daniel Revie
Managing Director
414 978-6556 office
312-307-5795 mobile
drevie@ziegler.com

Tedd Van Gorden
Vice President
414 978-6510 office
636-399-1550 mobile
tvangorden@ziegler.com

Michael Anthony
Senior Associate
615-982-7563 office
609-707-4194 mobile
manthony@ziegler.com

Lucas DeSantis
Analyst
312 596-1564 office
303-902-2442 mobile
ldesantis@ziegler.com

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Confidential Memorandum

California Nevada Methodist Homes ("CNMH" or the "Seller") has retained Ziegler Investment Banking ("Ziegler") as its exclusive financial advisor to explore its strategic alternatives as part of its Chapter 11 bankruptcy proceedings with the Bankruptcy Court for the Northern District of California.

The Seller owns a portfolio of two continuing care retirement communities ("CCRCs") and an adjacent office building (the "Portfolio" or the "Communities") in California. This Confidential Memorandum ("Memorandum") has been prepared by Ziegler from materials supplied by the Seller and publicly available information. The sole purpose of this Memorandum is to assist in a restructuring transaction that could include the sale of substantially all assets, affiliation, sponsorship, or other structure . This Memorandum does not purport to be all-inclusive or to necessarily contain all information that a prospective purchaser may desire in investigating the Seller and the Portfolio. Ziegler makes no representations or warranties, expressed or implied, as to the accuracy or completeness of the information contained herein, and expressly disclaims any and all liability for representations or warranties, expressed, implied, or contained in, and for omissions from, this Memorandum or any written or oral communication transmitted or made available. The Seller will have legal responsibility only for the representations and warranties set forth in a written agreement when and if executed and delivered by the parties thereto and subject to limitations and restrictions set forth therein. Ziegler has not independently verified any of the information contained in this Memorandum or any written or oral communication transmitted or made available, and has not made and will not make, an independent evaluation or appraisal of any of the assets or liabilities of the Seller.

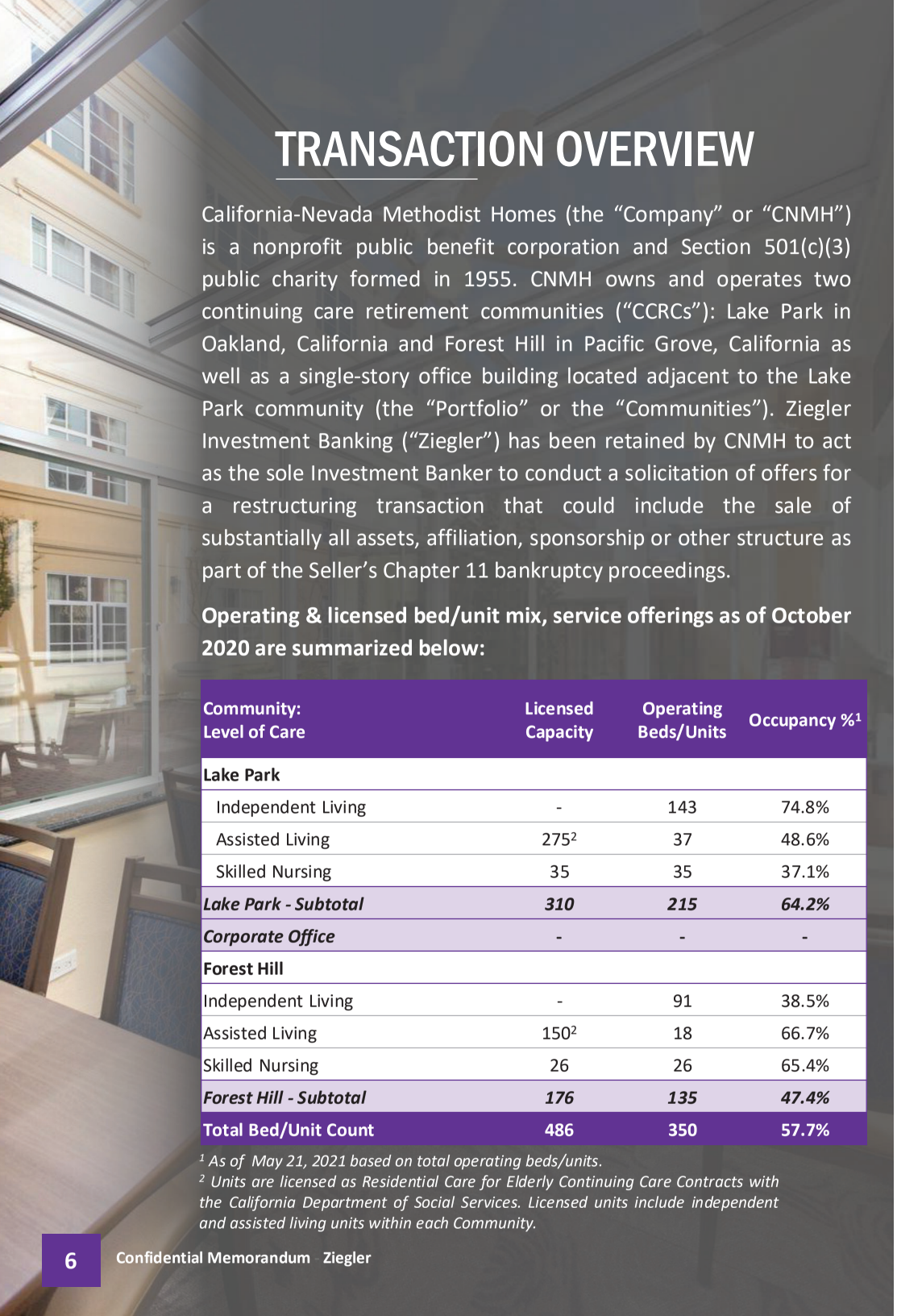
This Memorandum is being provided to the recipient pursuant to a confidentiality agreement that governs the obligations of the Seller and the recipient with regard to confidentiality. By acceptance of this Memorandum, and in accordance with the confidentiality agreement, but without limiting the information provided herein, or the scope or terms thereof, the recipient agrees that it will not distribute this Memorandum to any person, in whole or in part, at any time without the prior written consent of the Seller and that it will keep confidential all information contained herein or made available in connection with any further investigation. This Memorandum is being delivered for informational purposes only and upon the express understanding that it will be used only for the purpose set forth above. Upon request and in accordance with the confidentiality agreement, the recipient will return promptly all material received from the Seller and Ziegler (including this Memorandum) without retaining any copies thereof. In furnishing this Memorandum, the Seller undertake no obligation to provide the recipient with access to any additional information or to update any of the information contained herein.

This Memorandum includes certain historical and projected financial and operating data. The estimated operating results are derived from internal management reports, and the adjusted results are derived in part from management's internal analysis. These estimates and projections reflect management's assumptions concerning anticipated results at the time made, may or may not prove to be correct, and are subject to significant economic, competitive, and regulatory uncertainties and contingencies beyond the Seller's control. Past performance may not be necessarily indicative of future performance. Consequently, no assurances are made or implied as to the reliability of such estimates or projections, and the inclusion of estimates and projections herein should not be regarded as a representation that the estimated or projected results will be achieved. No independent accounting firm has examined or reviewed the financial estimates or projections contained herein.

Please direct all questions regarding the Portfolio or the transaction to:

Ziegler Investment Banking
735 North Water Street, Suite 1000
Milwaukee, Wisconsin 53202
800-366-8899

Daniel Revie	**Tedd Van Gorden**	**Michael Anthony**	**Lucas DeSantis**
Managing Director	*Vice President*	*Senior Associate*	*Analyst*
414-978-6556 office	414-978-6510 office	615-982-7563 office	312-596-1564 office
312-307-5795 mobile	636-399-1550 mobile	609-707-4194 mobile	303-902-2442 mobile
drevie@ziegler.com	tvangorden@ziegler.com	manthony@ziegler.com	ldesantis@ziegler.com



TRANSACTION OVERVIEW

California-Nevada Methodist Homes (the "Company" or "CNMH") is a nonprofit public benefit corporation and Section 501(c)(3) public charity formed in 1955. CNMH owns and operates two continuing care retirement communities ("CCRCs"): Lake Park in Oakland, California and Forest Hill in Pacific Grove, California as well as a single-story office building located adjacent to the Lake Park community (the "Portfolio" or the "Communities"). Ziegler Investment Banking ("Ziegler") has been retained by CNMH to act as the sole Investment Banker to conduct a solicitation of offers for a restructuring transaction that could include the sale of substantially all assets, affiliation, sponsorship or other structure as part of the Seller's Chapter 11 bankruptcy proceedings.

Operating & licensed bed/unit mix, service offerings as of October 2020 are summarized below:

Community: Level of Care	Licensed Capacity	Operating Beds/Units	Occupancy %[1]
Lake Park			
Independent Living	-	143	74.8%
Assisted Living	275[2]	37	48.6%
Skilled Nursing	35	35	37.1%
Lake Park - Subtotal	***310***	***215***	***64.2%***
Corporate Office	-	-	-
Forest Hill			
Independent Living	-	91	38.5%
Assisted Living	150[2]	18	66.7%
Skilled Nursing	26	26	65.4%
Forest Hill - Subtotal	***176***	***135***	***47.4%***
Total Bed/Unit Count	**486**	**350**	**57.7%**

[1] As of May 21, 2021 based on total operating beds/units.
[2] Units are licensed as Residential Care for Elderly Continuing Care Contracts with the California Department of Social Services. Licensed units include independent and assisted living units within each Community.

CALIFORNIA-NEVADA METHODIST HOMES: BANKRUPTCY ACQUISITION

The Communities are both designated by the State of California as CCRCs and thus both offer a continuum care model through two different types of continuing care contracts outstanding: a Classic Agreement (Type B), and a Deferred Repayment Agreement (Variable) (Type B). Forest Hill has recently rolled out a new program which offers apartments to new residents on a rental basis with no entrance fee required. Please refer to the ***Community Overviews*** section for additional details on both the Classic and Deferred Repayment Agreements.

Lake Park is located in the historic Lakeside neighborhood between the west bank of Lake Merritt and downtown Oakland. Lake Park consists of 143 independent living units, 37 assisted living units, and 35 skilled nursing units all located in the 13-story building. Independent living accommodations at Lake Park include studios, alcove, one-bedroom, two bedroom, and penthouse floor plans while the assisted living apartments include studio, alcove, and one bedroom floor plans. The skilled nursing beds are Medicare-certified and are located in the Health Center located on the southwest side of the building.

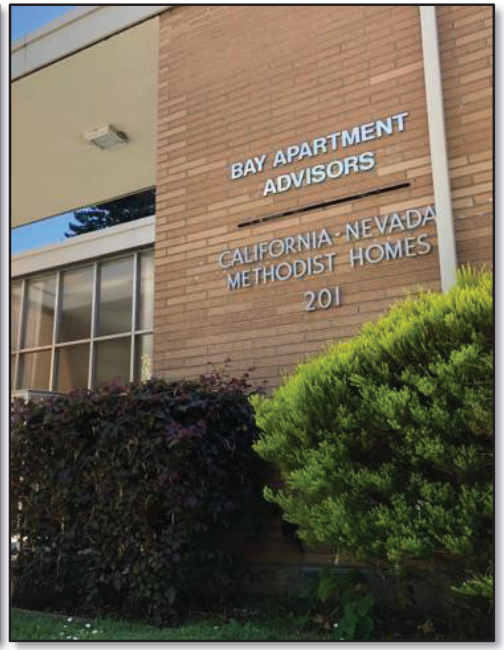
Forest Hill is located on the Monterey Peninsula less than a mile away from the Pacific shoreline and three miles from the legendary Pebble Beach golf resort. It is the only community in the area with views of the Pacific Ocean. The Community is comprised of the five-story Mediterranean-style main building, originally a luxury hotel built in 1926, as well as cottages and two additional wings off the main building which offer residences a more modern environment. The 91 independent living units are found throughout the building ranging from studio units to two bedroom/two bathroom cottages. The 18 assisted living apartments and 26 skilled nursing beds are located in the south wing and offer residents beautiful views of the recently renovated south v

CALIFORNIA-NEVADA METHODIST HOMES

BUILDING SUMMARY



Lake Park



Adjacent Corporate Office

Lake Park & Office Building	
Street Address	LP: 1850 Alice Street Office: 201 19th Street
City, State Zip	Oakland, CA 94612
County	Alameda
License Type	Assisted Living / Skilled Nursing
Total Units	215
Occupancy[1]	64.2%
Year Built	LP: 1965; Office: 1963
Year Renovated	1989 / 2004 / 2010 / 2016-2018
Site Area	1.29 Acres
Floors	13
Parking	Underground Lot
Total Taxable Value[2]	$20,538,054

[1] As of May 21, 2021 based on total operating beds/units.
[2] Per Almeda County Office of the Assessor; Includes adjacent corporate office.

Forest Hill	
Street Address	551 Gibson Avenue
City, State Zip	Pacific Grove, CA 93950
County	Monterey
License Type	Assisted Living / Skilled Nursing
Total Units	135
Occupancy[1]	47.4%
Year Built	1926
Year Renovated	1955 / 2009 / 2012 / 2016-2018
Site Area	2.22 Acres
Floors	5
Parking	Underground Lot & Above Ground Garages on Parcel Across the Street
Total Taxable Value[2]	$18,599,184

[1] As of May 21, 2021 based on total operating beds/units.
[2] Per Monterey County's Treasurer-Tax Collector.



Forest Hill



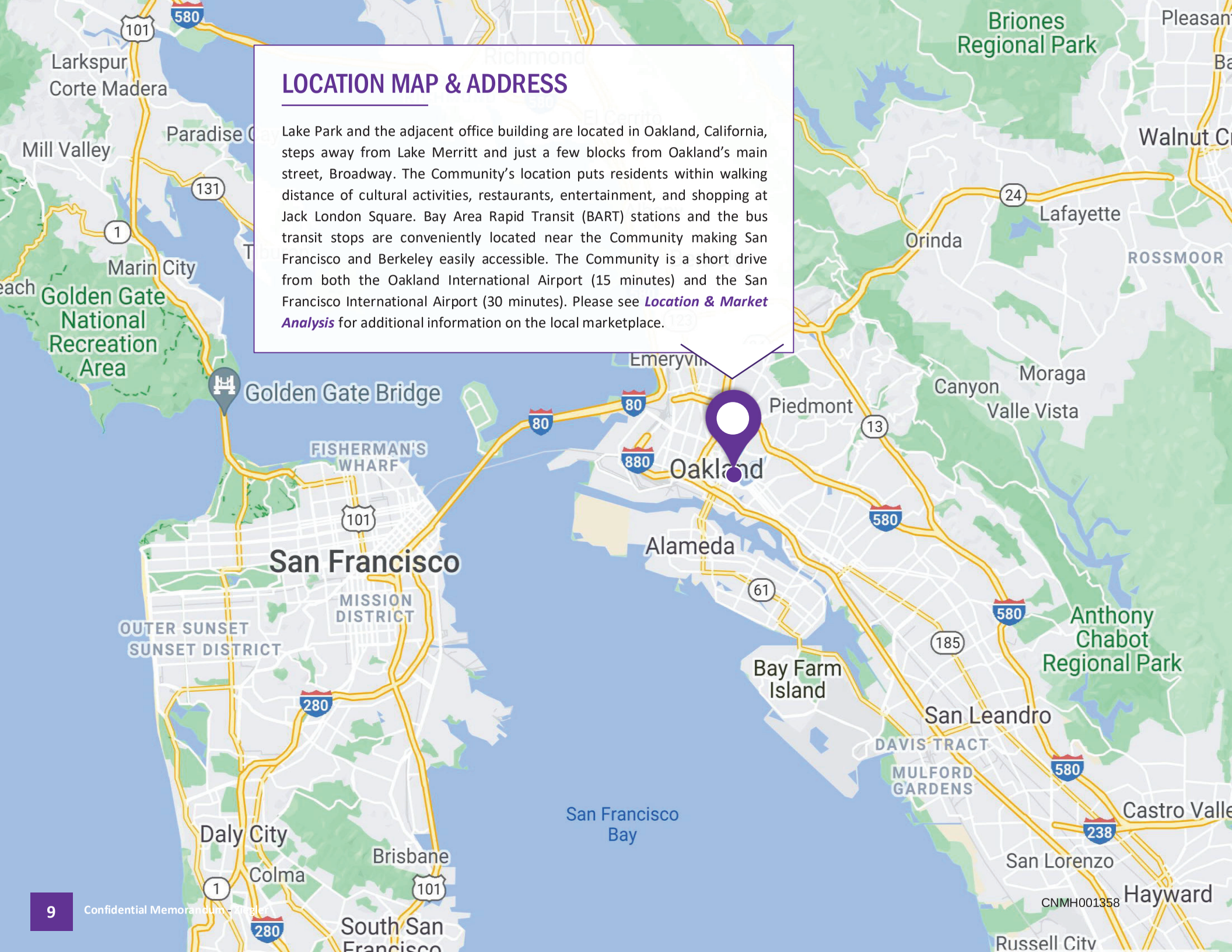
FINANCIAL SUMMARY

The follow table summarizes the Portfolio's operating results for the fiscal years (ending June 30th) 2018, 2019, and 2020 as well as the trailing twelve month period ended March 31st 2021. Detailed income statements and additional financial considerations can be found in the ***Financial Summary*** section.

Period	FYE 6/30/2018	FYE 6/30/2019	FYE 6/30/2020	TTM 3/31/2021
Total Occupancy %	**64.2%**	**64.9%**	**64.6%**	**63.4%**
Total Operating Revenue	$16,468,908	$17,137,598	$16,772,387	$17,786,019
Total Operating Expenses	17,066,115	17,333,535	17,024,921	17,824,420
Adj. EBITDAM	**$(597,207)**	**$(195,937)**	**$(252,534)**	**$(38,401)**
Adj. EBITDAM Margin %	*-3.6%*	*-1.1%*	*-1.5%*	*-0.2%*
5% Management Fee [1]	823,445	856,880	838,619	889,301
Adj. EBITDA	**$(1,420,652)**	**$(1,052,817)**	**$(1,091,153)**	**$(927,702)**
Adj. EBITDA Margin %	*-8.6%*	*-6.1%*	*-6.5%*	*-5.2%*
Entrance Fees Received	3,989,755	5,542,059	3,666,486	1,378,656
Entrance Fees Repaid	(990,194)	(3,811,682)	(1,163,929)	(1,415,799)
Net Entrance Fee Cash Flow	**$2,999,561**	**$1,730,377**	**$2,502,557**	**$(37,143)**
Cash Flow Available for Debt Service	**$1,578,909**	**$677,560**	**$1,411,404**	**$(964,845)**

EBITDAM = ***E****arnings* ***B****efore* ***I****nterest,* ***T****axes,* ***D****epreciation,* ***A****mortization, and* ***M****anagement Fees.*

[1] *Actual management fees were adjusted to the industry standard 5% of Total Operating Revenue.*



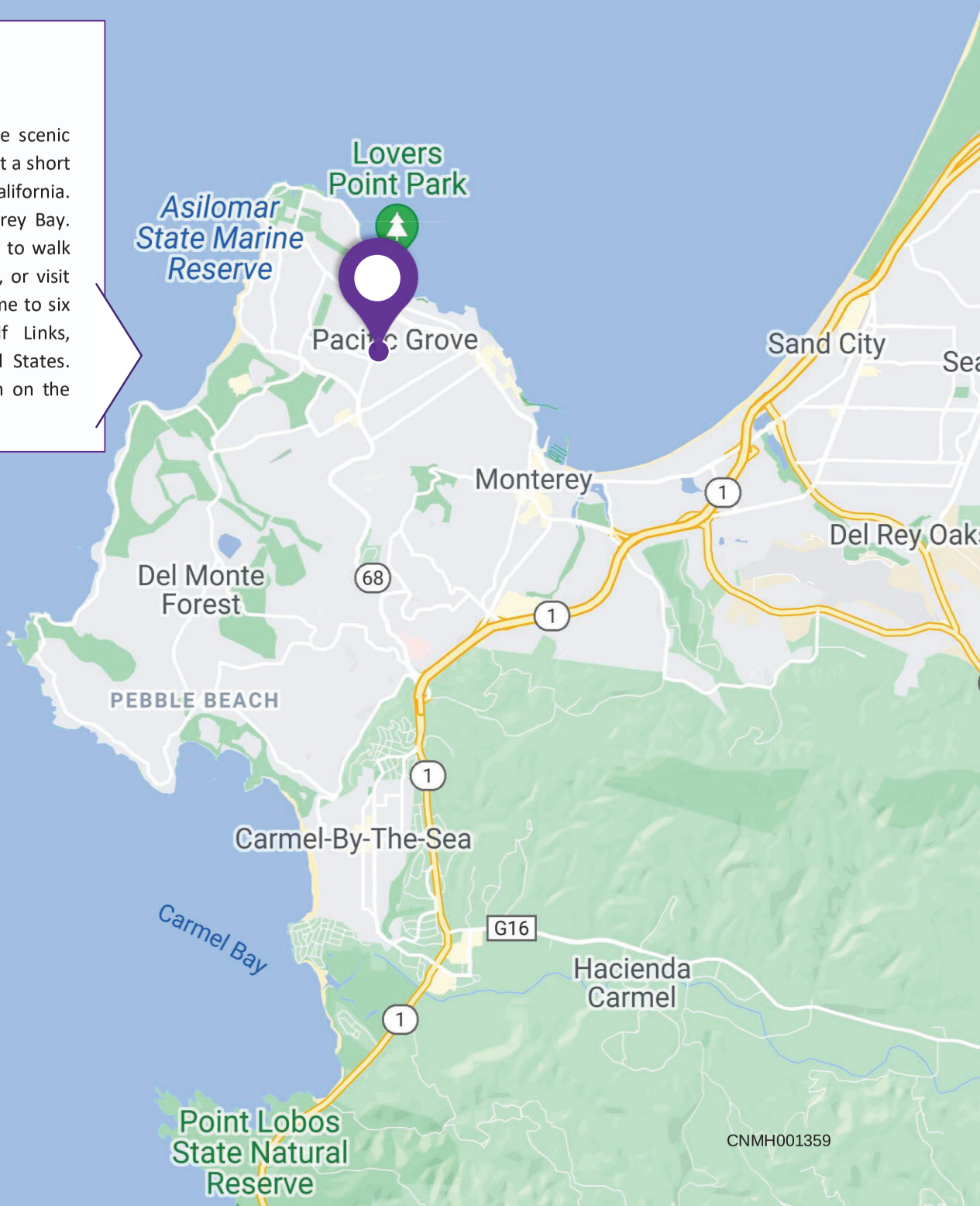
LOCATION MAP & ADDRESS

Lake Park and the adjacent office building are located in Oakland, California, steps away from Lake Merritt and just a few blocks from Oakland's main street, Broadway. The Community's location puts residents within walking distance of cultural activities, restaurants, entertainment, and shopping at Jack London Square. Bay Area Rapid Transit (BART) stations and the bus transit stops are conveniently located near the Community making San Francisco and Berkeley easily accessible. The Community is a short drive from both the Oakland International Airport (15 minutes) and the San Francisco International Airport (30 minutes). Please see ***Location & Market Analysis*** for additional information on the local marketplace.

CNMH001358

LOCATION MAP & ADDRESS

Forest Hill is located in Pacific Grove, California, on the tip of the scenic Monterey Peninsula between Monterey and Pebble Beach and is just a short drive from Carmel and Big Sur on the picturesque Central Coast of California. The Community offers unmatched views of the ocean and Monterey Bay. Less than a half mile away from the waterfront, residents are able to walk along ocean-side trails, enjoy shopping in downtown Pacific Grove, or visit the world renowned Monterey Bay Aquarium. The peninsula is home to six different golf courses including legendary Pebble Beach Golf Links, unanimously rated the number one public course in the United States. Please see ***Location & Market Analysis*** for additional information on the local marketplace.



TRANSACTION STRUCTURE & PROCESS

Chapter 11

On September 27, 2019, California-Nevada Methodist Homes (the "Company" or "CNMH") submitted a notice and request for consent to the California Attorney General in connection with the proposed sale of its assets. The Company was unable to achieve a sale with prospective buyers. Subsequently, on March 16, 2021, CNMH filed for voluntary Chapter 11 bankruptcy in the Bankruptcy Court for the Northern District of California (Case No. 21-40363). CNMH also filed an application to retain Ziegler as its Investment Banker with the authorization for the sale of the Portfolio. On May 19, 2021 the application was approved by the United States Bankruptcy Court Northern District of California. Any affiliation or sale is subject to approval by the California Attorney General and cannot close until such approval is obtained. Likewise, the Department of Social Services ("DSS"), the Department of Public Health ("DPH"), and the Centers for Medicare and Medicaid Services ("CMS") must approve all changes in the licensee/provider. While the licensee/Medicare provider can change, if needed, after the sale or affiliation closes through the use of leaseback and management agreements, DSS must, at a minimum, approve any new continuing care certificate of authority holder prior to closing. The buyer or affiliate must be willing to cooperate with these processes and related timing issues.

Transaction Structure

The Seller has retained Ziegler to act as its exclusive investment banker to assist in a restructuring transaction that could include the sale of substantially all assets, affiliation, sponsorship or other structure. The Seller has authorized Ziegler to approach provider/investor group and solicit proposals for a restructuring transaction.

Prospective purchasers should assume "assets" include all Portfolio-based assets including inventory, personal property, land, buildings and improvements. For valuation purposes, asset purchasers should assume assets exclude cash, investments, accounts receivable, prepaid assets, deposits and any other current asset excluding inventory. A more precise definition of "purchased/sold" assets will be included in the purchase agreement.

Given the sale of Portfolio's assets is tied to Chapter 11 bankruptcy proceedings, the Seller is extremely sensitive to timing in this matter. Offering materials are intended to include detailed information sufficient for prospective purchasers to formulate a reliable value conclusion. The Seller wants to conclude the preliminary evaluation period as quickly as possible. After preliminary proposals are evaluated, the Seller will determine which proposal will be submitted to the courts as the highest and best "stalking horse" bid.

The Seller would like to adhere to the process outlined below:

1. Distributing Offering Memorandum, Provide Access to the Online Data Room, and Initial Proposals Submitted
2. Review of Initial Proposals
3. Community Tour(s) [1]
4. "Stalking Horse" Bid Selected, Submission to the Court, Final Negotiations, Due Diligence, and Negotiation of Purchase and Sale Agreement
5. Hold Auction Process Subject to Court Approval and Guidelines and Subsequent Selection of Purchaser

Interested parties are encouraged to promptly review the Offering Memorandum and, if interested, prepare initial proposals as quickly as practicable. The Seller would like to receive initial proposals for consideration as the "stalking horse" bid no later than July 16, 2021. Note, the Seller may, but is not required to, designate a stalking horse bidder, with bidding protection approved by the bankruptcy court.

Please note that the Seller has elected not to assign a specific timetable for the various phases (except for submission of initial proposals) as they may elect to accelerate the process for proposal(s) that are particularly compelling and the transaction is subject to court approval. However, once a "stalking horse" purchaser has been selected, and PSA negotiation completed, an auction will be scheduled by the court for purpose of selecting the winning bid in accordance with court guidelines.

Written preliminary proposals should include:

- For acquisition proposals, a non-binding estimate of the cash acquisition value, as well as a brief description of the transaction structure; For not-for-profit affiliations: description of proposed structure.
- An indication of the source(s) of financing contemplated for the potential acquisition (if any), including the proposed debt and equity structure, the availability of the proposed capital structure, and any contingencies with respect thereto;
- Summary of how resident liabilities will be treated in the proposed acquisition;
- A specific list of additional information required to complete the investigation of the Portfolio;
- A list of corporate, shareholder or regulatory approvals required by buyer to consummate the transaction (if any);
- The name of outside advisors (including legal representation) you have engaged or plan to engage (if any) to assist you in evaluating and documenting this transaction;
- A discussion of your organization's historical operating track record in California and with CCRCs and/or senior living communities (including a list of properties).

Please note that all communications or inquiries relating to a possible transaction should be directed only to Ziegler. No member of the Seller or employee of the Portfolio should be contacted directly under any circumstances. Under no circumstances are tours or mystery shopping of the Portfolio allowed without Ziegler and CNMH's express written permission. Furthermore, potential purchasers are reminded of their obligations under the Confidentiality Agreement in relation to this transaction.

[1] *Subject to the Community's COVID-19 protocols and guidelines.*

DISCLAIMER

The Seller and Ziegler expressly reserve the right, without giving reasons, at any time and in any respect, to amend, modify or terminate these procedures or to negotiate with any party with respect to a transaction involving the Portfolio. The Seller will not have an obligation to accept any offer, whether or not it represents the highest value. The Seller expressively reserves the right, in its sole and absolute discretion, to reject any or all offers without giving any reasons therefor. The Seller also expressly reserves the right, without giving reasons therefor, at any time and in any manner to terminate discussions with any or all potential purchasers.

EXISTING INDEBTEDNESS

Tax-Exempt Bond Debt

In 2006, the Seller borrowed monies to finance the construction of new buildings at Forest Hill and an expansion of the Lake Park skilled nursing unit through the issuance of tax-exempt California Health Facilities Financing Authority-Insured Revenue Bonds, Series 2006, in the aggregate principal amount of $42,280,000. The principal and interest payments on the Series 2006 bonds were insured by The Office of Statewide Health Planning and Development of the State of California (otherwise known as California's "Cal-Mortgage" program) and the Union Bank of California served as the trustee.

In 2015, CNMH borrowed $32,920,000 in insured, tax-exempt revenue bonds to refinance the Series 2006 bonds, and finance over $6 million in renovations to apartment units and common areas at Lake Park and Forest Hill (additional details on the renovations at each Community can be found in the ***Facility Summary*** section). The Issuer of the Series 2015 bonds is California Health Facilities Financing Authority, the principal and interest payments are insured by the State of California's Cal-Mortgage program and Willington Trust serves as the trustee. The bonds are secured by the Seller's property, accounts receivable, and equipment. These bonds have a final maturity date of 2045 but were subject to mandatory redemptions beginning in 2016. Additionally, the Series 2015 bonds are due in 2030, 2035, and 2045 and have sinking fund requirements that start in 2027. The stated fixed interest rate of the bonds varies from 2.00% to 5.00%. For additional details on the Series 2015 bonds, please refer to the offering statement and audited financial statements available in the online data room.

Chapter 11 Bankruptcy

On March 16, 2021, CNMH filed for Chapter 11 bankruptcy protection with United States Bankruptcy Court Northern District of California Oakland Division. As of March 31, 2021, the total bonds payable balance was $30,384,631, which consists of a) a long-term balance of $29,912,131; and b) a current balance of $472,500. Pursuant to the terms of the Loan Agreement, CNMH is responsible for making monthly payments to Wilmington sufficient to cover 1/6th of the upcoming semi-annual interest payment and 1/12th of the principal balance scheduled to mature on the following maturity date. The Debtor has not made monthly payments on the Bond Debt since February 2020. As a result, Wilmington has drawn down on a reserve fund established when the Bonds were issued, which had a balance of $785,365 as of March 31, 2021.

Line of Credit

CNMH executed a $3,525,000 revolving line of credit with a bank that matures on August 1, 2021. The outstanding funded balance of the revolving line of credit was $2,999,120 as of March 31, 2021.



KEY CONSIDERATIONS



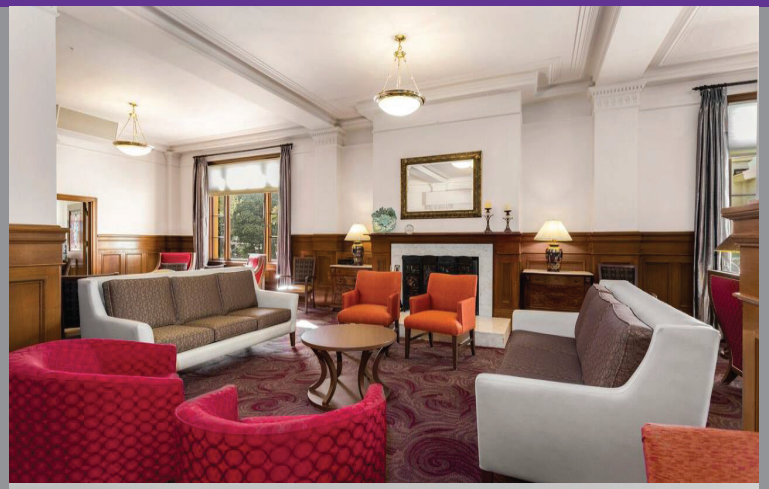
KEY CONSIDERATIONS

Significant Real Estate Value

The underlying property of both Oakland assets as well as Forest Hill in Pacific Grove, California have significant real estate value. Per the City of Oakland, the average assessed total real property value of the parcels immediately surrounding Lake Park and the adjacent office building is approximately $513 per square foot or approximately $22,351,626 per acre in 2020. As of 2020, the Oakland parcels (Lake Park and the Office Building) had a combined assessed total real property value $18,926,037 or $246 per square foot. If these parcels were assessed at the surrounding parcel average, its assessed total real property value, ignoring exemptions, would increase to $39,501,214. Additionally, per the County of Monterey Treasurer, Forest Hill had an assessed property value of $16,251,424 in 2020. Note, assessed property values typically trail the market value of real estate at a significant discount.

Existing Entrance Fee Unit Inventory

As of May 21, 2021, there were 36 independent living apartments available for occupancy at Lake Park and 56 independent living apartments available for sale at Forest Hill for a total of 92 units available for sale. This inventory can potentially provide additional entrance fee cash flow of approximately $29.7 million upon sale. Note, of the 92 vacant units, 44 units are ready for immediate occupancy while 48 units require standard turnover renovations in order for the units to be ready for immediate occupancy. This existing inventory offers an opportunity for immediate cash flow at the Communities.











KEY CONSIDERATIONS

Attractive, Affluent Market Area

Lake Park and the adjacent one-story office building are located in the heart of the Lakeside Apartments District, also known as the Gold Coast or The Lakeside, which is an affluent historic residential neighborhood near downtown Oakland and Lake Merritt, a National Historic Landmark and on the National Register of Historic Places. The area has a concentration of historic luxury apartments and mixed-use high-rises and continues to be attractive to developers due to the neighborhoods central location, proximity to Broadway (downtown Oakland's main thoroughfare), regional mass transit locations, and scenic vistas along Lake Merritt. As such, real estate within the neighborhood is at a premium compared to other locales within Oakland. The median real-estate price within the Lake Park primary market area ("PMA") is $1.2 million and the Forest Hill PMA is $970,000[1].

Forest Hill is located in Pacific Grove, California a coastal city located approximately 85 miles south of Oakland in Monterey County. Located on the Monterey Peninsula, Pacific Grove is known for its numerous Victorian-era houses, charming beaches, and scenic views of Monterey Bay. The median value of owner-occupied housing units in Pacific Grove is $857,900, which is significantly higher than the State of California average of $505,000.

Age in Place Continuum of Care

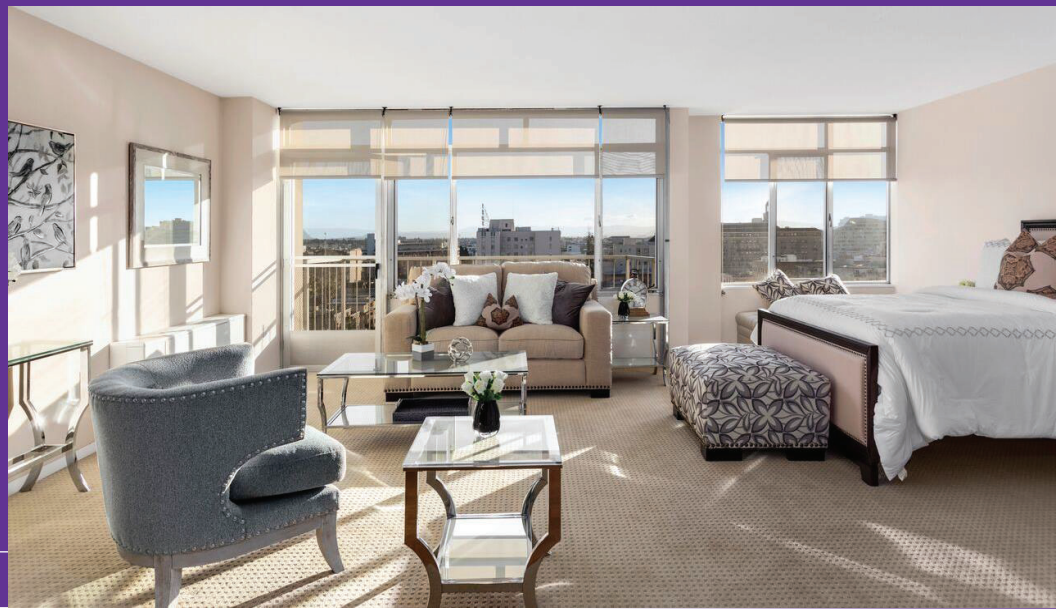
Both Lake Park and Forest Hill are continuing care retirement communities that offer independent living, assisted living, and skilled nursing care living accommodations and services all available on campus allowing residents to "age in place," extending their length of stay.

[1] *per census.gov/quickfacts.*

Modern, High Quality Residences

Both Lake Park and Forest Hill pride themselves on providing their residents with spacious, contemporary residences in a homelike atmosphere. Lake Park is designed in the midcentury modern style and offers residents scenic views of Lake Merritt and the East Bay Hills. The building has been meticulously renovated several times since 1965 with the most recent project completed between 2016-2018, which included the remodel of 51 IL units, 22 AL units, a refresh of all furniture on residential floors, an extensive renovation of the basement level, and more (for full details of this renovation project please refer to Other Considerations).

Forest Hill was originally built as a luxury hotel and the Company has continued the building's legacy of luxury to this day. The five-story Mediterranean-style building provides residents with views of Monterey Bay along with contemporary, state-of-the-art amenities that include a traditional fireside lounge, spacious sunroom/reading room, resident garden, and underground parking.



COMMUNITY OVERVIEWS



CNMH001367

COMMUNITY OVERVIEW – LAKE PARK

OVERVIEW

ADDRESS: 1850 Alice St.
Oakland, California 94612

Lake Park, a midcentury modern building built by CNMH, opened to residents in 1965. The Community, located near the center of downtown Oakland, is a short walk to Broadway (downtown Oakland's main street), the Paramount Theatre, numerous restaurants and shops, and mass transit. Half of the Community's units over look iconic Lake Merritt, while the other half offer views of downtown Oakland.

Long a symbol of retirement excellence, the Community offers active seniors the perfect location to enjoy the best Oakland has to offer. Music, art, photography, dance, theater, movies, history, games, and sewing are some of the many activities conveniently planned and offered at the Community.

BREAKDOWN

Lake Park is licensed by the State of California Department of Social Services ("DSS") to operate a 275 bed/unit community. The Community consists of 143 independent living units ranging from studios to penthouse floor plans, 37 assisted living apartments that include studio, alcove, and one bedroom floor plans, and 35 licensed Skilled Nursing beds in a 13 story building. Lake Park's skilled nursing component has a Five Star rating from CMS and participates in the Medicare program but not the Medi-Cal (State Medicaid) program.

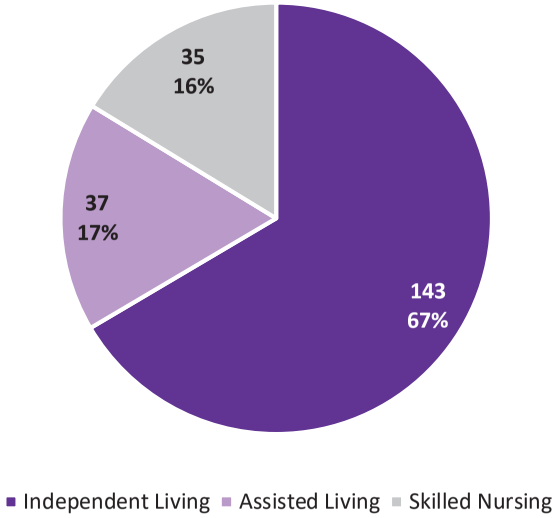


Community Breakdown Table

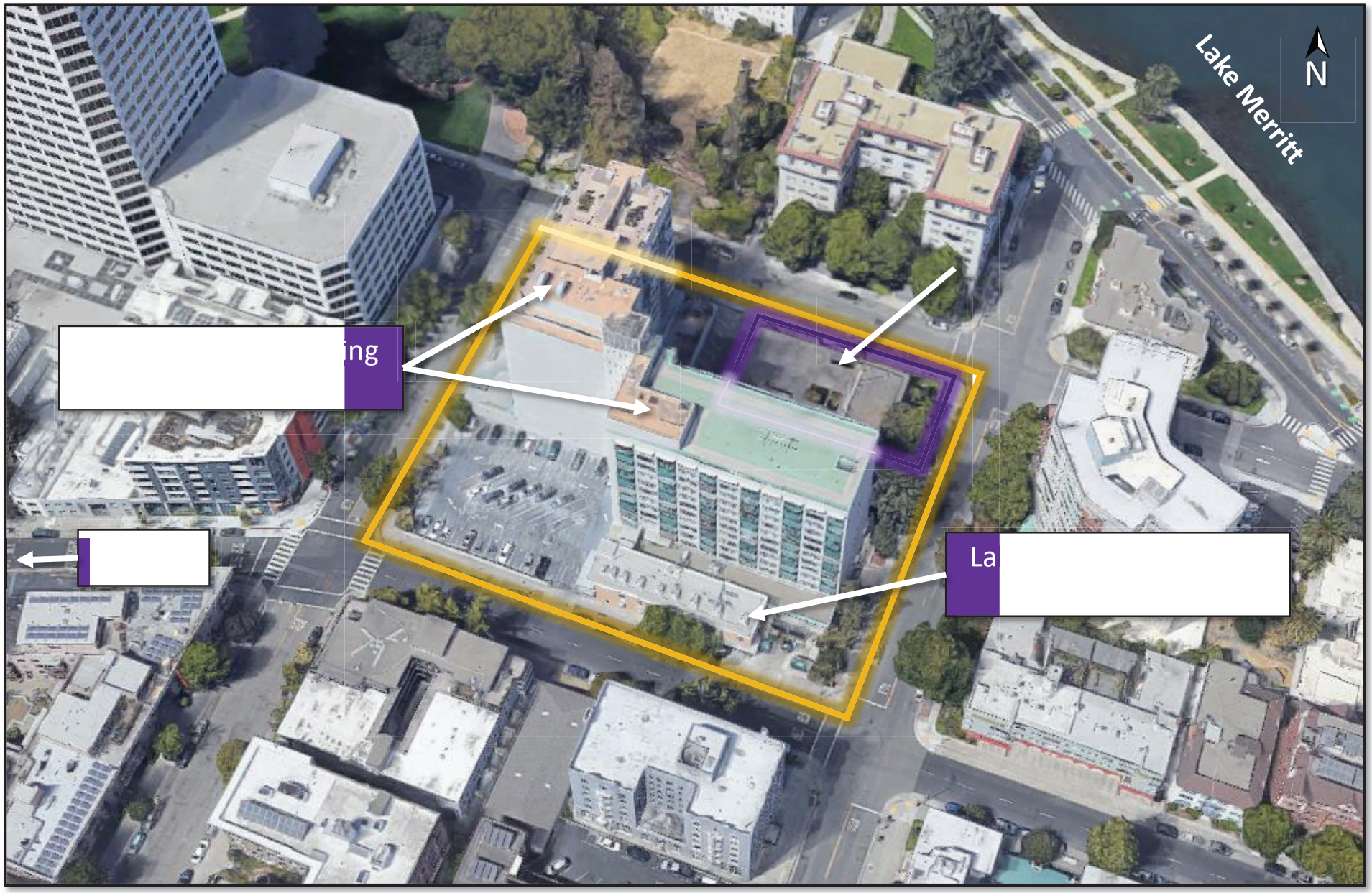
Level of Care	Licensed Capacity	Operating Beds/Units[2]	Occupancy %[2]
Independent Living	-	143	74.8%
Assisted Living	275[1]	37	48.6%
Skilled Nursing	35	35	37.1%
Lake Park - Subtotal	***310***	***215***	***64.2%***

[1] Units are licensed as Residential Care for Elderly Continuing Care Contracts with the California Department of Social Services. Licensed units include independent and assisted living units within each Community.
[2] As of May 21, 2021. Occupancy % based on total operating beds/units.

Operating Beds/ Units by Level of Care



CAMPUS LAYOUT & FACILITY DESCRIPTION – LAKE PARK & CNMH CORPORATE OFFICES



RESIDENT CARE & SERVICES – LAKE PARK

The Community provides a full continuum of care including independent living, assisted living, and skilled nursing and rehabilitative services.

On campus, residents enjoy comfortable living in pleasant accommodations, enriching learning and lifestyle experiences, and freedom from the concerns of traditional home maintenance. Each of the residential units at the Community incorporates design features for the convenience and safety of residents, including modern bathrooms with barrier-free showers and kitchenettes with sinks, refrigerators and microwaves. Many floor plans include balconies designed to maximize the stunning views of Lake Merritt and downtown Oakland.

Refer to ***Unit Floor Plans*** for samples of various independent living apartment floor plans offered at the Community.

CONTINUUM OF CARE

As a true CCRC as designated by the State of California, the Community offers services through (or by means of) continuing care agreements. Residents have priority access to a full continuum of services beyond independent living apartments including assisted living apartments and Medicare-certified skilled nursing, offered in its Health Center. Under the continuing care agreement, residents can receive thirty (30) lifetime days of skilled nursing services in the Health Center and thirty (30) lifetime days of assisted living services, should they need it. Under the agreement, this benefit is provided at no additional cost to the resident.

MOVE-IN ASSISTANCE

To ensure a smooth transition into the Community, Lake Park has partnered with ***Gentle Transitions***, a nationally recognized pioneer in the art of senior relocation, to make it easy for residents to downsize from their homes and move into the Community. Gentle Transitions offers a completely hands-on service, from floor planning and downsizing to picture hanging and making the beds. Lake Park includes 40 hours of move-in assistance, at no charge, for every new resident joining the Community.

MONTHLY SERVICE FEATURES

The Community offers a wide range of services, activities and other amenities that are currently included in the resident's respective monthly fee as detailed below.

- Secure building with underground and gated parking;
- Large common areas, inside and out;
- Rooftop solarium garden;
- Wellness program and nutritional services;
- Lecture's offered through Osher Lifelong Learning Institute (OLLI);
- Chef-prepared meals in the dining room, or from the Rendezvous Café;
- Large library;
- Game room;
- Wood/craft shop;
- Active Residents' Association that plans recreational, cultural, spiritual and educational activities, as well as outings and events around the area;
- Easy access to local transportation including the Bay Area Rapid Transit (BART), Amtrak, and the ferry to San Francisco;
- Near Jack London Square, Oakland's only publicly accessible mixed-use waterfront offering outdoor recreation, dining, special events, and entertainment opportunities; and
- Short drive to both Sutter Health and Kaiser Permanente Medical Centers.

RESIDENT CARE & SERVICES – LAKE PARK

RENOVATIONS

Since being built in 1965, the Community has gone through several renovations. After the 1989 Loma Prieta earthquake, the Company used a $10 million FEMA grant to upgrade and repair the Community. In 2004, a 5,000 square-foot SNF addition was built onto the existing building. This addition increased skilled nursing capacity from 26 beds to 35 beds, as well as added a restorative therapy and activity space. An active living center was added in 2010. In 2016-2018, the Community went through extensive renovations and remodeling which cost close to $3.4 million. The upgrades to the property included:

- Remodeled and refreshed 51 independent living and 22 assisted living apartments;
- Purchased and installed new furniture for residential floors;
- Installed the solarium on the rooftop;
- Renovated the vista room including the kitchen and private dining room;
- Replaced "A" wing roof and garden deck;
- Added rooftop davit system for window cleaning and exterior maintenance; and
- Extensively renovated the basement level which included:
  - Refurbishing the game room;
  - Refurbishing and purchasing new equipment for the wood/craft shop;
  - Installing garden room flooring and hallway flooring;
  - Installing automatic door from the garage to the basement and providing fobs for resident access; and
  - Installing an electric vehicle charging station in the garage.



CNMH001371

UNIT MIX & PRICING – LAKE PARK

CURRENT UNIT MIX & PRICING

All of the Community's independent living units are based on entrance fee agreements. As of March 2021, Lake Park offers both a Classic Agreement (Type B) which provides for full amortization of the resident's entrance fee in 36 months, and Deferred Repayment Agreements (Variable) (Type B) which provides for repayment of up to 50% or 80% of the resident's entrance fee upon re-occupancy of his or her apartment. Note, the Monthly Care Fees included below are as of April 30, 2021. Refer to ***Residency Agreements*** for more information on the various contracts offered. Additional information on each contract is available in the online data room.

Building/Type	View	Square Feet	Qty.	Entrance Fee Plans			Monthly Care Fees Continuing Care		Second Person Monthly Rate
				Classic Agreement	50%	80%	Single	Double	
Main Building:									$1,939
1 B	Bay	759	4	$157,872	$236,808	$315,744	$4,480	$6,419	
1 B	Lake	769	5	$166,061	$249,091	$332,122	$4,480	$6,419	
1 B	Town	820	3	$173,769	$260,654	$347,539	$4,480	$6,419	
1 B FK	Bay	956	4	$200,760	$301,140	$401,520	$5,103	$7,043	
1 B FK	Lake	956	1	$208,408	$312,612	$416,816	$5,103	$7,043	
1 B FK	Town	1,127	4	$241,071	$361,607	$482,142	$5,103	$7,043	
1 B FK ES	Bay	778	1	$163,380	$245,070	$326,760	$4,695	$7,043	
1 B GK	Bay	783	9	$162,864	$244,296	$325,728	$4,582	$6,521	
1 B GK	Lake	780	12	$168,570	$252,855	$337,140	$4,574	$6,521	
1 B GK	Town	799	11	$169,292	$253,937	$338,583	$4,582	$6,521	
1 B/2 B	Lake	956	2	$208,408	$312,612	$416,816	$5,103	$7,043	
1 B/2 B GK	Bay	968	4	$203,175	$304,763	$406,350	$5,203	$7,143	
1 B/2 B GK	Lake	963	7	$209,841	$314,761	$419,681	$5,203	$7,143	
1 B/2 B GK	Town	1,040	7	$222,560	$333,840	$445,120	$5,203	$7,143	
1 B/2 B GK ES	Lake	780	1	$170,040	$255,060	$340,080	$4,695	$7,143	
2 B/2 B	Lake	1,193	4	$248,040	$372,060	$496,080	$5,731	$7,671	
2 B/2 B FK	Bay	1,366	1	$286,860	$430,290	$573,720	$6,002	$7,857	
2 B/2 B GK	Bay	1,161	6	$241,384	$362,076	$482,768	$5,817	$7,773	
2 B/2 B GK	Lake	1,183	16	$255,542	$383,312	$511,083	$5,834	$7,773	
2 B/2 B GK	Town	1,239	3	$262,739	$394,108	$525,477	$5,834	$7,773	
2 B/2 B LX	Bay	1,341	1	$278,928	$418,392	$557,856	$6,002	$7,773	
2 B/2 B/1B	Lake	1,159	1	$250,344	$375,516	$500,688	$5,731	$7,773	
2B/ 2B PH	Bay	1,529	1	$318,032	$477,048	$636,064	$7,020	$8,960	
2B/ 2B PH	Town	1,629	1	$345,348	$518,022	$690,696	$7,020	$8,960	
Alcove	Bay	592	6	$123,136	$184,704	$246,272	$3,830	$5,769	
Alcove	Lake	592	4	$127,872	$191,808	$255,744	$3,830	$5,769	
Alcove	Town	633	9	$134,220	$201,329	$268,439	$3,830	$5,769	
Alcove GK	Lake	592	2	$127,872	$191,808	$255,744	$3,830	$5,769	
Jr 1 B	Town	632	1	$133,984	$200,976	$267,968	$3,942	$5,881	
Studio	Bay	394	2	$81,952	$122,928	$163,904	$3,198	-	
Studio	Lake	379	10	$81,821	$122,731	$163,642	$3,198	-	
Independent Living Total / Average		**930**	**143**	**$197,553**	**$296,329**	**$395,106**	**$4,774**	**$7,030**	

FK – Full Kitchen; GK – Gallery Kitchen; ES – Extended Kitchen (built on two walls); LX – Extra Large Unit (Unit 519); PH – Penthouse Units 1212 and 1215.

UNIT MIX & PRICING – LAKE PARK

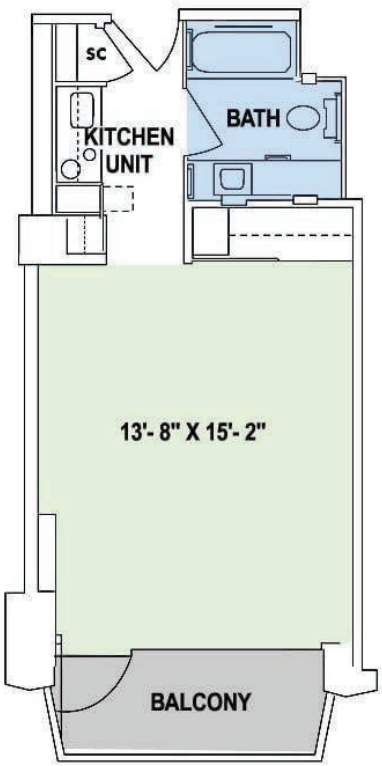
CURRENT UNIT MIX & PRICING

Note, the daily rates below are for continuing care residents who have exceeded their thirty (30) days of included assisted living and/or skilled nursing through the Care and Residence Agreement.

Bu /Type	View	Qty.	*Daily Rate*	Second Person Daily Rate
Assisted Living:				
Main Building:				$95.50
Studio	Bay		$248.00	
Studio	Alice Street		$253.50	
Studio	Lake		$258.75	
Alcove	Bay		$285.00	
Alcove	Alice Street		$290.25	
Alcove	Lake		$295.50	
One Bedroom	Bay		$318.25	
One Bedroom	Alice Street		$323.50	
One Bedroom	Lake		$328.75	
Assisted Living Total / Average		**37**	**$289.06**	
Skilled Nursing:				
Health Center:				
Semi-4 bed			$319.00	
Semi Private			$335.50	
Private			$434.25	
Skilled Nursing Total / Average		**35**	**$362.92**	
COMMUNITY TOTAL BEDS/UNITS		**215**		

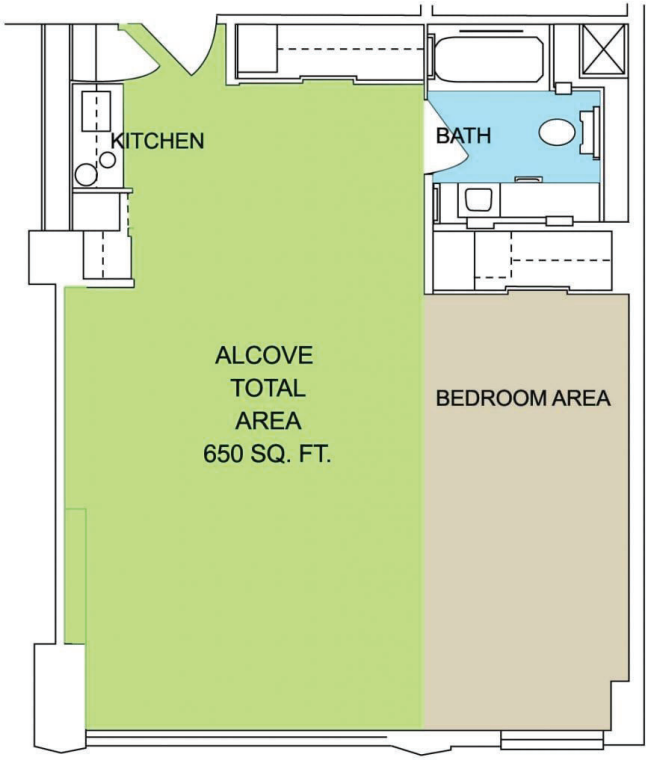
UNIT FLOOR PLANS – LAKE PARK

Samples of various unit types and their respective floor plans are shown below. Additional unit floor plans are available in the data room.



Studio units offer residents maximum privacy and convenience while including a full bathroom, full kitchen and many have balconies off of the main living areas.

Studio Apartment
472 Sq. Ft.



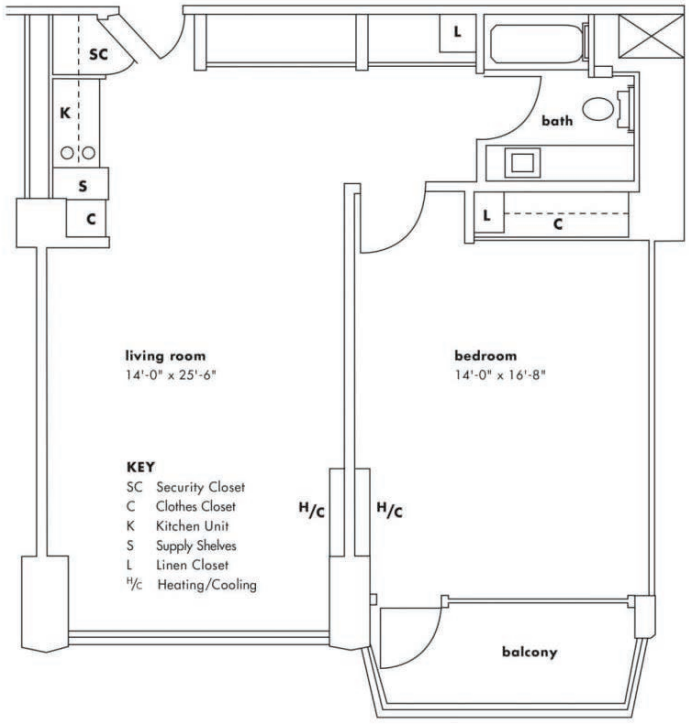
The alcove floor plan comes with a full bathroom, full kitchen and an additional space to be used as a private sleeping area.

Alcove Apartment
650 Sq. Ft.

CNMH001374

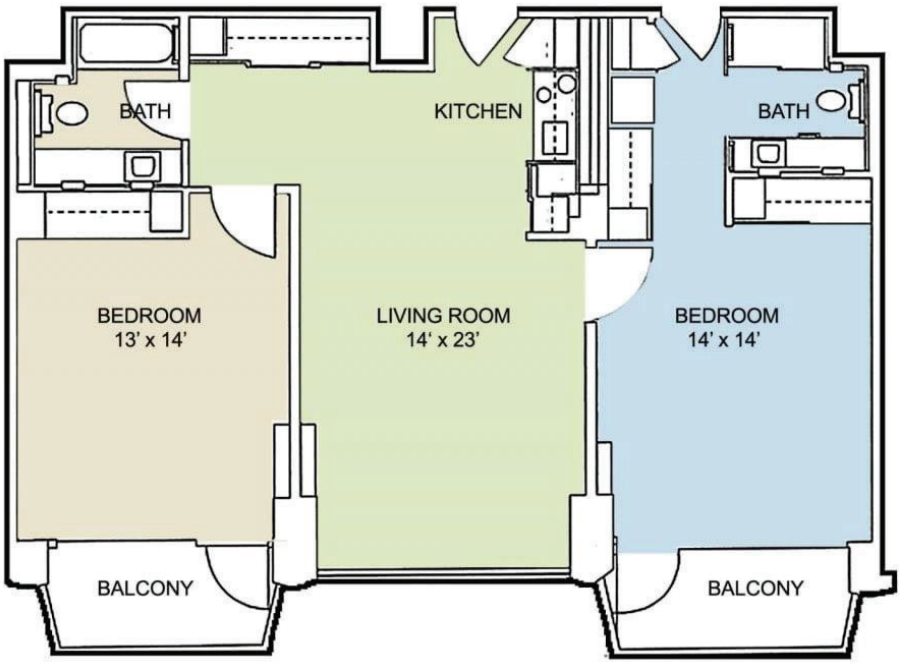
UNIT FLOOR PLANS – LAKE PARK

Samples of various unit types and their respective floor plans are shown below. Additional unit floor plans are available in the data room.



One bedroom apartment floor plans include a separate living area, full bathroom and kitchen, and a private balcony off the bedroom in many of the units. Two bathroom, one bedroom apartments are also available.

One Bedroom Apartment
830 Sq. Ft.



Lake Park two bedroom floor plans feature an open concept kitchen and living room, two bathrooms, one master bedroom and two private balconies – one off of each bedroom.

Two Bedroom Apartment
1,193 Sq. Ft.









COMMUNITY PHOTO TOUR

LAKE PARK

Select Community Photos. More photos will be made available in the online data room.





COMMUNITY OVERVIEW – CNMH CORPORATE OFFICE

OVERVIEW

ADDRESS: 201 19th St.
Oakland, California 94612

In 1963, CNMH purchased an office building that is now located adjacent to the Lake Park community in downtown Oakland, California. The 6,798 square foot single story building is midcentury modern in style like many of the buildings located in the surrounding Lake Park neighborhood and includes 13 individual offices encircling an atrium. The office building also includes a private parking lot with approximately 20 parking spots and is located between the office building and the Lake Park community which provides entrance and egress to both Jackson street and 19th street.











COMMUNITY OVERVIEW – FOREST HILL

OVERVIEW

ADDRESS: 511 Gibson Ave.
Pacific, California 93950

Forest Hill, originally built as a luxury hotel in 1926, was acquired by CNMH and converted to a CCRC in 1955. Located on the Monterey Peninsula on the central California coast, the Community is a short walk to the Pacific Ocean and three miles from the famous Pebble Beach Golf Resort. Many apartments in the Community offer residents views of the Monterey Bay, while others look towards beautiful Huckleberry Hill and the peaks of Jacks Peak Park towards the east.

The Community features a nice blend between the distinctive architecture of the elegant, historical main building, and the modern design of the cottages and four-story south wing building. As the first and only continuing care retirement community in Monterey, Forest Hill has a long history of offering unparalleled care.

BREAKDOWN

Forest Hill is licensed by the State of California Department of Social Services ("DSS") to operate a 135 bed/unit community. The Community consists of 91 independent living units ranging from studios to two bedrooms with two bathrooms and optional den floor plans, 18 assisted living apartments, and 26 licensed Skilled Nursing beds in a five-story building. Forest Hill's skilled nursing component has a Five-Star rating from CMS and participates in the Medicare program but not the Medi Cal (State Medicaid) program.

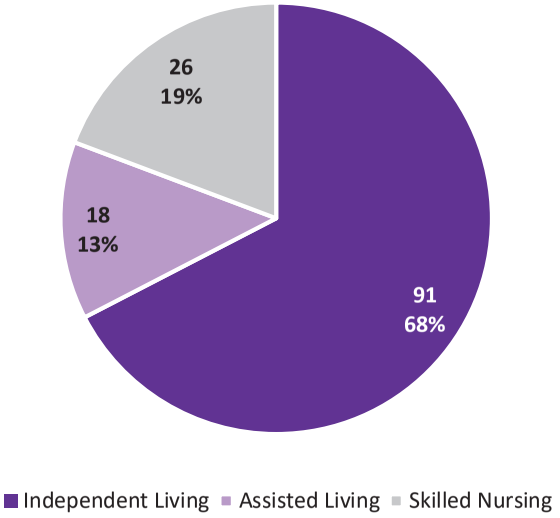


Community Breakdown Table

Level of Care	Licensed Capacity	Operating Beds/Units[2]	Occupancy %[2]
Independent Living	-	91	38.5%
Assisted Living	150[1]	18	66.7%
Skilled Nursing	26	26	65.4%
Forest Hill - Subtotal	***176***	***135***	***47.4%***

[1] Units are licensed as Residential Care for Elderly Continuing Care Contracts with the California Department of Social Services. Licensed units include independent and assisted living units within each Community.
[2] As of May 21, 2021. Occupancy % based on total operating beds/units.

Operating Beds/ Units by Level of Care



CAMPUS LAYOUT & FACILITY DESCRIPTION – FOREST HILL



CNMH001379

RESIDENT CARE & SERVICES – FOREST HILL

The Community provides a full continuum of care including independent living, assisted living, and skilled nursing and rehabilitative services.

Located in Pacific Grove on the Monterey Peninsula, Forest Hill residents enjoy the glamour and luxury of living in a world renowned vacation destination with the security and value of a continuing care retirement community. Residents enjoy numerous accommodations, learning and lifestyle experiences, and freedom from the concerns of traditional home maintenance. The five-story main building, built in 1926 originally as a hotel, was subsequently purchased by CNMH in 1955 and converted to a CCRC. The main building has been repurposed for independent living apartments with remarkable character, high ceilings, and an abundance of natural light. The South Wing and Cottages offer residents a more modern appeal. Forest Hill's Health Center is located on the first floor of the South Wing building which allows residents of the Health Center to enjoy the beauty of the gardens and courtyard from their private suites.

Refer to ***Unit Floor Plans*** for samples of various independent living apartment floor plans offered at the Community.

CONTINUUM OF CARE

As a true CCRC as designated by the State of California, the Community offers services through (or by means of) continuing care agreements. Residents have priority access to a full continuum of services beyond independent living apartments including assisted living apartments and Medicare-certified skilled nursing, offered in its Health Center. Under the continuing care agreement, residents can receive thirty (30) lifetime days of skilled nursing services in the Health Center and thirty (30) lifetime days of assisted living services, should they need it. Under the agreement, this benefit is provided at no additional cost to the resident.

RENTAL OPTION

Forest Hill offers apartments to new residents on a month-to-month rental basis, with no entrance fee needed. While month-to-month residents are able to enjoy all of the same Community amenities entrance fee members enjoy, they are not guaranteed access to the Community's continuum of care or health center. Monthly rental residents are given the option to apply for a continuing care contract at a future date.

MONTHLY SERVICE FEATURES

- High ceilings and exquisite architectural details;
- Breathtaking ocean views;
- Chef-prepared cuisine in an elegant dining room;
- Courtyard Café with casual menu offerings;
- Atrium Fitness Center designed by certified exercise physiologist;
- Library;
- Free common-area Wi-Fi;
- Inviting sunroom/reading room;
- Traditional fireside lounge;
- Billiards;
- Multi-purpose activity room;
- Well-equipped workshop;
- Resident garden areas with walking paths;
- Beauty/barber shop; and
- Available underground parking.

RESIDENT CARE & SERVICES – FOREST HILL

RENOVATIONS

Forest Hill has undergone several recent renovations beginning with a $39.0MM campus expansion in 2009 which added a new state-of-the-art skilled nursing facility featuring 18 private rooms and four semi-private rooms with a bathroom separating the beds, eight cottages, 24 apartments, and 18 assisted living apartments. In 2012 CNMH added a new 1,000 square-foot fitness center with state-of-the-art equipment designed for seniors. In 2016-2018, Forest Hill went under a nearly $2.7MM renovation which included the following:

- Remodeled and refreshed 45 independent living and 11 assisted living apartments;
- Added 200-foot atrium-style café (Courtyard Café) for refreshments and all-day dining;
- Renovated South Wing garden;
- Refurbished lobby, women's restroom and beauty salon;
- Installed health center carpeting, mattresses, and seating;
- Furnished two assisted living apartments to promote respite service;
- Refurbished main dining room chairs;
- Replaced flooring throughout main building;
- Fully renovated the main entrance lobby area including the reception desk;
- Installed automatic doors in the main entrance and the courtyard area;
- Installed electric vehicle charging station in underground garage;
- Resurfaced cottage deck surfaces;
- Replaced overhead doors and openers on Fountain Avenue garages;
- Refinished lobby paneling on main floor; and
- Fully renovated exterior and all common areas of the West Wing.



CNMH001381

UNIT MIX & PRICING – FOREST HILL

CURRENT UNIT MIX & PRICING

All of the Community's independent living units are entrance fee except for a handful of units recently offered to new residents on a monthly non-entrance fee rental agreement. As of March 2021, Forest Hill offers both a Classic Agreement (Type B) which provides for full amortization of the resident's entrance fee in 36 months, and a Deferred Repayment Agreement (Variable) (Type B) which provides for repayment of up to 50% or 80% of the resident's entrance fee upon re-occupancy of his or her apartment. Note, the Monthly Care Fees included below are as of April 30, 2021. Refer to ***Residency Agreements*** for more information on the various contracts offered. Additional information on each contract is available in the online data room.

Building/Type	View	Square Feet	Qty.	Entrance Fee Plans			Monthly Care Fees					
							Continuing Care			Rental		
				Classic Agreement	50%	80%	Single	Double	Second Person	Single	Double	Second Person
Main Building:												
1 B	Bay	581	7	$226,284	$334,266	$445,687	$4,570	$6,330	$1,844	$5,493	$7,214	-
1 B	Courtyard	564	6	$169,123	$253,684	$338,245	$4,570	$6,330	$1,844	$5,493	$7,214	-
1 B	Ocean	584	4	$185,992	$278,988	$371,985	$4,570	$6,330	$1,844	$5,493	$7,214	-
2 B	Bay	932	11	$314,803	$459,540	$612,720	$5,265	$7,025	$1,760	$6,328	$8,049	-
2 B	Courtyard	849	2	$261,981	$392,971	$523,961	$5,265	$7,025	$1,760	$6,328	$8,049	-
2 B	East Bay	969	2	$272,823	$409,234	$545,646	$5,265	$7,025	$1,760	$6,328	$8,049	-
JR 1 B	Ocean	380	3	$76,220	$116,036	$154,714	$3,475	-	-	$4,276	-	-
S	Bay	293	4	$78,623	$122,876	$163,835	$3,204	-	-	$3,850	-	-
S	Courtyard	320	4	$47,934	$71,900	$95,867	$3,204	-	-	$3,850	-	-
West Wing:												
1 B	Forest	689	4									
1 B	Garden	587	2	$128,218	$201,301	$268,402	$4,570	$6,330	$1,844	$5,493	$7,214	-
1 B	Parking	587	2	$142,604	$213,905	$285,207	$4,570	$6,330	$1,844	$5,493	$7,214	-
1 B/ 2 B*	Forest	788	2	$122,570	$210,704	$280,939	$4,570	$6,330	$1,844	$5,493	$7,214	-
1 B/ 2 B*	Parking	788	1	$149,015	$223,523	$298,031	$5,265	$7,025	$1,760	$6,328	$8,049	-
JR 1 B	Parking	394	1	$145,230	$217,845	$290,460	$5,265	$7,025	$1,760	$6,328	$8,049	-
S	Forest	394	2	$73,233	$109,850	$146,466	$3,475	-	-	$4,276	-	-
S	Parking	394	3	$71,070	$106,605	$142,140	$3,204	-	-	$3,850	-	-
Cottages:				$71,302	$104,854	$139,806	$3,204	-	-	$3,850	-	-
1 B/ 2 B/ D	Bay	1000	2									
2 B/ 2 B/ D	Bay	1321	1									
2 B/ 2 B/ D	Forest	1321	3	$285,387	$428,081	$570,775	$5,223	$6,889	-	$5,775	$7,496	-
2 B/ 2 B/ D	Gibson	1300	2	N/A	$510,537	$680,716	$6,984	$8,650	$1,666	$7,724	$9,445	$1,721
South Wing:				$381,615	$560,563	$747,417	$6,984	$8,650	$1,666	$7,724	$9,445	$1,721
1 B - A	Courtyard	603	1	$337,531	$506,297	$675,062	$6,984	$8,650	$1,666	$7,724	$9,445	$1,721
1 B - A	Garden	603	5									
1 B - B	Courtyard	646	2									
1 B - C	Garden	753	1	N/A	$255,000	$340,000	$4,317	$5,998	-	$5,188	$6,909	-
1 B - C	School	753	1	$181,023	$265,543	$354,057	$4,317	$5,998	-	$5,188	$6,909	-
2 B	Courtyard	883	3	$147,578	$234,996	$313,328	$4,472	$6,153	-	$5,375	$7,096	-
2 B	Courtyard Bay	883	2	N/A	$293,250	$391,000	$4,627	$6,308	-	-	-	-
2 B	School	883	6	$206,000	$309,000	$412,000	$4,627	$6,308	-	-	-	-
2 B/ 2 B/ D	East Bay	1540	2	$227,733	$341,600	$455,466	$4,971	$6,652	$1,681	$5,975	$7,696	$1,721
Independent Living Total / Average		**753**	**91**	$226,188	$339,282	$452,376	$4,971	$6,652	$1,681	$5,975	$7,696	$1,721

UNIT MIX & PRICING – FOREST HILL

CURRENT UNIT MIX & PRICING

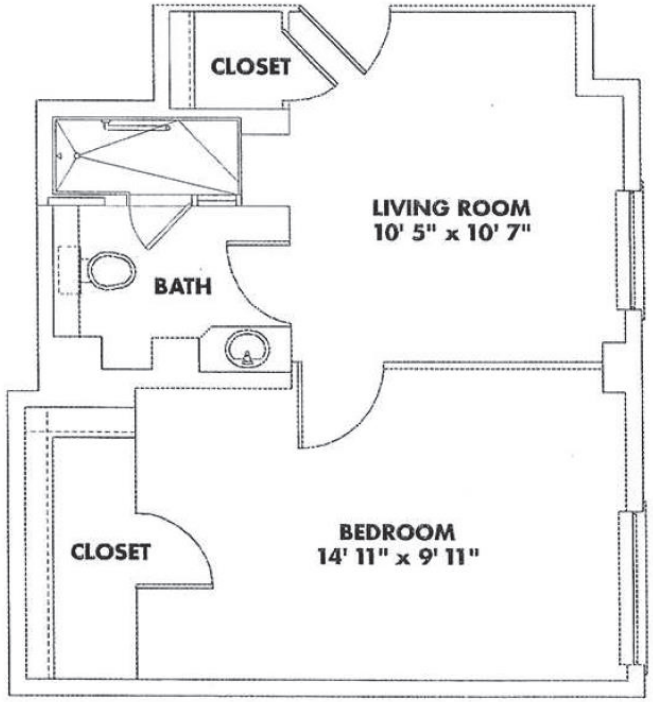
Note, the daily rates below are for continuing care residents who have exceeded their thirty (30) days of included assisted living and/or skilled nursing through the Care and Residence Agreement.

Building/Type	Qty.	*Daily Rate*
Assisted Living:		
South Wing (2nd Floor):		
Studio	17	$259.25
Jr. Suite	1	$243.50
Assisted Living Total/Average	**18**	**$251.38**
Skilled Nursing:		
South Wing (1st Floor):		
Forest Hill Residence	18	$436.00
Semi - Private (Door)	4	$450.00
Semi - Private (Window)	4	$477.50
Skilled Nursing Total/Average	**26**	**$454.50**
COMMUNITY TOTAL BEDS/UNITS	**135**	

UNIT FLOOR PLANS – FOREST HILL

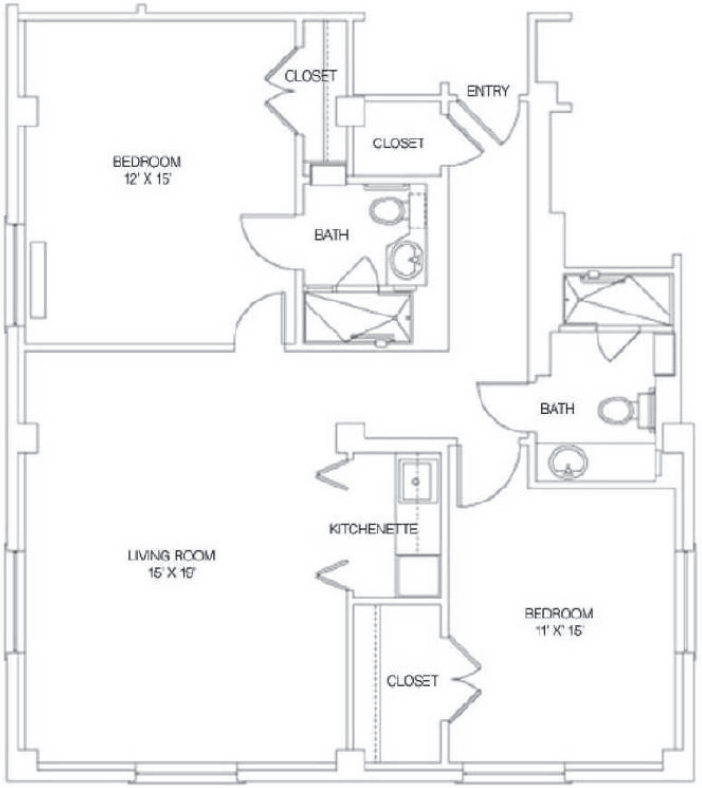
Samples of various unit types and their respective floor plans are shown below. Additional unit floor plans are available in the data room.

Historic Main Building:



This floor plan offers residents a more manageable space with all the comforts of a one bedroom. These units feature a separate living space and a freshly updated private bathroom.

Junior One Bedroom Apartment
380 Sq. Ft.



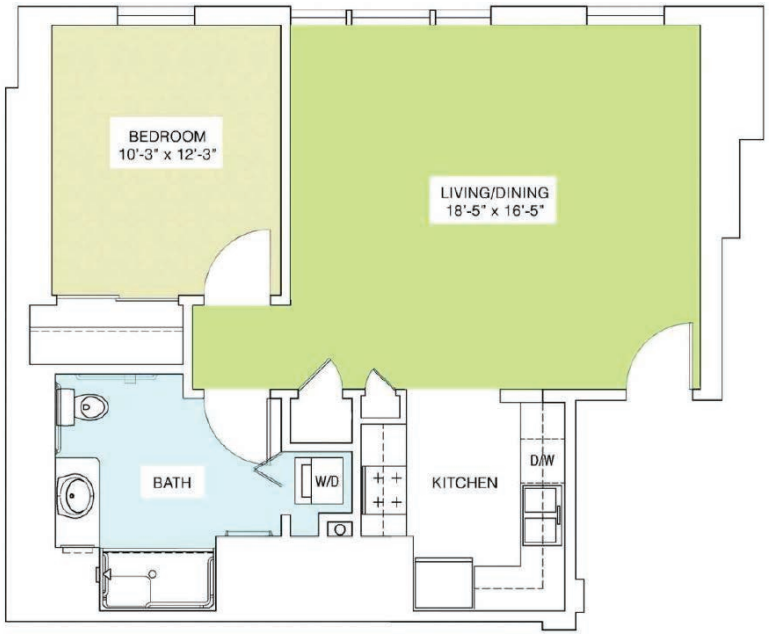
The main building two-bedroom floor plans feature breathtaking views of Monterey Bay, a spacious master suite with in-suite bathroom, and a kitchenette that opens to living area.

Two Bedroom Apartment
900 Sq. Ft.

UNIT FLOOR PLANS – FOREST HILL

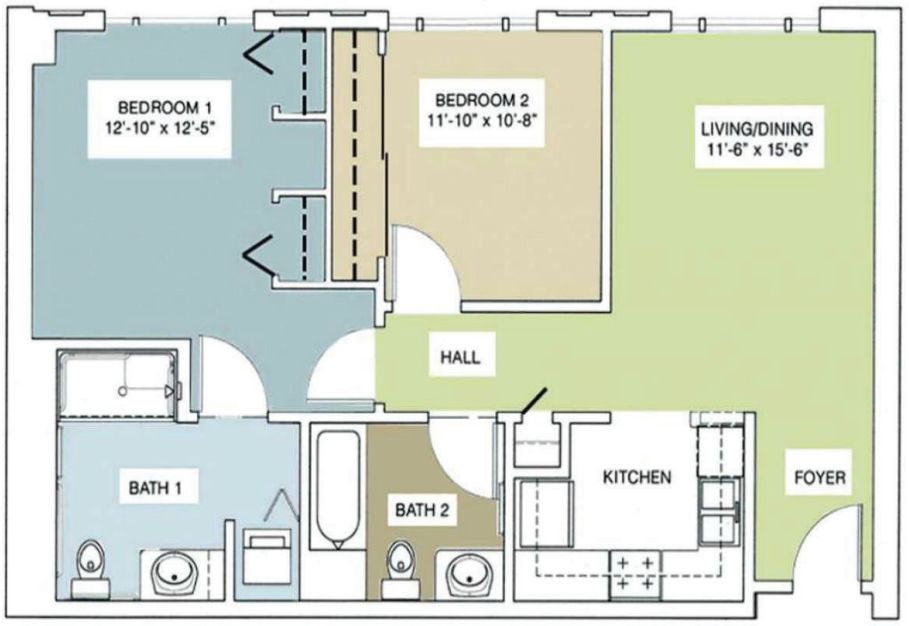
Samples of various unit types and their respective floor plans are shown below. Additional unit floor plans are available in the data room.

South Wing:



Large, combined living/dining rooms and renovated bathrooms are highlights of these spacious floor plans. Each of these one-bedroom apartments also include a full kitchen and a washer and dryer.

One Bedroom Apartment
750 Sq. Ft.



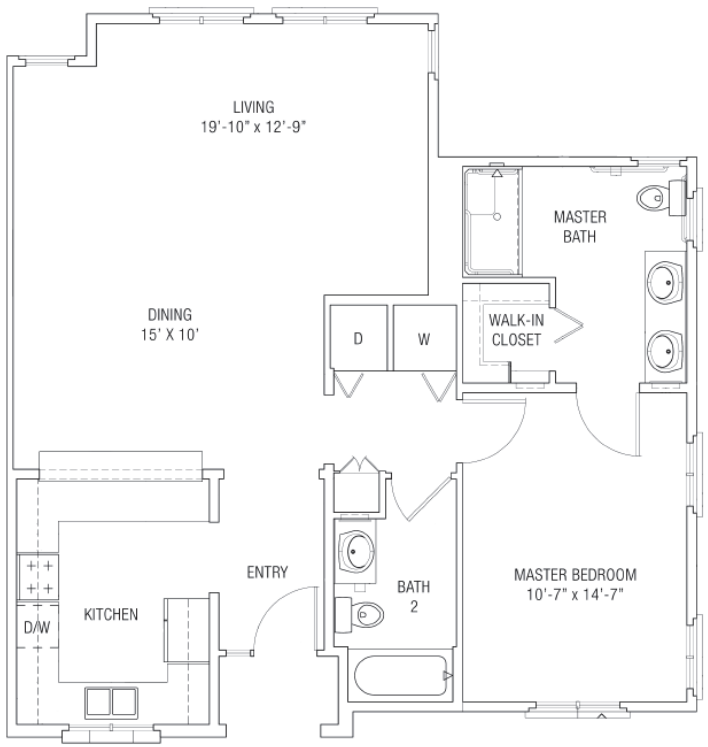
The south wing two-bedroom, two-bath apartments offer spacious master suites and newly renovated full kitchens with plenty of counter space.

Two Bedroom Apartment
885 Sq. Ft.

UNIT FLOOR PLANS – FOREST HILL

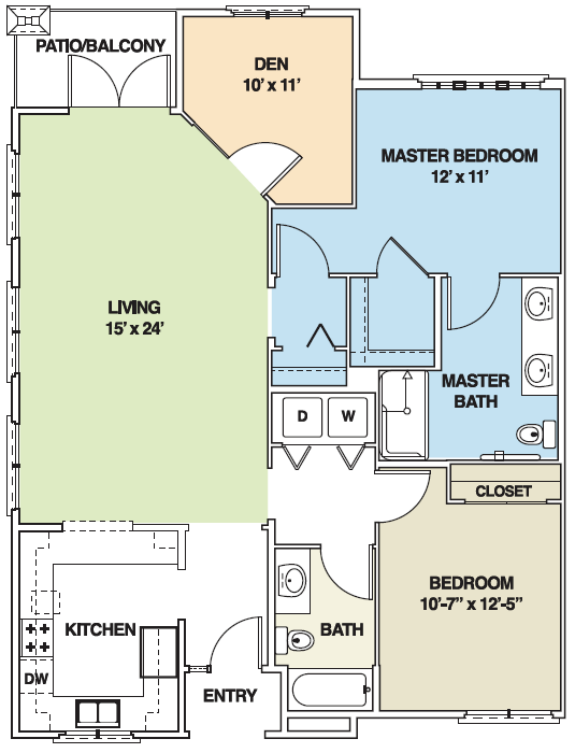
Samples of various unit types and their respective floor plans are shown below. Additional unit floor plans are available in the data room.

Cottages:



Available on both the first and second floors, these one-bedroom cottage units include a large master suite with walk-in closet, separate living and dining spaces, a spacious full kitchen, and a washer and dryer.

One Bedroom Cottage
1,000 Sq. Ft.



The two-bedroom, two-bath cottages are the full package–spacious master suite, washer/dryer, open living room with separate den, and fully outfitted kitchen. The first-floor units include a patio off the living area, while the second-floor units feature their own balconies.

Two Bedroom Cottage
1,320 Sq. Ft.

CNMH001386









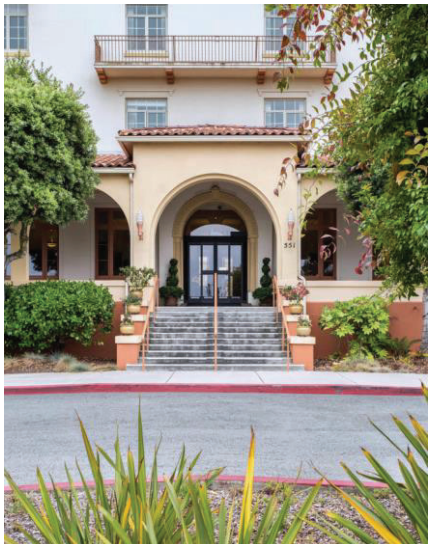




COMMUNITY PHOTO TOUR

FOREST HILL

Select Community Photos. More photos will be made available in the online data room.





RESIDENT CARE & SERVICES

RESIDENCY AGREEMENTS

Contract Types and Amount Repayable: CNMH currently offers two different types of continuing care entrance fee contracts at Lake Park and Forest Hill: (1) a Classic Agreement (Type B) which provides for full amortization of the resident's entrance fee in 36 months and is repayable should the contract terminate; and (2) a Deferred Repayment Agreement (Variable) (Type B) which provides for repayment of up to 50% or 80% of the resident's entrance fee upon re-occupancy of his or her apartment. The percentage repayment varies with the resident's age on admission. Additionally, the repayable amount is contingent upon re-occupancy of the resident's former unit plus 90 days. In December 2020, the Seller updated its Deferred Repayment Agreements to include language to pay interest to residents with Deferred Repayment Agreement contracts on the repayable amount if their apartment is not resold within 180 days. The terms and rates are as follows: unpaid after 180 days 4%/year; unpaid after 240 days 6%/year; Unpaid after 605 days 6%/year compounded.

CNMH also has some legacy continuing care agreements, including a Classic Agreement (Type A) which provides for full amortization of the entrance fee in 66.6 months; a Classic Agreement (Type B) that provides for full amortization of the entrance fee in 50 months; and Deferred Repayment Agreements (Types A and B) that provide for repayment of 90% of the resident's entrance fee upon re-occupancy of his or her apartment. These legacy contracts are no longer offered by the Seller to incoming residents. Note, the Type A plans are referred to as "Life Care" plans while the Type B plans are referred to as "Continuing Care" plans by the Seller.

In addition to repayable entrance fee contracts, the Seller now offers a monthly non-entrance fee residence agreement at Forest Hill only.

Priority Admission: Residents under entrance fee plans receive priority admission to the assisted living and skilled nursing accommodations as medical needs change. If such care is deemed necessary but space is unavailable at the Communities, the Seller will arrange for the appropriate care at an alternate site on or off campus until space becomes available. For assisted living, the resident will still pay their regular monthly fee (until released from their former unit), the assisted living fee, and any fees for excluded items and services per their residency agreement. For skilled nursing, resident's fees shall be the same as if they received the care at a CNMH health center.

Healthcare Benefit: Residents under continuing care plans receive thirty lifetime days of assisted living residency and thirty lifetime days of skilled nursing residency at no additional cost. Additionally, residents under continuing care plans pay a discounted fee for assisted living or skilled nursing services. Fee schedules are available as an addendum to the resident agreements, which will be made available in the online data room.

INDEPENDENT LIVING

As stated above, residents have the option of choosing an entrance fee continuing care contract, while only residents at Forest Hill have the additional option of a monthly rental residence agreement as they are not available to residents at the Lake Park community. While those under continuing care contracts get priority admission to and thirty lifetime days free care at both assisted living and skilled nursing accommodations, these accommodations are optional/extra for residents under monthly residency agreements. Additionally, residents with monthly residence agreements always have the option of applying for a continuing care entrance fee agreement in the future. Independent living residents have access to a wide variety of amenities and Community-sponsored activities as well as weekly housekeeping and linen services, and a variety of meal plan options are available to residents to choose from at each Community. The following services are included with the monthly fee paid by independent living residents at the Communities:



Meals

- Dining Room: Three meals daily available in the Community dining room. Accommodation for modified diets as prescribed by resident physician is available. Guest meals will be billed to the resident.
- Tray Service: Available to resident apartment upon request. No extra fee for up to ten days per calendar year, including up to 30 meals. Thereafter extra fee charged for tray service.



Laundry & Housekeeping

- Laundry: Weekly laundry services for bed and bath linens are included. Washers and dryers are available for use free of charge. Personal laundry services are available at an extra charge to residents.
- Housekeeping: Weekly housekeeping services are included in the monthly fee.



Other Services

- Parking: Limited parking is available in garages or an open lot on the grounds of both Lake Park and Forest Hill at an extra fee.
- Transportation: CNMH will assist residents in arranging transportation to local medical appointments, as well as shopping and downtown areas. CNMH provides scheduled van service for these purposes but reserve right to charge an extra fee.

RESIDENT CARE & SERVICES

ASSISTED LIVING

Both Lake Park and Forest Hill offer high quality assisted living accommodations. Assisted living residents at both communities have access to all Community amenities including dining areas, state-of-the-art fitness centers, social and spiritual activities/events, and much more. Additionally, at both communities continuing care entrance fee residents enjoy priority access to assisted living residences and can seamlessly transition from independent living to assisted living (and skilled nursing) as health needs change.

Both communities also accept direct entry into assisted living units. Both communities offer a variety of on-campus services to residents, all of which are included in the residents monthly fee. These services include:



Personal Services

Licensed CNAs are available to provide assistance with the activities of daily living, including bathing, dressing, grooming and medication management for residents. The communities also provide weekly housekeeping and flat linen service, as well as 7-day-a-week scheduled transportation.



Residential Services

The communities take care of any appliance repairs in resident apartments/units and provide meticulous lawn care and landscaping to ensure clean and safe grounds. Additionally, units come complete with free basic cable (Forest Hill residents only), Wi-Fi access throughout common areas, included utilities as well as emergency call systems.



Health Services

Assisted living care teams feature a registered nurse, LVNs as well as a staff of fully licensed CNAs. As both Communities offer residents a continuum of care, Community staff are well prepared to provide the necessary health services as medical challenges arise.

SKILLED NURSING

Lake Park has offered individually-tailored skilled nursing care to seniors throughout the Oakland area for over four decades and holds the distinction as a Five-Star CMS rated facility. Additionally, Forest Hill is known for its award-winning rehab and skilled nursing services offering the highest level of personalized rehab and skilled nursing care and boasts a Four-Star CMS rating. Both communities are Medicare certified and offer physical, speech and occupational therapy services to residents. Skilled nursing services and amenities include:

- Assistance with details of admission, discharge and more
- Assistance with the activities of daily living, along with medication management and other supportive services
- Individualized care plans
- 24-hour staffing with trained nurses
- Three chef-prepared meals a day
- Assistance to meals and activities
- Scheduled Transportation
- Daily housekeeping and personal laundry service
- Prompt and complete maintenance of suite
- Emergency call system
- A variety of life-enriching cultural, social, and recreational activities
- On-campus, full-service beauty and barber shop
- Spacious, comfortable common areas, including courtyard and gardens
- Free Wi-Fi in common areas

RESIDENT CARE & SERVICES

HISTORIC ENTRANCE FEE CASH FLOW

The table below includes entrance fees received over the last three fiscal years and trailing twelve months ending March 31, 2021. Over these periods net entrance fees received averaged approximately $1.8 million annually.

Period	Entrance Fees Received	Entrance Fees Repaid	Net Cash Flow from Entrance Fees
FY 2018	$ 3,989,755	$ (990,194)	$ 2,999,561
FY 2019	$ 5,542,059	$ (3,811,682)	$ 1,730,377
FY 2020	$ 3,666,486	$ (1,163,929)	$ 2,502,557
TTM 3/31/2021	$ 1,378,656	$ (1,415,799)	$ (37,143)
Average	**$ 3,644,239**	**$ (1,845,401)**	**$ 1,798,838**

ENTRANCE FEE REPAYMENT LIABILITY

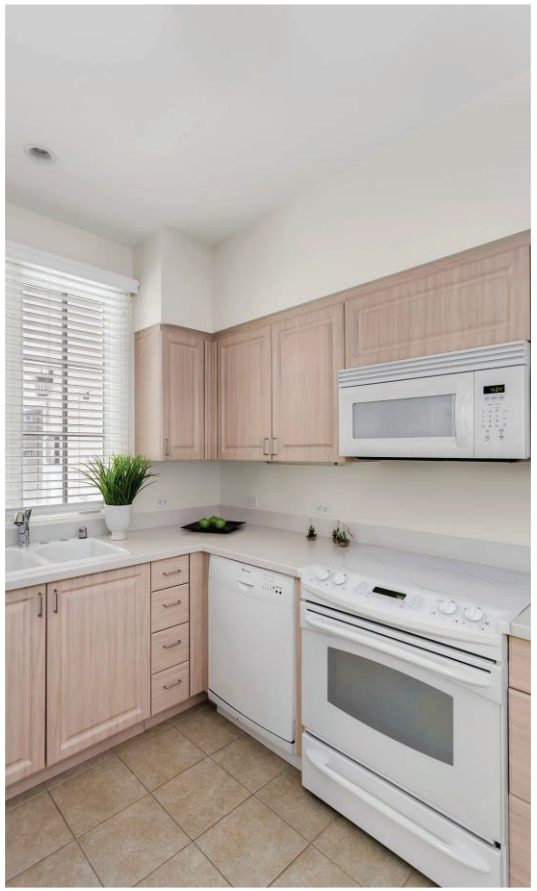
The entrance fee and continuing care agreements between the Seller and the residents provide for the payment of an entrance fee. Entrance fees are used for general purposes, including support of operations, debt retirement and capital acquisitions. Repayable entrance fees are held on the balance sheet and not amortized, while the amortizable fees are recognized as revenue on a straight-line method of accounting over the expected remaining life of the residents as recomputed actuarially at the end of each year. In the case of repayable entrance fee contracts, and upon the death of the resident, the unamortized amount of the entrance fee paid to CNMH by the resident is reduced by the amount of the repayment embodied in the contract.

Deferred revenue from entrance fees is treated as a long-term liability on the Seller's audited financial statements. Only a portion of this deferred revenue, however, is subject to repayment provisions.

The cash repayable liability is comprised of potential repayments of entrance fees from two different types of contracts offered to residents by the Seller: 1) Classic Agreement contracts (Type B); and 2) Deferred Repayment Agreement ("Repayable") contracts. Below is a summary of the Portfolio's outstanding repayable liability as of February 28, 2021:

Contract Type:	Lake Park	Forest Hill	Total
Classic Contracts	$ 2,182,201	$ -	$ 2,182,201
Repayable Contracts	$ 12,374,660	$ 3,596,851	$ 15,971,511
Total	**$ 14,556,861**	**$ 3,596,851**	**$ 18,153,712**







MARKET OVERVIEWS



CNMH001391

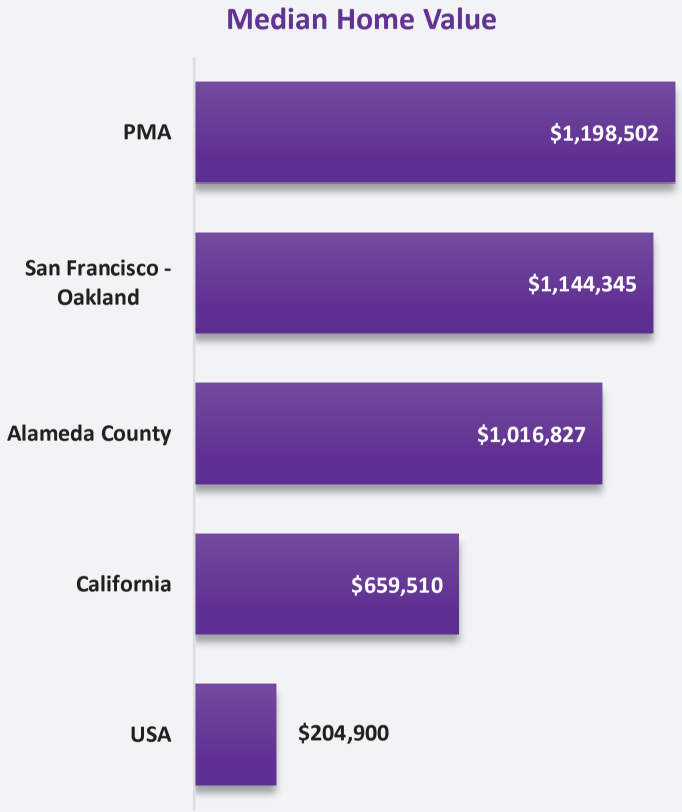
THE MARKET

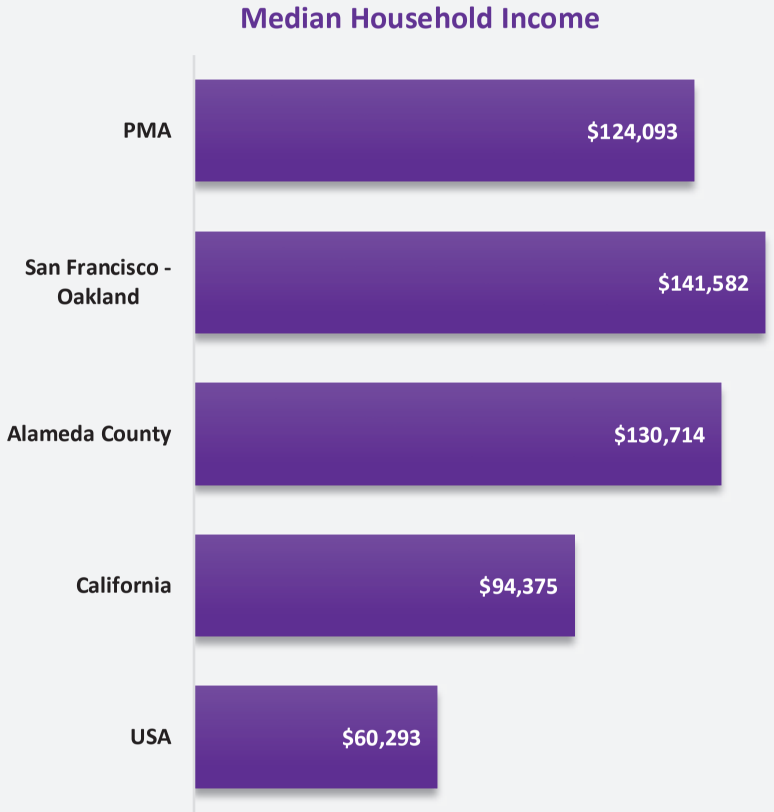
LAKE PARK – OAKLAND, CA

Oakland, California

Oakland is a vibrant city in Alameda County, located across the bay from San Francisco and 40 miles north of San Jose. The surroundings of Oakland boast many natural features including Lake Merritt, well known for its location directly in the center of the city. Lake Merritt is home to much of the city's recreation and is named after the Lake Merritt Wild Fowl Sanctuary, the oldest sanctuary of its kind in the United States, dating back to 1870. The Port of Oakland serves as a trading center for the San Francisco Bay Area. It is the busiest port in Northern California, and the fifth busiest port in the United States. Oakland is also home to the Oakland Museum, the Knowland State Arboretum, and the Oakland Zoo Park.

Alameda County is known for its rich diversity and culture. Alameda County has a population of just under 1.7 million people, of which approximately 15% are over the age of 65. The county is also endowed with natural beauty, an appealing climate, and world-class arts and culture. Alameda County encompasses 821 square miles of land of which 82 square miles are water. The county is part of the San Francisco-Oakland-Berkeley, CA Metropolitan Statistical Area.





Sources: Vision LTC and US Census Bureau.

THE MARKET

LAKE PARK – OAKLAND, CA

The Primary Market Area ("PMA") is considered to be an area within a ten-mile radius of the Community. This metropolitan area includes the eastern edge of San Francisco and encapsulates the Oakland, San Leandro, and Berkeley areas with a range of land uses including single-family residential, multifamily, office, and retail property. Lake Park is situated directly east of downtown Oakland which offers local shopping destinations, recreational activities, and acclaimed restaurants. The PMA contains several attractions including San Francisco's Fisherman's Wharf, Jack London Square, University of California Berkeley, and Reinhardt Redwood Regional Park.

The PMA is home to 1.3 million people, of which approximately 3.5% are over the age of 65. The median household income within the PMA is $107,617, which is approximately 78.5% percent greater than the national median household income of $60,293. Along with an above average household income, the PMA also has an above average median home value of $1.1 million, which is well above the national average of roughly $217,500. Additionally, there are a high number of "income qualified" residents in the PMA with just over 32,000 residents 75 years and older making more than $75,000 per year. This number is on pace to grow by approximately 19.4% over the next 5 years. Additionally, there are over 100,000 adult children (ages 45-64) with household incomes of $100,000+ in the PMA.

Demographics	Current Year (2019) PMA (10 Mile Radius)	5 Year Projected Growth
Total Population	1,332,187	3.5%
Total Households	595,333	3.8%
Adult Child Households 45-64	192,859	8.0%
Age 65+ Population	213,452	15.7%
Age 75+ Population	90,560	13.5%
Age 85+ Population	28,613	3.4%

Demographics	Current Year (2019) PMA (10 Mile Radius)	5-Year Projected Growth
Median Household Income	$107,617	15.3%
Median Income 45-64	$111,451	23.4%
Median Income 75+	$36,250	12.3%
Avg. Net Worth 65-74	$1,689,784	-
Avg. Net Worth 75+	$1,703,162	-
Median Home Value	$1,080,882	11.0%



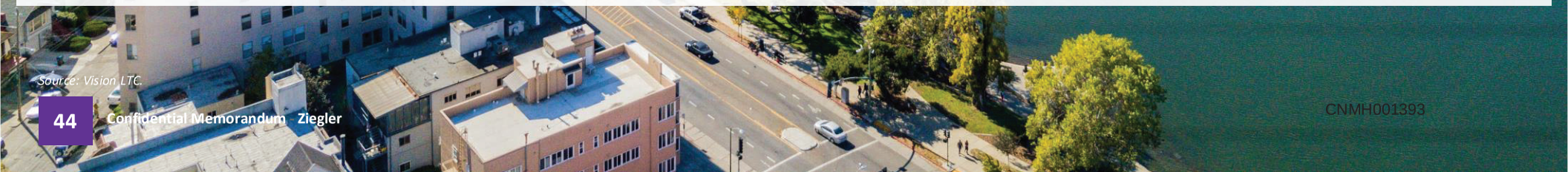
Over 32,000

QUALIFIED SENIORS IN PMA
AGE 75+, $75K HH INCOME



15.7%

5-Year Growth Rate Population
Age 65+



Source: Vision LTC

MARKET DEMOGRAPHICS

LAKE PARK – OAKLAND, CA

	POPULATION							% OF POPULATION						
Geography	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**
Total Population	519,292	1,332,187	2,517,344	4,757,910	1,682,072	39,733,223	330,280,432							
Age 65+	80,333	213,452	425,066	784,176	249,498	6,052,204	54,953,658	15.5%	16.0%	16.9%	16.5%	14.8%	15.2%	16.6%
Age 75+	32,911	90,560	180,820	323,732	100,542	2,497,206	22,284,903	6.3%	6.8%	7.2%	6.8%	6.0%	6.3%	6.7%
Age 85+	9,844	28,613	58,842	100,725	29,683	737,715	6,582,768	1.9%	2.1%	2.3%	2.1%	1.8%	1.9%	2.0%

	5 YEAR GROWTH IN POPULATION							% GROWTH OF POPULATION - 2019 TO 2024						
Geography	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**
Total Population	536,429	1,378,814	2,600,416	4,919,679	1,744,309	40,766,287	341,067,362	3.3%	3.5%	3.3%	3.4%	3.7%	2.6%	3.3%
Age 65+	93,347	246,964	490,526	915,133	295,406	6,960,035	63,779,293	16.2%	15.7%	15.4%	16.7%	18.4%	15.0%	16.1%
Age 75+	38,670	102,786	202,338	362,580	117,333	2,799,368	24,900,402	17.5%	13.5%	11.9%	12.0%	16.7%	12.1%	11.7%
Age 85+	10,061	29,586	60,725	104,955	30,306	760,584	6,993,293	2.2%	3.4%	3.2%	4.2%	2.1%	3.1%	6.2%

	AL/MC SUPPLY							SUPPLY GROWTH - 2014 TO 2019						
Geography	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**
Assisted Living	2,153	4,517	8,045	16,028	5,801	119,859	952,951	24.8%	24.1%	24.9%	25.8%	21.8%	30.4%	9.8%
Memory Care	917	2,007	3,561	6,970	2,477	52,765	328,121	24.9%	23.2%	24.0%	25.3%	21.7%	29.5%	7.8%

	AL/MC AVERAGE AGE OF COMMUNITY							AL/MC DEMAND 5 YEAR GROWTH RATE						
Geography	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**
Assisted Living	23	23	22	28	25	29	29	22.0%	20.0%	21.0%	25.0%	25.0%	26.0%	24.8%
Memory Care	40	39	31	34	30	25	26	22.0%	21.0%	22.0%	24.0%	21.0%	25.0%	21.5%

	LABOR STATISTICS							GROWTH RATE						
Geography	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US[1]**	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US[2]**
Average LPN Hourly Wage	$33.41	$33.41	$33.41	$33.41	$33.41	$29.12	$22.83	6.0%	6.0%	6.0%	6.0%	6.0%	7.0%	11.0%
Average RN Hourly Wage	$66.35	$66.35	$66.35	$66.35	$66.35	$54.10	$35.24	7.0%	7.0%	7.0%	7.0%	7.0%	6.0%	12.0%
Average Minimum Wage Rate	$12.66	$12.91	$12.39	$11.53	$11.37	$10.87	$7.25							

Source: Vision LTC.

[1] Represents 2019 median pay.

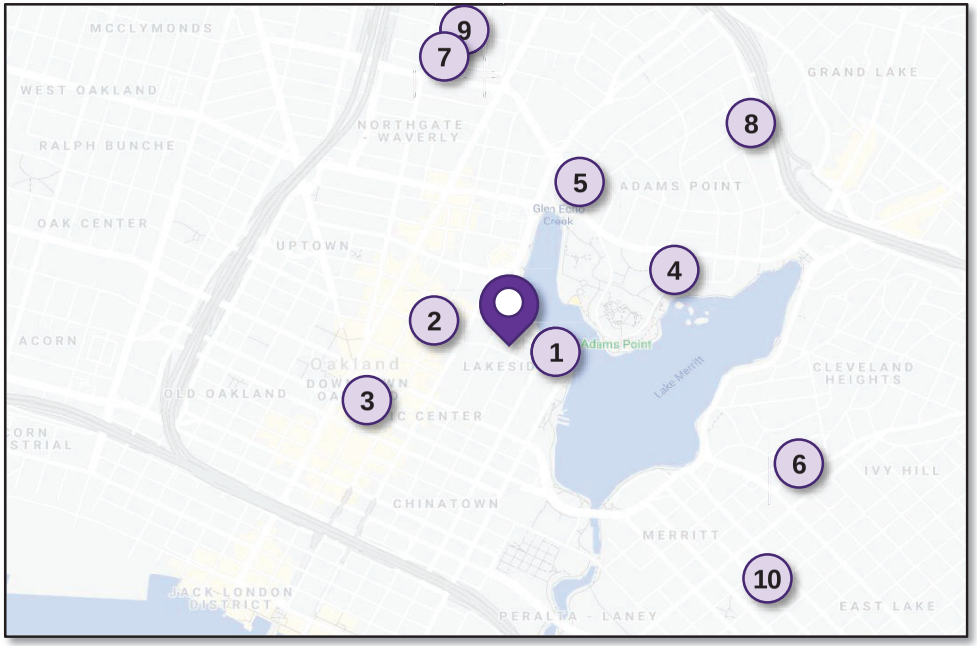
[2] Represents 10 year job outlook between 2018-2028.

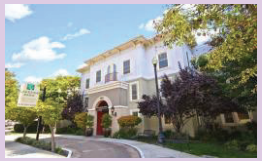
COMPETITION OVERVIEW

LAKE PARK – OAKLAND, CA

Within a 10-mile radius, there are currently 4,158 Assisted Living Units, 2,425 Independent Living Units, 1,841 Memory Care Units, and 3,504 Skilled Nursing Beds. The competitive set consists of multiple facilities located in the immediate vicinity of the Community.

The operators are a mix of national and local groups, offer pricing that is comparable to the subject, and are facilities that age from the late 1920s to 2018. The 5 closest properties within a 0.51-mile proximity are shown below.



Property Name	 Lake Park	 The Lake Merritt, Independent Senior Living	 Elders Inn On Webster	 East Bay Longevity Assisted Living	 Lakeside Park	 St. Paul's Towers
Map Index #	-	1	2	3	4	5
Distance to Lake Park	-	0.11	0.21	0.39	0.49	0.51
Year Built	1965	1928	-	2018	2002	1966
Community Type	CCRC	IL	AL/MC	AL/MC	AL/MC	CCRC
Operator	California-Nevada Methodist Homes	-	AEC Living	-	Watermark Retirement Communities	Covia Senior Living
IL Units	143	48	-	-	-	197
AL Units	37	-	42	34	53	21
MC Units	-	-	18	15	23	12
SNF Beds	35	-	-	-	-	43
Total	**215**	**48**	**60**	**49**	**76**	**273**

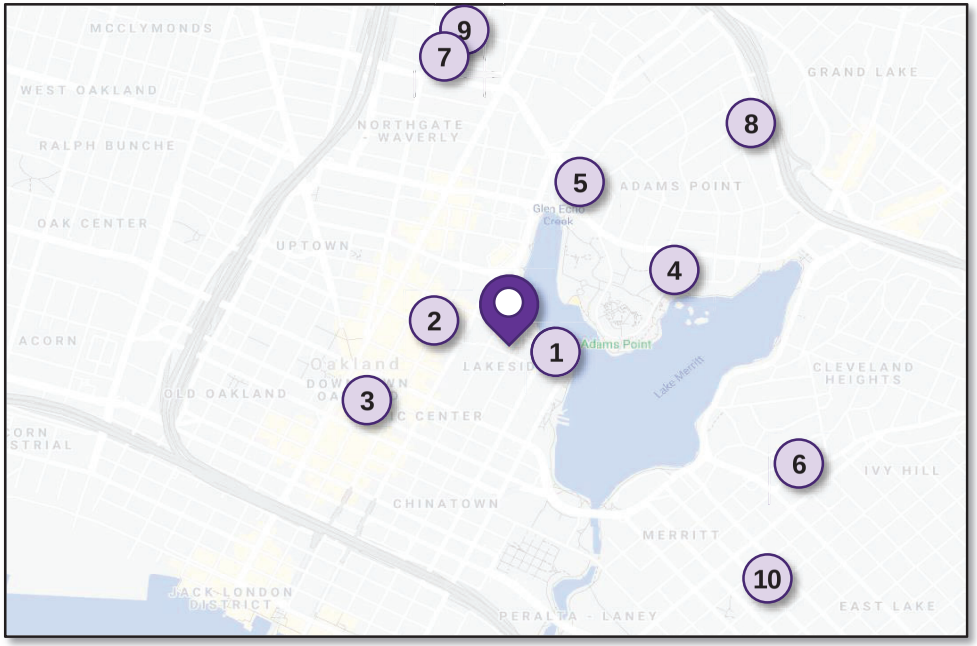
Source: Vision LTC.

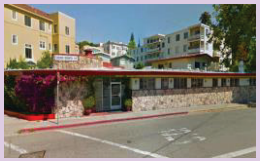
COMPETITION OVERVIEW (cont.)

LAKE PARK – OAKLAND, CA

Within a 10-mile radius, there are currently 4,158 Assisted Living Units, 2,425 Independent Living Units, 1,841 Memory Care Units, and 3,504 Skilled Nursing Beds. The competitive set consists of multiple facilities located in the immediate vicinity of the Community.

The operators are a mix of national and local groups, offer pricing that is comparable to the subject, and are facilities that age from the late 1920s to 2018. The 6-10th closest properties that are within a 0.81 to 0.96-mile proximity are shown below.



Property Name	 Lake Park	 Lakeshore Residential Care	 Medical Hill Healthcare Center	 Lake Merritt Healthcare Center LLC	 McClure Post Acute	 House Of Psalms Assisted Living For Seniors
Map Index #	-	6	7	8	9	10
Distance to Lake Park	-	0.81	0.87	0.9	0.92	0.96
Year Built	1965	1962	1965	1961	1963	1959
Community Type	CCRC	AL/MC	SNF	SNF	SNF	AL/MC
Operator	California-Nevada Methodist Homes	Lakeshore Residential Care	-	-	-	-
IL Units	143	-	-	-	-	-
AL Units	37	27	-	-	-	16
MC Units	-	11	-	-	-	7
SNF Beds	35	-	124	53	60	-
Total	**215**	**38**	**124**	**53**	**60**	**23**

Source: Vision LTC.

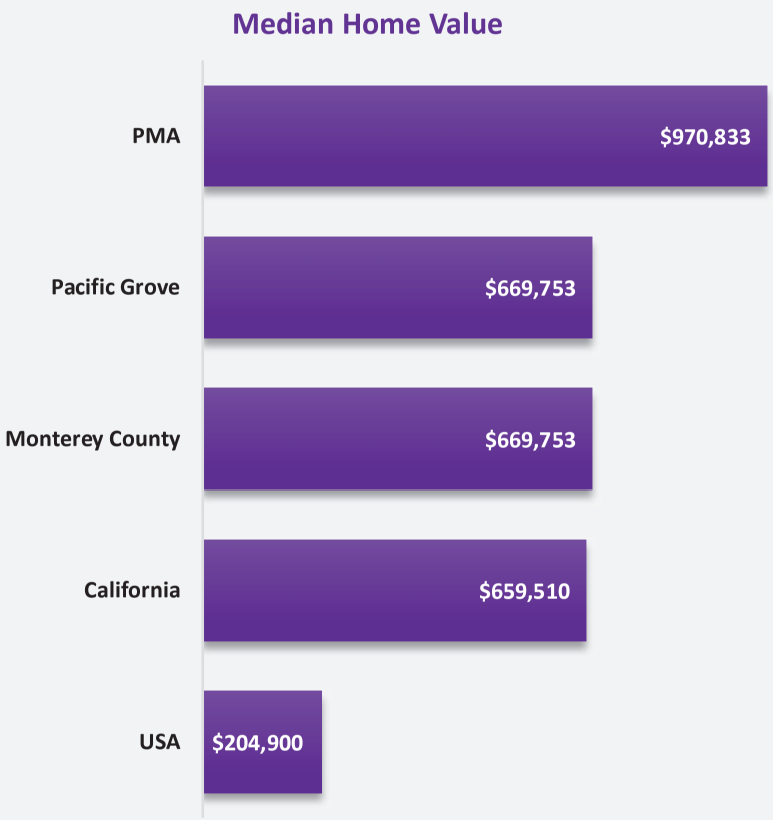
THE MARKET

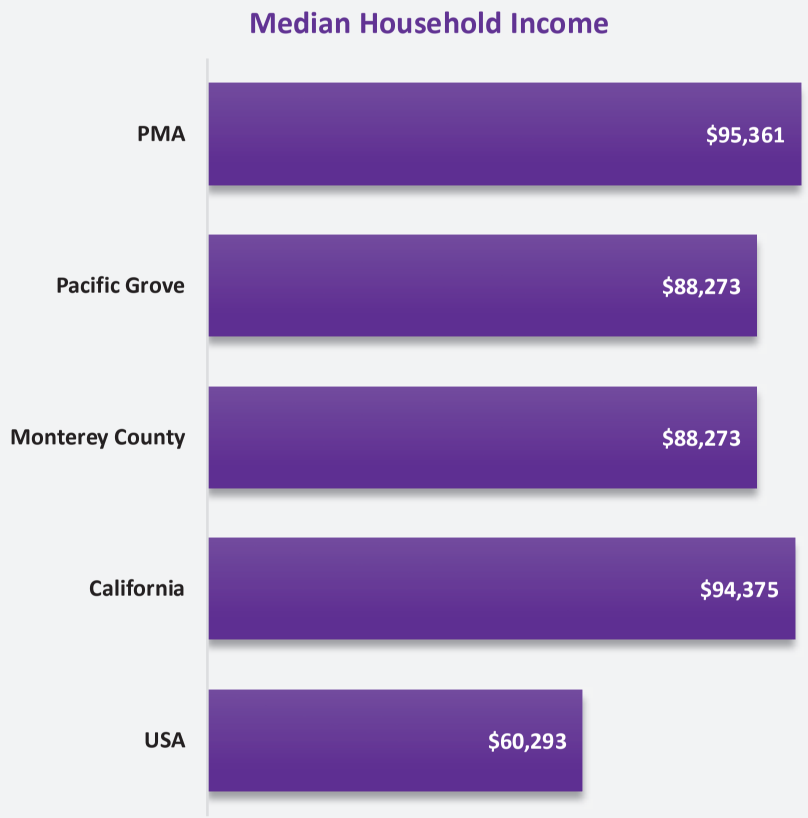
FOREST HILL – PACIFIC GROVE, CA

Pacific Grove, California

Pacific Grove is a charming, historic resort enclave located on the tip of the scenic Monterey Peninsula between Monterey and Pebble Beach. The area offers ocean-side trails, shopping, restaurants, and world renowned golf courses. Pacific Grove is 73 miles south of San Jose and 240 miles north of Santa Barbara. Having begun as a Methodist Christian seaside resort in 1874, Pacific Grove has blossomed into a vacation destination and popular retirement choice for seniors across the country. Monterey Peninsula is home to six different golf courses including Pebble Beach Golf Links, unanimously rated the number one public course in the United States.

Monterey County is one of the nation's top retirement destinations with a population of just under 438,000 people, of which approximately 14.3% are over the age of 65. Monterey County is endowed with natural beauty, an appealing climate, and world-class activities. Monterey County encompasses 3,771 square miles of land which makes it roughly 1.5 times larger than the state of Delaware, and roughly similar in population and size to Santa Barbara County. The county is part of the Salinas, CA Metropolitan Statistical Area.





Sources: Vision LTC and US Census Bureau.

THE MARKET

FOREST HILL – PACIFIC GROVE, CA

The Primary Market Area ("PMA") is considered to be an area within a ten-mile radius of Forest Hill. This area is just south of Salinas and encapsulates the Monterey Bay area with a range of land uses including single-family residential, multifamily, office, and retail property. Forest Hill is situated near a variety of neighborhoods, as well as local shopping destinations in downtown Pacific Grove, Monterey, and Pebble Beach. The PMA also contains several golf courses including Pebble Beach Golf Links, The Links at Spanish Bay, Monterey Peninsula Country Club, Cypress Point Club, and Poppy Hills Golf Course.

The PMA is home to 125,425 people, of which approximately 22% are over the age of 65. The median household income within the PMA is $87,293, which is approximately 45% percent greater than the national median household income of $60,293. Along with an above average household income, the PMA also has an above average median home value of $970,833, which is well above the national average of roughly $217,500. Additionally, there are a high number of "income qualified" residents in the PMA with just over 6,000 residents 75 years and older making more than $75,000 per year. This number is on pace to grow by approximately 14.3% over the next 5 years. Additionally, there are 9,485 adult children (ages 45-64) with household incomes of $100,000+ in the PMA.

Demographics	Current Year (2019) PMA (10 Mile Radius)	5 Year Projected Growth
Total Population	125,425	1.4%
Total Households	50,794	2.0%
Adult Child Households 45-64	16,959	-3.4%
Age 65+ Population	27,535	9.7%
Age 75+ Population	12,721	8.2%
Age 85+ Population	4,385	-3.1%

Demographics	Current Year (2019) PMA (10 Mile Radius)	5-Year Projected Growth
Median Household Income	$87,293	10.9%
Median Income 45-64	$108,214	15.5%
Median Income 75+	$56,454	19.3%
Avg. Net Worth 65-74	$1,958,964	-
Avg. Net Worth 75+	$2,330,654	-
Median Home Value	$928,571	11.0%



Over 6,000

QUALIFIED SENIORS IN PMA
AGE 75+, $75K HH INCOME



9.7%

5-Year Growth Rate Population
Age 65+

Source: Vision LTC.

CNML-001338

MARKET DEMOGRAPHICS

FOREST HILL – PACIFIC GROVE, CA

	POPULATION							% OF POPULATION						
Geography	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**
Total Population	78,810	125,425	165,471	438,234	438,234	39,733,223	330,280,432							
Age 65+	18,561	27,535	35,130	62,636	62,636	6,052,204	54,953,658	23.6%	22.0%	21.2%	14.3%	14.3%	15.2%	16.6%
Age 75+	8,544	12,721	15,778	25,821	25,821	2,497,206	22,284,903	10.8%	10.1%	9.5%	5.9%	5.9%	6.3%	6.7%
Age 85+	2,973	4,385	5,314	8,021	8,021	737,715	6,582,768	3.8%	3.5%	3.2%	1.8%	1.8%	1.9%	2.0%

	5 YEAR GROWTH IN POPULATION							% GROWTH OF POPULATION - 2019 TO 2024						
Geography	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**
Total Population	79,046	127,181	167,788	448,313	448,313	40,766,287	341,067,362	0.3%	1.4%	1.4%	2.3%	2.3%	2.6%	3.3%
Age 65+	20,194	30,206	38,538	69,714	69,714	6,960,035	63,779,293	8.8%	9.7%	9.7%	11.3%	11.3%	15.0%	16.1%
Age 75+	9,134	13,764	17,135	28,920	28,920	2,799,368	24,900,402	6.9%	8.2%	8.6%	12.0%	12.0%	12.1%	11.7%
Age 85+	2,839	4,249	5,117	7,620	7,620	760,584	6,993,293	-4.5%	-3.1%	-3.7%	-5.0%	-5.0%	3.1%	6.2%

	AL/MC SUPPLY							SUPPLY GROWTH - 2014 TO 2019						
Geography	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**
Assisted Living	649	885	1,200	1,258	1,258	119,859	952,951	23.1%	23.2%	43.3%	45.9%	45.9%	30.4%	9.8%
Memory Care	277	377	510	567	567	52,765	328,121	23.1%	23.1%	43.1%	43.2%	43.2%	29.5%	7.8%

	AL/MC AVERAGE AGE OF COMMUNITY							AL/MC DEMAND 5 YEAR GROWTH RATE						
Geography	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US**
Assisted Living	19	29	22	21	21	15	29	18.0%	17.0%	17.0%	19.0%	19.0%	20.0%	24.8%
Memory Care	19	29	22	23	23	16	26	17.0%	16.0%	16.0%	19.0%	19.0%	19.0%	21.5%

	LABOR STATISTICS							GROWTH RATE						
Geography	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US[1]**	**5 Mile**	**10 Mile**	**15 Mile**	**MSA**	**County**	**State**	**US[2]**
Average LPN Hourly Wage	$28.46	$28.46	$28.46	$28.46	$28.46	$29.12	$22.83	-3.0%	-3.0%	-3.0%	-3.0%	-3.0%	7.0%	11.0%
Average RN Hourly Wage	$64.22	$64.22	$64.22	$64.22	$64.22	$54.10	$35.24	1.0%	1.0%	1.0%	1.0%	1.0%	6.0%	12.0%
Average Minimum Wage Rate	$10.50	$10.50	$10.50	$10.50	$10.50	$10.87	$7.25							

Source: Vision LTC.

[1] Represents 2019 median pay.

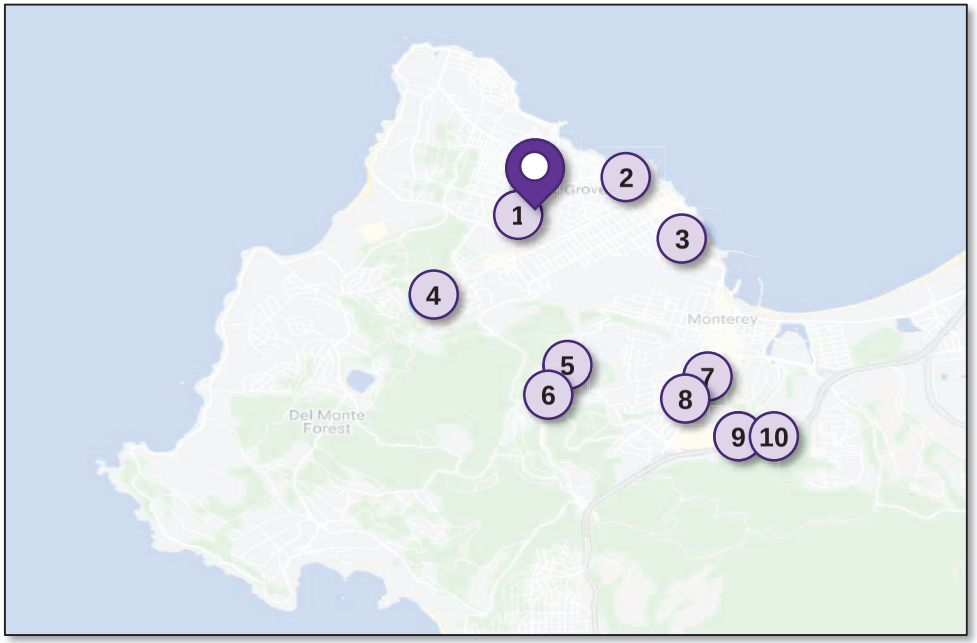
[2] Represents 10 year job outlook between 2018-2028.

COMPETITION OVERVIEW

FOREST HILL – PACIFIC GROVE, CA

Within a 10-mile radius, there are currently 654 Assisted Living Units, 569 Independent Living Units, 236 Memory Care Units, and 405 Skilled Nursing Beds. The competitive set consists of multiple facilities located in the immediate vicinity of the Community.

The operators are a mix of national and local groups, offer pricing that is comparable to the subject, and are facilities that age from the late 1920s to 2018. The 5 closest properties within a 1.57-mile proximity are shown below.



Property Name	 Forest Hill	 Canterbury Woods	 Pacific Grove Healthcare Center	 Drake House	 The Del Monte Assisted Living Facility	 Cypress Ridge Care Center
Map Index #	-	1	2	3	4	5
Distance to Forest Hill	-	0.1	0.69	1.1	1.2	1.57
Year Built	1926	1965	1963	-	1955	1974
Community Type	CCRC	CCRC	SNF	AL/MC	AL/MC	SNF
Operator	California- Nevada Methodist Homes	Covia Senior Living	-	-	-	Plum Healthcare Group
IL Units	91	133	-	-	-	-
AL Units	18	18	-	39	34	-
MC Units	-	-	-	16	15	-
SNF Beds	26	24	51	-	-	99
Total	**135**	**175**	**51**	**55**	**49**	**99**

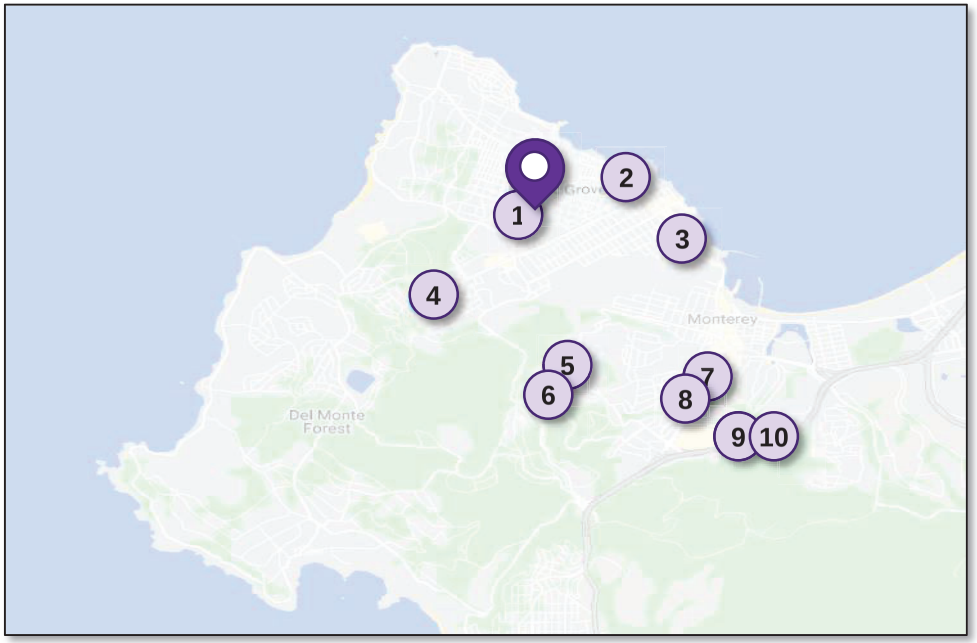
Source: Vision LTC.

COMPETITION OVERVIEW (cont.)

FOREST HILL – PACIFIC GROVE, CA

Within a 10-mile radius, there are currently 654 Assisted Living Units, 569 Independent Living Units, 236 Memory Care Units, and 405 Skilled Nursing Beds. The competitive set consists of multiple facilities located in the immediate vicinity of the Community.

The operators are a mix of national and local groups, offer pricing that is comparable to the subject, and are facilities that age from the late 1920s to 2018. The 6-10th closest properties that are within a 1.63 to 2.76-mile proximity are shown below.



Property Name	 Forest Hill	 Windsor Monterey Care Center	 Carmelo Park	 Sunrise Assisted Living Of Monterey	 Merrill Gardens At Monterey	 Park Lane
Map Index #	-	6	7	8	9	10
Distance to Forest Hill	-	1.63	2.04	2.11	2.61	2.76
Year Built	1926	1968	-	1967	2018	1968
Community Type	CCRC	SNF	AL/MC	AL/MC	AL/MC	IL/AL/MC
Operator	California- Nevada Methodist Homes	Windsor Cares	Carmelo Park	Sunrise Senior Living	Merrill Gardens Senior Living	Pacifica Senior Living
IL Units	91	-	-	-	-	75
AL Units	18	-	28	78	92	72
MC Units	-	-	12	34	18	25
SNF Beds	26	78	-	-	-	-
Total	**135**	**78**	**40**	**112**	**110**	**125**

Source: Vision LTC.

FINANCIAL SUMMARY

Basis of Presentation

The Seller has provided detailed financial statements for the three fiscal years ended June 30th 2018, 2019, and 2020 as well as for the trailing twelve-month period ended March 31st 2021. These statements have not been audited or verified by Ziegler.

The summary statements provided herein are formatted to arrive at EBITDAM or **E**arnings **B**efore **I**nterest, **T**axes, **D**epreciation, **A**mortization, and **M**anagement Fees as well as CFADS or **C**ash **F**low **A**vailable for **D**ebt **S**ervice, which factors in net entrance fee cash flow. Prospective purchasers should apply their own operational cost structure to the financial statements as they may find opportunities to improve the financial performance of the Portfolio in certain areas. Actual financial statements are available in the online data room.



SUMMARY FINANCIAL STATEMENTS

The following table summarizes the Portfolio's operating results for the last three fiscal years ended June 30th 2018, 2019, and 2020 as well as the trailing twelve-month period ended March 31st 2021. Adjustments were made for any non-recurring and other extraordinary items within the trailing twelve-month period's operations that a prospective purchaser could potentially realize. Operations of the Portfolio and throughout the senior housing and care industry overall have overall disrupted since the onset of the unprecedented COVID-19 pandemic. As a result, historical financial results may not be an accurate representation of "normalized" results. Prospective purchasers should reach their own conclusions regarding these and all assumptions.

Period	FYE 6/30/2018	FYE 6/30/2019	FYE 6/30/2020	TTM 3/31/2021
Total Occupancy %	**64.2%**	**64.9%**	**64.6%**	**63.4%**
Total Operating Revenue	$16,468,908	$17,137,598	$16,772,387	$17,786,019
Total Operating Expenses	17,066,115	17,333,535	17,024,921	17,824,420
Adj. EBITDAM	**$(597,207)**	**$(195,937)**	**$(252,534)**	**$(38,401)**
Adj. EBITDAM Margin %	*-3.6%*	*-1.1%*	*-1.5%*	*-0.2%*
5% Management Fee [1]	823,445	856,880	838,619	889,301
Adj. EBITDA	**$(1,420,652)**	**$(1,052,817)**	**$(1,091,153)**	**$(927,702)**
Adj. EBITDA Margin %	*-8.6%*	*-6.1%*	*-6.5%*	*-5.2%*
Net Entrance Fee Cash Flow	2,999,561	1,730,377	2,502,557	$(37,143)
Cash Flow Available for Debt Service	**$1,578,909**	**$677,560**	**$1,411,404**	**$(964,845)**

***EBITDAM** = **E**arnings **B**efore **I**nterest, **T**axes, **D**epreciation, **A**mortization, and **M**anagement Fees.*
[1] Actual management fees were adjusted to the industry standard 5% of Total Operating Revenue.

OCCUPANCY SUMMARY

Below is a table summarizing the Portfolio's occupancy trends for the previous three fiscal years ended June 30th 2018, 2019, and 2020 as well as the trailing twelve-month period ended March 31st 2021. Occupancy is based on the total number of operating beds/units in the Portfolio. Additional information on the Portfolio's occupancy trends are available in the online data room.

Period	FYE 6/30/2018		FYE 6/30/2019		FYE 6/30/2020		TTM 3/31/2021	
Occupancy	**%**	**Beds/Units**	**%**	**Beds/Units**	**%**	**Beds/Units**	**%**	**Beds/Units**
Consolidated Portfolio:								
IL Occupancy %	65.51%	238	68.70%	235	71.58%	234	67.77%	234
AL Occupancy %	61.67%	55	56.08%	55	54.92%	55	55.61%	55
SNF Occupancy %	61.32%	61	57.95%	61	46.81%	61	53.62%	61
Consolidated Portfolio Occupancy %	**64.19%**	**354**	**64.85%**	**351**	**64.65%**	**350**	**63.39%**	**350**
Average Daily Census / Monthly Rates	**ADC**	**PPD*/PUPM**	**ADC**	**PPD*/PUPM**	**ADC**	**PPD*/PUPM**	**ADC**	**PPD*/PUPM**
Independent Living	155.9	$5,001	161.4	$5,083	167.5	$5,190	158.6	$5,334
Assisted Living	33.9	5,163	30.8	5,245	30.2	5,655	30.6	6,339
Skilled Nursing	37.4	374	35.4	422	28.6	419	32.7	445
Overall	**227.2**	**$6,039**	**227.6**	**$6,274**	**226.3**	**$6,177**	**221.9**	**$6,680**
Lake Park:								
IL Occupancy %	74.79%	147	81.92%	144	88.42%	143	84.78%	143
AL Occupancy %	55.08%	37	51.26%	37	45.58%	37	48.32%	37
SNF Occupancy %	59.65%	35	51.91%	35	43.18%	35	47.57%	35
Lake Park Occupancy %	**69.04%**	**219**	**71.80%**	**216**	**73.68%**	**215**	**72.45%**	**215**
Average Daily Census / Monthly Rates	**ADC**	**PPD*/PUPM**	**ADC**	**PPD*/PUPM**	**ADC**	**PPD*/PUPM**	**ADC**	**PPD*/PUPM**
Independent Living	109.9	$5,075	118.0	$5,154	126.4	$5,203	121.2	$5,344
Assisted Living	20.4	4,752	19.0	4,586	16.9	5,209	17.9	5,941
Skilled Nursing	20.9	304	18.2	327	15.1	332	16.6	352
Overall	**151.2**	**$5,486**	**155.1**	**$5,553**	**158.4**	**$5,576**	**155.8**	**$5,933**
Forest Hill:	-	-	-	-	-	-	-	-
IL Occupancy %	50.51%	91	47.77%	91	45.13%	91	41.04%	91
AL Occupancy %	75.24%	18	66.01%	18	74.13%	18	70.61%	18
SNF Occupancy %	63.58%	26	66.09%	26	51.69%	26	61.77%	26
Forest Hill Occupancy %	**56.32%**	**135**	**53.73%**	**135**	**50.26%**	**135**	**48.98%**	**135**
Average Daily Census / Monthly Rates	**ADC**	**PPD*/PUPM**	**ADC**	**PPD*/PUPM**	**ADC**	**PPD*/PUPM**	**ADC**	**PPD*/PUPM**
Independent Living	46.0	$4,826	43.5	$4,889	41.1	$5,152	37.4	$5,301
Assisted Living	13.5	5,782	11.9	6,297	13.3	6,219	12.7	6,899
Skilled Nursing	16.5	464	17.2	522	13.4	517	16.1	542
Overall	**76.0**	**$7,140**	**72.5**	**$7,816**	**67.9**	**$7,580**	**66.1**	**$8,439**

***ADC** = Average Daily Census.*
PPD = Per Patient Day (SNF only) | **PUPM** = Per Unit Per Month.*

DETAILED INCOME STATEMENT – FISCAL YEAR PERIODS

Below is a detailed income statement for the Portfolio. The periods presented are the previous three fiscal years ended June 30th 2018, 2019, and 2020. Additional summary and detailed income statements, as reported by the Portfolio, are available in the online data room.

Period	FYE 6/30/2018		FYE 6/30/2019		FYE 6/30/2020	
Operating Revenue	$	PPD* / PUPM	$	PPD* / PUPM	$	PPD* / PUPM
IL Rental Revenue	$9,357,436	$5,001	$9,846,619	$5,083	$10,432,624	$5,190
AL Rental Revenue	2,101,738	5,163	1,941,482	5,245	2,050,032	5,655
SNF Rental Revenue	5,110,678	374.30	5,446,400	422.10	4,382,194	419.35
Net Resident Rental Revenue	**16,569,852**	**6,076**	**17,234,501**	**6,309**	**16,864,850**	**6,211**
Therapy Revenue	80,442	29	45,585	17	39,504	15
Pharmacy Revenue	9,185	3	113,105	41	44,055	16
Other Revenue	(190,571)	(70)	(255,593)	(94)	(176,022)	(65)
Total Operating Revenue	**$16,468,908**	**$6,039**	**$17,137,598**	**$6,274**	**$16,772,387**	**$6,177**
Operating Expenses	$	PUPM	$	PUPM	$	PUPM
Food Service	$4,778,997	$1,753	$4,877,376	$1,786	$4,920,095	$1,812
Housekeeping	1,081,678	397	1,050,212	384	1,073,155	395
Laundry	48,842	18	57,846	21	53,584	20
Plant and Operations	1,036,157	380	1,015,614	372	1,085,136	400
Utilities	1,059,474	389	1,142,133	418	1,206,267	444
Nursing	2,803,788	1,028	2,821,031	1,033	2,837,035	1,045
Assisted Living	1,479,405	543	1,507,763	552	1,494,066	550
Administration	2,087,207	765	2,060,729	754	2,364,930	871
Marketing	1,291,612	474	1,483,708	543	955,006	352
Medical Receptionist	75,634	28	38,956	14	56,830	21
Activities	533,386	196	569,835	209	554,031	204
Medical Care Ancillary	711,778	261	656,351	240	396,856	146
Inservice Education	42,787	16	41,391	15	27,930	10
Social Services	35,370	13	10,590	4	-	-
Total Operating Expenses	**$17,066,115**	**$6,258**	**$17,333,535**	**$6,346**	**$17,024,921**	**$6,270**
Adj. EBITDAM	**$(597,207)**	**$(219)**	**$(195,937)**	**$(72)**	**$(252,534)**	**$(93)**
Adj. EBITDAM Margin %	***-3.6%***		***-1.1%***		***-1.5%***	
5% Management Fee [1]	823,445	302	856,880	314	838,619	309
Adj. EBITDA	**$(1,420,652)**	**$(521)**	**$(1,052,817)**	**$(385)**	**$(1,091,153)**	**$(402)**
Adj. EBITDA Margin %	***-8.6%***		***-6.1%***		***-6.5%***	
Entrance Fees Received	3,989,755	1,463	5,542,059	2,029	3,666,486	1,350
Entrance Fees Repaid	(990,194)	(363)	(3,811,682)	(1,395)	(1,163,929)	(429)
Net Entrance Fee Cash Flow	**$2,999,561**	**$1,100**	**$1,730,377**	**$633**	**$2,502,557**	**$922**
Cash Flow Available for Debt Service	**$1,578,909**	**$579**	**$677,560**	**$248**	**$1,411,404**	**$520**

PPD* = *Per Patient Day (SNF only)* | ***PUPM*** = *Per Unit Per Month.*

[1] *Actual management fees were adjusted to the industry standard 5% of Total Operating Revenue.*

DETAILED INCOME STATEMENT – TRAILING TWELVE-MONTH PERIOD

Below is a detailed income statement for the individual communities, Forest Hill and Lake Park, as well as a view of the consolidated Portfolio. The period presented is the trailing twelve-month period ended March 31st 2021. Additional summary and detailed income statements, as reported by the Portfolio, are available in the online data room.

Community	Forest Hill		Lake Park		Consolidated	
Operating Revenue	**$**	**PPD* / PUPM**	**$**	**PPD* / PUPM**	**$**	**PPD* / PUPM**
IL Rental Revenue	$2,375,787	$5,301	$7,774,719	$5,344	$10,150,506	$5,334
AL Rental Revenue	1,052,194	6,899	1,274,535	5,941	2,326,729	6,339
SNF Rental Revenue	3,177,436	542.04	2,138,469	351.90	5,315,905	445.26
Net Resident Rental Revenue	**6,605,417**	**8,325**	**11,187,723**	**5,985**	**17,793,140**	**6,683**
Therapy Revenue	58,829	74	26,468	14	85,297	32
Pharmacy Revenue	-	-	88,254	47	88,254	33
Other Revenue	31,636	40	(212,308)	(114)	(180,672)	(68)
Total Operating Revenue	**$6,695,882**	**$8,439**	**$11,090,137**	**$5,933**	**$17,786,019**	**$6,680**
Operating Expenses	**$**	**PUPM**	**$**	**PUPM**	**$**	**PUPM**
Food Service	$1,676,816	$2,113	$3,379,945	$1,808	$5,056,761	$1,899
Housekeeping	340,828	430	669,031	358	1,009,859	379
Laundry	56,232	71	7,427	4	63,659	24
Plant and Operations	385,652	486	739,582	396	1,125,234	423
Utilities	440,151	555	850,053	455	1,290,204	485
Nursing	1,639,590	2,066	1,520,311	813	3,159,901	1,187
Assisted Living	546,794	689	1,045,594	559	1,592,388	598
Administration	1,369,245	1,726	1,396,499	747	2,765,744	1,039
Marketing	235,374	297	272,133	146	507,507	191
Medical Receptionist	96,341	121	10,744	6	107,085	40
Activities	177,245	223	348,447	186	525,692	197
Medical Care Ancillary	321,837	406	241,038	129	562,875	211
Inservice Education	39,070	49	17,974	10	57,044	21
Social Services	-	-	467	0	467	0
Total Operating Expenses	**$7,325,175**	**$9,232**	**$10,499,245**	**$5,617**	**$17,824,420**	**$6,694**
Adj. EBITDAM	**$(629,293)**	**$(793)**	**$590,892**	**$316**	**$(38,401)**	**$(14)**
Adj. EBITDAM Margin %	***-9.4%***		***5.3%***		***-0.2%***	
5% Management Fee [1]	334,794	422	554,507	297	889,301	334
Adj. EBITDA	**$(964,087)**	**$(1,215)**	**$36,385**	**$19**	**$(927,702)**	**$(348)**
Adj. EBITDA Margin %	***-14.4%***		***0.3%***		***-5.2%***	
Entrance Fees Received	-	-	1,378,656	738	1,378,656	518
Entrance Fees Repaid	(645,096)	(813)	(770,703)	(412)	(1,415,799)	(532)
Net Entrance Fee Cash Flow	**$(645,096)**	**$(813)**	**$607,953**	**$325**	**$(37,143)**	**$(14)**
Cash Flow Available for Debt Service	**$(1,609,183)**	**$(2,028)**	**$644,338**	**$345**	**$(964,845)**	**$(362)**

PPD* = Per Patient Day (SNF only) | ***PUPM*** = Per Unit Per Month.

[1] *Actual management fees were adjusted to the industry standard 5% of Total Operating Revenue.*

LABOR REPORTS

The table below summarizes in-house labor usage, FTEs, average wage rates, and hours per resident day by department for an annualized period based on the FYTD 2021 period running from 7/1/2020 through mid-May 2021. The amounts listed below include only productive employees' salary and wage-related costs, including overtime. Benefits, payroll taxes, and other labor-related costs are excluded. Prospective purchasers are urged to apply their own operational cost structure when evaluating the Portfolio as they may find opportunities to improve the financial performance of the Portfolio in certain areas.

Community	Forest Hill					Lake Park					Consolidated				
Department	FTEs	Total $	Total Hours	Average Wage Rate	Hours PRD[1]	FTEs	Total $	Total Hours	Average Wage Rate	Hours PRD[1]	FTEs	Total $	Total Hours	Average Wage Rate	Hours PRD[1]
SNF RN	2.2	$225,326	4,513	$49.93	0.19	4.1	$409,760	8,565	$47.84	0.15	6.3	$635,085	13,078	$48.56	0.16
SNF LVN	4.1	356,352	8,603	41.42	0.36	1.7	141,323	3,486	40.55	0.06	5.8	497,675	12,089	41.17	0.15
SNF CAN	12.6	534,618	26,162	20.43	1.08	9.4	434,614	19,452	22.34	0.34	21.9	969,232	45,614	21.25	0.56
SNF Restorative	-	-	-	-	-	0.6	26,959	1,158	23.29	0.02	0.6	26,959	1,158	23.29	0.01
Maintenance Director	-	-	-	-	-	0.8	54,186	1,641	33.03	0.03	0.8	54,186	1,641	33.03	0.02
Maintenance Staff	-	-	-	-	-	2.7	134,352	5,515	24.36	0.10	2.7	134,352	5,515	24.36	0.07
Maintenance – Other	2.3	92,237	4,807	19.19	0.20	-	-	-	-	-	2.3	92,237	4,807	19.19	0.06
Housekeeping Director	0.5	35,189	998	35.26	0.04	1.1	91,248	2,267	40.25	0.04	1.6	126,437	3,265	38.72	0.04
Housekeeping Staff	-	-	-	-	-	5.8	212,391	12,033	17.65	0.21	5.8	212,391	12,033	17.65	0.15
Housekeeping – Other	3.5	103,335	7,202	14.35	0.30	2.4	101,383	5,084	19.94	0.09	5.9	204,717	12,286	16.66	0.15
SNF Housekeeping	2.2	65,955	4,563	14.46	0.19	-	-	-	-	-	2.2	65,955	4,563	14.46	0.06
AL Housekeeping	1.1	33,527	2,303	14.56	0.10	1.3	46,924	2,626	17.87	0.05	2.4	80,451	4,929	16.32	0.06
Laundry	1.8	56,944	3,766	15.12	0.16	-	-	-	-	-	1.8	56,944	3,766	15.12	0.05
Food Service	23.5	768,265	48,969	15.69	2.03	40.7	1,650,821	84,632	19.51	1.49	64.2	2,419,087	133,601	18.11	1.65
Activities Director	0.5	26,339	958	27.49	0.04	1.0	63,345	2,176	29.11	0.04	1.5	89,684	3,134	28.61	0.04
Activities Staff	1.7	48,302	3,625	13.33	0.15	1.9	73,365	3,991	18.38	0.07	3.7	121,667	7,615	15.98	0.9
SNF Activities Director	0.3	19,656	634	30.99	0.03	1.1	56,060	2,210	25.37	0.04	1.4	75,716	2,844	26.62	0.04
SNF Activities Staff	0.0	200	10	20.00	0.00	0.7	23,155	1,509	15.34	0.03	0.7	23,355	1,519	15.37	0.02
SNF DSD	0.6	57,934	1,302	44.49	0.05	0.2	15,152	363	41.75	0.01	0.8	73,085	1,665	43.90	0.02
Administration	3.8	152,974	7,974	19.18	0.33	2.8	132,534	5,900	22.46	0.10	6.7	285,508	13,874	20.58	0.17
Health Unit Receptionist	1.7	105,153	3,575	29.42	0.15	0.3	11,834	666	17.77	0.01	2.0	116,987	4,241	27.59	0.05
Marketing	0.7	49,561	1,487	33.34	0.06	0.3	18,274	675	27.08	0.01	1.0	67,835	2,161	31.39	0.03
AL Director	0.4	45,881	825	55.58	0.03	-	-	-	-	-	0.4	45,881	825	55.58	0.01
AL LVN	1.2	78,950	2,422	32.60	0.10	5.1	427,687	10,674	40.07	0.19	6.3	506,637	13,096	38.69	0.16
AL CAN	8.7	336,526	18,128	18.56	0.75	7.6	345,961	15,738	21.98	0.29	16.3	682,487	33,866	20.15	0.42
Corporate Office Allocation	-	-	-	-	-	-	-	-	-	-	17.7	2,014,312	36,894	54.60	0.46
Total	**73.5**	**$3,193,223**	**152,825**	**$20.89**	**6.33**	**91.5**	**$4,471,327**	**190,362**	**$23.49**	**3.35**	**182.7**	**$9,678,862**	**380,081**	**$25.47**	**4.69**

[1] *Calculated using TTM 3/31/21 Total Patient/Resident Days.*

OTHER CONSIDERATIONS

Property Taxes

As a Section 501(c)(3) organization, CNMH is exempt from ad valorem property taxes. It does, however, pay certain assessments. For example, Lake Park and the Office building paid $40,297 ($32,531 and $7,766 respectively) in property taxes to Alameda County in the current tax year (as of April 2021). As a result of Proposition 13, the assessed value of CNMH's properties is below current market value. Upon transfer, the property will be reassessed and a taxable purchaser will be required to pay property taxes based on the updated value of the properties. A prospective purchaser should reach its own conclusion regarding property taxes.

Union Discussion

Most of the employees at Seller's Lake Park community are represented by Service Employees International Union ("SEIU") Local 2015. The latest collective bargaining agreement between the SEIU and Lake Park expired on July 31, 2020; it was extended once, but that extension has also expired. Federal Law constrains Lake Park from making changes in the employment terms and conditions of the represented employees until the SEIU engages in bargaining. An asset purchaser of Lake Park may have legal obligations to recognize and bargain with Local 2015 over the employment terms and conditions related to the union employees at Lake Park. Accordingly, copies of the expired bargaining agreement with the union, and the expired extension agreement, will be made available in the online data room.

Consulting & Professional Fees

CNMH has engaged multiple consultants that assist CNMH in its capacity as manager of the Portfolio. For example, Life Care Services is currently engaged to help manage both communities. Life Care Services has provided an Executive Director at both communities along with CEO-level oversight of the Portfolio's operations. These costs are within Administration in the table to the right. Additionally, the Seller receives assistance in its food service department through a contracted relationship with Sodexo. In addition to staff support, a portion of the amount allocated to Food Service also comprises raw food costs. The Nursing, Assisted Living, and Inservice Education amounts shown represent a contracted nursing consultant, resident director, and DSD, respectively. The table to the right summarizes these various expenses associated with professional fees and consulting costs at the Portfolio. Note these expenses are already included within their respective expense subtotals within the financial statements on preceding pages. A prospective purchaser may be able to realize cost savings by bringing some of these expenses in-house.

Community	*Consolidated*	*Consolidated*	*Consolidated*	*Forest Hill*	*Lake Park*	*Consolidated*
Period	FY18	FY19	FY20	TTM	TMM	TTM
Food Service	$2,049,689	$2,027,710	$1,999,031	$718,910	$1,294,338	$2,013,248
Housekeeping	21,000	-	-	-	-	-
Plant Operations	-	-	(63)	(42)	(21)	(63)
Nursing	228	1,257	1,808	403	-	403
Assisted Living	834	234	828	-	111	111
Administration	137,449	131,139	350,517	394,210	44,779	438,989
Activities	-	-	-	10,814	-	10,814
Activities – Nursing	750	1,475	-	-	-	-
Social Services	35,370	10,590	-	-	-	-
Total	**$2,245,320**	**$2,172,405**	**$2,352,121**	**$1,124,295**	**$1,339,207**	**$2,463,502**
% of Total Op. Revenue	*13.6%*	*12.7%*	*14.0%*	*16.8%*	*12.1%*	*13.9%*
Annual Average	**$2,308,337**	*13.5%*				

Treatment of Management Fees

CNMH provides administrative support, strategic planning, and other management-related services to the Portfolio. Services provided by CNMH include accounting, human resources, billing and business services, and other miscellaneous overhead costs. The income statements for both Communities have 'Home Office Charges' and 'Corporate Allocation' expenses, which were treated collectively as a Management Fee and excluded from Total Operating Expenses in the financial statements presented herein.

Period	FY 2018	FY 2019	FY 2020	TTM 3/31/2021
Operating Revenue	$16,468,908	$17,137,598	$16,772,387	$17,786,019
Management Fee	$1,290,035	$1,500,782	$1,201,937	$1,203,531
% of Revenue	***7.83%***	***8.76%***	***7.17%***	***6.77%***
Average	**$1,299,071**	***7.62%***		

It is assumed that a prospective purchaser will provide these functions as part of their overhead allocation/management fee. The expenses to the right have been removed from the financials herein to illustrate EBITDAM or **E**arnings before **I**nterest, **T**axes, **D**epreciation, **A**mortization and **M**anagement Fees.

OTHER CONSIDERATIONS (cont.)

Recent Renovation Projects

CNMH has remained committed to providing quality care and living accommodations to its residents in contemporary, well-maintained communities. The Seller recently completed extensive capital investments in the Portfolio, which are summarized below:

Lake Park

From 2016 to 2018, the Seller completed extensive renovations at its Lake Park community, which included upgrades to the property totaling $3,366,000. The renovation project included:

- Remodeled and refreshed 51 independent living and 22 assisted living apartments;
- Purchased and installed furniture for residential floors;
- Installed solarium floor; renovated vista room including kitchen and private dining room;
- Replaced "A" wing roof and garden deck;
- Added rooftop davit system for window cleaning and exterior maintenance;
- Extensively renovated basement level:
  - Refurbished game room;
  - Refurbished wood/craft shop and purchased related equipment;
  - Installed garden room flooring and hallway flooring;
  - Installed automatic door from garage to basement and provided fobs for resident access ; and
  - Installed electric vehicle charging station in garage.

Forest Hill

Like Lake Park, Forest Hill has was extensively renovated from 2016 to 2018 including the following upgrades costing about $2,684,000:

- Remodeled and refreshed 45 independent living and 11 assisted living apartments;
- Added 200-foot atrium-style café (Courtyard Café) for refreshments and all-day dining;
- Renovated South Wing garden;
- Refurbished lobby women's room and beauty salon;
- Installed health center carpeting, mattresses and seating;
- Furnished two assisted living apartments to promote respite service;
- Refurbished main dining room chairs;
- Replaced flooring throughout main building;
- Fully renovated the main entrance lobby area including the reception desk;
- Installed automatic doors in main entrance and courtyard area;
- Installed electric vehicle charging station in underground garage;
- Resurfaced cottage deck surfaces;
- Replaced overhead doors and openers on Fountain Avenue garages;
- Refinished lobby paneling on main floor; and
- Fully renovated exterior and all common areas of West Wing.

Capital Expenditures

CNMH has committed to providing quality senior housing and skilled care in a contemporary, well-maintained and homelike environment at both of its Communities. The table to the right summarizes the Seller's capital expenditures in addition to the above renovation projects completed from 2016 to 2018. Specifically, the table summarizes capital expenditures at the Communities from FY 2018 through the TTM period ended 3/31/2021. Since FY 2018, CNMH has spent more than $3.4 million on capital expenditures, however, this commitment to capital investments has scaled back in recent periods due to the Seller's cash flow issues and subsequent Chapter 11 bankruptcy filing. Nonetheless, prospective buyers should take comfort that management has reinvested in the Communities.

Period	Capital Expenditure $	CapEx per Bed/Unit
FY 2018	$1,207,256	$3,410
FY 2019	1,000,803	2,851
FY 2020	796,232	2,275
TTM 3/31/2021	460,530	1,316
Total	**$3,464,821**	**$9,852**
Average	**$866,205**	**$2,463**
Maximum	**$1,207,256**	**$3,410**
Minimum	**$460,530**	**$1,316**



TRANSACTION CONTACTS

Daniel Revie
Managing Director
414-978-6556 office
312-307-5795 mobile
drevie@ziegler.com

Tedd Van Gorden
Vice President
414-978-6510 office
636-399-1550 mobile
tvangorden@ziegler.com

Michael Anthony
Senior Associate
615-982-7563 office
609-707-4194 mobile
manthony@ziegler.com

Lucas DeSantis
Analyst
312 596-1564 office
303 902-2442 mobile
ldesantis@ziegler.com

Ziegler

A copy of the Executive Summary prepared by Ziegler

Ziegler









Acquisition Opportunity

Two Continuing Care Retirement Communities Located in Northern California

California-Nevada Methodist Homes ("CNMH" or the "Seller") has retained Ziegler Investment Banking ("Ziegler") as its exclusive financial advisor to explore its strategic alternatives as part of its Chapter 11 bankruptcy proceedings with federal courts in the Northern District of California and the State of California Attorney General. An electronic data room has been created for the purpose of interested parties to conduct due diligence. Access to this electronic data room require the execution of a Confidentiality Agreement.

CNMH001412

CALIFORNIA CCRC ACQUISITION OPPORTUNITY

On September 27, 2019, California-Nevada Methodist Homes (the "Company" or "CNMH") submitted a notice and request for consent to the California Attorney General in connection with the proposed sale of its assets. The Company was unable to achieve a sale with prospective buyers. Subsequently, on March 16, 2021, CNMH filed for voluntary Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Northern District of California (Case No. 21-40363). CNMH also filed an application to retain Ziegler as its Investment Banker with the authorization for the sale of the Portfolio. On May 19, 2021 the application was approved by the United States Bankruptcy Court Northern District of California.

Given the sale of Portfolio's assets is tied to Chapter 11 bankruptcy proceedings, the Seller is extremely sensitive to timing in this matter. Interested parties are encouraged to promptly review the Offering Memorandum as well as other information in the data room and, if interested, prepare initial proposals as quickly as practicable. The Seller would like to receive initial proposals for consideration as the "stalking horse" bid no later than July 16, 2021. . An electronic data room has been created for the purpose of interested parties to conduct due diligence. Access to this electronic data room require the execution of a Confidentiality Agreement.

INVESTMENT HIGHLIGHTS

California-Nevada Methodist Homes (the "Company" or "CNMH") is a nonprofit public benefit corporation and Section 501(c)(3) public charity. CNMH owns and operates two continuing care retirement communities ("CCRCs"): Lake Park in Oakland, California and Forest Hill in Pacific Grove, California as well as a single-story office building located adjacent to the Lake Park community (the "Portfolio" or the "Communities"). Ziegler Investment Banking ("Ziegler") has been retained by CNMH to act as the sole Investment Banker to conduct a solicitation of offers for an asset sale of the Portfolio.

Operating & licensed bed/unit mix, service offerings as of October 2020 are summarized below:

Community: Level of Care	Licensed Capacity[1]	Operating Beds/Units	Occupancy %[2]
Lake Park			
Independent Living	-	143	74.8%
Assisted Living	275[2]	37	48.6%
Skilled Nursing	35	35	37.1%
Lake Park - Subtotal	***310***	***215***	***64.2%***
Corporate Office	**-**		
Forest Hill			
Independent Living	-	91	38.5%
Assisted Living	150[2]	18	66.7%
Skilled Nursing	26	26	65.4%
Forest Hill - Subtotal	***176***	***135***	***47.4%***
Total Bed/Unit Count	**486**	**350**	**57.7%**

[1] As of May 21, 2021 based on total operating beds/units.
[2] Units are licensed as Residential Care for Elderly Continuing Care Contracts with the California Department of Social Services. Licensed units include independent and assisted living units within each Community.

Lake Park and the adjacent office building are located in the historic Lakeside neighborhood between the west bank of Lake Merritt and downtown Oakland.

Forest Hill is located on the Monterey Peninsula less than a mile away from the Pacific shoreline and three miles from Pebble Beach golf resort. It is the only senior living community in the area with views of the Pacific Ocean.







LOCATION

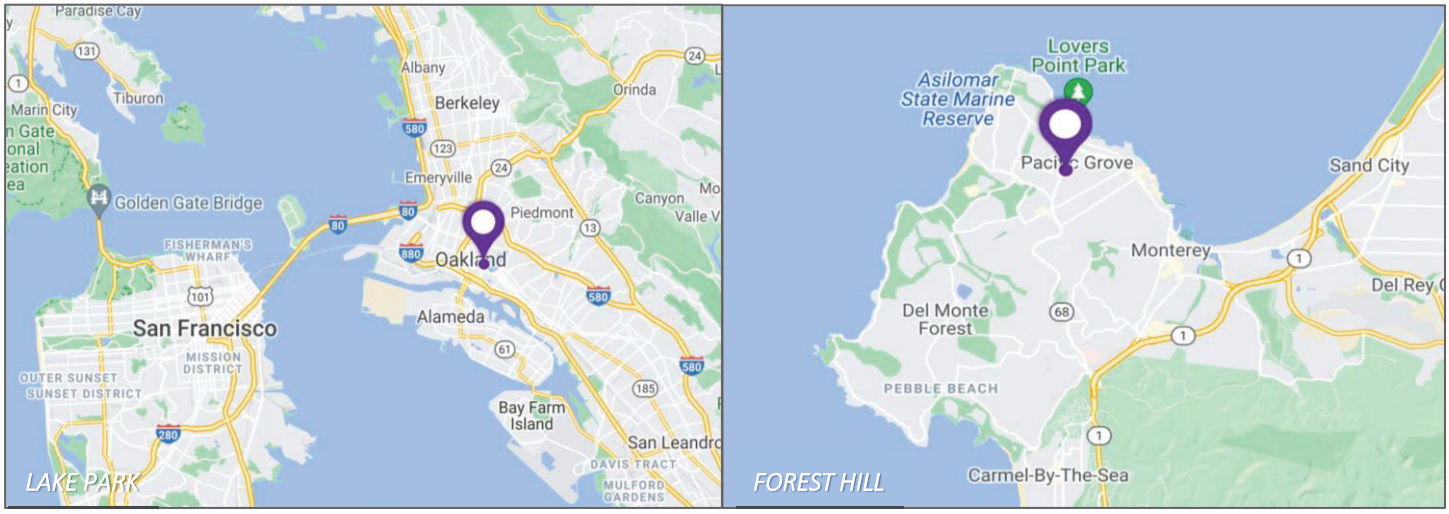
Lake Park

Lake Park and the adjacent office building are located in Oakland, California, steps away from Lake Merritt and just a few blocks from Oakland's main street, Broadway. The Community's location puts residents within walking distance of cultural activities, restaurants, entertainment, and shopping at Jack London Square. Bay Area Rapid Transit (BART) stations and the bus transit stops are conveniently located near the Community making San Francisco and Berkeley easily accessible. The Community is a short drive from both the Oakland International Airport (15 minutes) and the San Francisco International Airport (30 minutes).

Forest Hill

Forest Hill is located in Pacific Grove, California, on the tip of the scenic Monterey Peninsula between Monterey and Pebble Beach and is a short drive from Carmel and Big Sur on the picturesque Central Coast of California. The Community offers unmatched views of the ocean and Monterey Bay. Less than a half mile away from the water front, residents are able to walk along ocean-side trails, enjoy shopping in downtown Pacific Grove, or visit the world renowned Monterey Bay Aquarium. The area is home to six different golf courses including legendary Pebble Beach Golf Links, rated the number one public course in the United States.

COMMUNITY MAP



COMMUNITY LAYOUT





DISCLAIMER

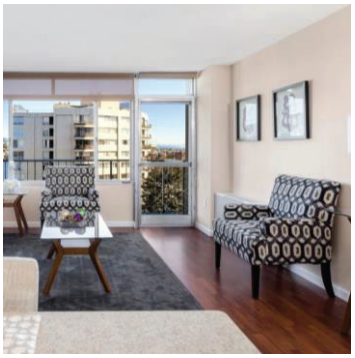
California-Nevada Methodist Homes ("CNMH" or the "Seller") has retained Ziegler Investment Banking ("Ziegler") as its exclusive financial advisor to explore its strategic alternatives as part of its Chapter 11 bankruptcy proceedings with the Bankruptcy Court for the Northern District of California.

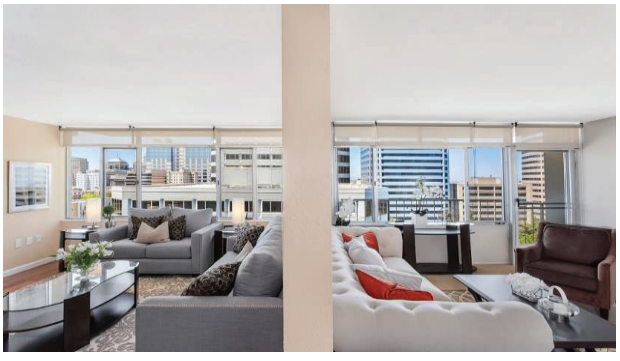
The Seller owns a portfolio of two continuing care retirement communities ("CCRCs") and an adjacent office building (the "Portfolio" or the "Communities") in California. This presentation has been prepared by Ziegler from materials supplied by the Seller and publicly available information. The sole purpose of this presentation is to assist in a restructuring transaction that could include the sale of substantially all assets, affiliation, sponsorship, or other structure . This presentation does not purport to be all-inclusive or to necessarily contain all information that a prospective purchaser may desire in investigating the Seller and the Portfolio. Ziegler makes no representations or warranties, expressed or implied, as to the accuracy or completeness of the information contained herein, and expressly disclaims any and all liability for representations or warranties, expressed, implied, or contained in, and for omissions from, this presentation or any written or oral communication transmitted or made available. The Seller will have legal responsibility only for the representations and warranties set forth in a written agreement when and if executed and delivered by the parties thereto and subject to limitations and restrictions set forth therein. Ziegler has not independently verified any of the information contained in this presentation or any written or oral communication transmitted or made available, and has not made and will not make, an independent evaluation or appraisal of any of the assets or liabilities of the Seller.

This presentation is being provided to the recipient pursuant to a confidentiality agreement that governs the obligations of the Seller and the recipient with regard to confidentiality. By acceptance of this presentation, and in accordance with the confidentiality agreement, but without limiting the information provided herein, or the scope or terms thereof, the recipient agrees that it will not distribute this presentation to any person, in whole or in part, at any time without the prior written consent of the Seller and that it will keep confidential all information contained herein or made available in connection with any further investigation. This presentation is being delivered for informational purposes only and upon the express understanding that it will be used only for the purpose set forth above. Upon request and in accordance with the confidentiality agreement, the recipient will return promptly all material received from the Seller and Ziegler (including this presentation) without retaining any copies thereof. In furnishing this presentation, the Seller undertake no obligation to provide the recipient with access to any additional information or to update any of the information contained herein.

This presentation includes certain historical and projected financial and operating data. The estimated operating results are derived from internal management reports, and the adjusted results are derived in part from management's internal analysis. These estimates and projections reflect management's assumptions concerning anticipated results at the time made, may or may not prove to be correct, and are subject to significant economic, competitive, and regulatory uncertainties and contingencies beyond the Seller's control. Past performance may not be necessarily indicative of future performance. Consequently, no assurances are made or implied as to the reliability of such estimates or projections, and the inclusion of estimates and projections herein should not be regarded as a representation that the estimated or projected results will be achieved. No independent accounting firm has examined or reviewed the financial estimates or projections contained herein.





TRANSACTION CONTACTS

Daniel Revie
Managing Director
414-978-6556 office
312-307-5795 mobile
drevie@ziegler.com

Tedd Van Gorden
Vice President
414-978-6510 office
636-399-1550 mobile
tvangorden@ziegler.com

Michael Anthony
Senior Associate
615-982-7563 office
609-707-4194 mobile
manthony@ziegler.com

Lucas DeSantis
Analyst
312-596-1564 office
303-902-2442 mobile
ldesantis@ziegler.com

Copies of signed NDAs from interested parties (55)

Ziegler
CAPITAL :: INVESTMENTS :: ADVICE

735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: 6/8/2021, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

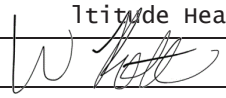
Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	ltitude Health Services
Signature:	
Name:	William Rothner
Title:	resident
Address:	
Phone:	
Email:	rothner@altitudehs.com

Ziegler
CAPITAL :: INVESTMENTS :: ADVICE

735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 18, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company, American Healthcare Investors, LLC, ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those affiliates, officers, employees, directors, agents, consultants, advisors, potential operators, equity sources and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time and at the request of Seller Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within ten (10) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, (c) becomes available on a non-confidential basis from a source other than CNMH, or (d) is required to be disclosed by law, including securities law.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of one (1) year commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	American Healthcare Investors, LLC
Signature:	
Name:	
Title:	
Address:	
Phone:	
Email:	

Ziegler
CAPITAL :: INVESTMENTS :: ADVICE

735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: July 17, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that AREP HC Fund II Investments, LLC ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents, consultants and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

Upon CNMH's requestIf, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy, at Buyer's election, within five (5) business days after receiving such demand and will not retain any copies, extracts or other reproductions, in whole or in part, of such Confidential Information. Buyer shall have the right to retain a copy of the Confidential Information to the extent Buyer deems necessary or reasonably desirable for regulatory or corporate governance purposes (which Confidential Information will remain subject to this agreement).

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative in response to general solicitations not specifically targeted at such person.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

So long as Ziegler is contractually engaged as the sole broker and representative of CNMH and/or the bankruptcy court on the Proposed Transaction, and Ziegler's contract has not expired, has not otherwise been terminated, or is not valid, Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or
(c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of one (1) year commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	AREP HC Fund II Acquisitions, LLC
Signature:	
Name:	Brandon Phillips
Title:	Authorized Signer
Address:	2000 Avenue of the Stars, Suite 630N
	Los Angeles, CA 90067
Phone:	424.281.1027
Email:	brandon.phillips@artemisrep.com

Ziegler
CAPITAL :: INVESTMENTS :: ADVICE

735 North Water Street
Suite 1000
Milwaukee, WI 3202

Phone: 14-978-6
Toll-free: 00- 97- 272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date June 18, 02

RE California-Nevada Methodist Homes

Dear Interested Party

It is anticipated that you an your company ("Buyer" or "Strategic Partner") an California-Neva a Metho ist Homes ("CNMH") will be engaging in iscussions an exchanging information about CNMH's two continuing care retirement communities ("CCRCs") an an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is inten e that the information exchange shall be subject to the provisions of this letter agreement an shall inclu e, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical an other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows

Buyer shall keep confi ential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, inclu ing any and all analyses, reports or other documents or records prepare by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted un er this letter agreement, Buyer shall not isclose all or any portion of such Confi ential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the etriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consi eration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be isclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confi ential Information for the purpose of evaluating an considering the Proposed Transaction, an those parties shall agree to terms of this agreement.

CNMH has en eavored to provide Confidential Information which is complete an accurate for purposes of evaluating the Propose Transaction. Buyer acknowle ges, however, that neither CNMH nor any of its representatives or a visors have ma e or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or a visors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confi ential Information an will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written eman for the return or estruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such deman .

Buyer agrees that unless an until a efinitive agreement between Buyer an CNMH is fully executed and delivered, neither CNMH nor Buyer will be un er any legal obligation of any kin whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH an its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, an , without preju ice to any other rights an remedies otherwise available to CNMH, Buyer agrees that CNMH an its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH an , in the event of such consent, shall contact, visit or inspect only upon the terms an con itions specified by CNMH.

Buyer agrees that, for a perio of two ( ) years from the date of this letter agreement, you will not, irectly or in irectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative an without any solicitation by you.

Buyer shall not be boun by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its isclosure in connection with the Propose Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH irectly or in irectly to (a) engage in any discussions or negotiations with and/or (b) seek to enter any agreement with and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or in ivi ually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises an agreements set forth herein.

This letter agreement shall become effective as of the date on which it is execute on behalf of Buyer an returne to Ziegler Investment Banking on behalf of CNMH.

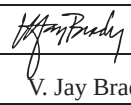
Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be con ucted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of an shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(ignatures on following p ge .)

Accepted an Agreed as of the date first written above:

Company:	Aspen Skilled Healthcare, Inc
Signature:	
Name	V. Jay Brady
Title:	President
Address	28202 Cabot Rd. suite 400
	Laguna Niguel, CA 92677
Phone	949-347-7100
Email:	jbrady@aspenhealth.com

CONFIDENTIALITY AGREEMENT

Date: June 17, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that Assured Healthcare Partners LLC ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including that portion of any and all analyses, reports or other documents or records prepared by or at the direction of Buyer to the extent they include or otherwise reflect such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party other than (i) as required by law, rule or regulation, or (ii) to its affiliates and its and their respective officers, directors, employees, partners, managers, members, consultants, financing sources, current and potential investors in affiliated funds, potential co-investors, or advisors (including without limitation, attorneys, accountants, bankers and other advisors (the "Representatives") and solely to the extent such Representatives need to know such Confidential Information.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those Representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall be directed to keep such Confidential Information confidential and comply with the expressly applicable terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information unless and until a definitive agreement is executed between such parties in connection with the Transaction.

At any time upon written request, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within ten (10) business days after receiving such demand. Notwithstanding anything to the contrary in this paragraph, Buyer and its Representatives may each retain copies of the Confidential Information for its and their respective legal files for regulatory and compliance purposes, in accordance with a bona fide document retention policy, or any electronic copies which have been archived pursuant to automatic back-up procedures and disaster recovery systems.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any CNMH employee or visit or inspect CNMH without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH; provided however, nothing shall prohibit contacts and communications in the ordinary course of business unrelated to the Proposed Transaction.

Buyer agrees that, for a period of one (1) year from the date of this letter agreement, Buyer will not, directly or indirectly, solicit for employment any management-level employee of the CNMH or any of its controlled affiliates or subsidiaries with whom Buyer has had contact or who became known to Buyer in connection with Buyer's consideration of the Proposed Transaction; provided, however, that Buyer shall not be prohibited from employing any such person who (a) has ceased to be employed by CNMH thereof prior to the commencement of employment discussions; (b) responds to any general solicitation placed by Buyer (including, without

limitation, any recruitment efforts conducted by any recruitment agency); or (c) contacts Buyer on his or her own initiative and without any solicitation by Buyer.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, (c) becomes available on a non-confidential basis from a source other than CNMH, (d) was in Buyer's or any Representative's possession prior to disclosure from the CNMH, or (e) was or is developed by Buyer or Buyer's Representatives independently of, and without using, the Confidential Information.

Buyer agrees that, during the Restricted Period, it will not, without the prior written consent of Ziegler Investment Banking, acquire or seek to acquire the CCRCs. Restricted Period means the period beginning on the first date written above and ending upon the earliest to occur of (i) six (6) months from the date hereof, (ii) the date on which the CNMH ceases to pursue the Proposed Transaction (CNMH shall notify Buyer of such an event (e-mail is sufficient)); or (iii) CNMH ceasing to be involved in exclusive negotiations with Ziegler Investment Banking in connection with the Proposed Transaction (CNMH shall notify Buyer of such an event (e-mail is sufficient)).

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that during the term of the letter agreement, in connection with the Proposed Transaction, all contact with CNMH or with persons at or associated with the CCRCs will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer; provided however, nothing shall prohibit contacts and communication (i) in the ordinary course of business unrelated to the Proposed Transaction and (ii) between Buyer and its Representatives.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This agreement shall expire upon the earlier to occur of (i) one (1) year after the date hereof, or (ii) consummation of the Proposed Transaction.

This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to the conflict of laws principles thereof. Parties hereto submit to the exclusive jurisdiction of competent federal and state courts located in New York County, New York.

Notwithstanding anything to the contrary herein, this Agreement shall not limit, restrict or impair the ability of Buyer or any of its Representatives to engage in transactions with respect to

debt or securities of any person or entity so long as such transactions would not violate applicable securities laws. Further, notwithstanding anything to the contrary contained herein, CNMH acknowledges that Buyer's businesses and the businesses of its Representatives include the analysis of, and investment in, securities, instruments, businesses and assets, and that the review of the Confidential Information inevitably will serve to give Buyer and its Representatives a deeper knowledge and understanding in a way that cannot be separated from their other knowledge. Accordingly, CNMH agrees that this Agreement shall not restrict Buyer's or its Representatives' use of such overall knowledge and understanding for their own internal purposes and not in violation of any applicable securities laws.

(*Signatures on following page*)

Accepted and Agreed as of the date first written above:

Assured Healthcare Partners LLC

By:  _____
Name: Richard Horne
Title: Deputy General Counsel, Tax
Date: June 17, 2021

Assured Healthcare Partners LLC
1633 Broadway, 25th Floor
New York, NY 10019
Attention: Office of the General Counsel

Ziegler
CAPITAL :: INVESTMENTS :: ADVICE

735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 21, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Auctus Capital Partners
Signature:	
Name:	Tyler Moore
Title:	Vice President
Address:	4241 Jutland Dr, Suite 210
	San Diego, CA 92117
Phone:	208.559.0502
Email:	tyler@auctuscp.com



Ziegler
CAPITAL :: INVESTMENTS :: ADVICE

35 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 14-978-6556
Toll-free: 00-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 10, 021

RE: California-Nevada Methodist Homes

Dear Aurora Health Network LLC ("Buyer"):

It is anticipated that Buyer and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions nd exchanging information about CNMH's two continuing care retirement communities ("CCRCs") nd an djacent office building in Northern California in connection with possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged on or fter the date hereof regarding the Proposed Tr ns ction shall be subject to the provisions of this letter greement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical nd other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or t the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or ny portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic lternatives) shall be used by Buyer in ny way other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those of its ffiliates, nd its nd their respective officers, employees, directors, gents, dvisors, legal counsel, operators, partners, investors, consultants, financing sources and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, nd those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete nd accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that, except as may be provided in definitive written agreement regarding the Proposed Transaction, (i) neither CNMH nor any of its represent tives or dvisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information; and that (ii) neither CNMH nor its representatives or dvisors shall have ny liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within reasonable time, Buyer shall, upon CNMH's written request, promptly redeliver to CNMH or destroy ll printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, t any time hereafter, CNMH makes a written demand for the return or destruction of ll Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days fter receiving such demand; provided that, notwithstanding anything to the contrary contained herein, Buyer may retain the Confidential

Information that it deems necessary for internal record keeping policies and/or legal compliance purposes, which Confidential Information shall be held subject to the confidentiality and use obligations hereunder .

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of ny kind whatsoever with respect to the Proposed Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or dvisor, except as to the matters specifically greed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its ffiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, nd, without prejudice to any other rights and remedies otherwise vailable to CNMH, Buyer agrees that CNMH nd its ffiliates shall be entitled to seek equitable relief by way of injunction or otherwise upon ny such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

[1]

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on non-confidential basis from a source other than CNMH.

Buyer shall not ttempt to circumvent, void or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter ny agreement with ny other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of ny information or the name of ny contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons t or ssociated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor ny of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of nd shall be enforceable by CNMH.

This letter agreement shall have term ending upon the earlier of one (1) year commencing on the date we execute the letter agreement as set forth bove nd (ii) the date on which the parties hereto or their affiliates enter into definitive agreement regarding the Proposed Transaction.

This letter agreement shall be governed, construed, nd enforced in ccordance with the laws of the State of New York, without regard to principles of conflicts of law. Notwithstanding anything contained in this letter agreement to the contrary, in no event shall Buyer be liable for any indirect, special, punitive, or consequential damages whatsoever in connection with or arising out of this letter agreement. In the event that n electronic data site is used to provide ny Confidential Information and such site contains a "click through" confidentiality greement, the terms of this letter agreement shall control and shall not be deemed amended or expanded by such "click through" confidentiality greement. Nothing contained herein shall in ny way prohibit or limit Buyer or its ffiliates from engaging in, or evaluating the opportunity to engage in, transaction in related to the assets nd/or entities that re the subject matter of the Proposed Transaction.

(Signatures on following page.)

[1] NTD: Not the purpose of this agreement

Accepted nd Agreed as of the date first written bove by:

Aurora Health Network LLC

By:_____

Name: Joel Landau
Title: Authorized Signatory

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: June 11, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Avalon Health Care, Inc.
Signature: Schuyler Hollingsworth Jr.
Name: Schuyler Hollingsworth JR.
Title: MD of Acquisitions and Development
Address: 206 N 2100 W
Salt Lake City, UT 84116

Phone: (c) 385-212-9920
Email: Schuyler.hollingsworth@avalonhealthcare.com

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Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: 6-25-, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: BH Properties

Signature: [signature]

Name: STEVE GOZINI

Title: CEO

Address: 11111 Santa Monica Blvd. Suite 600
Los Angeles, CA 90025

Phone: 310-820-8888

Email: howard.weg@bhproperties.com 310-294-8022
andrew.vantuyle@bhproperties.com 310-869-3767

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Milwaukee, WI 53202

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Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: _____, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

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CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: _____

Signature: _____

Name: _____

Title: _____

Address: _____

_____

Phone: _____

Email: _____

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Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: July 21, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

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In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

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This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: CHG Holdings Acquisitions, LLC

Signature:

Name: Kenneth Assiran

Title: Authorized Signatory

Address: 1422 Clarkview Rd
Baltimore, MD 21209

Phone:

Email: jwalsh@cuphealthgroup.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: June 8, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

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Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	CareTrust REIT, Inc.
Signature:	
Name:	Joe Callan
Title:	Vice President, Acquisitions
Address:	905 Calle Amanecer, Suite 300, San Clemente, CA 92673
Phone:	949-542-3139
Email:	jcallan@caretrustreit.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: June 9, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	CHI Living Communities
Signature:	Timothy Dressman
Name:	Timothy Dressman
Title:	Vice President of Business Development
Address:	930 South Wynn Road
	Oregon, OH 43616
Phone:	9378300021
Email:	tdressman@chilivingcomm.org

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 28, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that Confluent Development, LLC, a Colorado limited liability company ("Buyer", "Strategic Partner" or as the context may require, "you") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents, existing and potential operators, lenders and investors, attorneys, accountants and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction (the "Representatives"), and those Representatives shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

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Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach. If either party prevails in the enforcement of its rights or in the enforcement of the other parties' obligations or in connection with any other dispute regarding this letter agreement, the prevailing party shall be entitled to recover from the other party all reasonable costs and expenses, including reasonable attorney's fees, incurred by the prevailing party in connection with such litigation as part of any judgement rendered in addition to any other relief to which the prevailing party may be entitled. Notwithstanding anything to the contrary contained herein, in no event shall Buyer or any of its Representatives be liable for any special, indirect, punitive or consequential damages as a result of a violation of this letter agreement.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of one (1) year from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, (c) becomes available on a non-confidential basis from a source other than CNMH, or (d) is not marked "confidential" if in writing or indicated as confidential prior to oral disclosure.

This letter agreement shall supersede, and shall not be modified or amended by, the terms or conditions of use or confidentiality or non-disclosure provision of any electronic data room established or maintained by the CNMH or its representatives, and no such terms or conditions of use or confidentiality or non-disclosure required to be acknowledged to access any such electronic data room will be considered binding on the Buyer or its Representatives.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall terminate the earlier of: (i) one (1) year from the date we execute the letter agreement as set forth above, and (ii) the date Buyer and CNMH enter into a definitive agreement in connection with the Proposed Transaction.

(Signatures on following page.)

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Accepted and Agreed as of the date first written above:

Company: Confluent Development, LLC, a Colorado limited liability company

Signature: DocuSigned by: 0A4775CDE8C24C4...

Name: Jonathan Rankin

Title: SVP & CFO

Address: 2240 Blake Street, Suite 200, Denver, CO 80205

Phone: (303) 573 -6500

Email:

6/28/2021

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Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: June 9, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Covington Investments, LLC
Signature:	
Name:	John E. McMullan
Title:	President
Address:	1175 Peachtree Street, Suite 350 Atlanta, GA 30361
Phone:	404) 873-3434
Email:	ted.mcmullan@covington.net

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Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: _____, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	DiNapoli Capital Partners
Signature:	Michael Sieman
Name:	Michael Sieman
Title:	VP
Address:	3021 Citrus Circle, Suite 130
	Walnut Creek, CA 94598
Phone:	619-721-8880
Email:	msieman@dinapolicapital.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 8, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Emerald Communities
Signature: Matt McArthur
Name: Matt McArthur
Title: CFO
Address: 10901 176th Circle NE
Redmond, WA 98052
Phone: 425-556-8167
Email: MattM@EMERALDCOMMUNITIES.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: January 21, 2022

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand. Notwithstanding the foregoing, Buyer shall be entitled to retain Confidential Information (a) that may be required for the purposes of defending or maintaining any litigation (including any administrative proceeding) relating to this agreement or the Proposed Transaction, (b) to the extent required to do so by applicable law or regulation, or (c) pursuant to Buyer's automatic back-up and archiving systems or the ordinary operation of electronic devices; all of which shall remain subject to the terms and obligations of this agreement.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of one (1) year from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you, provided that, solicitations incidental to general advertising or other general solicitations in the ordinary course not specifically targeted at employees and employment of any person not otherwise solicited in violation hereof shall not be considered a violation.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, (c) becomes available on a non-confidential basis from a source other than CNMH or, (d) was independently developed by Buyer or Buyer's representatives.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking provided that, subsections (a), (b), and (c) above shall not apply to transactions that were already known to Buyer and about which Buyer was already in discussions prior to the disclosure of the Confidential Information from CNMH.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Ensign Services, Inc.
Signature:	
Name:	Chad Keetch
Title:	Secretary
Address:	29222 Rancho Viejo Rd., Ste. 127
	San Juan Capistrano, CA 92675
Phone:	949-487-9500
Email:	ckeetch@ensignservices.net

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 17, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Evergreen Ag, LLC

Signature:

Name: Joel Stutzman

Title: Member

Address: 456 Chesapeake Lakeview Dr Ste 101

Phone: 347-695-4139

Email: jstutzman@evergreenag.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 15, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

~~In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time~~, Upon CNMH request Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of ~~two~~ (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of ~~two~~ (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: FOCUS SH ACQUISITIONS LLC
Signature:
Name: Thomas Girard
Title: Authorized Signatory
Address: 200 W Madison St, Ste 2650
Chicago, IL 60606
Phone: 312-281-9975
Email: tgirard@focushp.com

RIDER TO CONFIDENTIALITY AGREEMENT

This Rider, by and between California-Nevada Methodist Homes ("CNMH") and Focus SH Acquisitions LLC, a Delaware limited liability company ("Focus"), is attached to and made a part of that certain Confidentiality Agreement of even date herewith by and between the CNMH and Focus. In the event of a conflict between the terms of this Rider and the terms of the Confidentiality Agreement, the terms of this Rider shall control. The Confidentiality Agreement and this Rider shall be hereinafter collectively referred to as this "Agreement." Notwithstanding anything to the contrary contained in the Confidentiality Agreement, the parties agree as follows:

1. CNMH acknowledge and agree that any broker involved in this potential transaction represents the CNMH and does not represent Focus, and that under no circumstances will Focus be obligated to pay a broker's commission to CNMH or any of the CNMH's brokers for this potential transaction.

2. It is understood that neither this Agreement nor any prior communications between the parties or their representatives either has or does constitute or give rise to any obligation on the part of either party to enter into any further discussions or agreements.

3. Information required to be kept confidential pursuant to the Confidentiality Agreement (collectively, the "Confidential Information") shall not include information which: (i) is or becomes generally available to the public other than as the result of disclosure by Focus or its agents or representatives; (ii) was or becomes available to Focus on a non-confidential basis from a source that Focus believes is entitled to disclose it on a non-confidential basis, or (iii) is independently developed by Focus or its agents and representatives without the use, directly or indirectly, of the Confidential Information provided by CNMH.

4. This Agreement will apply only to Focus and its officers, directors, employees, partners, investors, affiliates, lenders, attorneys, agents, accountants, advisors, consultants, and subcontractors to whom Focus discloses Confidential Information ("Representatives"). Focus shall direct the Representatives to use the Confidential Information in accordance with the terms of this Agreement, but shall not be required to have the Representatives sign agreements to that effect.

5. If Focus or its affiliates or Representatives are required by law or requested pursuant to a subpoena or order issued by a court or other governmental authority to disclose any Confidential Information, Focus or its affiliates or the Representatives may disclose such Confidential Information to the extent required by law, subpoena, or court order.

6. Notwithstanding anything to the contrary contained in this Agreement, if CNMH (or its principal) and Focus (or one of its affiliates) enter into a definitive agreement, this Agreement shall be deemed to be merged into such agreement and of no further force or effect. If Focus or one of its affiliates and CNMH do not enter into a definitive agreement, this Agreement will terminate one year after the date hereof.

7. Unless Focus completes a transaction with (or involving) CNMH, then upon CNMH's request, Focus shall promptly return to CNMH, or at Focus's option, destroy, all Confidential Information which has been provided by CNMH; provided, however, that Focus may retain for its files any of the Confidential Information shared with the governing bodies of Focus or its affiliates or as otherwise required by law, regulation or internal document retention policy, and such computer records or files containing Confidential Information that have been created pursuant to automatic electronic archiving and back-up procedures. All files, analysis and correspondence created by Focus

regarding a potential transaction shall remain the property of Focus and shall not be destroyed.

8. In the event of litigation hereunder, the non-prevailing party shall pay the litigation expenses (including attorney's fees) of the prevailing party.

9. The terms of this Confidentiality Agreement and Rider shall supersede any electronic confidentiality agreement Focus is required to acknowledge in order to gain access to the Confidential Information.

AGREED UPON BY:

CNMH:

_____

FOCUS SH ACQUISITIONS LLC

By:_____

Name:_____

Title:_____

By: Thomas Girard

Name: Thomas Girard

Title: Authorized Signatory



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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 14, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the written Confidential Information submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, lenders, financial partners, attorneys, accountants, affiliates, potential debt and equity financing sources, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the destruction of all Confidential Information, Buyer shall promptly destroy after receiving such demand. Notwithstanding the foregoing, Buyer may retain Confidential Information to comply with law, regulation, or internal document retention policy. Additionally, Buyer may retain any Confidential Information that has been stored on its electronic back-up server in the ordinary course.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to seek equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Each Party agrees that, for a period of one (1) year from the date of this letter agreement, the Parties will not, directly or indirectly, solicit for employment any employee of the other Party or any of its affiliates or subsidiaries with whom they have had contact or who became known to the Party in connection with the other Party's consideration of the Proposed Transaction; provided, however, that the Parties shall not be prohibited from employing any such person who contacts the other Party on his or her own initiative and without any solicitation by the first Party.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, (c) becomes available on a non-confidential basis from a source other than CNMH; (d) was in Buyer's possession before this agreement was effective for any reason; or (e) information independently developed by Buyer or its representatives from sources other than the Confidential Information..

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date that the last party signed the contract.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer regarding this Proposed Transaction or the Confidential Information.

This letter agreement shall have a term of one (1) year commencing on the date that the last party signed the contract.

This Agreement shall be governed in accordance with the law of the state of Delaware.

(Signatures on following page.)

Accepted and Agreed as of the date of the last signature:

CNMH

Company:	California-Nevada Methodist Homes
Signature:	
Name:	
Title:	
Date	
Address:	
Phone	
Email	

Buyer

Company:	Formation Capital, LLC
Signature:	
Name:	David Russ
Title:	CEO
Date	June 14, 2021
Address:	3500 Lenox Rd, Suite 510, Atlanta, GA 30326
Phone	(678) 578-8393
Email	druss@formationcapital.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: June 11, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Watermark

Signature: [signature]

Name: Bryan Schachter

Title: CPO

Address: 2020 W. Rudasill Rd
Tucson, AZ 85704

Phone: 520-603-3545

Email: Bryan@thefreshwatergroup.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: June 15, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business, whether written or oral, submitted by or on behalf of CNMH to Buyer, and any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such information (collectively, the "Confidential Information").

Buyer agrees as follows:

Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of the Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer other than in connection with Buyer's evaluation and consideration, and if applicable, negotiation and execution of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to Buyer's affiliates and Buyer's and its affiliates' respective officers, employees, directors, agents, consultants, advisors, and potential sources of debt or equity capital who reasonably need to know such Confidential Information for the purpose of evaluating and considering, and if applicable, negotiation and execution the Proposed Transaction, and those parties shall agree to terms of this agreement.

Notwithstanding anything herein to the contrary, Buyer may disclose Confidential Information without CNMH's prior written consent to the extent such information is required to be disclosed by order or direction of a court or tribunal of competent authority under applicable law or by a governmental statute, order, decree, regulation or rule or is requested or required to be disclosed to any governmental or regulatory authority or auditor or pursuant to regulatory oversight by an applicable regulatory authority (whether by exam, audit, inquiry, request or otherwise), provided that, except as prohibited by law or if responding to a request pursuant to regulatory oversight, Buyer will promptly notify CNMH of such requirement, and furnish only that Confidential Information as it is legally compelled to disclose, and exercise its commercially reasonable efforts to cooperate with CNMH, at CNMH's sole expense, in its efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to the disclosed Confidential Information.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its

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representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

If requested in writing by CNMH, Buyer shall promptly redeliver to CNMH or at Buyer's option, destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material; provided, however, Buyer may retain such Confidential Information as required by law, regulation or internal document retention policies, including electronic backup and archiving procedures.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to seek equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH (except for contacts in the ordinary course of business unrelated to the Proposed Transaction) and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you or pursuant to a general solicitation by you not targeted at employees of CNMH or any of its affiliates.

Notwithstanding anything herein to the contrary, Confidential Information shall not include and Buyer shall not be bound by the terms of this letter agreement with respect to any information which (a) becomes generally available to the public other than as a result of disclosure by Buyer in violation of the terms of this letter agreement, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) was or becomes available to Buyer from a source other than CNMH that is not known by Buyer at the time it receives the information to be under an obligation of confidentiality to CNMH with respect to such information, or (d) is developed independently by Buyer without use of any Confidential Information.

Buyer shall not directly or indirectly contact CMNH or the senior lender to CMNH without the prior consent of Ziegler Investment Banking, except for contacts in the ordinary course of business unrelated to the Proposed Transaction.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH, and all obligations hereunder shall expire on the first anniversary of such date.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community, in either case relating to the Proposed Transaction, will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer, except for contacts in the ordinary course of business unrelated to the Proposed Transaction.

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This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall be construed under the laws of the state of New York, without regard to conflict of law principles. If there is any inconsistency between this Agreement and the terms and conditions of any agreement that the Recipient or any of its Representatives must "click through" for online data room access to any Confidential Information, then the terms and conditions of this Agreement shall govern in all respects.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Fundamental Advisors LP
Signature:	DocuSigned by: Ryan Keane 50897B0F4532467...
Name:	Ryan Keane
Title:	Managing Director
Address:	745 Fifth Avenue, 25th Floor
	New York, NY 10151
Phone:	(212) 205-5029
Email:	RKeane@fundamental.com

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Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: June 21, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Generations, LLC
Signature:	
Name:	Maxwell Gaubert
Title:	Div. Business Development
Address:	8446 SE Sunnybrook BLVD
	Suite 100, Clackamas, OR 97015
Phone:	503 652 0750
Email:	Maxgabriel@generationsLLC.com

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Suite 1000
Milwaukee, WI 53202

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Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: June 15, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party except to its Representatives (as defined below).

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, consultants, advisors, financing sources, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction (collectively, "Representatives"), and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer receives a written request from CNMH, Buyer shall promptly redeliver to CNMH or destroy, at Buyer's election, all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy promptly after receiving such written demand. Notwithstanding the foregoing, Buyer's legal department and/or outside counsel may keep one copy of the Confidential Information (in electronic or paper form) and, with respect to its Representatives who are accounting firms, brokers, securities firms or financial institutions, such firms may keep a copy or copies of the Confidential Information if required by policies and procedures implemented by such accounting firms, brokers, securities firms or financial institutions in order to comply with applicable law, regulation, professional standards or bona fide document retention policy, and Buyer and its Representatives may retain Confidential Information to the extent it is "backed-up" on its or their (as the case

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may be) electronic information management and communications systems or servers, is not available to an end user without the use of procedures for which end users are not typically trained, and cannot be expunged without considerable effort.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to seek equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH. Buyer shall not be prohibited from contacting any of CNMH's lessees, vendors, customers, personnel or any other person or entity with whom this letter agreement prohibits contact, provided that such contact is in the ordinary course of Buyer's business and unrelated to the Proposed Transaction.

Buyer agrees that, for a period of one (1) year from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who (i) contacts you on his or her own initiative and without any solicitation by you, (ii) responds to any public advertisement placed by Buyer, (iii) responds to any solicitation by third party firms that are not directed to target CNMH's employees, or (iv) is no longer employed by CNMH or its affiliates prior to commencement of employment discussions between Buyer and such person.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, (c) becomes available on a non-confidential basis from a source other than CNMH, or (d) is independently developed by Buyer or its Representatives without use of or reference to the Confidential Information

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

The terms of this letter agreement shall control over any additional confidentiality requirements imposed by an offering memorandum, web-based database or similar repository of Confidential Information to which Buyer or its Representatives are granted access in connection with this letter agreement, notwithstanding acceptance of such an offering memorandum or submission of an electronic signature, "clicking" on an "I Agree" icon or other indication of assent to such additional confidentiality conditions, it being understood and agreed that Buyer's confidentiality obligations with respect to the Confidential Information are exclusively governed by this letter agreement and may not be enlarged except by an agreement executed by the parties hereto in traditional written format.

This letter agreement shall remain in full force and effect until the earlier to occur of (i) a term of two (2) years commencing on the date Buyer and CNMH execute the letter agreement as set forth above, or (ii) the date upon

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which a definitive written agreement with respect to the Proposed Transaction is executed by and between the applicable parties.

Accepted and Agreed as of the date first written above:

Company: [illegible] Properties, Inc.

DocuSigned by:

Signature: _____

32A307C628E04C8...

Name: Title: Adam G. Mabry, Senior Vice President - Investments

Address: 5050 South Syracuse Street, Suite 800

Denver, CO 80237

Phone: Email: 720-428-5050

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Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 16, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Heritage Campus Group
Signature:	
Name:	William Haase
Title:	Vice Chairman
Address:	601 Carlson Pkwy Ste 1140
	Minnetonka, MN 55305
Phone:	612.902.6090
Email:	william.haase@certusfin.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 15, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	HumanGood
Signature:	Bethany Ghassemi
Name:	Bethany Ghassemi
Title:	General Counsel
Address:	6120 Stoneridge Mall Road, #100
	Pleasanton, CA 94588
Phone:	925-924-7239
Email:	Bethany.Ghassemi@HumanGood.org

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: Dec. 22, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

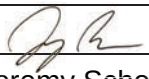
Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Mosaic Development Services, LLC
Signature:	
Name:	Jeremy Schoenfelder
Title:	Director of Development
Address:	1900 Hines St. SE, Suite 150,
	Salem, OR 97302
Phone:	602-576-2747
Email:	jeremys@mosaicdevelopmentservices.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: July 06, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand. Notwithstanding the foregoing, Buyer may retain copies of Confidential Information: a) that is stored on Buyer's IT backup and disaster recovery systems until the ordinary course deletion thereof or (b) as required by applicable law or Buyer's document retention policies. Buyer shall continue to be bound by the terms and conditions of this Agreement with respect to such retained Confidential Information.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

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Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of ~~two (2)~~ one 1) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of ~~two~~ one ~~(2)~~ 1) year~~s~~ commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

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Accepted and Agreed as of the date first written above:

Company:	KSL Real Estate Services, Inc,
Signature:	Axel Guerra
Name:	Axel Guerra
Title:	Assistant Vice President
Address:	5790 Fleet St. Suite 300 Carlsbad, CA 92008
Phone:	760-804-7065
Email:	axel.guerra@kiscosl.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: 9 June, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives* of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement. * Representatives include potential management companies and consultants assessing capex issues.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Lapis Advisers LP
Signature:	
Name:	Basia Terrell
Title:	Managing Partner
Address:	265 Magnolia Ave
	Larkspur CA 94939
Phone:	415 376 6283
Email:	bterrell@lapisadvisers.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free:800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: _____, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

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CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Legalist

Signature: Zachary Campbell

Name: Zachary Campbell

Title: _____

Address: _____

_____

Phone: _____

Email: _____

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: June 10, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of ~~two (2) years~~ one (1) year commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Life Care Companies LLC

Signature:

Name: Dan Lahey

Title: SVP

Address: 400 Locust, Suite 820
Des Moines IA 50309

Phone: 515-875-4625

Email: LAHEYDAN@QCSNET.COM

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Suite 1000
Milwaukee, WI 53202

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CONFIDENTIALITY AGREEMENT

Date: June 23rd, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	MCP
Signature:	
Name:	Aaron Mayer
Title:	Partner
Address:	4550 Wilshire Blvd #206 Los Angeles, CA 90010
Phone:	
Email:	aaronmayer22@gmail.com

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Suite 1000
Milwaukee, WI 53202

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CONFIDENTIALITY AGREEMENT

Date: June 9, _____, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

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Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

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Accepted and Agreed as of the date first written above:

Company: McFarlin Opportunistic Senior Living Fund I, LP

Signature: DocuSigned by: Matt Johnson 703B737CBE2F449...

Name:

Title: Managing Partner

Address:

Phone: 469-619-5418

Email: matt@mcfarlin-group.com

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Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: _____, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

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In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

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Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

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The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Med Healthcare Partners LLC
Signature:	
Name:	Ephram Lahasky
Title:	Member
Address:	34 Lord Avenue
	Lawrence, NY 11559
Phone:	646-772-3668
Email:	mordyeph@gmail.com

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Suite 1000
Milwaukee, WI 53202

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Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: June 21, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

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Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

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The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: MedCore Partners, LLC

Signature: 

Name: Keith Genis

Title: Senior Associate

Address: 12377 Merit Dr. St. 500
Dallas, TX 75251

Phone: 469. 705. 2467

Email: kgenis@medcorepartners.com

BCC Weight and Company

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: _____, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	DiNapoli Capital Partners
Signature:	Michael Sieman
Name:	Michael Sieman
Title:	VP
Address:	3021 Citrus Circle, Suite 130
	Walnut Creek, CA 94598
Phone:	619-721-8880
Email:	msieman@dinapolicapital.com

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Suite 1000
Milwaukee, WI 3202

Phone: 14-978-6
Toll-free: 00- 97- 272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date _____, 02

RE California-Nevada Methodist Homes

Dear Interested Party

It is anticipated that you an your company ("Buyer" or "Strategic Partner") an California-Neva a Metho ist Homes ("CNMH") will be engaging in iscussions an exchanging information about CNMH's two continuing care retirement communities ("CCRCs") an an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is inten e that the information exchange shall be subject to the provisions of this letter agreement an shall inclu e, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical an other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows

Buyer shall keep confi ential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, inclu ing any and all analyses, reports or other documents or records prepare by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted un er this letter agreement, Buyer shall not isclose all or any portion of such Confi ential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the etriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consi eration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be isclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confi ential Information for the purpose of evaluating an considering the Proposed Transaction, an those parties shall agree to terms of this agreement.

CNMH has en eavored to provide Confidential Information which is complete an accurate for purposes of evaluating the Propose Transaction. Buyer acknowle ges, however, that neither CNMH nor any of its representatives or a visors have ma e or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or a visors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confi ential Information an will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written eman for the return or estruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such deman .

Buyer agrees that unless an until a efinitive agreement between Buyer an CNMH is fully executed and delivered, neither CNMH nor Buyer will be un er any legal obligation of any kin whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH an its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, an , without preju ice to any other rights an remedies otherwise available to CNMH, Buyer agrees that CNMH an its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH an , in the event of such consent, shall contact, visit or inspect only upon the terms an con itions specified by CNMH.

Buyer agrees that, for a perio of two ( ) years from the date of this letter agreement, you will not, irectly or in irectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative an without any solicitation by you.

Buyer shall not be boun by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its isclosure in connection with the Propose Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH irectly or in irectly to (a) engage in any discussions or negotiations with and/or (b) seek to enter any agreement with and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or in ivi ually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises an agreements set forth herein.

This letter agreement shall become effective as of the date on which it is execute on behalf of Buyer an returne to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be con ucted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of an shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(ignatures on following p ge .)

Accepted an Agreed as of the date first written above:

Company: _____

Signature: _____

Name _____

Title: _____

Address _____

_____

Phone _____

Email: _____

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CONFIDENTIALITY AGREEMENT

Date: Dec. 22, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

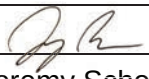
Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Mosaic Development Services, LLC
Signature:	
Name:	Jeremy Schoenfelder
Title:	Director of Development
Address:	1900 Hines St. SE, Suite 150,
	Salem, OR 97302
Phone:	602-576-2747
Email:	jeremys@mosaicdevelopmentservices.com

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CONFIDENTIALITY AGREEMENT

Date: July 9, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: PACIFICA

Signature:

Name: ADAM BANDEL

Title: MANAGING DIRECTOR

Address: 1775 HANCOCK ST. # 200
SAN DIEGO, CA 92110

Phone: 619-296-9000

Email: ABANDEL@PACIFICACOMPANIES.COM

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: January_____18_____, 2022

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those of its and its affiliates' officers, employees, directors, financing sources, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall be directed to comply with the terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

Upon CNMH's request, Buyer shall promptly destroy (to the extent legally permitted) within 10 business days, all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative or in response to general advertising or search firm recruiting not directed at such persons..

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

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Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer regarding the Proposed Transaction.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date set forth above.

Accepted and Agreed as of the date first written above:

Company: Fortress Investment Group LLC

Signature: Michael J. Cohn

Michael J. Cohn
Deputy General Counsel and
Chief Compliance Officer

Address: 1345 Avenue of the Americas, New York, NY 10105

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: June 10, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

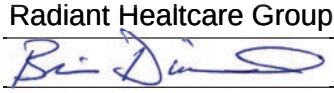
Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Radiant Healtcare Group
Signature:	
Name:	Brian Diamond
Title:	Senior Vice President, Strategy
Address:	135 Chestnut Ridge Rd, Ste 102LL
	Montvale, NJ 07645
Phone:	212-461-1995
Email:	bdiamond@radianthcg.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 15, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of ~~two~~ One (1) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	RSF Partners, Inc.
Signature:	
Name:	William Barns
Title:	Associate
Address:	3899 Maple Ave, St. 250 Dallas, TX 75219
Phone:	(214) 478-7334
Email:	wbarns@rsfpartners.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

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CONFIDENTIALITY AGREEMENT

Date: 6/14/21, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Sage HCP

Signature:

Name: Avi Salit

Title: President

Address: 395 Pearsall Ave
Suite K Cedarhurst NY 11516

Phone: 347-372-1527

Email: avi@sagehcp.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 10, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company and its affiliates ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the Proposed Transaction (collectively, the "Confidential Information").

In order to assure that Buyer holds in confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Except as permitted by this letter agreement, Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration, and if Buyer proceeds, its negotiation and execution, of the Proposed Transaction (the "Permitted Purpose").

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to Buyer and its affiliates and its and their respective those officers, employees, directors, agents, representatives, partners, members, shareholders, potential debt or equity financing sources, consultants and third party advisors (hereinafter "Representatives") who need to know such Confidential Information for the Permitted Purpose. Said Representatives shall be informed by Buyer of the confidential nature of the Confidential Information and shall be directed by Buyer to treat such Confidential Information confidentially.

Notwithstanding anything herein to the contrary, Buyer may disclose Confidential Information without CNMH's prior written consent, to the extent such information is required to be disclosed by order or direction of a court or tribunal of competent authority under applicable law or by a governmental statute, order, decree, regulation or rule or is requested or required to be disclosed to any governmental or regulatory authority or auditor or pursuant to regulatory oversight by an applicable regulatory authority (whether by exam, audit, inquiry, request or otherwise), provided that, except as prohibited by law or if responding to a request pursuant to regulatory oversight, Buyer shall promptly notify CNMH of such requirement, and furnish only that Confidential Information as Buyer is legally compelled to disclose, and exercise its commercially reasonable efforts to cooperate with CNMH, at CNMH's sole expense, in CNMH's efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to the disclosed Confidential Information.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Except as specifically set forth in a definitive purchase and sale agreement between Buyer and CNMH (the "Definitive Agreement"), Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly, at its option, either (a) redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material or (b) destroy such material. Notwithstanding the foregoing, Buyer and its Representatives may retain such copies of the Confidential Information as are required to be retained by applicable law or regulation or by its or their document retention policies, including generally applicable electronic archiving procedures.

Buyer agrees that unless and until the Definitive Agreement is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates may be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH; provided, however, the foregoing provision will not prohibit contact that is conducted in the ordinary course of Buyer's business and is unrelated to the Proposed Transaction.

Buyer agrees that, for a period of one (1) year from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you; provided further, however, this provision shall not restrict general advertisements of employment.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH (and such information shall not be considered "Confidential Information" hereunder) which (a) was already available to Buyer or its Representatives or in its or their possession prior to it being furnished to Buyer hereunder, (b) becomes generally available to the public other than as a result of disclosure by Buyer, (c) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, (d) becomes available on a non-confidential basis from a source other than CNMH or (e) was independently developed by Buyer or its Representatives without reference to the Confidential Information.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer. Notwithstanding the preceding restrictions, Buyer shall not be prohibited from any such contact that is conducted in the ordinary course of Buyer's business and that is unrelated to the Proposed Transaction.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of one (1) year commencing on the date first written above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Senior Care Development
Signature: Denise deFiebre
Name: Denise deFiebre
Title: SVP Acquisitions
Address: 500 Mamaroneck Avenue, Suite 402
Harrison, NY 10528
Phone: 203-222-6262
Email: ddefiebre@seniorcaredevelopment.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 21, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, partners, investors, lenders, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes ofevaluating the Proposed Transaction. Buyer acknowledges, however, that, except as may be set forth in a definitive agreement between CNMH and Buyer regarding the Proposed Transaction, neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information, except as may be set forth in a definitive agreement between CNMH and Buyer regarding the Proposed Transaction.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, upon CNMH's written request, Buyer shall promptly destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the destruction of all Confidential Information, Buyer shall destroy the same within five (5) business days after receiving such demand. Notwithstanding the foregoing, Buyer shall not be required to destroy Confidential Information contained in its backup systems or required to be retained for legal, regulatory, or internal compliance purposes, as long as Buyer continues to comply with the confidentiality obligations under this Agreement.

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall be in effect until the earlier of (i) the date on which Buyer and CNMH enter into a binding agreement regarding the Proposed Transaction and (ii) one (1) year commencing on the date we execute the letter agreement as set forth above.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

_____

_____

_____

_____

Company: SRG HoldCo Investments LLC

Signature: 

Name: Timothy J. Fox

Title: Executive Vice President

Address: 500 Stevens Avenue

Solana Beach, CA 92075

Phone: (858) 792-9300

Email: tfox@srg-llc.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 15, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Solera Senior Living, LLC
Signature:
Name: Brittany Patrick
Title: Director of Investments
Address: 2440 S. Wabash St.
Denver, CO 80231

Phone: 949 637 6435
Email: bpatrick@soleraseniorliving.com

KENNETH R. GRAHAM
Law Offices of Kenneth R. Graham
2950 Buskirk Ave, Suite 300
Walnut Creek, CA 94597
1-415-990-8381
krg@elaws.com

REQUEST FOR INFO

Dan Revie
DRevie@ziegler.com
Ziegler Investment Banking on behalf of
California-Nevada Methodist Homes ("CNMH")

Ziegler Capital Management, LLC.
735 North Water Street, Suite 1000
Milwaukee, WI 53202

Broker/Attorney:
Kenneth Graham
Client/Owner/Operator: Amir Kia
SpirtLivingGroup.com

Attached please find the signed and dated, NDA of our buyer-clients, Spirit Living Group. Along with this NDA, please feel free to review company profile & projects at http://spiritlivinggroup.com/projects They have a strong desire and a continued interest in building, developing, and managing Senior Communities in Northern California. Our office would appreciate a meeting to discuss the benefit of working together.

SprirtLivingGroup is interested in the assets of CNMH, including the two continuing care retirement communities ("CCRCs") and the adjacent office building in Northern California.

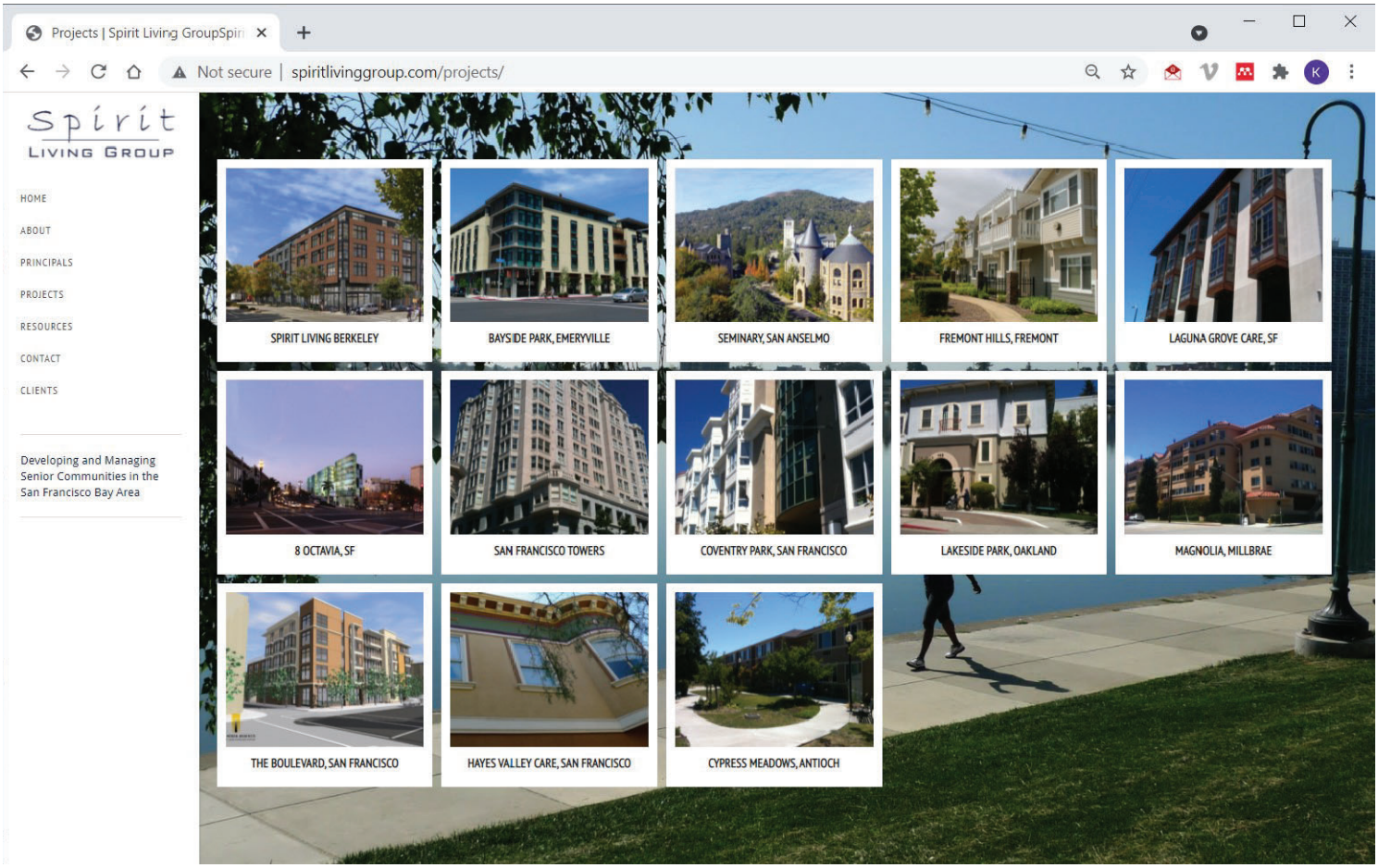
Is there currently any offering document or access to your electronic data room?

We look forward to receiving any available financial information and working with you,

/s/ Kenneth R. Graham, Attorney/Broker 6/22/2021

CNMH001565

http://spiritlivinggroup.com/projects/



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735 North Water Street
Suite 1000
Milwaukee, WI 3202

Phone: 14-978-6
Toll-free: 00- 97- 272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date _____, 02

RE California-Nevada Methodist Homes

Dear Interested Party

It is anticipated that you an your company ("Buyer" or "Strategic Partner") an California-Neva a Metho ist Homes ("CNMH") will be engaging in iscussions an exchanging information about CNMH's two continuing care retirement communities ("CCRCs") an an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is inten e that the information exchange shall be subject to the provisions of this letter agreement an shall inclu e, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical an other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows

Buyer shall keep confi ential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, inclu ing any and all analyses, reports or other documents or records prepare by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted un er this letter agreement, Buyer shall not isclose all or any portion of such Confi ential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the etriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consi eration of the Proposed Transaction.

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In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confi ential Information an will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written eman for the return or estruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such deman .

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Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH an , in the event of such consent, shall contact, visit or inspect only upon the terms an con itions specified by CNMH.

Buyer agrees that, for a perio of two ( ) years from the date of this letter agreement, you will not, irectly or in irectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative an without any solicitation by you.

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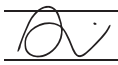
This letter agreement is made for the benefit of an shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(ignatures on following p ge .)

Accepted an Agreed as of the date first written above:

Company: _____

Signature:  _____

Name _____

Title: _____

Address _____

_____

Phone _____

Email: _____

Ziegler
CAPITAL :: INVESTMENTS :: ADVICE

735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: SCOTT, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

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Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

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This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Symphony Care Network

Signature:

Name: Scott Garber

Title: ERP

Address: 7257 N. Lizbeth
Lynchwood, IL

Phone: 574-208-3562

Email: SGARBER@Symphonyhp.com

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: _June 11____, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

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This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Transforming Age
Signature:	*David Knight*
Name:	**David Knight**
Title:	**VP Business Services**
Address:	**1980 112th Ave NE, Suite 210** **Bellevue, WA 98004**
Phone:	**831-331-9989**
Email:	**dknight@transformingage.org**

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 9th, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

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This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Trinity Health Senior Communities
Signature:	Philip Smart
Name:	Philip Smart
Title:	VP Finance - THSC
Address:	20555 Victor Parkway
	Livonia, MI 48152
Phone:	(678) 350-3785
Email:	philip.smart@trinity-health.org

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735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 15, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of ~~two (2) years~~ one year from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of ~~two (2) years~~ one year commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Triquetra Capital Group
Signature:	Andrew F Diebold
Name:	Andrew Diebold
Title:	
Address:	4655 W Chase Ave. Lincolnwood IL 60712
Phone:	502-445-0157
Email:	adiebold@triquetracapitalgroup.com

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CAPITAL :: INVESTMENTS :: ADVICE

735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 21, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents, consultants, partners, members, investors, legal and tax advisers, and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to be bound by the terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes ofevaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within the term of this agreement, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy promptly after receiving such demand. Notwithstanding the foregoing, Buyer may retain copies of the Confidential Information as required by law, regulation or governmental decree.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to seek equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of one (1) year from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning this Proposed Transaction, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer. However, Buyer shall not be prohibited from discussing in the ordinary course of business, or employing any such person who (i) initiates discussions regarding such employment without any direct solicitation by Buyer, (ii) responds to any public advertisement placed by Buyer, (iii) responds to any solicitation by third party firms that are not directed to target CNMH, or any associated employees, or (iv) is no longer associated with CNMH prior to commencement of employment with Buyer

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of one (1) year commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Trustwell Living, LLC

Signature: Lawrence Cohen

Name: Lawrence Cohen

Title: CEO

Address: 600 Third Avenue
New York NY 10016

Phone: 332-322-1991

Email: lcohen@trustwellliving.com

Ziegler
CAPITAL :: INVESTMENTS :: ADVICE

735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 15th, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

In order to assure that Buyer holds in strict confidence the Confidential Information, Buyer agrees as follows:

Buyer shall keep confidential all of the Confidential Information, whether written or oral, submitted by or on behalf of CNMH to Buyer, including any and all analyses, reports or other documents or records prepared by or at the direction of Buyer which include or otherwise reflect, or are generated from, such Confidential Information. Except as permitted under this letter agreement, Buyer shall not disclose all or any portion of such Confidential Information to any party.

Buyer agrees that no portion of the Confidential Information submitted by or on behalf of CNMH to Buyer (including the fact that CNMH is considering its strategic alternatives) shall be used by Buyer in any way to the detriment of CNMH, nor shall Confidential Information be used by Buyer other than in connection with Buyer's evaluation and consideration of the Proposed Transaction.

Buyer agrees that the Confidential Information submitted by or on behalf of CNMH to Buyer shall be disclosed only to those officers, employees, directors, agents and representatives of Buyer who need to know such Confidential Information for the purpose of evaluating and considering the Proposed Transaction, and those parties shall agree to terms of this agreement.

CNMH has endeavored to provide Confidential Information which is complete and accurate for purposes of evaluating the Proposed Transaction. Buyer acknowledges, however, that neither CNMH nor any of its representatives or advisors have made or make any representation or warranty as to the accuracy or completeness of the Confidential Information. Buyer agrees that neither CNMH nor its representatives or advisors shall have any liability to Buyer resulting from the use of the Confidential Information.

In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

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This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company:	Voralto
Signature:	
Name:	Carl Mittendorff
Title:	Manager
Address:	2315 Routh St, Dallas, TX 75201
Phone:	
Email:	

Ziegler
CAPITAL :: INVESTMENTS :: ADVICE

735 North Water Street
Suite 1000
Milwaukee, WI 53202

Phone: 414-978-6556
Toll-free: 800-797-4272

www.ziegler.com

CONFIDENTIALITY AGREEMENT

Date: June 9, 2021

RE: California-Nevada Methodist Homes

Dear Interested Party:

It is anticipated that you and your company ("Buyer" or "Strategic Partner") and California-Nevada Methodist Homes ("CNMH") will be engaging in discussions and exchanging information about CNMH's two continuing care retirement communities ("CCRCs") and an adjacent office building in Northern California in connection with a possible strategic transaction ("Proposed Transaction") with Buyer. It is intended that the information exchanged shall be subject to the provisions of this letter agreement and shall include, but not be limited to, accounting, financial, operational, regulatory, strategic, clinical and other information concerning the business (collectively, the "Confidential Information").

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In the event that Buyer does not proceed with the Proposed Transaction within a reasonable time, Buyer shall promptly redeliver to CNMH or destroy all printed or electronic Confidential Information and will not retain any copies, extracts or other reproductions, in whole or in part, of such printed or electronic material. If, at any time hereafter, CNMH makes a written demand for the return or destruction of all Confidential Information, Buyer shall return the same to CNMH or destroy within five (5) business days after receiving such demand.

Buyer agrees that unless and until a definitive agreement between Buyer and CNMH is fully executed and delivered, neither CNMH nor Buyer will be under any legal obligation of any kind whatsoever with respect to the Proposed

Transaction by virtue of this or any written or oral expression with respect to the Proposed Transaction by any director, officer, employee, agent, representative or advisor, except as to the matters specifically agreed to herein.

Buyer acknowledges that remedies at law may be inadequate to protect CNMH and its affiliates against any actual or threatened breach of this letter agreement by Buyer or by representatives of Buyer, and, without prejudice to any other rights and remedies otherwise available to CNMH, Buyer agrees that CNMH and its affiliates shall be entitled to equitable relief by way of injunction or otherwise upon any such actual or threatened breach.

Buyer agrees that it shall not, in its evaluation of the Proposed Transaction, contact any Community employee or visit or inspect the Community without the prior consent of CNMH and, in the event of such consent, shall contact, visit or inspect only upon the terms and conditions specified by CNMH.

Buyer agrees that, for a period of two (2) years from the date of this letter agreement, you will not, directly or indirectly, solicit for employment any employee of the CNMH or any of its affiliates or subsidiaries with whom you have had contact or who became known to you in connection with your consideration of the Proposed Transaction; provided, however, that you shall not be prohibited from employing any such person who contacts you on his or her own initiative and without any solicitation by you.

Buyer shall not be bound by the terms of this letter agreement with respect to any information about CNMH which (a) becomes generally available to the public other than as a result of disclosure by Buyer, (b) was made available by CNMH on a non-confidential basis prior to its disclosure in connection with the Proposed Transaction, or (c) becomes available on a non-confidential basis from a source other than CNMH.

Buyer shall not attempt to circumvent, avoid or bypass Ziegler Investment Banking or contact CNMH directly or indirectly to: (a) engage in any discussions or negotiations with; and/or (b) seek to enter any agreement with; and/or (c) actually enter any agreement with any other person or entity concerning any transaction or otherwise, by way of any corporation, trust, partnership or other entity or individually by the use of any information or the name of any contact introduced by Ziegler Investment Banking.

The consideration for this letter agreement shall be the mutual promises and agreements set forth herein.

This letter agreement shall become effective as of the date on which it is executed on behalf of Buyer and returned to Ziegler Investment Banking on behalf of CNMH.

Buyer agrees that all contact with CNMH or with persons at or associated with the Community will be conducted through Ziegler Investment Banking. Neither CNMH nor any of their officers, employees, suppliers, customers or affiliates should be contacted directly by Buyer.

This letter agreement is made for the benefit of and shall be enforceable by CNMH.

This letter agreement shall have a term of two (2) years commencing on the date we execute the letter agreement as set forth above.

(Signatures on following page.)

Accepted and Agreed as of the date first written above:

Company: Westmont Living Westmont Development, LP
Signature: [signature]
Name: Andrew S. Plant
Title: President, Co-Manager of GP
Address: 7660 Fay Ave. Suite N
La Jolla, CA 92037
Phone: 619-846-2900
Email: aplant@westmontliving.com

Copies of the letters of interest with purchase/affiliation offers made by prospective buyers

LAKE PARK AND FOREST HILL
RETIREMENT COMMUNITIES

LETTER OF INTENT
STALKING HORSE ASSET PURCHASE AGREEMENT

This Letter of Intent sets forth the basic terms and conditions upon which Altitude Acquisitions, LLC an Illinois limited liability company, or an affiliated entity ("Purchaser"), is interested in entering into a "stalking horse" asset purchase transaction (the "Transaction") to acquire from California-Nevada Methodist Homes, a California nonprofit public benefit corporation ("Seller"), free and clear of all liens, claims and encumbrances (except a portion of certain entrance fees) the following properties (collectively, the "Property"):

1. Lake Park, a continuing care retirement community with 35 beds licensed by the California Department of Public Health ("DPH") for skilled nursing and 275 units licensed by the California Department of Social Services ("DSS") for assisted living and independent living (operating with 37 assisted living units and 143 independent units) located at 1850 Alice Street, Oakland, California 94612 ("Lake Park").

2. Forest Hill, a continuing care retirement community with 26 beds licensed by DPH for skilled nursing and 150 units licensed by DSS for assisted living and independent living (operating with 18 assisted living units and 91 independent units) located at 551 Gibson Avenue, Pacific Grove, California 93950 ("Forest Hill"; collectively with Lake Park, the "CCRCs").

3. A one story office building located at 201 19th Street, Oakland California with 6,798 square feet and adjacent 20 space private parking lot ("Office Building").

4. All buildings, improvements, personal property, businesses, and other assets (including but not limited to books and records and intellectual property) operated or used in connection with the CCRCs or the Office Building.

Any accounts receivable and accounts payable associated with operations at the CCRCs prior to the closing date will not be included in the Transaction.

This Letter of Intent remains subject in all respects to further due diligence by the Purchaser (as set forth below), and does not include descriptions of all of the terms, conditions and other provisions that would be contained in either a binding term sheet or the definitive documentation in connection with the transactions contemplated in this Letter of Intent, and it is not intended to limit the scope of discussions and negotiation of any matters, including those set forth herein. Accordingly, except for the exclusivity obligations, this Letter of Intent is not binding on either Purchaser or Seller, and obligations will only arise once definitive documentation is executed and delivered.

Structure Purchaser will prepare the initial draft of a Stalking Horse Asset Purchase Agreement (the "Agreement") that reflects the terms and conditions of this Letter of Intent and provisions, representations

and warranties related to the real property and personal property as customarily provided, including, without limitation, a representation and warranty that the Property is in good working order and condition. The parties shall work diligently and in good faith to finalize the Agreement within forty-five (45) days after mutual execution of this Letter of Intent.

The Agreement will contain usual and customary terms for a deal of this type and size, including the Sale of the Property free and clear of all liens, claims and encumbrances (other than those obligations to be designated as "Assumed Liabilities" by Purchaser, as set forth below and in the Agreement) to the fullest extent permitted by law in a court order.

Purchase Price Consideration

The purchase price for the Acquired Assets will be up to $41,252,000 (the "Purchase Price"), consisting of (a) $20,000,000 in immediately available funds paid at closing; (b) no more than $2,263,000 in assumed Classic Agreement Entrance Fees (as defined below); and (c) no more than $3,780,000 paid at closing to the independent living residents with Deferred Repayment Entrance Fee arrangements; and (d) no more than $15,209,000 in assumed Deferred Repayment entrance fees. The parties acknowledge that the actual amounts of entrance fees paid and assumed at Closing will be based on actual amounts due and owing as of the Closing Date, but that these amounts will not exceed those set forth above. Purchaser shall receive a credit at closing against the Purchase Price for any accrued but unpaid employee paid time off and any accrued but unpaid real estate taxes.

Assumed Liabilities and Entrance Fees

The independent living residency agreements at the CCRCs contain two types of entrance fees: (1) Classic Agreement (Type B) refundable entrance fees whereby the amounts are amortized over 36 months and thereafter no refunds are paid ("Classic Entrance Fees); and (2) Deferred Repayment Agreements (Variable) (Type B) where the amount to be refunded is static, but amounts ranging from 50% to 90% are refunded ("Deferred Repayment Entrance Fees").

Purchaser will not be assuming any of Seller's liabilities in connection with the Transaction except for certain permitted title exceptions, those service contracts that Purchaser decides to assume during the Due Diligence Period, the existing skilled nursing and assisted living residency agreements, up to $2,263,000 in Classic Agreement Entrance Fees and up to $15,209,000 in assumed Deferred Repayment Entrance Fees (after payment at Closing of up to $3,780,000 to the independent living residents with a Deferred Repayment Entrance Fee agreement).

Purchaser intends on modifying the existing independent residency

agreements with Deferred Repayment Entrance Fees as follows: (a) at Closing, Purchaser will repay to each resident 20% of the amount owed (estimated at, but not more, than $3,780,000); and (b) at the time the Deferred Repayment Entrance Fee would otherwise come due pursuant to the terms of the contract, an amount equal to the product of: (x) the refundable entrance fee; times (y) 4%; times (z) the number of whole years the resident resides in the Property post-closing. For example, if the Deferred Repayment Entrance Fee for a resident is $300,000 and said resident lives in the building for 5 years and 1 day after the closing date, the resident would receive $60,000 at closing (20% of $300,000) and an additional $60,000 (4% of $300,000 for 5 years) when the entrance would be refundable pursuant to the terms of the residency agreement.

At closing, except for the assumed liabilities described in this Letter of Intent, Seller shall convey to Purchaser good and marketable fee simple title to the real property by a standard bankruptcy trustee's deed and pursuant to a Sale Order free and clear of liens, claims or encumbrances of any kind or nature, including but not limited all (i) successor liability obligations under applicable law, including Medicare and Medicaid; (ii) collective bargaining agreement obligations; and (iii) pension and other retiree obligations.

Earnest Money

Purchaser will deposit a total of $2,000,000 as earnest money into a Strict Joint Order Escrow with a nationally recognized title company determined by Purchaser, to be credited against the cash portion of the Purchase Price at closing, with $250,000 to be deposited within three business days after full execution of this Letter of Intent, $750,000 to be deposited within three business days after the full execution of the APA (and acceptance of Purchaser as the stalking horse purchaser) with the remaining $1,000,000 deposited at least two business days prior to the Bankruptcy auction.

Due Diligence

Purchaser shall commence its due diligence review of the Property immediately upon acceptance of this Letter of Intent and will be deemed to have completed its due diligence within 45 days of execution of this Letter of Intent.

Seller will use best efforts to provide Purchaser with due diligence materials and promptly allow Purchaser an adequate opportunity to review the same during the period between execution of this Letter of Intent and execution of a binding Agreement (the "Due Diligence Period"). Purchaser shall complete its due diligence prior to execution of the Agreement.

In connection with Purchaser's due diligence review, upon execution of this Letter of Intent, Seller shall provide Purchaser full and complete access to the Facility, the Property, financial

information, computer systems, officers, employees, accountants and other information and documents related to the Property and the business conducted at the Facility.

Purchaser may request an extension of the Due Diligence Period if access is not provided per this Letter of Intent or materials are not timely delivered. If Purchaser is unsatisfied with the results of its due diligence review before the end of the Due Diligence Period, it may terminate this Letter of Intent and receive a refund of any deposited Earnest Money.

Interim Management Subject to DPH and DSS approval, and at Purchaser's discretion, its operator ("New Operator") and Seller may enter into an interim arrangement as appropriate to allow New Operator to apply for appropriate licenses after closing, provided, however, that Purchaser acknowledges that the interim agreement cannot close without the prior written consent of the California Attorney General. During such interim period, New Operator will operate the Property under Seller's licenses and bill under Seller's Medicaid and Medicare numbers. New Operator shall have the right to use Seller's Medicare numbers until CMS' approval of the change in ownership per the 855A.

Title/Survey An owner's title insurance commitment shall be obtained through a nationally recognized title company determined by Purchaser. The cost of the title search, title commitment and title policy shall be paid by Seller. Purchaser shall pay the cost of the lender's title policy and title endorsements.

At least thirty (30) days prior to closing, Seller shall provide Purchaser with then-current ALTA survey for the Facility at Seller's cost.

Closing Conditions The closing of the Transaction is conditioned upon the approval of the Bankruptcy Court, the entry of the Sale Order, and the satisfaction of other customary conditions in favor of each of Seller and Purchaser, including, without limitation:

(a) subject to the possibility of an interim agreement as set forth below, New Operator's receipt of all necessary governmental and regulatory licenses and permits necessary to the current operation of the CCRCs as licensed continuing care retirement communities with the same number of beds and units, including approval by DPH, DSS, and the Centers for Medicare and Medicaid Services;

(b) approval by the State of California, Department of Justice, Attorney General's office, provided, however, that if the Attorney General's office requires an escrow for its approval, such escrow shall be funded from sales proceeds;

(c) no material adverse change;

(d) neither CCRC shall: (i) be out of compliance with regulatory approvals, (ii) be denied payments for new Medicaid or Medicare admissions, (iii) have lost any operating license or permit, (iv) have had any provider agreement revoked or terminated, or (v) have had the number of licensed beds reduced;

(e) Purchaser has received a title insurance policy (or a proforma title policy) insuring Purchaser as owner of the fee title to the real property, subject to no liens, encumbrances, assignments or taxes, except for certain permitted title exceptions to be identified during the Due Diligence Period;

(f) at no cost to Purchaser, termination of all: (i) security instruments encumbering title to any of the Property, (ii) master leases, if any, (iii) those service contracts identified as rejected by Purchaser to Seller during the Due Diligence Period, and (iv) all management agreements for the Property; and

(g) confirmation from CMS that Seller has no unpaid or unreturned accelerated or advance Medicare payments.

Closing Date

Unless the parties otherwise agree to an interim arrangement as set forth above, the closing on the Transactions shall occur within 30 days of new operator's receipt of all licenses and approvals to operate the Facility from the California Attorney General, DPH and DSS.

Stalking Horse Bid Protections

Purchaser to receive customary stalking horse bid protections (the "Stalking Horse Bid Protections") as follows:

- Break-up fee (the "Break-up Fee") of 2.5% of the Purchase Price.
- Expense reimbursement (the "Expense Reimbursement") to Purchaser of actual documented expenses (which includes reasonable attorneys' fees and other professional fees and costs), not to exceed $400,000.
- Bid Protections: Any party seeking to outbid the Stalking Horse Bidder must submit an initial overbid of at least the Purchase Price amount, the Break-up Fee, the Expense Reimbursement and $100,000.
- To the extent one or more competing qualified bids are submitted and the auction proceeds, Purchaser shall maintain the right to credit bid the DIP Obligations plus the Break-up Fee and Expense Reimbursement in all subsequent rounds of bidding in which the Purchaser chooses to submit a competing bid. By way of example and for illustrative purposes only, if the Purchaser's opening "stalking horse" bid is $41,252,000, and

the next competing bid is $42,783,300 (which includes payment of the Break-up Fee, Expense Reimbursement, and initial overbid amount), the Purchaser's next bid at auction would be $42,883,300; provided that the Purchaser will receive a credit for the Break-up Fee and Expense Reimbursement (*i.e.* $1,472,075) as part of its $42,883,000 bid, assuming the $42,883,300 bid is the final auction bid and therefore selected as the highest and best bid.

Bid Procedures & Auction Process

The Agreement will require a bid procedures order providing for customary bid procedures and auction process acceptable to Purchaser, however, in conformity with customary sale processes as established in the Bankruptcy Court for the Northern District of California.

Seller shall be responsible to file, prosecute and obtain approval of any motions necessary to deliver the Property free and clear, including the sale motion (and Sale Order approving same, which order must be approved by Purchaser prior to filing with the Court), and other required motions.

Non-Binding

Except for the obligations and liabilities set forth under the heading "Exclusive Negotiations", this Letter of Intent does not constitute a binding agreement on either party hereto, but is intended to specify the primary terms and conditions of the proposed transaction herein outlined, and, except with respect to exclusivity, neither party may claim any legal rights against the other by reason of signing of this Letter of Intent or by taking any action in reliance thereon.

Exclusive Negotiations

In consideration for Purchaser's time and effort in entering into this Letter of Intent, Seller agrees to negotiate exclusively with Purchaser in good faith with respect to this transaction after Purchaser's receipt of a fully executed Letter of Intent for a period of forty-five (45) days ("Exclusivity Period"). If Purchaser terminates this transaction, the Exclusivity Period shall end.

Seller specifically agrees that prior to the termination of the Exclusivity Period, it will not utilize this Letter of Intent to solicit other offers or to modify, renegotiate or otherwise improve the terms and conditions of any other offer for the assets and interests set forth in this Letter of Intent.

By execution of this Letter of Intent, each party acknowledges that the transaction terms described generally herein are acceptable. This Letter of Intent supersedes and cancels all prior understandings between the parties and upon execution of the Agreement, the terms of the Agreement shall supersede this Letter of Intent.

Any waiver, amendment, modification or supplement of or to any term or condition of the binding provisions shall be effective only if in writing and signed by Purchaser and Seller. Purchaser shall have the right to assign its rights under this Letter of Intent to a special purpose

entity formed by Purchaser. The provisions of this Letter of Intent will be construed and enforced in accordance with the laws of the State of California, without regard to the conflict of laws provisions thereunder. This Letter of Intent may be executed in one or more counterparts and exchanged electronically by .pdf.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Letter of Intent as of the date last written below.

PURCHASER:

ALTITUDE ACQUISITIONS, LLC

By: _____
Name: William Rothner
Its: Manager

Date: _____, 2021

SELLER:

CALIFORNIA-NEVADA METHODIST HOMES

By: _____
Name: _____
Its: _____

Date: _____, 2021

July 20th, 2021
Attn: Daniel Revie
Ziegler Investment Banking
One North Wacker Drive, Suite 2000
Chicago, IL 60606

RE: CA CCRCs

Dear Daniel:

We appreciate the opportunity to submit this indication of interest to purchase the following (collectively, the "Property"), located in Oakland and Pacific Grove, California:

(a) Lake Park Continuing Care Retirement Center,
(b) California-Nevada Methodist Homes Corporate Office located at 201 19th Street, Oakland, CA
(c) Forest Hill Continuing Care Retirement Center,

Auctus Capital Partners, referred to hereinafter as "ACP" or "Buyer", has substantial knowledge of and experience investing in senior housing and have spent a considerable amount of time analyzing the aforementioned Property.

Auctus Capital Partners
Auctus Capital Partners was founded by Chris Rosenstock in 2014 to acquire and manage multifamily apartments and senior housing communities in the Western U.S. Since inception, ACP has acquired nine senior housing facilities in California and Washington and acquired and or sold over 4,000 apartment units located in various California, Washington and Utah markets. Total assets under management exceed $650 million. (www.auctuscapitalpartners.com)

Based upon our knowledge of the asset and our ability to close transactions similar in size, nature and complexity, we are able to submit for your consideration the following summary of the key terms of our indication of interest, as to be further detailed in a definitive Purchase and Sale Agreement:

1. Property and Purchase Price: Based upon our initial due diligence, we have valued the Property at Twenty-One Million Seven Hundred Thousand Dollars ($21,700,000).

   The purchase price would be paid as follows:

   (a) Four Hundred Thousand Dollars ($400,000) of refundable cash (the "Initial Deposit") delivered upon execution of a definitive Purchase and Sale Agreement. The Initial Deposit will become nonrefundable at the end of the Due Diligence Period.
   (b) Balance in cash at closing.

2. Entrance Fee Liability: It is ACP's intention to assume the entrance fee liability at close. Buyer understands that the outstanding refundable entrance fee balance was approximately $21,160,000 as of June 2021. Prior to the execution of a Purchase and Sale Agreement, Buyer will require an update of the outstanding balance.

3. Due Diligence: The closing will occur through an escrow account established with Rob Klein of Lawyers Title Company. The due diligence period will commence immediately upon execution of a Purchase and Sale Agreement and delivery of the due diligence materials, and will conclude sixty (60) days thereafter. The Buyer and Seller will pursue in good faith the negotiation and execution of a mutually agreeable Purchase and Sale agreement within twenty-one (21) days of the acceptance of this Letter of Intent to purchase the Property. Buyer to provide Purchase and Sale Agreement. The refundable Initial Deposit will be posted to escrow two (2) business day following execution of the Purchase and Sale Agreement.
4. Closing Date: 120 days from signing of the Purchase and Sale Agreement.
5. Contingencies: Closing will be subject to completion of customary due diligence including, but not limited to, a comprehensive legal review (including title, survey and leases), a review of recent operating statements, a review of the current year operating and capital budgets, a complete review of the current rent roll and lease files, a structural (physical) assessment report, an environmental assessment report, a complete unit walk, and other standard due diligence items the Buyer shall require as to be further defined in the Purchase and Sale Agreement.
6. Purchasing Entity: The acquiring entity will be a newly formed, single-purpose limited liability company established for the acquisition of the Property.
7. Investment Process: Initial investment committee approval has been obtained to present this indication of interest.
8. Closing Expenses: Closing expenses will be based on normal pro-rations for a transaction of this size and nature.
9. Confidentiality: The contents of this indication of interest are highly confidential and should be disclosed only to the principal owners of the Property and their advisors, all of whom should be made aware of the confidential and sensitive nature of the contents of this indication of interest.
10. Exclusivity: For a period of 60 days from and after the execution of this letter of intent, the Seller and their respective representatives and employees shall not directly or indirectly make, accept, negotiate, entertain or otherwise pursue or discuss any offers for the transfer, joint venture, financing, or any other similar transaction of, or for, the Property, other than the transaction contemplated hereby with Buyer.

The above are only the general terms and conditions of the proposed transaction. The exact terms and conditions will be contained in a mutually acceptable Purchase and Sale Agreement. This letter will serve as an indication of interest by Buyer and is not intended to be construed as a Purchase and Sale Agreement, a commitment letter or other binding obligation, and does not require either Buyer or Seller or their respective affiliates to enter into a Purchase and Sale Agreement or otherwise commit to buy or sell the Property.

If you have any questions about this indication of interest, please do not hesitate to contact me.

Kind Regards,

Chris Rosenstock
President
Auctus Capital Partners

BRP Senior Housing Management LLC
315 S. Beverly Drive, Suite 404
Beverly Hills, California 90212

July 16, 2021

Via Email
drevie@ziegler.com
tvangorden@ziegler.com
manthony@ziegler.com
ldesantis@ziegler.com

Ziegler Investment Banking
735 North Water Street
Suite 1000
Milwaukee, Wisconsin 53202
Attention: Mr. Daniel Revie, Managing Director
Mr. Tedd Van Gorden, Vice President
Mr. Michael Anthony, Senior Associate
Mr. Lucas DeSantis, Analyst

Re: Preliminary Stalking Horse Proposal for Substantially all Assets of California-Nevada Methodist Homes

Dear Messrs. Revie, Van Gorden, Anthony and DeSantis:

BRP Senior Housing Management LLC ("BRP") is pleased to submit this initial, non-binding indication of interest (this "Proposal") to acquire all or substantially all assets (collectively, the "Target Assets") of California-Nevada Methodist Homes (the "Company") through a sale to be effectuated pursuant to section 363 of the Bankruptcy Code (the "Proposed Transaction") in the Company's Chapter 11 case pending in the Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"). This Proposal contemplates that a non-profit entity to be formed by BRP (the "Purchaser") would be designated by the Company as the stalking horse bidder for the Target Assets.[1]

The terms expressed in this Proposal do not constitute a legally binding or enforceable agreement with the Company, nor a commitment or obligation to pursue or consummate the Proposed Transaction or any transaction with the Company or any other person or entity. By submitting this Proposal, the Purchaser is under no obligation to pursue or purchase the Target

[1] BRP reserves the right to act as the stalking horse purchaser (or to designate such right to an affiliate), form the entity that will be the Purchaser later in the sale process, including after the bidding process has concluded, and to then designate its rights as the stalking horse purchaser (or its affiliate's rights) to such new entity to, among other things, acquire and close on the Target Assets. Therefore, references in this Proposal to the "Purchaser" shall mean BRP, one of its designated affiliates and/or such new entity.

Assets from the Company, and the Company is under no obligation to sell the Target Assets to the Purchaser, until a definitive, legally binding, written asset purchase agreement (the "APA") is executed and delivered by both the Purchaser and the Company and the closing conditions set forth therein are satisfied or waived by the applicable party, including, without limitation, the approval of the Proposed Transaction pursuant to the APA by an order of the Bankruptcy Court in form and substance satisfactory to the Purchaser (the "Sale Order").

A. **Who We Are.** BRP is an affiliate of Big Rock Partners, which is a real estate private equity firm that has invested in and managed over $1 billion in assets, including a current portfolio of over $300 million in senior housing assets. BRP has the expertise, sector experience and financial wherewithal to be the stalking horse for the Company's assets, and deliver a meaningful recovery to the Company's creditors and other stakeholders through the payment of a significant cash purchase price for the Target Assets and the assumption of significant Company liabilities. BRP recently completed the acquisition from a bankruptcy case, with a not-for-profit owner, of a large scale continuing care retirement community in Tampa, Florida with 418 units and villas. The asset is currently being renovated and assisted living units are being added. In addition, BRP is prepared to leverage its best-in-class management, as well as strategic and financial support, to invest in and manage the purchased assets post-closing in a way that will preserve and maximize value, provide improved, world-class care and services to residents, and provide continued employment to substantially all of the Company's employees. In order to give you more information concerning BRP, its affiliates, and its team, attached as Exhibit 1 are biographies of BRP's management team who were involved in formulating this Proposal and who would be involved in pursuing the Proposed Transaction and then operating the Target Assets and related businesses after the closing. In addition, attached as Exhibit 2 is information concerning the business, holdings and operations of BRP and its affiliates, and their track record in the continuing care retirement community sector and related sectors.

B. **Scope of the Transaction.** The Proposed Transaction is for the acquisition of the Target Assets free and clear of all liens, claims, interests and encumbrances (other than any assumed liabilities) pursuant to section 363 of the Bankruptcy Code, on the terms and conditions set forth in this Proposal and to be set forth in the APA, Bidding Procedures Order (as defined below) and Sale Order.

C. **Target Assets.** The Targets Assets shall include, without limitation, all of the Company's:

1. Real property located in (a) Pacific Grove, California and (b) Oakland, California, and all improvements thereon, including, without limitation, all facilities, buildings, parking garages and parking lots;
2. Inventory and equipment, wherever located;
3. All other personal property, wherever located;
4. Executory Contracts (as defined below) with current or incoming residents;
5. Other Executory Contracts to be identified by the Purchaser;
6. Rights under other contracts to be identified by the Purchaser;
7. Intellectual property;
8. Resident deposits;

9. Accounts receivable owing under any Executory Contract or other contract to the extent the Purchaser assumes and/or cures the liabilities under such Executory Contract or other contract;
10. Unpaid insurance claims related to the Target Assets;
11. Licenses and permits (to the extent assignable);
12. Books and records;
13. Claims related to the assets and businesses; and
14. Goodwill and all other intangible assets.

D. **Excluded Assets.** The Targets Assets shall not include any of the following assets of the Company, to the extent such assets are in existence prior to Closing (as defined below):

1. Cash;
2. Investments;
3. Accounts receivable (to the extent not a Target Asset);
4. Prepaid assets;
5. Deposits of the Company held by third-parties; and
6. Other current assets (to the extent not a Target Asset).

E. **Assumed Liabilities.** None, other than (i) those assumed as part of the Purchase Price (as defined below) and (ii) any other liabilities of the Company that are expressly assumed by the Purchaser pursuant to the APA and Sale Order.

F. **Excluded Liabilities.** All liabilities of the Company that are not expressly assumed by the Purchaser pursuant to the APA and Sale Order.

G. **Purchase Price and Post-Closing Investment.**

1. The Purchaser proposes to purchase the Target Assets at the closing of the Proposed Transaction (the "Closing") for the following consideration (collectively, the "Purchase Price"): (i) $20 million in cash, plus (ii) the assumption of not more than $21.161 million of refund obligations owed by the Company to former residents, plus (iii) the assumption of all cure costs, in an amount to be determined, related to executory contracts and unexpired leases (collectively, "Executory Contracts") that are assumed by the Company and assigned to the Purchaser in connection with the Proposed Transaction. As discussed below, before BRP can commit to taking an assignment of any Executory Contract or paying any related cure amount, BRP must complete its diligence of, among other things, all Executory Contracts, including, without limitation, (a) the collective bargaining agreement with SEIU Local 2015 (the "CBA") covering certain employees at the Company's Lake Rock facility in Oakland, California, (b) the Company's 403(b) plan and any other retirement plans (each, a "Retirement Plan"), (c) all employee contracts and (d) other contracts to be determined.

2. In addition, the Purchaser will commit to invest up to an additional $25 million in the Target Assets and related businesses following the Closing.

H. **Stalking Horse.** It is a condition to this Proposal that the Purchaser be designated as the stalking horse bidder for the Target Assets and that the Company obtain entry of an order of the Bankruptcy Court by a date to be agreed between the Purchaser and the Company, which order shall be in form and substance satisfactory to the Purchaser (the "Bidding Procedures Order"), and which shall, among other things:

1. Approve the Purchaser as the stalking horse bidder;

2. Approve (a) a break-up fee in the amount of $600,000 (which is equal to 3% of the cash portion of the Purchase Price), plus (b) reasonable out-of-pocket expenses of the Purchaser incurred in connection with this Proposal and the Proposed Transaction (collectively, the "Bid Protections") up to the maximum aggregate amount of $200,000, which Bid Protections shall be payable to the Purchaser in accordance with the terms of the APA and Bidding Procedures Order as a first priority administrative expense and without any further application, motion or order of the Bankruptcy Court, in the event that (x) the Purchaser is not the successful bidder for the Target Assets in accordance with the APA and Bidding Procedures Order or (y) the APA is terminated as a result of a material breach by the Company;

3. Approve bidding, auction and notice procedures, which shall include provisions (a) authorizing the Company to sell its assets, including, without limitation, the Target Assets, to a qualified bidder, (b) requiring the auction, if any, to be concluded, and the winning bidder for the Target Assets to be chosen, not later than a date to be agreed between BRP and the Company, (c) requiring that the Sale Order authorize and approve the sale to the Purchaser of the Target Assets, free and clear of all liens, claims, interests and other encumbrances (other than any assumed liabilities) pursuant to section 363 of the Bankruptcy Code to be entered by the Bankruptcy Court not later than a date to be agreed between BRP and the Company, and (d) requiring the Closing on the Target Assets to occur not later than a date to be agreed between BRP and the Company (subject to the Sale Order being a final, non-appealable order, unless such condition is waived by the Purchaser in its sole discretion); and

4. Include such other customary milestones and terms as may be reasonably required by BRP.

I. **Approvals and Conditions.**

1. BRP has obtained preliminary approval from its managing principals of the Proposed Transaction. Subject to satisfactory completion of diligence and satisfaction of the other appliable conditions set forth herein, BRP will seek all internal approvals required to (a) submit a final, binding bid and (b) enter into the

APA and purchase and operate the Target Assets and related businesses, subject to the provisions of the APA and Sale Order.

2. The submission by BRP of a final, binding bid is subject to the following conditions:

    a. Completion of all legal, business, and regulatory diligence and satisfaction with the results thereof;

    b. Completion of physical inspections of the Company's facilities and satisfaction with the results thereof;

    c. Completion of phase 1 environmental studies of the Company's properties and satisfaction with the results thereof;

    d. The Company having sufficient cash or access to post-petition financing to adequately fund its Chapter 11 case and sale process through Closing; and

    e. Agreement in writing from the Company that, prior to the entry of the Bidding Procedures Order, it will not (i) allow access to the data room, (ii) respond to inquiries from third parties concerning the Target Assets or the potential sale, or (iii) negotiate or agree upon a disposition of any or all of the Target Assets with anyone except the Purchaser. This grant of exclusivity will be subject only to a customary "fiduciary out."

3. The Proposed Transaction and Closing is subject to the following conditions:

    a. The successful formation by BRP of the Purchaser as a non-profit, C-Corporation;

    b. The Purchaser and the Company entering into the APA by a date to be agreed between BRP and the Company;

    c. The Company obtaining entry of the Bidding Procedures Order by a date to be agreed between BRP and the Company;

    d. If the Purchaser determines not to take an assignment from the Company of the CBA, rejection of the CBA by the Company prior to the Closing pursuant to a final order entered by the Bankruptcy Court;

    e. The Company obtaining entry by the Bankruptcy Court of the Sale Order by a date to be agreed between BRP and the Company and set forth in the APA and/or Bidding Procedures Order;

    f. The Company obtaining all necessary corporate approvals prior to Closing;

g. The Company obtaining all necessary regulatory and third-party approvals prior to Closing, including, without limitation, approvals from the:
    a. California Department of Social Services;
    b. California Department of Public Health;
    c. Center for Medicare and Medicaid Services; and
    d. California Office of the Attorney General;

h. The Closing occurring by a date to be agreed between BRP and the Company and set forth in the APA (subject to the Sale Order being a final, non-appealable order, unless such condition is waived by the Purchaser in its sole discretion); and

i. All other conditions to Closing as expressly set forth in the APA and Sale Order having been satisfied or waived by the Company or the Purchaser, as applicable.

J. **Financing.** The Purchaser's bid for the Target Assets is not subject to any financing contingencies. The Purchaser has, or will obtain prior to Closing, sufficient assets and liquidity to close on the Proposed Transaction and operate and invest in the Target Assets following the Closing.

K. **Employees.** The Purchaser anticipates making offers of employment to all, or substantially all, of the Company's employees who are not subject to employment contracts and who are employed at Closing. BRP understands that certain employees have entered into employment contracts with the Company. However, BRP has not yet reviewed such contracts. Therefore, BRP has made no determination with respect to taking an assignment of some or all of such contracts from the Company or extending new employment offers to such employees at Closing.

L. **Contacts and Advisors.** The Purchaser is represented by Hogan Lovells US LLP in connection with this Proposal and the Proposed Transaction. You may speak with them regarding this Proposal and the Proposed Transaction.

Hogan Lovells US LLP
1999 Avenue of the Stars
Suite 1400
Los Angeles, California 90067
David P. Simonds, Esq.
david.simonds@hoganlovells.com
(310) 785-4647

Hogan Lovells US LLP
390 Madison Avenue
New York, New York 10017
Christopher R. Bryant, Esq.
chris.bryant@hoganlovells.com
(212) 909-0626

M. **Additional Diligence.** As noted herein, submission of a final, binding bid and entry into the APA is subject to completion of all customary diligence and satisfaction with the results thereof. In that regard, set forth below is a preliminary list of information and access that is required to help us complete the diligence process. We reserve the right to supplement or modify this list at any time.

1. Copies of any extensions or amendments to the CBA;
2. Copies of any communications since the petition date with SEIU Local 2015 regarding the CBA;
3. Copies of all material Retirement Plan documents;
4. Information concerning any Retirement Plan funding shortfalls;
5. Copies of any communications with the Pension Benefit Guaranty Corporation concerning any Retirement Plan;
6. Copies of all real property deeds and documents affecting title;
7. A schedule of all Executory Contracts that includes, at a minimum, the following information:
    a. Brief synopsis of contract purpose;
    b. Party names;
    c. Termination or expiration date;
    d. Extension terms and options;
    e. Company termination rights; and
    f. Detail concerning any defaults and estimated cure amounts;
8. Copies of all Executory Contracts, including, without limitation, all existing and incoming resident agreements and employment agreements;
9. A schedule of all current employees that includes at a minimum, the following information for each employee:
    a. Name;
    b. Job title and description;
    c. Hourly wage and/or salary;
    d. Whether the employee is covered by the CBA;
    e. Whether the employee has an employment contract; and
    f. Amount and description of any unpaid wages or benefits (e.g., paid time off);
10. Copies of all existing regulatory approvals, licenses and permits;
11. Copies of all internal and external environmental studies and reports performed within the last 5 years;
12. Copies of all communications and documents concerning any violations or asserted violations of any environmental laws or any penalties assessed as a result thereof;
13. A schedule of all existing insurance policies applicable to the Target Assets, the Company's business and/or employees, and copies of all such policies;
14. A schedule of all owned and licensed intellectual property (including business software);
15. A schedule of all material litigation and/or litigation that has been threatened in writing;
16. Confirmation that the Purchaser and the facilities are not subject to any statutory minimum liquid reserve requirements;
17. Copies of all escrow agreements or letters of credit required to be maintained by statute or regulatory agencies; and
18. Copies of all communications from vendors or suppliers asserting contract defaults, refusing or amending the terms of service, or terminating contracts.

If we are invited to proceed to the next round of unofficial bidding, we would commit the required time, expertise and resources to complete the diligence process in an efficient and timely manner, and then, subject to the results thereof, progress expeditiously toward submitting a final, binding bid for the Target Assets. To assist us in completing the diligence process, we would also require reasonable access to the Company's advisors and its key management and employees.

*****

We have given careful thought to this Proposal and to making it as transparent and comprehensive as possible given that it is a preliminary, non-binding indication of interest. We are excited about the prospect of continuing discussions with you and the Company about this Proposal and to hopefully moving forward expeditiously with the Proposed Transaction. We look forward to hearing from you and answering any questions you may have about this Proposal.

Very truly yours,

Richard Ackerman

Richard Ackerman
Managing Partner

EXHIBIT 1

Management Team

Richard Ackerman, Chairman, President, and Chief Executive Officer. Mr. Ackerman is the Founding Chairman and Senior Managing Principal of Big Rock Partners (BRP), a real estate development and investment management firm, which he formed in 2004. He also was the CEO and Founder of Big Rock Acquisition Corp. a publicly traded SPAC until its merger at a $1.6 Billion Dollar valuation in May 2021 into NRx Pharmaceuticals Inc.

Prior to BRP, Mr. Ackerman headed the Los Angeles office of Apollo Real Estate Advisors, a global private equity firm that has invested over $7 billion of equity. Mr. Ackerman oversaw all investments on the West Coast of the United States and in Japan. From April 2001 until January 2004, Mr. Ackerman was chief restructuring officer of Summerville Senior Living, a company that operates Assisted Living Facilities nationwide.

From August 1999 to April 2001, Mr. Ackerman was appointed by Apollo as chief executive officer in order to restructure Atlantic Gulf Communities Corporation (an Apollo portfolio company), a publicly traded development and asset management company whose primary operations included the development and sale of home sites and land tracts and the construction and sale of oceanfront condominiums. From September 1996 to August 1999, he was president and co-founder of Crocker Realty Trust, a private REIT (an Apollo portfolio company) specializing in the ownership and development of office space in the Southeastern United States. From 1992 until 1996 he was President and co-founder of Crocker Realty Trust Inc. a publicly traded REIT specializing into ownership and development of office space in the Southern United States until its sale to Highwoods properties (NYSE:HIW) for $530 million dollars. Prior to 1992, Mr. Ackerman was a partner in Crocker and Company a Real estate development firm. His projects included Mizner Park located in Boca Raton Florida.

Mr. Ackerman is currently on the Board of Directors for Tulane Law School and has instructed as an adjunct professor. Mr. Ackerman also is a former director of Summerville Senior Living, Inc., which was one of the largest assisted living companies in the nation. Mr. Ackerman graduated with a B.A. from Tulane University and a J.D. from the Tulane School of Law.

Lori Wittman, Director and Chief Financial Officer. Prior to joining BRP, Ms. Wittman served as the Executive Vice President and Chief Financial Officer of Care Capital Properties, a public healthcare real estate investment trust. Ms. Wittman previously served as Senior Vice President, Capital Markets and Investor Relations of Ventas, a leading estate investment trust with more than 1,600 assets consisting of senior housing, medical office buildings, skilled nursing facilities, hospitals, and other properties. Ms. Wittman is the former CFO and managing partner of Big Rock Partners from 2006 to 2010. Ms. Wittman has also held various capital markets and finance positions with General Growth Properties, Inc., Heitman, Homart Development Company, Citibank, and Mellon Bank. Ms. Wittman received a B.A. in Geography and Sociology from Clark University, a Master's degree in City Planning from the University of Pennsylvania, and an M.B.A. from the University of Chicago.

Sean M. Nealon, Senior Vice President of Operations. Mr. Nealon joined BRP in October 2015. He assisted BRP with the development of the Villages of Windsor located in

Boynton Beach, Florida, and Windsor at Celebration, located in Celebration, Florida. Prior to joining BRP, Mr. Nealon served as an executive director with Lifespace Communities from 2006 to 2015. During his time with Lifespace, he was the Executive Director of The Waterford, a CCRC located in Juno Beach, Florida, with 288 residential apartments and 60 skilled nursing beds. Mr. Nealon also assisted as interim Executive Director for both Harbour's Edge, a CCRC located in Delray Beach, Florida, with 266 residential apartments and 40 skilled nursing beds. Additionally, Mr. Nealon served as Lifespace Home Health Administrator from 2013 to 2015. Mr. Nealon worked for Life Care Services beginning as an assistant administrator for Friendship Village of South Hills, a CCRC located in Pittsburgh, Pennsylvania with 295 residential apartments, 70 skilled nursing beds, and 19 memory care beds, and was then promoted to associate administrator. He was later transferred to The Cypress of Hilton Head Island, a CCRC located in Hilton Head Island, South Carolina, with 323 residential apartments 40 skilled nursing beds, and 15 memory care beds, to be their administrator while serving as interim Executive Director when needed. Mr. Nealon attended Ohio University and earned a Bachelor of Science degree in Health Care Administration.

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EXHIBIT 2

Big Rock Partners and Affiliates

- **Premier National Leader in Development and Management of Seniors Housing**
  - Focus on Class A communities with independent, assisted and memory care of over 100 units with full amenities.
  - Current portfolio of over $300 million in institutional quality seniors housing assets.
  - Established track record of meeting growing demand for an upscale, active lifestyle.
  - Diverse skill sets of senior leadership featuring established track records in development, acquisition, capital markets and operations which combine to create a vertically integrated seniors housing platform.
- **Seasoned Leadership Team**
  - **Richard Ackerman**, Chairman, President and Chief Executive Officer. Over 35 years of real estate experience. Previously Head of West Coast operations for Apollo Real Estate Advisors and President and Co-founder of Crocker Realty Investors, a publicly traded REIT. Seniors Housing experience dates back to work out of Summerville in early 1990's.
  - **Lori Wittman**, Chief Financial Officer. Over 35 years of real estate experience. Previously CFO of Care Capital Properties, a publicly traded REIT in the skilled nursing space and SVP of Ventas, Inc a publicly trade diversified healthcare REIT.
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- **Development Expertise**
  - Target development opportunities in high-barrier to entry location with unique supply/demand characteristics.
  - Have developed two institutional quality large scale rental seniors housing units, asset value over $200 million.
  - Focused on ensuring technology, amenities and design for next generation of seniors, providing superior opportunities for wellness, entertainment and state of the art technology.
  - Recently completed acquisition with a not-for-profit owner of large scale CCRC over 300 units and villas out of bankruptcy. Currently renovating and managing the property, in addition will be adding AL units.
- **Development Process**
  - **Site Identification.** Extensive relationships to source off-market opportunities. Look for prime locations where local officials desire a luxury seniors housing product offering.
  - **Underwriting Due Diligence.** Leverage the diverse skill sets of Big Rock team to thoroughly assess the strengths/weaknesses. Work with leading 3rd party consultants to assess feasibility and project risks.
  - **Planning/Construction.** Retain leading construction team that can deliver trophy state-of-the art seniors housing communities. Minimize construction risk via the use of guaranteed maximum price contracts.
  - **Lease Up/Stabilization.** Concentrate on marketing well in advance of completion with best-in-class marketing firms and focus on digital platform. Tailor the marketing strategy to the individual location and the market area.

Projects Currently in Development

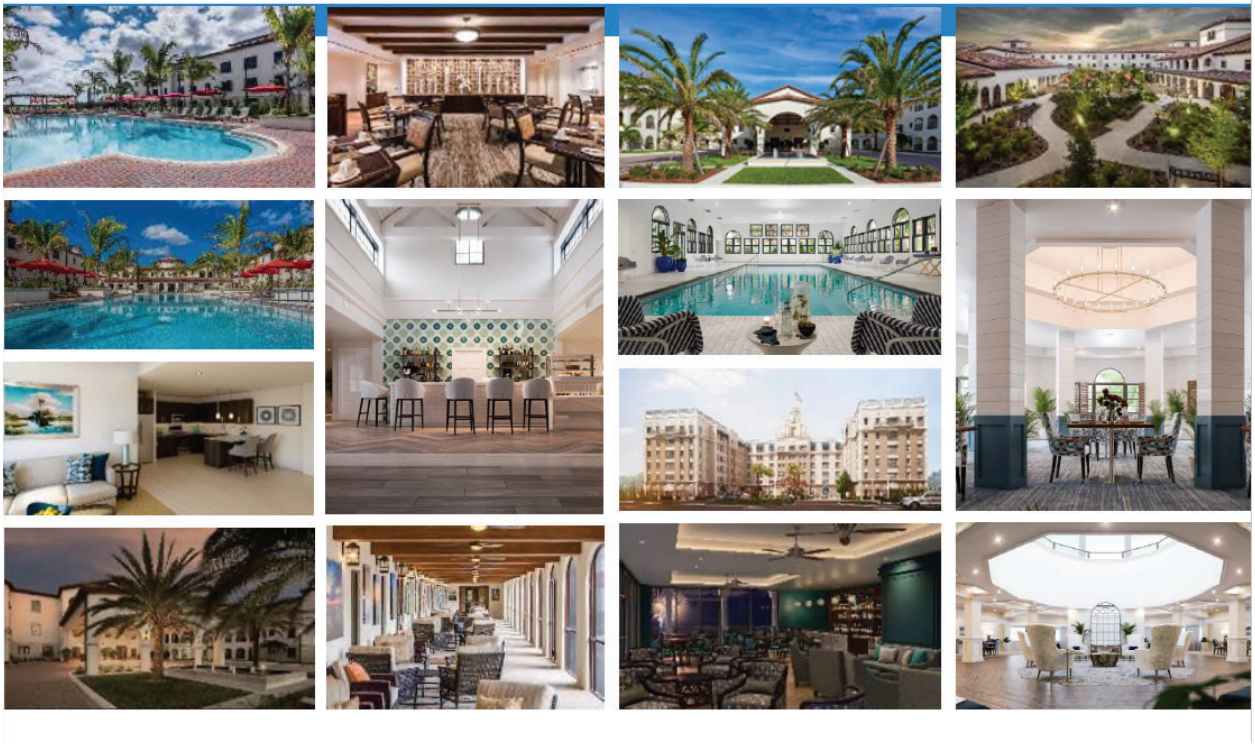
- Unisen - a 495 unit independent living project purchased out of bankruptcy. Redeveloping common areas, villas and adding assisted living units. Developer and Manager for the community. Life plan community.
- Seafields – a to be built 114 unit life plan community on Kiawah Island. 98 independent units and 16 assisted living units. Construction set to begin summer 2021. Developer and Manager for the community

Why BRP Senior Housing Management and Big Rock Partners

- Longstanding team with substantial experience across the seniors housing spectrum
- The team developed Celebration, is intimately knowledgeable about the market and the building
- Experience in development of class A institutional quality real estate
- Ownership and management of over 900 units of senior housing
- Focused on developing programs for the next generation of seniors with technology, entertainment and wellness offerings
- Experience with multiple ownership forms including third party, understand the importance of communication and reporting

BIG ROCK

SENIOR HOUSING



BRP Senior Housing Management LLC
315 S. Beverly Drive, Suite 404
Beverly Hills, California 90212

August 3, 2021

Via Email
drevie@ziegler.com
tvangorden@ziegler.com
manthony@ziegler.com
ldesantis@ziegler.com

Ziegler Investment Banking
735 North Water Street
Suite 1000
Milwaukee, Wisconsin 53202
Attention: Mr. Daniel Revie, Managing Director
Mr. Tedd Van Gorden, Vice President
Mr. Michael Anthony, Senior Associate
Mr. Lucas DeSantis, Analyst

Re: Preliminary Stalking Horse Proposal for Substantially all Assets of California-Nevada Methodist Homes

Dear Messrs. Revie, Van Gorden, Anthony and DeSantis:

BRP Senior Housing Management LLC ("BRP") is pleased to submit this revised, initial, non-binding indication of interest (this "Proposal") to acquire all or substantially all assets (collectively, the "Target Assets") of California-Nevada Methodist Homes (the "Company") through a sale to be effectuated pursuant to section 363 of the Bankruptcy Code (the "Proposed Transaction") in the Company's Chapter 11 case pending in the Bankruptcy Court for the Northern District of California (the "Bankruptcy Court"). This Proposal contemplates that a non-profit entity to be formed by BRP (the "Purchaser") would be designated by the Company as the stalking horse bidder for the Target Assets.[1]

The terms expressed in this Proposal do not constitute a legally binding or enforceable agreement with the Company, nor a commitment or obligation to pursue or consummate the Proposed Transaction or any transaction with the Company or any other person or entity. By submitting this Proposal, the Purchaser is under no obligation to pursue or purchase the Target

[1] BRP reserves the right to act as the stalking horse purchaser (or to designate such right to an affiliate), form the entity that will be the Purchaser later in the sale process, including after the bidding process has concluded, and to then designate its rights as the stalking horse purchaser (or its affiliate's rights) to such new entity to, among other things, acquire and close on the Target Assets. Therefore, references in this Proposal to the "Purchaser" shall mean BRP, one of its designated affiliates and/or such new entity.

Assets from the Company, and the Company is under no obligation to sell the Target Assets to the Purchaser, until a definitive, legally binding, written asset purchase agreement (the "APA") is executed and delivered by both the Purchaser and the Company and the closing conditions set forth therein are satisfied or waived by the applicable party, including, without limitation, the approval of the Proposed Transaction pursuant to the APA by an order of the Bankruptcy Court in form and substance satisfactory to the Purchaser (the "Sale Order").

A. **Who We Are.** BRP is an affiliate of Big Rock Partners, which is a real estate private equity firm that has invested in and managed over $1 billion in assets, including a current portfolio of over $300 million in senior housing assets. BRP has the expertise, sector experience and financial wherewithal to be the stalking horse for the Company's assets, and deliver a meaningful recovery to the Company's creditors and other stakeholders through the payment of a significant cash purchase price for the Target Assets and the assumption of significant Company liabilities. BRP recently completed the acquisition from a bankruptcy case, with a not-for-profit owner, of a large scale continuing care retirement community in Tampa, Florida with 418 units and villas. The asset is currently being renovated and assisted living units are being added. In addition, BRP is prepared to leverage its best-in-class management, as well as strategic and financial support, to invest in and manage the purchased assets post-closing in a way that will preserve and maximize value, provide improved, world-class care and services to residents, and provide continued employment to substantially all of the Company's employees. In order to give you more information concerning BRP, its affiliates, and its team, attached as Exhibit 1 are biographies of BRP's management team who were involved in formulating this Proposal and who would be involved in pursuing the Proposed Transaction and then operating the Target Assets and related businesses after the closing. In addition, attached as Exhibit 2 is information concerning the business, holdings and operations of BRP and its affiliates, and their track record in the continuing care retirement community sector and related sectors.

B. **Scope of the Transaction.** The Proposed Transaction is for the acquisition of the Target Assets free and clear of all liens, claims, interests and encumbrances (other than any assumed liabilities) pursuant to section 363 of the Bankruptcy Code, on the terms and conditions set forth in this Proposal and to be set forth in the APA, Bidding Procedures Order (as defined below) and Sale Order.

C. **Target Assets.** The Targets Assets shall include, without limitation, all of the Company's:

1. Real property located in (a) Pacific Grove, California and (b) Oakland, California, and all improvements thereon, including, without limitation, all facilities, buildings, parking garages and parking lots;
2. Inventory and equipment, wherever located;
3. All other personal property, wherever located;
4. Executory Contracts (as defined below) with current or incoming residents;
5. Other Executory Contracts to be identified by the Purchaser;
6. Rights under other contracts to be identified by the Purchaser;
7. Intellectual property;
8. Resident deposits;

9. Accounts receivable owing under any Executory Contract or other contract to the extent the Purchaser assumes and/or cures the liabilities under such Executory Contract or other contract;
10. Unpaid insurance claims related to the Target Assets;
11. Licenses and permits (to the extent assignable);
12. Books and records;
13. Claims related to the assets and businesses; and
14. Goodwill and all other intangible assets.

D. **Excluded Assets.** The Targets Assets shall not include any of the following assets of the Company, to the extent such assets are in existence prior to Closing (as defined below):

1. Cash;
2. Investments;
3. Accounts receivable (to the extent not a Target Asset);
4. Prepaid assets;
5. Deposits of the Company held by third-parties; and
6. Other current assets (to the extent not a Target Asset).

E. **Assumed Liabilities.** None, other than (i) those assumed as part of the Purchase Price (as defined below) and (ii) any other liabilities of the Company that are expressly assumed by the Purchaser pursuant to the APA and Sale Order.

F. **Excluded Liabilities.** All liabilities of the Company that are not expressly assumed by the Purchaser pursuant to the APA and Sale Order.

G. **Purchase Price and Post-Closing Investment.**

1. The Purchaser proposes to purchase the Target Assets at the closing of the Proposed Transaction (the "Closing") for the following consideration (collectively, the "Purchase Price"): (i) $32 million in cash, plus (ii) the assumption of not more than $21.161 million of refund obligations owed by the Company to former residents, plus (iii) the assumption of all cure costs, in an amount to be determined, related to executory contracts and unexpired leases (collectively, "Executory Contracts") that are assumed by the Company and assigned to the Purchaser in connection with the Proposed Transaction. As discussed below, before BRP can commit to taking an assignment of any Executory Contract or paying any related cure amount, BRP must complete its diligence of, among other things, all Executory Contracts, including, without limitation, (a) the collective bargaining agreement with SEIU Local 2015 (the "CBA") covering certain employees at the Company's Lake Rock facility in Oakland, California, (b) the Company's 403(b) plan and any other retirement plans (each, a "Retirement Plan"), (c) all employee contracts and (d) other contracts to be determined.

2. In addition, the Purchaser will commit to invest up to an additional $20 million in the Target Assets and related businesses following the Closing.

H. **Stalking Horse.** It is a condition to this Proposal that the Purchaser be designated as the stalking horse bidder for the Target Assets and that the Company obtain entry of an order of the Bankruptcy Court by a date to be agreed between the Purchaser and the Company, which order shall be in form and substance satisfactory to the Purchaser (the "Bidding Procedures Order"), and which shall, among other things:

1. Approve the Purchaser as the stalking horse bidder;

2. Approve (a) a break-up fee in the amount of $600,000 (which is equal to 3% of the cash portion of the Purchase Price), plus (b) reasonable out-of-pocket expenses of the Purchaser incurred in connection with this Proposal and the Proposed Transaction (collectively, the "Bid Protections") up to the maximum aggregate amount of $200,000, which Bid Protections shall be payable to the Purchaser in accordance with the terms of the APA and Bidding Procedures Order as a first priority administrative expense and without any further application, motion or order of the Bankruptcy Court, in the event that (x) the Purchaser is not the successful bidder for the Target Assets in accordance with the APA and Bidding Procedures Order or (y) the APA is terminated as a result of a material breach by the Company;

3. Approve bidding, auction and notice procedures, which shall include provisions (a) authorizing the Company to sell its assets, including, without limitation, the Target Assets, to a qualified bidder, (b) requiring the auction, if any, to be concluded, and the winning bidder for the Target Assets to be chosen, not later than a date to be agreed between BRP and the Company, (c) requiring that the Sale Order authorize and approve the sale to the Purchaser of the Target Assets, free and clear of all liens, claims, interests and other encumbrances (other than any assumed liabilities) pursuant to section 363 of the Bankruptcy Code to be entered by the Bankruptcy Court not later than a date to be agreed between BRP and the Company, and (d) requiring the Closing on the Target Assets to occur not later than a date to be agreed between BRP and the Company (subject to the Sale Order being a final, non-appealable order, unless such condition is waived by the Purchaser in its sole discretion); and

4. Include such other customary milestones and terms as may be reasonably required by BRP.

I. **Approvals and Conditions.**

1. BRP has obtained preliminary approval from its managing principals of the Proposed Transaction. Subject to satisfactory completion of diligence and satisfaction of the other appliable conditions set forth herein, BRP will seek all internal approvals required to (a) submit a final, binding bid and (b) enter into the

APA and purchase and operate the Target Assets and related businesses, subject to the provisions of the APA and Sale Order.

2. The submission by BRP of a final, binding bid is subject to the following conditions:

    a. Completion of all legal, business, and regulatory diligence and satisfaction with the results thereof;

    b. Completion of physical inspections of the Company's facilities and satisfaction with the results thereof;

    c. Completion of phase 1 environmental studies of the Company's properties and satisfaction with the results thereof;

    d. The Company having sufficient cash or access to post-petition financing to adequately fund its Chapter 11 case and sale process through Closing; and

    e. Agreement in writing from the Company that, prior to the entry of the Bidding Procedures Order, it will not (i) allow access to the data room, (ii) respond to inquiries from third parties concerning the Target Assets or the potential sale, or (iii) negotiate or agree upon a disposition of any or all of the Target Assets with anyone except the Purchaser. This grant of exclusivity will be subject only to a customary "fiduciary out."

3. The Proposed Transaction and Closing is subject to the following conditions:

    a. The successful formation by BRP of the Purchaser as a non-profit, C-Corporation;

    b. The Purchaser and the Company entering into the APA by a date to be agreed between BRP and the Company;

    c. The Company obtaining entry of the Bidding Procedures Order by a date to be agreed between BRP and the Company;

    d. If the Purchaser determines not to take an assignment from the Company of the CBA, rejection of the CBA by the Company prior to the Closing pursuant to a final order entered by the Bankruptcy Court;

    e. The Company obtaining entry by the Bankruptcy Court of the Sale Order by a date to be agreed between BRP and the Company and set forth in the APA and/or Bidding Procedures Order;

    f. The Company obtaining all necessary corporate approvals prior to Closing;

g. The Company obtaining all necessary regulatory and third-party approvals prior to Closing, including, without limitation, approvals from the:
    a. California Department of Social Services;
    b. California Department of Public Health;
    c. Center for Medicare and Medicaid Services; and
    d. California Office of the Attorney General;

h. The Closing occurring by a date to be agreed between BRP and the Company and set forth in the APA (subject to the Sale Order being a final, non-appealable order, unless such condition is waived by the Purchaser in its sole discretion); and

i. All other conditions to Closing as expressly set forth in the APA and Sale Order having been satisfied or waived by the Company or the Purchaser, as applicable.

J. **Financing.** The Purchaser's bid for the Target Assets is not subject to any financing contingencies. The Purchaser has, or will obtain prior to Closing, sufficient assets and liquidity to close on the Proposed Transaction and operate and invest in the Target Assets following the Closing.

K. **Employees.** The Purchaser anticipates making offers of employment to all, or substantially all, of the Company's employees who are not subject to employment contracts and who are employed at Closing. BRP understands that certain employees have entered into employment contracts with the Company. However, BRP has not yet reviewed such contracts. Therefore, BRP has made no determination with respect to taking an assignment of some or all of such contracts from the Company or extending new employment offers to such employees at Closing.

L. **Contacts and Advisors.** The Purchaser is represented by Hogan Lovells US LLP in connection with this Proposal and the Proposed Transaction. You may speak with them regarding this Proposal and the Proposed Transaction.

Hogan Lovells US LLP
1999 Avenue of the Stars
Suite 1400
Los Angeles, California 90067
David P. Simonds, Esq.
david.simonds@hoganlovells.com
(310) 785-4647

Hogan Lovells US LLP
390 Madison Avenue
New York, New York 10017
Christopher R. Bryant, Esq.
chris.bryant@hoganlovells.com
(212) 909-0626

M. **Additional Diligence.** As noted herein, submission of a final, binding bid and entry into the APA is subject to completion of all customary diligence and satisfaction with the results thereof. In that regard, set forth below is a preliminary list of information and access that is required to help us complete the diligence process. We reserve the right to supplement or modify this list at any time.

1. Copies of any extensions or amendments to the CBA;
2. Copies of any communications since the petition date with SEIU Local 2015 regarding the CBA;
3. Copies of all material Retirement Plan documents;
4. Information concerning any Retirement Plan funding shortfalls;
5. Copies of any communications with the Pension Benefit Guaranty Corporation concerning any Retirement Plan;
6. Copies of all real property deeds and documents affecting title;
7. A schedule of all Executory Contracts that includes, at a minimum, the following information:
    a. Brief synopsis of contract purpose;
    b. Party names;
    c. Termination or expiration date;
    d. Extension terms and options;
    e. Company termination rights; and
    f. Detail concerning any defaults and estimated cure amounts;
8. Copies of all Executory Contracts, including, without limitation, all existing and incoming resident agreements and employment agreements;
9. A schedule of all current employees that includes at a minimum, the following information for each employee:
    a. Name;
    b. Job title and description;
    c. Hourly wage and/or salary;
    d. Whether the employee is covered by the CBA;
    e. Whether the employee has an employment contract; and
    f. Amount and description of any unpaid wages or benefits (e.g., paid time off);
10. Copies of all existing regulatory approvals, licenses and permits;
11. Copies of all internal and external environmental studies and reports performed within the last 5 years;
12. Copies of all communications and documents concerning any violations or asserted violations of any environmental laws or any penalties assessed as a result thereof;
13. A schedule of all existing insurance policies applicable to the Target Assets, the Company's business and/or employees, and copies of all such policies;
14. A schedule of all owned and licensed intellectual property (including business software);
15. A schedule of all material litigation and/or litigation that has been threatened in writing;
16. Confirmation that the Purchaser and the facilities are not subject to any statutory minimum liquid reserve requirements;
17. Copies of all escrow agreements or letters of credit required to be maintained by statute or regulatory agencies; and
18. Copies of all communications from vendors or suppliers asserting contract defaults, refusing or amending the terms of service, or terminating contracts.

If we are invited to proceed to the next round of unofficial bidding, we would commit the required time, expertise and resources to complete the diligence process in an efficient and timely manner, and then, subject to the results thereof, progress expeditiously toward submitting a final, binding bid for the Target Assets. To assist us in completing the diligence process, we would also require reasonable access to the Company's advisors and its key management and employees.

* * * * *

We have given careful thought to this Proposal and to making it as transparent and comprehensive as possible given that it is a preliminary, non-binding indication of interest. We are excited about the prospect of continuing discussions with you and the Company about this Proposal and to hopefully moving forward expeditiously with the Proposed Transaction. We look forward to hearing from you and answering any questions you may have about this Proposal.

Very truly yours,

Richard Ackerman

Richard Ackerman
Managing Partner

EXHIBIT 1

Management Team

Richard Ackerman, Chairman, President, and Chief Executive Officer. Mr. Ackerman is the Founding Chairman and Senior Managing Principal of Big Rock Partners (BRP), a real estate development and investment management firm, which he formed in 2004. He also was the CEO and Founder of Big Rock Acquisition Corp. a publicly traded SPAC until its merger at a $1.6 Billion Dollar valuation in May 2021 into NRx Pharmaceuticals Inc.

Prior to BRP, Mr. Ackerman headed the Los Angeles office of Apollo Real Estate Advisors, a global private equity firm that has invested over $7 billion of equity. Mr. Ackerman oversaw all investments on the West Coast of the United States and in Japan. From April 2001 until January 2004, Mr. Ackerman was chief restructuring officer of Summerville Senior Living, a company that operates Assisted Living Facilities nationwide.

From August 1999 to April 2001, Mr. Ackerman was appointed by Apollo as chief executive officer in order to restructure Atlantic Gulf Communities Corporation (an Apollo portfolio company), a publicly traded development and asset management company whose primary operations included the development and sale of home sites and land tracts and the construction and sale of oceanfront condominiums. From September 1996 to August 1999, he was president and co-founder of Crocker Realty Trust, a private REIT (an Apollo portfolio company) specializing in the ownership and development of office space in the Southeastern United States. From 1992 until 1996 he was President and co-founder of Crocker Realty Trust Inc. a publicly traded REIT specializing into ownership and development of office space in the Southern United States until its sale to Highwoods properties (NYSE:HIW) for $530 million dollars. Prior to 1992, Mr. Ackerman was a partner in Crocker and Company a Real estate development firm. His projects included Mizner Park located in Boca Raton Florida.

Mr. Ackerman is currently on the Board of Directors for Tulane Law School and has instructed as an adjunct professor. Mr. Ackerman also is a former director of Summerville Senior Living, Inc., which was one of the largest assisted living companies in the nation. Mr. Ackerman graduated with a B.A. from Tulane University and a J.D. from the Tulane School of Law.

Lori Wittman, Director and Chief Financial Officer. Prior to joining BRP, Ms. Wittman served as the Executive Vice President and Chief Financial Officer of Care Capital Properties, a public healthcare real estate investment trust. Ms. Wittman previously served as Senior Vice President, Capital Markets and Investor Relations of Ventas, a leading estate investment trust with more than 1,600 assets consisting of senior housing, medical office buildings, skilled nursing facilities, hospitals, and other properties. Ms. Wittman is the former CFO and managing partner of Big Rock Partners from 2006 to 2010. Ms. Wittman has also held various capital markets and finance positions with General Growth Properties, Inc., Heitman, Homart Development Company, Citibank, and Mellon Bank. Ms. Wittman received a B.A. in Geography and Sociology from Clark University, a Master's degree in City Planning from the University of Pennsylvania, and an M.B.A. from the University of Chicago.

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  - **Site Identification.** Extensive relationships to source off-market opportunities. Look for prime locations where local officials desire a luxury seniors housing product offering.
  - **Underwriting Due Diligence.** Leverage the diverse skill sets of Big Rock team to thoroughly assess the strengths/weaknesses. Work with leading 3rd party consultants to assess feasibility and project risks.
  - **Planning/Construction.** Retain leading construction team that can deliver trophy state-of-the art seniors housing communities. Minimize construction risk via the use of guaranteed maximum price contracts.
  - **Lease Up/Stabilization.** Concentrate on marketing well in advance of completion with best-in-class marketing firms and focus on digital platform**.** Tailor the marketing strategy to the individual location and the market area.

Projects Currently in Development

- Unisen - a 495 unit independent living project purchased out of bankruptcy. Redeveloping common areas, villas and adding assisted living units. Developer and Manager for the community. Life plan community.
- Seafields – a to be built 114 unit life plan community on Kiawah Island. 98 independent units and 16 assisted living units. Construction set to begin summer 2021. Developer and Manager for the community

Why BRP Senior Housing Management and Big Rock Partners

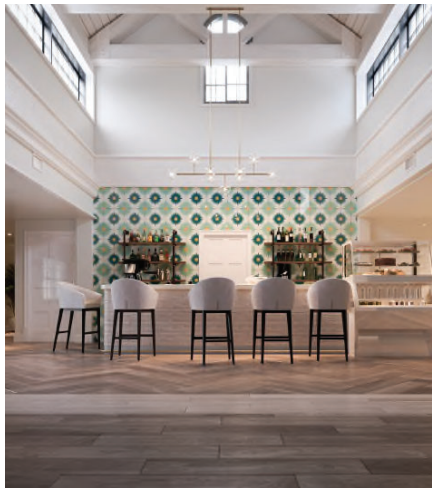
- Longstanding team with substantial experience across the seniors housing spectrum
- The team developed Celebration, is intimately knowledgeable about the market and the building
- Experience in development of class A institutional quality real estate
- Ownership and management of over 900 units of senior housing
- Focused on developing programs for the next generation of seniors with technology, entertainment and wellness offerings
- Experience with multiple ownership forms including third party, understand the importance of communication and reporting

BIG ROCK

SENIOR HOUSING













CNMH001635

July 29th 2021

Dan Revie
Managing Director

Ziegler

Dear Revie,

I am pleased to set forth the following primary business terms and conditions under which my business partners and I are interested in purchasing the 486 Bed ILL, AL and SNF facilities commonly known as California-Nevada Methodist Homes CCRC's .

The Properties/ Purchased Assets	That certain tract of lands improved with a 486 Bed ILL, AL and SNF facilities commonly known as California-Nevada Methodist Homes CCRC's located in California. As well as any and all assets on the property and articles of personal property owned by the Seller used or useful in connection therewith ("**The Facility"**).
Purchasers; New Operators	One or more companies to be formed by MED Healthcare. It is intended by MED Healthcare to establish one or more entities to purchase the Facilities (such entities to be referred to herein as the "**Purchaser**"). MED Healthcare shall also establish one or more entities to be the licensed operators of the Facilities (such entities to be collectively referred to herein as the "**New Operator**").
Existing Owner/Seller; Old Operator	The entities that own the Facilities shall collectively be referred herein as the "**Seller**". The entities that currently are licensed by the State of California to operate the Facilities shall be collectively referred to as the "**Old Operator**".
Purchase Price	Total consideration of $25,000,000 (exclusive of closing costs) which amount will be allocated as detailed below. The Purchase Price shall be payable as follows: • Upon the mutual execution of the APA (as herein defined), Purchaser shall deliver the initial Earnest Money ($225,000) to an escrow account, pursuant to the terms and conditions described below. • All Earnest Money will become nonrefundable upon the expiration of the Due Diligence period except for conditions set

forth in the Purchase Agreement.

- The balance of the Purchase Price, subject to proration's and closing costs, shall be paid at Closing by wire transfer of immediately available funds.
- Buy will assume all of the residents Contingent Liabilities (currently estimated at around 18 million dollars).

Payment of Purchase Price

At the Closing, the Purchase Price (subject to any adjustment) shall be paid in the following manner:

- The Earnest Money (plus accrued interest, if any) shall be released to Seller and credited against the Purchase Price;
- The balance of the Purchase Price shall be paid by wire transfer of immediately available funds.
- There is an interest from the purchaser to assume the existing loan. If that event the payment will be the balance remaining.

Due Diligence Period

Purchaser shall begin its due diligence review of the Properties upon the mutual execution of this Letter and shall continue through the end of 50 days after the execution of the Purchase Agreement (the "Due Diligence Period"). Once the Due Diligence period expires the Earnest Money will be hard. Closing date will be on the first of the month following 30 days after completion of Due Diligence period.

Seller and Old Operator shall provide Purchaser with access to the Properties during the Due Diligence Period.

Due Diligence Documents

The following is an initial list of documents/materials requested in Purchaser's due diligence review of the Properties, it being understood that Purchaser may supplement such list with additional reasonable requests during the Due Diligence Period:

- existing title policies, surveys and floor plans;
- descriptions of any planned/required capital improvements;
- any reports regarding the structural and mechanical condition of the Property, including the foundation, exterior walls, roof and HVAC;
- any existing environmental assessments;
- all licenses, permits, certifications and accreditations;
- all operating contracts, including any collective bargaining agreements;
- all Medicare and Medicaid surveys, including annual and

complaint surveys (last 3 years);

- any notices of any regulatory violations or deficiencies (last 3 years), including any plans of corrections;
- any civil monetary penalties (or state equivalent penalties) or regulatory monitoring programs;
- all notices of any Medicare/Medicaid overpayments (last 3 years);
- Medicare/Medicaid cost reports (last 3 years);
- financial statements for each of the Properties, including balance sheets and cash flow statements for the last 3 years;
- loss runs for the general liability and worker's compensation insurance coverage (last 3 years)

Successor Liabilities

The Bankruptcy Court shall enter an order approving the sale and providing that the sale of the purchased assets shall be free and clear of all liens, claims, encumbrances, and interests to the fullest extent permitted by Section 363 of the Bankruptcy Code (the "Sale Order").

Closing Conditions

Upon Seller's and Purchaser's execution of this Letter of Intent, Purchaser is prepared to begin immediately negotiating documentation, due diligence and other required elements of the transaction.

The closing of the Purchase Agreement is subject to the following conditions:

1. Purchaser's approval and acceptance of the Properties in its sole discretion within the Due Diligence Period, and no material adverse change that substantially impacts the operation or value of the Facility between the date of such approval and the closing of the Purchase Agreement;

2. Purchaser's review and approval of titles and surveys for the Properties, and no material adverse change between the date of such approval and the closing of the Purchase Agreement;

3. Negotiation of definitive documentation acceptable to Purchaser and Seller;

4. Purchaser shall have received all required governmental consents, approvals and licenses; and

5. There shall be no material adverse change with respect to the operations and/or the status of the Facility as a licensed assisted living facility.

6. The Bankruptcy Court shall have entered the Sale Order and the Sale Order shall be a final order not subject to any stay pending appeal.

Representations and Warranties	The Purchase Agreement shall provide the standard representations and warranties of Purchaser and Seller provided in a transaction involving the purchase and sale of an Assisted Living facility in the State of California.
Closing Costs; Prorations	Buyer and Seller to split closing costs and any transfer taxes per local custom.
Exclusivity	Upon execution of this Letter of Intent by the parties, Seller agrees to withdraw the Properties from the market and to negotiate from the date hereof in good faith exclusively with Purchaser in order to reach an agreement on the transactions contemplated hereby for 45 days.
No Solicitation	Seller agrees not to utilize this Letter of Intent to solicit other offers or to modify, renegotiate or otherwise improve the terms and conditions of any other offer heretofore or hereafter received by Seller.

This Letter of Intent summarizes some of the business points relating to the transaction described above, it being understood that other material terms of the proposed transaction are not yet agreed upon and still must be agreed upon to the mutual satisfaction of the parties. Therefore, except for the Brokerage/Advisory, Exclusivity and No Solicitation provisions hereof, it is understood that (i) no liabilities or obligations are intended to be created by this Letter of Intent or the consent by the parties hereto; (ii) this Letter of Intent is not intended to constitute a legally binding agreement to consummate the transaction contemplated hereby or to enter into a legally binding agreement; and (iii) the letter of intent is contingent on having a facility tour thereafter the seller is willing to uphold the agreement (iv) no binding obligation will be created unless and until a written agreement evidencing such obligation is duly executed and delivered by the parties.

This Letter of Intent supersedes and cancels all prior understandings between the parties, if any, and may be executed in two or more counterparts, each of which shall constitute an original, but when taken together all such counterparts shall constitute but one Letter of Intent, and either party may execute this Letter of Intent by executing any one or more of such counterparts.

If the foregoing terms are acceptable to you, please countersign this letter and return one fully executed

original to my attention.

Sincerely,

PURCHASER

Ephram Lahasky
On behalf of MED Healthcare

ACCEPTED AND AGREED

SELLER

By: _____
Name: _____
Its: _____

CALIFORNIA NEVADA METHODIST HOMES
SUMMARY TERM SHEET
AUGUST _____, 2021

Purchaser: Pacifica Companies, LLC

New Operator: Pacifica Senior Living, LLC

Seller/Merger Candidate: California Nevada Methodist Homes

Form of Transaction: Sale of Assets or Merger

Assets:

Lake Park	CNMH Corporate Office Building	Forest Hill	Pacific Grove Parking Garage
1850 Alice St. Oakland, CA 94612	201 19th St Oakland, CA 9612	511 Gibson Ave Pacific Grove, CA 93950	26 Sinex Ave Pacific Grove, CA 93950

Consideration: Aggregate purchase price of $60,293,000, consisting of $18,675,000 cash at close, $20,625,000 seller note (described below) and $20,993,000 in assumed resident refund liability (described below). **Any new refundable or non-refundable deposits will be held in escrow and given to Buyer at the close of escrow.**

Seller Note: The transaction will be partially funded by a $20,625,000 note ("the Note"), which will be assigned by the Seller to Cal-Mortgage. The Note will have a term of 5 years, bear a fixed interest rate of 3.00%, and be interest-only throughout the term.

Guarantor of Seller Note; Security Interest and Deed of Trust: Guarantor or Maker of Seller Note shall be _Pacifica Host Inc. , an entity of substantial financial means. Purchaser to provide Seller financial information verifying financial strength of maker or guarantor. Purchaser shall provide the Seller with a first lien on all purchased assets, with the exception of the above-described Parking Garage, to secure the Seller Note.

Earnest Money Deposit: Upon opening of Escrow, Purchaser shall deposit with Chicago Title, San Diego, California (the "Escrow Company") Five Hundred Thousand (**$500,000**) dollars applicable towards the Purchase Price. Such deposit shall be refundable until the expiration of the Due Diligence Period, at which time the deposit shall become non-refundable unless Purchaser has properly canceled this transaction during the Due Diligence Period.

Three (3) business days after execution of the Purchase and Sale Agreement ("PSA"), Purchaser and Seller shall open Escrow to complete the transaction and Purchaser shall deliver the Deposit to Escrow.

Resident Entrance Contract and Liabilities: Purchaser shall assume all resident contracts in their current form, including any existing "life care" contracts, and resident liabilities below Purchaser shall not assume any other leases or vendor contracts.

	Forest Hill	Lake Park	Totals

Repayable	$ 5,985,251	$ 12,893,010	$ 18,878,261
Contingent		$ 2,115,126	$ 2,115,126
Total	**$ 5,985,251**	**$ 15,008,136**	**$ 20,993,387**

Exclusivity:

Upon term sheet execution, Seller and their representatives will not enter into any other term sheet, letter of intent or PSA regarding the sale, lease or management of the Community unless the parties are unable to execute a PSA within a period of forty-five (45) days (the "Exclusivity Period") from term sheet execution by Seller.

Purchase and Sale Agreement:

The negotiation of the PSA will be conducted simultaneously with due diligence. Purchaser will provide a draft PSA (which will include provisions with respect to operations transfer) within five (5) business days of term sheet execution. Chicago Title San Diego, California will act as escrow agent and title insurer on the transaction.

Due Diligence Period:

Purchaser shall have Forty Five (45) days from the receipt of all due diligence materials to perform all inspections and tests as required by Purchaser, to arrange any necessary financing, and to conduct any and all other due diligence as Purchaser may desire in its absolute discretion. Purchaser may cancel this transaction by written notice at any time during the Due Diligence Period for any reason in its sole and absolute discretion and receive a refund of the Deposit and all accrued interest thereon.

Contemplated Timeline:

Term Sheet Execution	_8/31/21_
Draft PSA Circulated by Purchaser	_9/7/21
Expiration of Exclusivity Period/Due Diligence Period	_____45 Days from PSA execution___
PSA Execution *(deposit to be paid)*	_15 days or sooner
Change of Ownership / Licensure Application Submission	_At Due Diligence expiration _____
Receipt of Change of Ownership / Licensure Approvals *(Anticipated Date)*	_____
Anticipated Closing Date *(subject to regulatory approvals)*	__30 days after AG and Regulatory Approvals _____

Treatment of Accrued and Unpaid Employee Paid Time Off:

At Closing, Seller will pay out all benefit accruals as required by California law including but not limited to Paid Time off and sick pay.

Union Contract:

Purchaser is aware of the existing, although presently expired, union contract at Lake Park and does not anticipate this will delay or impair closing of the transaction.

Pension Liability:	Purchaser shall not assume any pension liabilities .
Costs:	Seller to pay for title, transfer tax and recording fees. Buyer to pay for extended title coverage and 50% of escrow fees.
Seller's Documents:	Seller shall provide to Purchaser, within three (3) days of Opening of Escrow, any and all due diligence materials as are reasonably requested by Purchaser and which are in the possession of Seller. Purchaser to submit a due diligence list to Seller in conjunction with the Purchase Agreement.
Operation of the Property:	During the pendency of this transaction, Seller agrees to refrain from entering into any non-resident related leases, contracts or modifications to the same that affect the Property.
Broker:	Purchaser represents that it has only dealt with Ziegler. Seller shall pay any and all Broker commission per separate agreement.
Representations and Warranties:	Seller represents to Purchaser that Seller has no actual knowledge regarding any violations of applicable codes, laws, and statues relating to the Property, including, but not limited to, building codes, all seismic codes and any environmental law. This representation shall not give rise to any duty of inquiry on the part of Seller but is limited to Seller's actual knowledge.
Standard Contract Clauses:	The comprehensive contracts contemplated under this Letter of Intent shall all have standard contract clauses including, but not necessarily limited to, the following: Licensure provisions Attorneys' fees to prevailing party in any legal dispute Integration Clause No amendment except by writing signed by all parties State law to govern Severability Execution in Counterparts Allowed Time of the Essence
Confidentiality:	Purchaser and Seller agree that all terms of this Letter of Intent and the Purchase Agreement shall remain confidential except as required by applicable bankruptcy law and best bankruptcy practices.

Non-Binding Term Sheet:

This is a non-binding term sheet and is intended as a good faith expression by the parties of contemplated terms that will be incorporated into a definitive and binding agreement, except the "Communications", "Non-Disclosure" and "Exclusivity" sections under this term sheet, which are intended to be legally binding. This term sheet does not contain all matters upon which agreement must be reached in order for the transaction contemplated by this term sheet to be consummated and creates no legal obligations on the part of any party hereto. A binding commitment with respect to the acquisition of the purchased assets will result only from the execution of a definitive agreement. The definitive agreements are subject to and shall include additional essential and material provisions, which are to be negotiated and agreed upon. Until definitive agreements are executed Seller reserves the right to withdraw from or terminate negotiations at any time, for any reason or no reason, and no party shall have any liability to the other by reason of such withdrawal or termination. No written communication (including email correspondence) or oral communication between us will be sufficient to modify this paragraph such that this Term Sheet creates a binding obligation on the parties to complete the transaction described herein.

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

Agreed in Concept
(Subject to negotiation of the definitive purchase and sale agreement):

	California Nevada Methodist Homes
("PURCHASER")	**("SELLER")**
Signature	Signature
Name	Name
Title	Title
Date	Date

COVINGTON INVESTMENTS, LLC

21 July 2021

Via Email

Mr. Daniel C. Revie
Senior Vice President, Corporate Finance
Ziegler Investment Banking
735 North Water Street, Suite 1000
Milwaukee, Wisconsin 53202

Re: Preliminary Proposal to Purchase Assets of California-Nevada Methodist Homes

Dear Mr. Revie:

This letter to the California-Nevada Methodist Homes Board of Directors and other interested parties is a preliminary proposal from Covington Investments, LLC, ("Covington") to become the stalking horse bidder for the acquisition of the Lake Park and Forest Hills continuing care retirement communities from California-Nevada Methodist Homes ("CNMH"). We respectfully submit this proposal for the Board's evaluation and response.

There are a number of constituencies which we have carefully considered in the development of this proposal. Specifically, we have sought to balance and address the interests of entrance fee residents, community residents, employees, and creditors. Hopefully this proposal will be met with the same enthusiasm that we have for working with you.

As requested, in this letter we will address the following:

1. an introduction to our organization and a discussion of our historical operating track record with continuing care retirement communities ("CCRCs") (including a list of properties);
2. list of corporate approvals required by buyer to consummate the transaction;
3. brief description of the transaction structure;
4. summary of how resident liabilities will be treated;
5. sources of financing, including the proposed debt and equity structure, the availability of the proposed capital structure, and any related contingencies;

6. names of outside advisors (including attorneys) we have engaged or plan to engage;
7. non-binding estimate of the cash acquisition value; and
8. list of additional information required to complete the due diligence process.

Introduction and Historical Operations/Buyer Required Approvals

By way of introduction to the stakeholders who are not familiar with Covington, I want to take this opportunity to give you a flavor of our past performance and experiences. Covington Investments, LLC, a Georgia limited liability company, is owned by me and a related family company. I founded Covington in Atlanta in 1997 and serve as President. We typically create single-purpose entities to own and operate each of our communities, as is typical in the industry. We have not yet created the companies that would take title to and assume the operations of the communities but would do so during the sales process.

Our company and all of my colleagues are mission driven in what we do. We all have had considerable experience in operating, owning, and developing senior living communities. While there are many challenges facing the Lake Park and Forest Hills communities, the commitment to serve the residents of our communities is our calling, and we are up to the task.

Among other real estate investments, our related companies have owned and operated four full-service CCRCs acquired from non-profit organizations: The Palms of Sebring located in Sebring, Florida; Hyde Park Health Center (formerly Deupree Health Center) located in Cincinnati, Ohio; Friendship Village located in Dayton, Ohio; and McKendree Village located in Hermitage, Tennessee. We began operating The Palms of Sebring in 2001 and Friendship Village in 2006. Both of those transitions involved acquisitions under a bankruptcy court sale. We assumed operations of the former Deupree Health Center in 2007 by invitation from the highly regarded Episcopal Retirement Homes organization. And we acquired McKendree Village in 2011 from an affiliate of the United

At each of these communities, we furthered the historical, faith-affirming mission of each unique campus. We strove mightily to honor, support, and enhance denominational engagement with their

faith affiliations such as the Brethren Church and the local United Methodist Conference. We did so by strengthening the chaplaincy and volunteer programs and by intentionally embracing & celebrating the special faith traditions which were the genesis of these unique communities. In 2018, we transitioned all four of these campuses to a non-profit Sponsor to preserve the original non-profit mission of each campus.

In May 2021, we acquired two large CCRC campuses in Indianapolis, Indiana; and in Kansas City, Missouri; which we lease to a non-profit operator (discussed more fully below). Further, after working for more than a year with the non-profit The Alliance Community for Retirement Living, Inc., (an affiliate of The Christian and Missionary Alliance Foundation, Inc., d/b/a Shell Point), we purchased The Alliance Community for Retirement Living in DeLand, Florida, in June of 2021. These three CCRC campuses comprise a combined 272 licensed skilled nursing beds, 195 licensed assisted living units, 359 independent living units, and 382 independent living private residences for a total of 1,208 units.

Because Covington is wholly owned by my family and me, there are no corporate approvals required to consummate the transaction. We can be nimble and responsive and work cooperatively, hand in hand, with all stakeholders and on their timetable.

Transaction Structure/Resident Liabilities/Resident Agreements

In the purchase of the Lake Park and Forest Hills communities, we would seek to further enhance the mission of CNMH and to expand opportunities to serve the needs of existing and future residents. CNMH finds itself in a place where a number of other non-profits have been.

Dramatic changes in the economy, accelerated by the COVID-19 pandemic, have materially impacted seniors housing, particularly the entrance fee business model. The issues are complex and deserve a thoughtful and comprehensive solution. If we are able to consummate this relationship, this acquisition would be the sixth time we have assumed operations from a non-profit provider.

Regarding the commitment of CNMH to your entrance fee residents, we have carefully considered this covenant with your residents and **propose to assume all resident agreements**. Rest assured that the residents would be our highest priority as we would seek to serve and care for them.

Our covenant also will include a commitment to invest monies and resources into the existing physical plant of the communities as well as to pursue other areas of service expansion where needed. We would work with the residents of the communities to develop this plan.

Our commitment to employees also is strong. While we would make staff hiring decisions on an individual basis, we foresee no mass lay-offs and would work to support your current staff. Our ownership of the communities would reflect a deep commitment to the care and comfort of the residents.

Non-Profit/Affiliation

In our latest acquisition of CCRCs in Indiana and Missouri, we have partnered with a non-profit 501(c)(3) organization, Boncrest Resource Group, Inc., ("Boncrest") in which subsidiaries of Boncrest became the tenants and licensed operators of the CCCRs. Boncrest's mission is to provide high-quality care and services in seniors housing and long-term care settings in a cost- effective manner. The directors and officers of Boncrest are highly qualified health care industry professionals with experience in finance, law, and clinical care.

While our partnership with Boncrest has been fruitful, we are very flexible in the manner in which we would partner with them or with another non-profit, and we intend to actively work with a nonprofit partner should we be selected as the successful bidder--

affiliation approach.

Sources of Financing

In Attachment 1 we have included expressions of interest from IBERIABANK and Northern Trust, both leading healthcare lenders that specialize in seniors housing projects, to finance this proposed transaction. Both of these lenders helped finance our acquisitions of large CCRCs in recent months. Covington also has strong borrowing relationships with other active healthcare and seniors housing lenders.

We would not enter into a transaction nor continue this process were we unable to perform the financial terms as proposed. Covington anticipates using both debt and equity to consummate this purchase, and we have the liquid capital, investor

relationships, and debt options to do so. Upon request, we would be willing to provide additional financial references from our lenders, accountants, and attorneys.

Names of Outside Advisors

Covington has engaged the law firm of Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, to handle the 363 acquisition in the bankruptcy proceedings. We have worked with Baker Donelson for over three decades on very complex seniors housing and healthcare transactions.

We also would engage the CPA firm Moore Stephens Lovelace, P.A., with whom we have worked for more than 20 years. They would assist with financial due diligence, quality of earnings review, and other pre-acquisition due diligence.

Non-binding Estimate of the Cash Acquisition Value

Our bid is contingent upon Covington being named the stalking horse bidder at the bankruptcy auction, consistent with the stalking horse terms attached to this letter as Attachment 2.

Based on our due diligence efforts thus far, we expect our bid to include (a) a cash purchase price of $16,000,000 plus (b) the assumption of all resident agreements (including existing refund liabilities) without modification.

The purchase price is based on the assumptions set forth on page 41 of the Offering Memorandum indicating the amount of the entrance fee repayment liability. The original total for such liability was $18,153,712; however, as further information has become available, Ziegler has reissued a new page 41 which is attached as Attachment 3 and indicates a total liability of $21,161,785. We have not been able to independently verify the total liability, as all resident agreements are not available in the Ziegler data room. Further, we have based our bid on the understanding that only the Classic Agreement contracts (Type B) have a resident refund liability that is not dependent upon the re-sale of a resident’s unit.

Alternative Proposal/Immediate Consulting or Other Arrangement

Covington is keenly aware of the complexities facing CNMH and its stakeholders, yet our evaluation of the situation has been greatly limited without direct access to the Sponsor and its staff nor any on-site tour or physical plant due diligence. We would entertain opportunities to work with the parties immediately in a cooperative fashion whereby Covington provides consulting, management, or other services on a reduced or even no-fee basis. We also would consider making funds available to CNMH in order to increase performance of the communities prior to the consummation of a non-profit affiliation or bankruptcy sale of the assets in order to maximize proceeds for the debtor.

Additional Information Required to Complete the Due Diligence Process

In order to complete the due diligence process, our team will need the following:

- Access to all resident agreements (including all resident agreements on legacy forms) to independently verify the entrance fee payment liability.

- Access to the communities to conduct physical inspections to determine the level of capital expenditures required to provide the residents with quality housing and care.

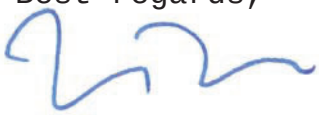
- Access to the communities to conduct standard healthcare operational and real estate due diligence.

Conclusion

Covington is well equipped to strengthen the services and amenities of the Lake Park and Forest Hills continuing care retirement communities. We are not only real estate investors, but health care professionals and turn-around specialists with many years of experience with CCRC communities.

We hope that you will be pleased with our proposal as well as our alternative approach of assistance in this process. Good luck to you and to the Board while making the difficult decisions which lie ahead.

Best regards,



John E. McMullan
President

dbb

Attachments

Attachment 1

Sources of Financing

Please see attached letters from IBERIABANK and Northern Trust.

IBERIABANK
2970 Peachtree Road NW, Suite 200
Atlanta, GA 30305
www.iberiabank.com

July 16, 2021

Mr. Ted McMullan
President
Covington Investments, LLC
1175 Peachtree Street, Suite 350
Atlanta, GA 30361

Re: Financing– California-Nevada Methodist Homes

Dear Ted:

Iberia Bank/First Horizon is pleased to consider supporting your proposed acquisition of the above-referenced opportunity. We appreciate the positive performance of your previous loans and hope to expand our longstanding relationship.

As you know, we recently closed on a $36,850,000 credit facility for your acquisition of two 500+ unit Midwest seniors housing communities and are confident in your ability to meet the obligations of this commitment. As with any new loan, the ultimate consummation of a transaction is subject to the satisfactory results of our due diligence, underwriting, and credit committee approval.

Iberia Bank/First Horizon is committed to providing financing solutions for the health care and senior living sector. As of June 30, 2021, we have over $83 billion in assets to support seniors housing and other clients throughout the U.S. We strive to support organizations such as yours that are mission-driven in their service to others.

It has been a pleasure working with you and your colleagues, and we welcome the opportunity to provide financing for your proposed California-Nevada Methodist Homes transaction.

Sincerely,

Bryant Chandler
Vice President

NORTHERN TRUST

July 19, 2021

Mr. Ted McMullan
President
Covington Investments, LLC
1175 Peachtree Street, Suite 350
Atlanta, GA 30361

Re: Financing Commitment – California-Nevada Methodist Homes

Dear Ted:

The Northern Trust company is aware of your proposed acquisition of the above-referenced seniors housing communities. It was a pleasure to work with you recently on the consummation of a credit facility for your acquisition of a large Florida CCRC.

Northern Trust has a longstanding relationship with you and your father. Northern Trust would consider financing should you proceed with the above-referenced transaction, subject to full credit approval.

We value our relationship and welcome the opportunity to provide financing for your proposed California-Nevada Methodist Homes acquisition.

Best regards,

Jordan S. Kiel
Senior Vice President

NTAC:3NS-20

Attachment 2

Proposed Stalking Horse Terms

Covington shall be named the stalking horse bidder in the bankruptcy case (the "Stalking Horse Bidder") in connection with the purchase and sale of the assets in accordance with the terms of this proposal and the terms of Section 363(b) and (f) and Section 365 of the Bankruptcy Code. As the designated Stalking Horse Bidder, Covington would require certain bid protections, including those outlined below. Covington and the Debtor would agree on a form of asset purchase agreement (the "Stalking Horse Agreement") to be used as a part of the sale process.

It is a condition of Covington's proposal that the items contained in this section be included in any sale process. The Debtor will seek to have the following included in any Bid Procedures approved by the Bankruptcy Court:

a. Minimum Overbid: A requirement that the cash purchase component of other bidders' offers exceed the Purchase Price by a minimum of $320,000.

b. Covington Deposit: Covington will submit a deposit of $150,000 upon court approval of Covington as the Stalking Horse Bidder. In the event that Covington is not selected as the winning bidder, Covington's deposit will be returned in full within 48 hours of the auction. Covington will be provided protections that deposit funds will be escrowed and held separately from other funds of the Debtor.

c. Competing Bidder Deposit: A requirement that other bidders submit a deposit of at least $150,000 in order to be a competing bidder.

d. Competing Bidder Agreement: Any competing bids must provide for other terms and conditions that shall be the same or more favorable to the Debtor than the terms of this proposal for all of the assets. Any competing bids must be for cash and must not be conditioned on obtaining financing, any internal approval (including board or equity owner approval), the outcome or review of due diligence, or contain any environmental or other contingencies in each instance not otherwise expressly contained in the Stalking Horse Agreement. Any competing bid shall be for all of the

assets as a unit on an "as is – where is" basis without representations and warranties except as expressly set forth in the Stalking Horse Agreement. Any competing bid shall not include any bid protection such as a break-up fee, termination fee, expense reimbursement or similar type payment.

e. Break-Up Fee: In recognition of Covington's time and effort in examining the businesses, its due diligence in respect thereof by its employees, agents, attorneys, accountants and other representatives, and the loss of opportunity that the expenditure of such time and effort has caused, Covington shall be entitled to a break-up fee equal to the greater of $500,000 or 3% of the final, confirmed sales price (the "Break-Up Fee") payable to Covington in the event that a competing bidder closes a transaction. The Break-up Fee shall be in addition to the refund of the deposit; will be considered as a priority administrative claim by the court; and will be paid to Covington from the proceeds at closing from the competing bidder.

f. Bid Procedures: In addition to the terms previously outlined, bidding procedures filed by the Debtor in connection with the transaction will be subject to final approval by Covington, which approval will not be unreasonably withheld.

g. Bankruptcy Sale Order: Covington requires that the sale be approved by the Bankruptcy Court under Sections 363 and 365 of the Bankruptcy Code free and clear of all liens, claims, obligations and encumbrances, and, except as otherwise set forth in the Stalking Horse Agreement, exclusive of any liabilities of any kind or nature whatsoever, whether known or unknown, contingent or otherwise, existing as of the date hereof or hereafter arising. The Bankruptcy Court shall enter an order approving the sale (the "Order"), in form and substance satisfactory in all respects to Covington, which among other things, shall (i) be a final and non-appealable Order; (ii) authorize and direct the Debtor, in accordance with Sections 363 and 365 of the Bankruptcy Code, to convey the assets to Covington pursuant to the provisions hereof, or to the highest bidder other than Covington, as determined in accordance with the bidding procedures set forth in the order, free and clear of all liens and encumbrances; (iii) find that Covington has acted in good faith within the meaning of Section

363(m) of the Bankruptcy Code and, as such, is entitled to the protections afforded thereby; (iv) find that the Stalking Horse Agreement was negotiated, proposed and entered into by the parties hereto without collusion, in good faith and from arm's-length bargaining positions; (v) find that Covington is not acquiring or assuming any of the Debtor's liabilities of any description except for the resident agreements; (vi) determine that the Stalking Horse Agreement and the transactions contemplated hereby shall be specifically enforceable against and binding upon the Debtor; (vii) approve the Debtor's assumption and assignment of any assumed contracts pursuant to Section 365 of the Bankruptcy Code; and (viii) contain protections in favor of Covington against successor liability and an injunction enjoining the same. Without limiting the generality of the foregoing, the Order must find as a matter of law and fact that Covington has no liability with respect to any matter pertaining to the businesses prior to the date of closing and that Covington will incur no liability of the Debtor or any other prior party in interest with respect to the assets. Both Covington and the Debtor shall use reasonable efforts to obtain entry of the sale Order on such terms.

Attachment 3

Updated Entrance Fee Repayment Liability

Please see attached page regarding Updated Entrance Fee Repayment Liability.

Updated Entrance Fee Repayment Liability

The below table more accurately reflects the total repayment liability for both communities through June 30, 2021:

Contract Type:	Lake Park	Forest Hill*	Total
Classic Contracts	$ 2,262,845	$ -	$ 2,262,845
Repayable Contracts	$ 12,913,689	$ 5,985,251	$ 18,898,940
Total	**$ 15,176,534**	**$ 5,985,251**	**$ 21,161,785**

*Net of any financial assistance / charity care provided to residents





uly 23, 2021

Dan Revie
Ziegler

Dear Dan:

Eagle Arc Partners, C ("**Eagle Arc**") and Assured Healthcare Partners ("**AHP**", and together with Ea le Arc, "**Buyer**") are pleased to submit the following non-binding letter of intent (this " **OI** ") to outline the terms upon which Buyer would be willing to acquire the operations and associated real property (the "**Assets**") from California-Nevada Methodist Homes and its affiliates ("**Seller**"), as identified on Schedule I attached to this LOI. Buyer's recent transaction experience demonstrates our comfort with the marketplace, our relationships with operators, and our ability to close on a transaction of this nature.

The major terms and conditions include the following:

1. **Assets**: The portfolio of two (2) continuin care retirement communities (the "**Acquired Facilities**") and the associated interest in real property of such Acquired Facilities (collectively, the "**Real Property**"). On the date of the Closing, the Assets will be sold to Buyer free and clear of any and all liens, claims, security interests and other encumbrances of any kind.

2. **Transaction Overview**: Buyer shall acquire all operatin interests and owned Assets including all Real Property, buildin s and other improvements, licenses, permits, personal property, equipment, inventory, deposits and escrowed funds from prospective residents, and other assets that are owned by Seller (the "**Transaction**").

Buyer would assume all residency agreements entered into by Seller with all current residents of the Assets, and all obligations arisin thereunder, including any entrance fee refund obligations contained therein. Except as specifically identified in the Definitive Agreements (as defined below), Buyer would assume no other liabilities of Seller, and the Assets would be delivered to Buyer unencumbered by any other debt and free and clear of any liens, claims, encumbrances and interests pursuant to a bankruptcy court order approvin the sale. If the parties a ree upon Buyer assuming additional liabilities of Seller, the Purchase Price would be reduced by the dollar amount of such assumed liabilities.

3. **Purchase Price**: Subject to Seller's concurrence with Buyer's terms described in this LOI, authorization from Seller's debtors and/or the bankruptcy court (if applicable), and the satisfaction of any other conditions described in

this LOI and/or an APA required to be complete prior to closin the Transaction, Buyer would acquire substantially all of the Assets of the Seller and certain specified liabilities of the Seller for a cash acquisition price of $22.0 million.

Buyer would assume the existing resident refund obligations, for current residents and former residents in the queue, totaling approximately $19.2 million. Therefore, the total potential consideration given to Seller would be equal to approximately $41.2 million.

4. **Transaction Funding**: The Transaction will not be subject to any financing contingency.

5. **Stalking Horse Bid**: Pursuant to sections 105, 363, 365, and/or 1129 of the Bankruptcy Code, and subject to the terms, conditions, and other provisions of this LO and the Definitive A reements (as defined below), Buyer will serve as the stalking horse bidder for substantially all of the assets of the Seller, subject to a competitive auction process proposed in bidding procedures to be negotiated between the parties.

6. **Bid Protections**: f the Assets are put to bid through a court-approved auction process, a court-approved break-up fee in the amount of 3.0% of the total potential consideration or approximately $1.25 million is required as inducement for Buyer to conduct the costly diligence necessary to ne otiate the Definitive Agreements and provide a competitive floor bid for the assets, as is customary in this type of transaction. Additionally, if another bidder is selected to acquire the Assets, Buyer would receive return of the Deposit (as defined below).

7. **Due Diligence**: Upon the execution of this LOI, the parties will commence ne otiations of the Asset Purchase and Operation Transfer Agreement (the "**Purchase Agreement**") and other such agreements as are necessary to evidence the Transaction (collectively, "**Definitive Agreements**"). The Definitive Agreements will be in forms mutually agreeable to the parties in their sole discretion and include, without limitation, such representations, warranties, covenants, indemnification obligations and other terms and conditions customary in transactions similar to the Transaction. Buyer will deliver the draft Purchase A reement within five (5) days of execution of this O , and expect to execute the Purchase A reement within twenty (20) days of execution of this O .

Buyer is prepared to proceed with due diligence immediately, which it expects to be completed within forty-five (45) days (the "**Due Diligence Period**") followin the signin of the Purchase Agreement. Buyer's dili ence work streams may include: business, financial, legal, tax, insurance, re ulatory and clinical dili ence and appraisals, Phase 's, and property condition reports. Buyer may perform site visits and Seller will provide reasonable access to the Acquired Facilities upon reasonable prior notice and approval by Seller, and subject to all COV D-19 related re ulations and protocols.

8. **Timeline and Closings**: Subject to other terms included in the Purchase Agreement, the parties will close at the end of the month immediately followin receipt of all required re ulatory approvals (assumin entry of an order confirming the sale or debtor's plan of reorganization). The expected closing timeline is as follows:

Event	Date
Deliver draft Purchase Agreement	5 days after signing this LOI
Execute Purchase Agreement	20 days after signing this O
Complete confirmatory due dili ence	45 days after signing Purchase A reement
File Re ulatory and Notice etters	7 days after completion of confirmatory due diligence
Closin	At the end of the month immediately followin the receipt of re ulatory approvals and after entry of an order confirming the sale or debtor's plan of reorganization

9. **Deposit**: Buyer will pay an initial deposit in the amount of $1,000,000 (the "**First Deposit**") into escrow with Madison Title Insurance Company ("**Madison Title**") pursuant to an escrow agreement (the "**Escrow Agreement**") upon execution of this LOI. Upon completion of its confirmatory due diligence, Buyer shall make a second deposit of $1,000,000 (the "**Second Deposit**" and together with the First Deposit, the "**Deposit**") into escrow with Madison Title. f the Proposed Transaction is consummated, then the Deposit will be applied against the Purchase Price. If (a) Seller defaults under the Purchase Agreement (a "**Seller Default**"), or (b) Buyer terminates this O before the expiration of the Due Diligence Period, then Buyer will be entitled to a return of the Deposit. n all other circumstances, the Deposit is non-refundable unless another buyer is selected as a result of the bankruptcy process.

10. **Exclusivity**: For a period of sixty (60) days from the execution of this LOI, Seller will ne otiate the Transaction on an exclusive basis with Buyer. If Buyer notifies Seller of its intent to abandon or terminate negotiations with respect to the Transaction, Seller will no longer be bound by the exclusivity obligations set forth herein.

11. **Required Approvals**: Buyer's investment committees have reviewed and approved this proposal. Closin of the Transaction will be subject to:

- Completion of Due Diligence to Buyer's satisfaction prior to execution of the Definitive Agreements;
- With respect to the transfer of the operations of the Acquired Facilities, receipt of all material third-party consents and approvals includin , but not limited to, regulatory and licensure;
- Entry of an order confirming the sale or the Debtor’s plan of reorganization;
- No material adverse change in the business, assets, operations or condition (financial or otherwise) of the Real Property between signing and Closing; and
- Execution and delivery of the Definitive Agreements.

12. **Buyer Background**:

Eagle Arc is an investment firm that is focused on acquiring and executing value add strategies across skilled nursing and seniors housing facilities. Funds and affiliates mana ed by Ea le Arc have acquired over $1.5bn of senior livin assets over the past several years. As a result of our investment activities, Ea le Arc has developed si nificant domain expertise in senior living that uniquely position us to underwrite, diligence and close the proposed Transaction.

Assured Healthcare Partners is a New York-based healthcare-dedicated private equity sponsor that provides capital solutions and operational resources to support the growth of its portfolio companies. AHP has extensive healthcare services experience, with a particular focus on healthcare providers and facilities. AHP has extensive bankruptcy experience including acting as a stalking horse.

- A P has closed over $540 million of new investments since 2018 alone, and currently mana es approximately $1 billion in assets
- AHP emphasizes a culture of collaboration, transparency, and integrity
- AHP leverages company and industry-specific fundamental research, as well as creative structurin and capital flexibility to unlock value for its investors and portfolio companies
- A P’s funds allow for a flexible cost of capital that is unique to most alternative asset managers, and is patient in nature (with hold periods ran ing from 5-10 years)

The following is a partial listin of the transactions completed by Eagle Arc and AHP as joint venture partners:

South ast Portfolio - November 2020 acquisition of a $325M portfolio of 21 skilled nursin facilities in Florida, Mississippi, and Georgia that were formerly owned by an owner/operator. Eagle Arc and AHP were able to close the transaction despite numerous operational and financial challen es related to the on oin COVID-19 pandemic.

S r a / S nior C re C nt rs Portfolio - March 2019 acquisition of a $283M portfolio of 28 skilled nursin and assisted living facilities in Texas and ouisiana that were owned by Sabra Health Care REIT and operated by Senior Care Centers. Eagle Arc and A P had to navigate Senior Care Center's bankruptcy process in order to gain control of the assets.

Kin red Portfolio - Au ust 2017 acquisition of 96 skilled nursing and assisted livin assets (approximately 11,600 beds) from publicly traded Kindred Healthcare Inc. in a $786M transaction.

Reg ncy Int gr ted H lth Servi s - The acquisition of Regency Integrated Health Services ("**Regency**"), a post-acute and lon -term care healthcare provider platform based in Texas. The acquisition, which closed in 2016 for total consideration of $510M, included the real estate, operations, management and ancillary businesses. At closin , a new senior leadership team was brought in but the remaining infrastructure and regional was left intact. The platform continues to grow through acquisitions of home health, hospice and facilities-based services, including notable carve-out transactions from Genesis and Senior Care Centers. Regency now operates almost 7,000 beds in Texas.

13. **Operations Plan**: Buyer will partner with Aspen Skilled Healthcare ("**Aspen**") to manage the facilities, with Aspen being the licensed operator. Buyer currently partners with Aspen in several other buildin s in California. Aspen was formed in 2009 and its founders all have over 20 years of experience operating healthcare facilities throughout the West Coast. Aspen recently took over operations of two other continuing care communities in California, as part of a $126.1M acquisitions from Brookdale Senior Living, demonstrating their knowled e and expertise in this particular asset class.

14. **Confidentiality**: This LOI is being submitted on a confidential basis.

15. **Ex enses**: Each party shall bear its own costs except as may be ne otiated in the Definitive Agreements. Buyer will pay for its own due dili ence, includin without limitation, those work streams identified in Section 7.

16. **Governing Law**. This LOI is governed by the laws of the State of Delaware.

17. **Non-Binding Proposal**: It is understood that this non-bindin proposal does not contain all matters upon which agreement must be reached in order for any transaction to be consummated and, therefore, does not constitute an offer to purchase or create any bindin commitment with respect to any transaction. A bindin commitment with respect to a transaction will result only from execution of the Definitive Agreements. Buyer retains the right to terminate its interest as expressed in this OI at any time. Notwithstandin anythin contained in this LOI to the contrary, the terms and provisions contained in this paragraph and the paragraphs entitled "Deposit," "Exclusivity," "Expenses," "Confidentiality," and "Governing Law" shall be bindin on and enforceable against the parties.

Please indicate acceptance of the above by countersigning a copy of this letter and returnin it to us within five (5) business days. Failure to execute and return the document within this period will render this O null and void.

We are excited about the prospect of completing the Transaction and look forward to working with you to expeditiously structure and finalize the Definitive Agreements. If you have any questions regarding our interest, please do not hesitate to call Elliott Mandelbaum at (212) 658-1795.

Eagle Arc Partners LLC
By:



_____
Elliott Mandelbaum
Authorized Si ner

A reed and Accepted:

[Seller]

By: _____
Print Name: _____
Title: _____

Schedule
The Assets

Pro erty	City	State
ake Park	Pacific Grove	CA
Forest Hill	Oakland	CA

EAGLE ARC
PARTNERS

ASSURED
HEALTHCARE PARTNERS®

Au ust 12, 2021

Dan Revie
Ziegler

Dear Dan:

Eagle Arc Partners, C ("**Eagle Arc**") and Assured Healthcare Partners ("**AHP**", and together with Ea le Arc, "**Buyer**") are pleased to submit the following non-binding letter of intent (this " **OI** ") to outline the terms upon which Buyer would be willing to acquire the operations and associated real property (the "**Assets**") from California-Nevada Methodist Homes and its affiliates ("**Seller**"), as identified on Schedule I attached to this LOI.

Buyer will partner with Aspen Skilled ealthcare (**"Aspen"**), with Aspen being the licensed operator. Aspen is a well respected regional operator of skilled nursin , assisted living, and continuin care retirements communities in California. Aspen currently operates 27 facilities in California, and has recently been throu h the California licensure and suitability process. Buyer expects an expedient licensure process as Aspen is well known to the state and has recently taken over similar continuin care retirement communities that were previously operated by Brookdale.

The major terms and conditions include the following:

1. **Assets**: The portfolio of two (2) continuin care retirement communities (the "**Acquired Facilities**") and the associated interest in real property of such Acquired Facilities (collectively, the "**Real Property**"). On the date of the Closing, the Assets will be sold to Buyer free and clear of any and all liens, claims, security interests and other encumbrances of any kind.

2. **Transaction Overview**: Buyer shall acquire all operatin interests and owned Assets including all Real Property, buildin s and other improvements, licenses, permits, personal property, equipment, inventory, deposits and escrowed funds from prospective residents, and other assets that are owned by Seller (the "**Transaction**").

Buyer would assume all residency agreements entered into by Seller with all current residents of the Assets, and all obligations arisin thereunder, including any entrance fee refund obligations contained therein. Buyer does not expect to make any modications to the current residency a reements. Except as specifically identified in the Definitive A reements (as defined below), Buyer would assume no other liabilities of Seller, and the Assets would be delivered to Buyer unencumbered by any other debt and free and clear of any liens, claims, encumbrances and

interests pursuant to a bankruptcy court order approvin the sale. f the parties agree upon Buyer assumin additional liabilities of Seller, the Purchase Price would be reduced by the dollar amount of such assumed liabilities.

3. **Purchase Price**: Subject to Seller's concurrence with Buyer's terms described in this LO , authorization from Seller's debtors and/or the bankruptcy court (if applicable), and the satisfaction of any other conditions described in this LOI and/or an APA required to be complete prior to closin the Transaction, Buyer would acquire substantially all of the Assets of the Seller and certain specified liabilities of the Seller for a cash acquisition price of $33.0 million.

Buyer would assume the existing resident refund obligations, for current residents and former residents in the queue, totaling approximately $19.2 million. Therefore, the total a gre gate consideration given to Seller would be equal to approximately $52.2 million.

4. **Transaction Funding**: The Transaction will not be subject to any financing contingency.

5. **Due Diligence**: Upon the execution of this LOI, the parties will commence ne otiations of the Asset Purchase and Operation Transfer Agreement (the "**Purchase Agreement**") and other such agreements as are necessary to evidence the Transaction (collectively, "**Definitive Agreements**"). The Definitive Agreements will be in forms mutually agreeable to the parties in their sole discretion and include, without limitation, such representations, warranties, covenants, indemnification obligations and other terms and conditions customary in transactions similar to the Transaction. Buyer will deliver the draft Purchase A reement within five (5) days of execution of this O , and expect to execute the Purchase A reement within twenty (20) days of execution of this O .

Buyer is prepared to proceed with due diligence immediately, which it expects to be completed within thirty (30) days (the "**Due Diligence Period**") followin the signin of the Purchase Agreement. Buyer's diligence work streams may include: business, financial, legal, tax, insurance, regulatory and clinical diligence and appraisals, Phase I's, and property condition reports. Buyer may perform site visits and Seller will provide reasonable access to the Acquired Facilities upon reasonable prior notice and approval by Seller, and subject to all COV D-19 related regulations and protocols.

6. **Timeline and Closings**: Subject to other terms included in the Purchase Agreement, the parties will close at the end of the month immediately followin receipt of all required re ulatory approvals (assumin entry of an order confirming the sale or debtor's plan of reorganization). The expected closing timeline is as follows:

Event	**Date**
Deliver draft Purchase Agreement	5 days after signing this LOI
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Complete confirmatory due dili ence	30 days after signing Purchase A reement
File Re ulatory and Notice etters	7 days after completion of confirmatory due diligence
Closin	At the end of the month immediately followin the receipt of re ulatory approvals and after entry of an order confirming the sale or debtor's plan of reorganization

7. **nterim Management Agreement**: Buyer will explore entering into an interim management agreement (**"IMA"**) with the Seller at the expiration of the Due D ligence Period. n an MA the buyer of a healthcare facility takes over operations of the facility, includin absorbin any profits or losses, while the state re ulatory agencies work throu h completin the suitability and licensure process. Buyer has successfully executed this strategy in California in past

purchases of for-profit facilities, and will ascertain whether this structure is feasible in the sale of a not-for-profit entity.

8. **Deposit**: Buyer will pay an initial deposit in the amount of $1,000,000 (the "**First Deposit**") into escrow with Madison Title Insurance Company ("**Madison Title**") pursuant to an escrow agreement (the "**Escrow Agreement**") upon execution of this LOI. Upon completion of its confirmatory due diligence, Buyer shall make a second deposit of $1,000,000 (the "**Second Deposit**" and together with the First Deposit, the "**Deposit**") into escrow with Madison Title. f the Proposed Transaction is consummated, then the Deposit will be applied against the Purchase Price. If (a) Seller defaults under the Purchase Agreement (a "**Seller Default**"), or (b) Buyer terminates this O before the expiration of the Due Diligence Period, then Buyer will be entitled to a return of the Deposit. n all other circumstances, the Deposit is non-refundable unless another buyer is selected as a result of the bankruptcy process.

9. **Exclusivity**: For a period of sixty (60) days from the execution of this LOI, Seller will ne otiate the Transaction on an exclusive basis with Buyer. If Buyer notifies Seller of its intent to abandon or terminate negotiations with respect to the Transaction, Seller will no longer be bound by the exclusivity obligations set forth herein.

10. **Required Approvals**: Buyer's investment committees have reviewed and approved this proposal. Closin of the Transaction will be subject to:

- Completion of Due Diligence to Buyer's satisfaction prior to execution of the Definitive Agreements;
- With respect to the transfer of the operations of the Acquired Facilities, receipt of all material third-party consents and approvals includin , but not limited to, regulatory and licensure;
- Entry of an order confirming the sale or the Debtor’s plan of reorganization;
- No material adverse change in the business, assets, operations or condition (financial or otherwise) of the Real Property between signing and Closing; and
- Execution and delivery of the Definitive Agreements.

11. **Buyer Background**:

Eagle Arc is an investment firm that is focused on acquiring and executing value add strategies across skilled nursing and seniors housing facilities. Funds and affiliates mana ed by Ea le Arc have acquired over $1.5bn of senior livin assets over the past several years. As a result of our investment activities, Ea le Arc has developed si nificant domain expertise in senior living that uniquely position us to underwrite, diligence and close the proposed Transaction.

Assured Healthcare Partners is a New York-based healthcare-dedicated private equity sponsor that provides capital solutions and operational resources to support the growth of its portfolio companies. AHP has extensive healthcare services experience, with a particular focus on healthcare providers and facilities. AHP has extensive bankruptcy experience including acting as a stalking horse.

- A P has closed over $540 million of new investments since 2018 alone, and currently mana es approximately $1 billion in assets
- AHP emphasizes a culture of collaboration, transparency, and integrity
- AHP leverages company and industry-specific fundamental research, as well as creative structurin and capital flexibility to unlock value for its investors and portfolio companies

- A P's funds allow for a flexible cost of capital that is unique to most alternative asset managers, and is patient in nature (with hold periods ran ing from 5-10 years)

The following is a partial listin of the transactions completed by Eagle Arc and AHP as joint venture partners:

South ast Portfolio - November 2020 acquisition of a $325M portfolio of 21 skilled nursin facilities in Florida, Mississippi, and Georgia that were formerly owned by an owner/operator. Eagle Arc and AHP were able to close the transaction despite numerous operational and financial challen es related to the on oin COVID-19 pandemic.

S r a / S nior C re C nt rs Portfolio - March 2019 acquisition of a $283M portfolio of 28 skilled nursin and assisted living facilities in Texas and ouisiana that were owned by Sabra Health Care REIT and operated by Senior Care Centers. Eagle Arc and A P had to navigate Senior Care Center's bankruptcy process in order to gain control of the assets.

Kin red Portfolio - Au ust 2017 acquisition of 96 skilled nursing and assisted livin assets (approximately 11,600 beds) from publicly traded Kindred Healthcare Inc. in a $786M transaction.

Regen y Int gr t d H alth S rvi s - The acquisition of Regency Integrated Health Services ("**Regency**"), a post-acute and lon -term care healthcare provider platform based in Texas. The acquisition, which closed in 2016 for total consideration of $510M, included the real estate, operations, management and ancillary businesses. At closin , a new senior leadership team was brought in but the remaining infrastructure and regional was left intact. The platform continues to grow through acquisitions of home health, hospice and facilities-based services, including notable carve-out transactions from Genesis and Senior Care Centers. Regency now operates almost 7,000 beds in Texas.

12. **Operations Plan**: Buyer will partner with Aspen to manage the facilities, with Aspen being the licensed operator. Aspen currently operates 27 facilities in California. Buyer currently partners with Aspen in several buildin s in California, including two facilities in San Francisco, one in Marin County, and one in Walnut Creek. Aspen was formed in 2009 and its founders all have over 20 years of experience operating healthcare facilities throughout the West Coast. The President of Aspen, Jay Brady, was one of the original founders of Ensign.

Aspen recently took over operations of two other continuin care communities in California as part of a $126.1M acquisition from Brookdale Senior Living, demonstratin their knowledge and expertise in this particular asset class. Aspen is also extremely familiar with the northern California marketplace. As mentioned above, Aspen operates four facilities in partnership with the Buyer in Northern California, and Aspen also operates another facility in Oakland. Aspen is well known to the California Department of Public Health and Buyer does not expect any issues with licensure or suitability.

13. **Confidentiality**: This LOI is being submitted on a confidential basis.

14. **Ex enses**: Each party shall bear its own costs except as may be ne otiated in the Definitive Agreements. Buyer will pay for its own due dili ence, includin without limitation, those work streams identified in Section 5.

15. **Governing Law**. This LOI is governed by the laws of the State of Delaware.

16. **Non-Binding Proposal**: It is understood that this non-bindin proposal does not contain all matters upon which agreement must be reached in order for any transaction to be consummated and, therefore, does not constitute an offer to purchase or create any bindin commitment with respect to any transaction. A bindin commitment with respect to a transaction will result only from execution of the Definitive Agreements. Buyer retains the right to

terminate its interest as expressed in this LO at any time. Notwithstandin anythin contained in this LOI to the contrary, the terms and provisions contained in this paragraph and the paragraphs entitled "Deposit," "Exclusivity," "Expenses," "Confidentiality," and "Governing Law" shall be bindin on and enforceable against the parties.

Please indicate acceptance of the above by countersigning a copy of this letter and returnin it to us within five (5) business days. Failure to execute and return the document within this period will render this LOI null and void.

We are excited about the prospect of completing the Transaction and look forward to working with you to expeditiously structure and finalize the Definitive Agreements. If you have any questions regarding our interest, please do not hesitate to call Elliott Mandelbaum at (212) 658-1795.

Eagle Arc Partners LLC
By:



_____
Elliott Mandelbaum
Authorized Si ner

A reed and Accepted:

[Seller]

By: _____
Print Name: _____
Title: _____

Schedule
The Assets

Pro erty	City	State
ake Park	Pacific Grove	CA
Forest Hill	Oakland	CA

EAGLE ARC
PARTNERS

ASSURED
HEALTHCARE PARTNERS®

Revised Offer Dated: August 19, 2021

Dan Revie
Ziegler

Dear Dan:

Eagle Arc Partners, LLC ("**Eagle Arc**") and Assured Healthcare Partners ("**AHP**", and together with Eagle Arc, "**Buyer**") are pleased to submit the following non-binding letter of intent (this "**LOI**") to outline the terms upon which Buyer would be willing to acquire the operations and associated real property (the "**Assets**") from California-Nevada Methodist Homes and its affiliates ("**Seller**"), as identified on Schedule I attached to this LOI.

Buyer will partner with Aspen Skilled Healthcare (**"Aspen"**), with Aspen being the licensed operator. Aspen is a well respected regional operator of skilled nursing, assisted living, and continuing care retirements communities in California. Aspen currently operates 27 facilities in California, and has recently been through the California licensure and suitability process. Buyer expects an expedient licensure process as Aspen is well known to the state and has recently taken over similar continuing care retirement communities that were previously operated by Brookdale.

The major terms and conditions include the following:

1. **Assets**: The portfolio of two (2) continuing care retirement communities (the "**Acquired Facilities**") and the associated interest in real property of such Acquired Facilities (collectively, the "**Real Property**"). On the date of the Closing, the Assets will be sold to Buyer free and clear of any and all liens, claims, security interests and other encumbrances of any kind.

2. **Transaction Overview**: Buyer shall acquire all operating interests and owned Assets including all Real Property, buildings and other improvements, licenses, permits, personal property, equipment, inventory, deposits and escrowed funds from prospective residents, and other assets that are owned by Seller (the "**Transaction**").

Buyer would assume all residency agreements entered into by Seller with all current residents of the Assets, and all obligations arising thereunder, including any entrance fee refund obligations contained therein. Buyer does not expect to make any modications to the current residency agreements. Except as specifically identified in the Definitive Agreements (as defined below), Buyer would assume no other liabilities of Seller, and the Assets would be delivered to Buyer unencumbered by any other debt and free and clear of any liens, claims, encumbrances and

interests pursuant to a bankruptcy court order approving the sale. If the parties agree upon Buyer assuming additional liabilities of Seller, the Purchase Price would be reduced by the dollar amount of such assumed liabilities.

3. **Purchase Price**: Subject to Seller's concurrence with Buyer's terms described in this LOI, authorization from Seller's debtors and/or the bankruptcy court (if applicable), and the satisfaction of any other conditions described in this LOI and/or an APA required to be complete prior to closing the Transaction, Buyer would acquire substantially all of the Assets of the Seller and certain specified liabilities of the Seller for a cash acquisition price of $40.5 million.

Buyer would assume the existing resident refund obligations, for current residents and former residents in the queue, totaling approximately $19.2 million. Therefore, the total aggregate consideration given to Seller would be equal to approximately $59.2 million.

4. **Transaction Funding**: The Transaction will be partially funded by a $15 million note ("the Note") from Cal-Mortgage. The Note will have a term of 5 years, bear an interest rate of 3.00%, and be interest-only throughout the term.

5. **Due Diligence**: Upon the execution of this LOI, the parties will commence negotiations of the Asset Purchase and Operation Transfer Agreement (the "**Purchase Agreement**") and other such agreements as are necessary to evidence the Transaction (collectively, "**Definitive Agreements**"). The Definitive Agreements will be in forms mutually agreeable to the parties in their sole discretion and include, without limitation, such representations, warranties, covenants, indemnification obligations and other terms and conditions customary in transactions similar to the Transaction. Buyer will deliver the draft Purchase Agreement within five (5) days of execution of this LOI, and expect to execute the Purchase Agreement within twenty (20) days of execution of this LOI.

Buyer is prepared to proceed with due diligence immediately, which it expects to be completed within thirty (30) days (the "**Due Diligence Period**") following the signing of the Purchase Agreement. Buyer's diligence work streams may include: business, financial, legal, tax, insurance, regulatory and clinical diligence and appraisals, Phase I's, and property condition reports. Buyer may perform site visits and Seller will provide reasonable access to the Acquired Facilities upon reasonable prior notice and approval by Seller, and subject to all COVID-19 related regulations and protocols.

6. **Timeline and Closings**: Subject to other terms included in the Purchase Agreement, the parties will close at the end of the month immediately following receipt of all required regulatory approvals (assuming entry of an order confirming the sale or debtor's plan of reorganization). The expected closing timeline is as follows:

Event	Date
Deliver draft Purchase Agreement	5 days after signing this LOI
Execute Purchase Agreement	20 days after signing this LOI
Complete confirmatory due diligence	30 days after signing Purchase Agreement
File Regulatory and Notice Letters	7 days after completion of confirmatory due diligence
Closing	At the end of the month immediately following the receipt of regulatory approvals and after entry of an order confirming the sale or debtor's plan of reorganization

7. **Interim Management Agreement**: Buyer will explore entering into an interim management agreement (**"IMA"**) with the Seller at the expiration of the Due DIligence Period. In an IMA the buyer of a healthcare facility takes over

operations of the facility, including absorbing any profits or losses, while the state regulatory agencies work through completing the suitability and licensure process. Buyer has successfully executed this strategy in California in past purchases of for-profit facilities, and will ascertain whether this structure is feasible in the sale of a not-for-profit entity.

8. **Deposit**: Buyer will pay an initial deposit in the amount of $1,000,000 (the "**First Deposit**") into escrow with Madison Title Insurance Company ("**Madison Title**") pursuant to an escrow agreement (the "**Escrow Agreement**") upon execution of this LOI. Upon completion of its confirmatory due diligence, Buyer shall make a second deposit of $1,000,000 (the "**Second Deposit**" and together with the First Deposit, the "**Deposit**") into escrow with Madison Title. If the Proposed Transaction is consummated, then the Deposit will be applied against the Purchase Price. If (a) Seller defaults under the Purchase Agreement (a "**Seller Default**"), or (b) Buyer terminates this LOI before the expiration of the Due Diligence Period, then Buyer will be entitled to a return of the Deposit. In all other circumstances, the Deposit is non-refundable unless another buyer is selected as a result of the bankruptcy process.

9. **Exclusivity**: For a period of sixty (60) days from the execution of this LOI, Seller will negotiate the Transaction on an exclusive basis with Buyer. If Buyer notifies Seller of its intent to abandon or terminate negotiations with respect to the Transaction, Seller will no longer be bound by the exclusivity obligations set forth herein.

10. **Required Approvals**: Buyer's investment committees have reviewed and approved this proposal. Closing of the Transaction will be subject to:

- Completion of Due Diligence to Buyer's satisfaction prior to execution of the Definitive Agreements;
- With respect to the transfer of the operations of the Acquired Facilities, receipt of all material third-party consents and approvals including, but not limited to, regulatory and licensure;
- Entry of an order confirming the sale or the Debtor's plan of reorganization;
- No material adverse change in the business, assets, operations or condition (financial or otherwise) of the Real Property between signing and Closing; and
- Execution and delivery of the Definitive Agreements.

11. **Buyer Background**:

Eagle Arc is an investment firm that is focused on acquiring and executing value add strategies across skilled nursing and seniors housing facilities. Funds and affiliates managed by Eagle Arc have acquired over $1.5bn of senior living assets over the past several years. As a result of our investment activities, Eagle Arc has developed significant domain expertise in senior living that uniquely position us to underwrite, diligence and close the proposed Transaction.

Assured Healthcare Partners is a New York-based healthcare-dedicated private equity sponsor that provides capital solutions and operational resources to support the growth of its portfolio companies. AHP has extensive healthcare services experience, with a particular focus on healthcare providers and facilities. AHP has extensive bankruptcy experience including acting as a stalking horse.

- AHP has closed over $540 million of new investments since 2018 alone, and currently manages approximately $1 billion in assets
- AHP emphasizes a culture of collaboration, transparency, and integrity

- AHP leverages company and industry-specific fundamental research, as well as creative structuring and capital flexibility to unlock value for its investors and portfolio companies
- AHP's funds allow for a flexible cost of capital that is unique to most alternative asset managers, and is patient in nature (with hold periods ranging from 5-10 years)

The following is a partial listing of the transactions completed by Eagle Arc and AHP as joint venture partners:

Southeast Portfolio - November 2020 acquisition of a $325M portfolio of 21 skilled nursing facilities in Florida, Mississippi, and Georgia that were formerly owned by an owner/operator. Eagle Arc and AHP were able to close the transaction despite numerous operational and financial challenges related to the ongoing COVID-19 pandemic.

Sabra / Senior Care Centers Portfolio - March 2019 acquisition of a $283M portfolio of 28 skilled nursing and assisted living facilities in Texas and Louisiana that were owned by Sabra Health Care REIT and operated by Senior Care Centers. Eagle Arc and AHP had to navigate Senior Care Center's bankruptcy process in order to gain control of the assets.

Kindred Portfolio - August 2017 acquisition of 96 skilled nursing and assisted living assets (approximately 11,600 beds) from publicly traded Kindred Healthcare Inc. in a $786M transaction.

Regency Integrated Health Services - The acquisition of Regency Integrated Health Services ("**Regency**"), a post-acute and long-term care healthcare provider platform based in Texas. The acquisition, which closed in 2016 for total consideration of $510M, included the real estate, operations, management and ancillary businesses. At closing, a new senior leadership team was brought in but the remaining infrastructure and regional was left intact. The platform continues to grow through acquisitions of home health, hospice and facilities-based services, including notable carve-out transactions from Genesis and Senior Care Centers. Regency now operates almost 7,000 beds in Texas.

12. **Operations Plan**: Buyer will partner with Aspen to manage the facilities, with Aspen being the licensed operator. Aspen currently operates 27 facilities in California. Buyer currently partners with Aspen in several buildings in California, including two facilities in San Francisco, one in Marin County, and one in Walnut Creek. Aspen was formed in 2009 and its founders all have over 20 years of experience operating healthcare facilities throughout the West Coast. The President of Aspen, Jay Brady, was one of the original founders of Ensign.

Aspen recently took over operations of two other continuing care communities in California as part of a $126.1M acquisition from Brookdale Senior Living, demonstrating their knowledge and expertise in this particular asset class. Aspen is also extremely familiar with the northern California marketplace. As mentioned above, Aspen operates four facilities in partnership with the Buyer in Northern California, and Aspen also operates another facility in Oakland. Aspen is well known to the California Department of Public Health and Buyer does not expect any issues with licensure or suitability.

13. **Confidentiality**: This LOI is being submitted on a confidential basis.

14. **Expenses**: Each party shall bear its own costs except as may be negotiated in the Definitive Agreements. Buyer will pay for its own due diligence, including without limitation, those work streams identified in Section 5.

15. **Governing Law**. This LOI is governed by the laws of the State of Delaware.

16. **Non-Binding Proposal**: It is understood that this non-binding proposal does not contain all matters upon which agreement must be reached in order for any transaction to be consummated and, therefore, does not constitute an

offer to purchase or create any binding commitment with respect to any transaction. A binding commitment with respect to a transaction will result only from execution of the Definitive Agreements. Buyer retains the right to terminate its interest as expressed in this LOI at any time. Notwithstanding anything contained in this LOI to the contrary, the terms and provisions contained in this paragraph and the paragraphs entitled "Deposit," "Exclusivity," "Expenses," "Confidentiality," and "Governing Law" shall be binding on and enforceable against the parties.

Please indicate acceptance of the above by countersigning a copy of this letter and returning it to us within five (5) business days. Failure to execute and return the document within this period will render this LOI null and void.

We are excited about the prospect of completing the Transaction and look forward to working with you to expeditiously structure and finalize the Definitive Agreements. If you have any questions regarding our interest, please do not hesitate to call Elliott Mandelbaum at (212) 658-1795.

Eagle Arc Partners LLC
By:

_____
Elliott Mandelbaum
Authorized Signer

Agreed and Accepted:

[Seller]

By: _____
Print Name: _____
Title: _____

Schedule I

The Assets

Property	City	State
Lake Park	Pacific Grove	CA
Forest Hill	Oakland	CA

July 16, 2021

Dan Revie
Managing Director
Ziegler Investment Banking
735 N. Water Street, Suite 1000
Milwaukee, WI 53202
Office: 414 978 6556
Cell: 312-307-5795
Email: drevie@ziegler.com

Re: Letter of Intent

Dear Mr. Revie:

Heritage Campus Group, a District of Columbia non-profit organization, ("**Bidder**") and Lapis Advisers, LP as lender ("Lapis" or the "**Lender**") submit this non-binding proposal ("**Letter of Intent**" or "**LOI**") to acquire certain assets and assume certain liabilities of California-Nevada Methodist Homes ("**CNMH**" or the "**Seller**") through a merger to be detailed in a bankruptcy reorganization plan, as more particularly described in the attached term sheet (the "**Summary of Terms**").

Description of Potential Purchaser:

The Bidder is a nonprofit led by experts in healthcare and turnaround industries with a mission to provide safe, affordable housing to seniors. Lapis is a San Francisco based investment firm with over a 10-year track record in special situation municipal investments. Lapis has raised over $1.2 billion to invest in the municipal markets with an emphasis on distressed and special situations and senior living. Heritage Campus Group and Lapis Advisers have recently partnered with an acquisition strategy aimed at preserving the nonprofit structure of senior living facilities for the benefit of the residents and communities they serve. The principals on the board of Heritage Campus Group and those of the prospective management company have been working actively in turnaround of senior living facilities for over 40 years. The Bidder is expected to engage Evergreen Senior Living to manage day to day operations.

Description of the Potential Transaction:

Subject to additional due diligence and legal review, our **total consideration is $52,200,000** comprised of $37,00,000 to repay pre-petition liabilities including existing resident entrance fee obligations, $5,000,000 in a prefunded capital improvement escrow,

$3,700,000 in a prefunded operating reserve and the assumption through subordinated indebtedness of approximately $6,500,000 of former resident claims.

The Seller's board of trustees would enter into an agreement with the Bidder on a Plan of Reorganization which would on the effective date of the Plan:

(a) refund all Entrance Fees of the existing residents who hold refundable entrance fee contracts (the "EF Legacy Residents");
(b) offer residents new rental contracts for their existing units at the same monthly rental as presently enjoyed. Future rental price increases will be linked to CPI not to exceed at 5% per annum; and
(c) repay over time from a cash flow waterfall claims due to former residents or upon a refinancing.

The following Summary of Terms are subject to the negotiation and execution of a mutually satisfactory Plan Sponsor Agreement (the "Definitive Agreement") between Bidder and Seller. If the Definitive Agreement is not prepared, authorized, executed, and delivered for any reason, neither party to this Letter of Intent shall have liability to the other party to this Letter of Intent based upon or relating to the non-binding provisions.

Each party acknowledges that it is a party to those certain Confidentiality Agreements dated 9 June 2021 and that such Confidentiality Agreements remain in full force and effect.

If the terms herein are acceptable, please sign and date this Letter of Intent in the space provided below to confirm the mutual agreements set forth in the Summary of Terms and return a signed copy to the undersigned.

Made and entered into on this 16th of July 2021.

LAPIS ADVISERS LP



By: _____
Name: Kjerstin Hatch
Title: Managing Principal

HERITAGE CAMPUS GROUP



By: _____
Name: William Haase
Title: Vice Chairman

ACKNOWLEDGED AND AGREED:
California-Nevada Methodist Homes

By: _____
Name: _____
Title: _____
Date: _____

CONFIDENTIAL

16 July 2021

Summary of Terms

Community	California-Nevada Methodist Homes ("CNMH" or the "Seller"), a California nonprofit corporation, exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**IRC**"). Seller owns and operates: ▪ a 215-unit continuing care retirement community ("**CCRC**") known as Lake Park and an office building located on 1.29 acres at 1850 ALICE STREET, OAKLAND, CA ▪ a 135- unit CCRC known as Forest Hill located on 2.02 acres at 551 GIBSON AVENUE, PACIFIC GROVE, CA
Form of Transaction	Except for the Excluded Assets, Bidder will purchase 100% of the fee simple interest in the Community and substantially all the operating assets of the Community free and clear of any liabilities and obligations unless otherwise stated in this Summary of Terms (the "**Purchased Assets**") between Bidder and Seller (the "**Transaction**") through a merger of the existing nonprofits in a plan of reorganization. Subject to delivery of all outstanding bonds in a Transaction that would preserve tax exempt status of those securities and the Seller entity. The closing of the Transaction will hereinafter be referred to as the "**Closing**." Bidder would require Debtor to seek ordinary and typical bidder protections for a transaction of this nature and to identify Bidder as the "stalking horse".
Total Consideration	Subject to additional diligence, the total consideration is **$52,200,000**.
Earnest Money Deposit	If the Bidder is selected as the exclusive party, Bidder will deposit 1.5% upon signing of the Definitive Agreement with a nationally recognized title company pursuant to an escrow agreement with another 1.5% following completion of due diligence. The deposit will be refundable during the due diligence period and convert to nonrefundable thereafter (with customary exceptions, including plan confirmation).
Purchased Assets	The Purchased Assets will consist of all the operating assets used in connection with or related to the operations of CNMH. The Purchased Assets will include: 1. Accounts receivable, notes receivable, inventories, supplies, prepaid expenses, deposits, and other current assets; 2. real property, improvements, and all associated land; 3. furniture, fixtures and equipment; 4. resident, medical, personnel and other records;

5. licenses and permits (to the extent transferable);
6. intellectual property, including trademarks, copyrights or other licensing agreements;
7. certain contracts to be enumerated in the Definitive Agreement; and
8. any other tangible and intangible personal property listed in the Definitive Agreement.

Excluded Assets

The following will be excluded from the Purchased Assets (the "Excluded Assets"):

1. cash and cash equivalents
2. resident contracts
3. contracts not listed in the Definitive Agreement; and
4. other assets to be determined.

Assumed Liabilities

Bidder will assume such obligations of the Business as are usual and customary in transactions similar to the Transaction (the "Assumed Liabilities") including:

- accounts payable relating to operations not to exceed amounts agreed to in Definitive Agreement.
- liabilities related to Purchased Assets, such as licensing fees (but only to the extent such liabilities accrue after the Closing); and
- contracts listed in the Definitive Agreement and with respect to which Bidder has expressly agreed to assume pursuant to the Definitive Agreement.

Bidder anticipates maintaining substantially all of the existing employees; provided, that Bidder would require the Debtor to terminate the multiemployer pension plan and reject any collective bargaining agreements. Such obligations on account of any termination or rejection would be identified as excluded liabilities under in the Definitive Agreement.

Except for any liabilities specifically set forth in, and assumed pursuant to, the Definitive Agreement, Bidder will not assume, and Seller will remain liable for, any and all other liabilities, indebtedness, commitments or obligations of Seller (including termination fees for any contracts Bidder does not wish to assume).

Real Estate taxes, utilities, fees and other customary items will be pro-rated between Bidder and Seller at the Closing.

Due Diligence

Bidder's consummation of the Transaction is conditioned upon satisfactory completion of business, financial, legal and accounting due diligence, engineering site inspections, environmental review,

	confirmatory legal due diligence, discussions with the CEO, CRO and members of leadership. Assuming timely receipt of an acceptable property condition report with deferred capital spend estimate of no greater than $5,000,000. We would expect to complete all due diligence in a 60-day time period concurrent with the negotiation of the APA.
Negative and Affirmative Covenants	Bidder and Seller will agree to negative and affirmative covenants that are usual and customary in transactions of this type and that will be applicable to Seller between the execution of the Definitive Agreement and the Closing including commitments to continue making capital expenditures in the ordinary course of business.
Closing	Closing shall take place on the later of (i) all required regulatory and licensing approvals for the Transaction have been obtained and (ii) entry of a final, non-appealable Bankruptcy Confirmation Order.
Fees and Expenses	Each party shall bear its respective legal, accounting and other expenses and costs (including fees and expenses of investment bankers, brokers or other representatives or consultants) in connection with the Transaction, including any diligence undertaken pursuant to this Summary of Terms.

August 9, 2021

Dan Revie
Managing Director
Ziegler Investment Banking
735 N. Water Street, Suite 1000
Milwaukee, WI 53202
Office: 414 978 6556
Cell: 312-307-5795
Email: drevie@ziegler.com

Re: Letter of Intent

Dear Mr. Revie:

Thank you for an opportunity to refine our bid and present you with a letter of intent that assumes all resident obligations. Heritage Campus Group, a District of Columbia non-profit organization, ("**Bidder**") and Lapis Advisers, LP as lender (**"Lapis"** or the "**Lender**") submit a revised non-binding proposal ("**Letter of Intent**" or "**LOI**") to acquire certain assets and assume certain liabilities of California-Nevada Methodist Homes ("**CNMH**" or the "**Seller**") through a merger to be detailed in a bankruptcy reorganization plan, as more particularly described in the attached term sheet (the "**Summary of Terms**").

Description of Potential Purchaser:

The Bidder is a nonprofit led by experts in healthcare and turnaround industries with a mission to provide safe, affordable housing to seniors. Lapis is a San Francisco based investment firm with over a 10-year track record in special situation municipal investments. Lapis has raised over $1.2 billion to invest in the municipal markets with an emphasis on distressed and special situations and senior living. Heritage Campus Group and Lapis Advisers have recently partnered with an acquisition strategy aimed at preserving the nonprofit structure of senior living facilities for the benefit of the residents and communities they serve. The principals on the board of Heritage Campus Group and those of the prospective management company have been working actively in turnaround of senior living facilities for over 40 years. The Bidder is expected to engage Evergreen Senior Living to manage day to day operations.

Description of the Potential Transaction:

Thank you for giving us an opportunity to tour the facilities last week and visit with the CNMH CFO and the Executive Director of Forest Hill. We believe with significant capital expenditures the entrance fee model will be viable at both locations. However, to succeed we estimate capital expenditures of $3.5 million for Forest Hill and $4 million for Lake Park will be necessary to upgrade the facilities to a competitive standard. Furthermore, we estimate another $5.7 million will be required for unit upgrades over the next 5 years on top of approximately $3 million for regular maintenance capex. With that in mind, we would appreciate an opportunity to enter into further discussions to refine these assumptions and commission third party reports to provide detailed plant condition assessments. Furthermore, continuing to operate as entrance fee communities would require statutory operating and debt service reserves which we approximate at $6 million.

As a nonprofit Bidder, we believe our proposal is advantageous to the Seller and translate to higher recoveries to the loan guarantor. We believe our transaction timeline can be shortened significantly to reflect fewer regulatory approvals which may reduce time to closing by weeks, and likely will result with higher recovery by limiting exposure to operations that lose approximately $500,000 per month.

Subject to additional due diligence and legal review, our **gross consideration is $63,800,000** comprised of**:**

- $29,300,000 in funds to be used to pay off all pre-petition and post-petition liabilities such as DIP loans and mortgage bonds,
- $7,500,000 in a prefunded capital improvement reserve,
- $6,000,000 in a prefunded debt service and operating reserves,
- Assumption of approximately $14,500,000 of current resident obligations, and
- Assumption of $6,500,000 of former resident claims.

The following Summary of Terms are subject to the negotiation and execution of a mutually satisfactory Plan Sponsor Agreement (the "Definitive Agreement") between Bidder and Seller. If the Definitive Agreement is not prepared, authorized, executed, and delivered for any reason, neither party to this Letter of Intent shall have liability to the other party to this Letter of Intent based upon or relating to the non-binding provisions.

Each party acknowledges that it is a party to those certain Confidentiality Agreements dated 9 June 2021 and that such Confidentiality Agreements remain in full force and effect.

If the terms herein are acceptable, please sign and date this Letter of Intent in the space provided below to confirm the mutual agreements set forth in the Summary of Terms and return a signed copy to the undersigned.

Made and entered into on this 9 of August 2021.

LAPIS ADVISERS LP



By: _____
Name: Kjerstin Hatch
Title: Managing Principal

HERITAGE CAMPUS GROUP



By: _____
Name: William Haase
Title: Vice Chairman

ACKNOWLEDGED AND AGREED:
California-Nevada Methodist Homes

By: _____
Name: _____
Title: _____
Date: _____

CONFIDENTIAL

9 August 2021

Summary of Terms

Community	California-Nevada Methodist Homes (**"CNMH"** or the **"Seller"**), a California nonprofit corporation, exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**IRC**"). Seller owns and operates: ▪ a 215-unit continuing care retirement community ("**CCRC**") known as Lake Park and an office building located on 1.29 acres at 1850 ALICE STREET, OAKLAND, CA ▪ a 135- unit CCRC known as Forest Hill located on 2.02 acres at 551 GIBSON AVENUE, PACIFIC GROVE, CA
Form of Transaction	Except for the Excluded Assets, Bidder will purchase 100% of the fee simple interest in the Community and substantially all the operating assets of the Community free and clear of any liabilities and obligations unless otherwise stated in this Summary of Terms (the "**Purchased Assets**") between Bidder and Seller (the "**Transaction**") through a merger of the existing nonprofits in a plan of reorganization. Subject to delivery of all outstanding bonds in a Transaction that would preserve tax exempt status of those securities and the Seller entity. The closing of the Transaction will hereinafter be referred to as the "**Closing**." Bidder would require Debtor to seek ordinary and typical bidder protections for a transaction of this nature and to identify Bidder as the "stalking horse".
Total Consideration	Subject to additional diligence, the total consideration is **$63,800,000**.
Earnest Money Deposit	If the Bidder is selected as the exclusive party, Bidder will deposit 1.5% upon signing of the Definitive Agreement with a nationally recognized title company pursuant to an escrow agreement with another 1.5% following completion of due diligence. The deposit will be refundable during the due diligence period and convert to nonrefundable thereafter (with customary exceptions, including plan confirmation).
Purchased Assets	The Purchased Assets will consist of all the operating assets used in connection with or related to the operations of CNMH. The Purchased Assets will include: 1. Accounts receivable, notes receivable, inventories, supplies, prepaid expenses, deposits, and other current assets; 2. real property, improvements, and all associated land; 3. furniture, fixtures and equipment; 4. resident, medical, personnel and other records;

5. licenses and permits (to the extent transferable);
6. intellectual property, including trademarks, copyrights or other licensing agreements;
7. certain contracts to be enumerated in the Definitive Agreement; and
8. any other tangible and intangible personal property listed in the Definitive Agreement.

Excluded Assets

The following will be excluded from the Purchased Assets (the "Excluded Assets"):

1. cash and cash equivalents
2. contracts not listed in the Definitive Agreement; and
3. other assets to be determined.

Assumed Liabilities

Bidder will assume such obligations of the Business as are usual and customary in transactions similar to the Transaction (the "Assumed Liabilities") including:

- accounts payable relating to operations not to exceed amounts agreed to in Definitive Agreement
- liabilities related to Purchased Assets, such as licensing fees (but only to the extent such liabilities accrue after the Closing); and
- current resident agreements
- former resident claims in form of a new subordinate note repayable in equal installments over 10 years
- contracts listed in the Definitive Agreement and with respect to which Bidder has expressly agreed to assume pursuant to the Definitive Agreement.

Bidder anticipates maintaining substantially all of the existing employees; provided that Bidder would require the Debtor to terminate the multiemployer pension plan and reject any collective bargaining agreements. Such obligations on account of any termination or rejection would be identified as excluded liabilities under in the Definitive Agreement.

Except for any liabilities specifically set forth in, and assumed pursuant to, the Definitive Agreement, Bidder will not assume, and Seller will remain liable for, any and all other liabilities, indebtedness, commitments or obligations of Seller (including termination fees for any contracts Bidder does not wish to assume).

Real Estate taxes, utilities, fees and other customary items will be pro-rated between Bidder and Seller at the Closing.

Due Diligence

Bidder's consummation of the Transaction is conditioned upon satisfactory completion of business, financial, legal and accounting due

	diligence, engineering site inspections, environmental review, confirmatory legal due diligence, discussions with the CEO, CRO and members of leadership. Assuming timely receipt of an acceptable property condition report with deferred capital spend estimate of no greater than $7,500,000. We would expect to complete all due diligence in a 60-day time period concurrent with the negotiation of the APA.
Negative and Affirmative Covenants	Bidder and Seller will agree to negative and affirmative covenants that are usual and customary in transactions of this type and that will be applicable to Seller between the execution of the Definitive Agreement and the Closing including commitments to continue making capital expenditures in the ordinary course of business.
Closing	Closing shall take place on the later of (i) all required regulatory and licensing approvals for the Transaction have been obtained and (ii) entry of a final, non-appealable Bankruptcy Confirmation Order.
Fees and Expenses	Each party shall bear its respective legal, accounting and other expenses and costs (including fees and expenses of investment bankers, brokers or other representatives or consultants) in connection with the Transaction, including any diligence undertaken pursuant to this Summary of Terms.

August 17, 2021

Dan Revie
Managing Director
Ziegler Investment Banking
735 N. Water Street, Suite 1000
Milwaukee, WI 53202
Office: 414 978 6556
Cell: 312-307-5795
Email: drevie@ziegler.com

Re: Letter of Intent

Dear Mr. Revie:

Thank you for an opportunity to refine our bid and present you with a letter of intent containing two capital structure options that pay off secured debt in full with assumption of all resident obligations. Heritage Campus Group, a District of Columbia non-profit organization, ("**Bidder**") and Lapis Advisers, LP as lender (**"Lapis"** or the "**Lender**") submit a revised non-binding proposal ("**Letter of Intent**" or "**LOI**") to acquire certain assets and assume certain liabilities of California-Nevada Methodist Homes ("**CNMH**" or the "**Seller**") through a merger to be detailed in a bankruptcy reorganization plan, as more particularly described in the attached term sheet (the "**Summary of Terms**").

Description of Potential Purchaser:

The Bidder is a nonprofit led by experts in healthcare and turnaround industries with a mission to provide safe, affordable housing to seniors. Lapis is a San Francisco based investment firm with over a 10-year track record in special situation municipal investments. Lapis has raised over $1.2 billion to invest in the municipal markets with an emphasis on distressed and special situations and senior living. Heritage Campus Group and Lapis Advisers have recently partnered with an acquisition strategy aimed at preserving the nonprofit structure of senior living facilities for the benefit of the residents and communities they serve. The principals on the board of Heritage Campus Group and those of the prospective management company have been working actively in turnaround of senior living facilities for over 40 years. The Bidder is expected to engage Evergreen Senior Living to manage day to day operations.

Description of the Potential Transaction:

Thank you for giving us an opportunity to tour the facilities and visit with the CNMH CFO and the Executive Director of Forest Hill. We believe with significant capital expenditures the entrance fee model will be viable at both locations. However, to succeed we estimate capital expenditures of $3.5 million for Forest Hill and $4 million for Lake Park will be necessary to upgrade the facilities to a competitive standard. Furthermore, we estimate another $5.7 million will be required for unit upgrades over the next 5 years on top of approximately $3 million for regular maintenance capex. With that in mind, we would appreciate an opportunity to enter into further discussions to refine these assumptions and commission third party reports to provide detailed plant condition assessments. Furthermore, continuing to operate as entrance fee communities would require statutory operating and debt service reserves which we approximate at $6 million.

As a nonprofit Bidder, we believe our proposal is advantageous to the Seller and translate to par recoveries to the loan guarantor. We believe our transaction timeline can be shortened significantly to reflect fewer regulatory approvals which may reduce time to closing by weeks, and likely will result with higher recovery by limiting exposure to operations that lose approximately $500,000 per month.

Subject to additional due diligence and legal review, our **gross consideration is $72,500,000** comprised of**:**

- Approximately $30 million in funds to be used to tender at par all California Health Facilities Authority Bonds Series 2015 ("Cal Mortgage Bonds") and approximately $3 million in funds to pay off former CNB Line of Credit, together ("Cal Mortgage Obligations"). These $33 million in obligations will be restructured to have modified maturity schedule but will retain 5% interest rate and will remain insured by Cal Mortgage.
- funds to pay off DIP loans, accrued bond interest, issuance and legal fees approximated at $5 million,
- $7,500,000 in a prefunded capital improvement reserve,
- $6,000,000 in a prefunded debt service and operating reserves,
- Assumption of approximately $14,500,000 of current resident obligations, and
- Assumption of $6,500,000 of former resident claims.

Alternative proposal with Cal Mortgage take-back note, with same **gross consideration** comprised of**:**

- Approximately $33 million in funds to be used to pay off Cal Mortgage Obligations
- funds to pay off DIP loans, accrued bond interest, issuance and legal fees approximated at $5 million,
- $7,500,000 in a prefunded capital improvement reserve,
- $6,000,000 in a prefunded debt service and operating reserves,
- Assumption of approximately $14,500,000 of current resident obligations,
- Assumption of $6,500,000 of former resident claims,

- Less $15,000,000 that will be provided by Cal Mortgage in a take back note – such note will be comprised of any and all uses of funds that do not qualify for tax exempt interest treatment at the state and federal level and will carry a 3% interest rate and a five-year bullet maturity

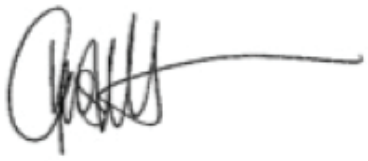
The following Summary of Terms are subject to the negotiation and execution of a mutually satisfactory Plan Sponsor Agreement (the "Definitive Agreement") between Bidder and Seller. If the Definitive Agreement is not prepared, authorized, executed, and delivered for any reason, neither party to this Letter of Intent shall have liability to the other party to this Letter of Intent based upon or relating to the non-binding provisions.

Each party acknowledges that it is a party to those certain Confidentiality Agreements dated 9 June 2021 and that such Confidentiality Agreements remain in full force and effect.

If the terms herein are acceptable, please sign and date this Letter of Intent in the space provided below to confirm the mutual agreements set forth in the Summary of Terms and return a signed copy to the undersigned.

Made and entered into on this 9 of August 2021.

LAPIS ADVISERS LP



By: _____
Name: Kjerstin Hatch
Title: Managing Principal

HERITAGE CAMPUS GROUP



By: _____
Name: William Haase
Title: Vice Chairman

ACKNOWLEDGED AND AGREED:

California-Nevada Methodist Homes

By: _____
Name: _____
Title: _____
Date: _____

CONFIDENTIAL

17 August 2021

Summary of Terms

Community

California-Nevada Methodist Homes (**"CNMH"** or the **"Seller"**), a California nonprofit corporation, exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "**IRC**"). Seller owns and operates:

- a 215-unit continuing care retirement community ("**CCRC**") known as Lake Park and an office building located on 1.29 acres at 1850 ALICE STREET, OAKLAND, CA
- a 135- unit CCRC known as Forest Hill located on 2.02 acres at 551 GIBSON AVENUE, PACIFIC GROVE, CA

Form of Transaction

Except for the Excluded Assets, Bidder will purchase 100% of the fee simple interest in the Community and substantially all the operating assets of the Community free and clear of any liabilities and obligations unless otherwise stated in this Summary of Terms (the "**Purchased Assets**") between Bidder and Seller (the "**Transaction**") through a merger of the existing nonprofits in a plan of reorganization. Subject to delivery of all outstanding bonds in a Transaction that would preserve tax exempt status of those securities and the Seller entity. The closing of the Transaction will hereinafter be referred to as the "**Closing**."

Bidder would require Debtor to seek ordinary and typical bidder protections for a transaction of this nature and to identify Bidder as the "stalking horse".

Total Consideration

Subject to additional diligence, the total consideration is **$72,500,000**.

Earnest Money Deposit

If the Bidder is selected as the exclusive party, Bidder will deposit 1.5% upon signing of the Definitive Agreement with a nationally recognized title company pursuant to an escrow agreement with another 1.5% following completion of due diligence. The deposit will be refundable during the due diligence period and convert to nonrefundable thereafter (with customary exceptions, including plan confirmation).

Purchased Assets

The Purchased Assets will consist of all the operating assets used in connection with or related to the operations of CNMH. The Purchased Assets will include:

1. Accounts receivable, notes receivable, inventories, supplies, prepaid expenses, deposits, and other current assets;
2. real property, improvements, and all associated land;
3. furniture, fixtures and equipment;
4. resident, medical, personnel and other records;

5. licenses and permits (to the extent transferable);
6. intellectual property, including trademarks, copyrights or other licensing agreements;
7. certain contracts to be enumerated in the Definitive Agreement; and
8. any other tangible and intangible personal property listed in the Definitive Agreement.

Excluded Assets

The following will be excluded from the Purchased Assets (the "Excluded Assets"):

1. cash and cash equivalents
2. contracts not listed in the Definitive Agreement; and
3. other assets to be determined.

Assumed Liabilities

Bidder will assume such obligations of the Business as are usual and customary in transactions similar to the Transaction (the "Assumed Liabilities") including:

- accounts payable relating to operations not to exceed amounts agreed to in Definitive Agreement
- liabilities related to Purchased Assets, such as licensing fees (but only to the extent such liabilities accrue after the Closing); and
- current resident agreements
- former resident claims in form of a new subordinate note repayable in equal installments over 10 years
- contracts listed in the Definitive Agreement and with respect to which Bidder has expressly agreed to assume pursuant to the Definitive Agreement.

Bidder anticipates maintaining substantially all of the existing employees; provided that Bidder would require the Debtor to terminate the multiemployer pension plan and reject any collective bargaining agreements. Such obligations on account of any termination or rejection would be identified as excluded liabilities under in the Definitive Agreement.

Except for any liabilities specifically set forth in, and assumed pursuant to, the Definitive Agreement, Bidder will not assume, and Seller will remain liable for, any and all other liabilities, indebtedness, commitments or obligations of Seller (including termination fees for any contracts Bidder does not wish to assume).

Real Estate taxes, utilities, fees and other customary items will be pro-rated between Bidder and Seller at the Closing.

Due Diligence

Bidder's consummation of the Transaction is conditioned upon satisfactory completion of business, financial, legal and accounting due

	diligence, engineering site inspections, environmental review, confirmatory legal due diligence, discussions with the CEO, CRO and members of leadership. Assuming timely receipt of an acceptable property condition report with deferred capital spend estimate of no greater than $7,500,000. We would expect to complete all due diligence in a 60-day time period concurrent with the negotiation of the APA.
Negative and Affirmative Covenants	Bidder and Seller will agree to negative and affirmative covenants that are usual and customary in transactions of this type and that will be applicable to Seller between the execution of the Definitive Agreement and the Closing including commitments to continue making capital expenditures in the ordinary course of business.
Closing	Closing shall take place on the later of (i) all required regulatory and licensing approvals for the Transaction have been obtained and (ii) entry of a final, non-appealable Bankruptcy Confirmation Order.
Fees and Expenses	Each party shall bear its respective legal, accounting and other expenses and costs (including fees and expenses of investment bankers, brokers or other representatives or consultants) in connection with the Transaction, including any diligence undertaken pursuant to this Summary of Terms.

human good

Life. It's personal.

July 19, 2021

VIA EMAIL

B.C. ZIEGLER AND COMPANY
One North Wacker Drive, Suite 200
Attn: Dan Revie
Email: drevie@ziegler.com

HANSON BRIDGETT LLP
425 Market Street, 26th Floor
San Francisco, California 94105
Attn: Neal L. Wolf
Email: NWolf@hansonbridgett.com

Re: *In re California-Nevada Methodist Homes*; Case No. 21-40363 (the "**Debtor**")

Dear Messrs. Revie & Wolf:

Human Good and its affiliates ("**HumanGood**") are pleased to provide you with this non-binding indication of interest ("**IOI**") to purchase substantially all of the assets (the "**Assets**") related to the Debtor's: (1) Lake Park continuing care retirement community ("**CCRC")** facility in Oakland, California; (2) Forest Hill CCRC facility in Pacific Grove, California; and (3) an office building adjacent to the Debtor's Lake Park facility.

HumanGood is a recognized leader in its field and one of the largest non-profit senior living providers in the industry with 21 life plan communities and 96 affordable housing communities in eight states serving over 13,000 seniors.

The proposed terms will be set forth in an asset purchase agreement (the "APA"), but are generally set forth below for purposes of this IOI:

- Purchaser: The purchaser entity will be HumanGood or one or more of their designated assignees or affiliates;

- Assets To Be Acquired: The assets to be acquired will be the Assets and will be more definitely set forth in the APA and exhibits thereto;

- Purchase price:
    - *Cash Purchase Price*: The aggregate cash purchase price for the Assets will be **$22,000,000**, subject to the terms and conditions hereinafter set forth and as more

fully detailed in the APA.

- *Assumed Liabilities*: As part of the consideration being proposed herein, HumanGood would assume all resident entry fee liabilities incurred during the ordinary course of business.
- *Proposed Structure*: The proposed transaction will be structured as an asset purchase under the Bankruptcy Code. The Assets, business and goodwill shall include, but not be limited to, accounts receivable, inventories, equipment, real property, intellectual property, goodwill, contracts and leases, computer hardware and software, customer lists and leads, files, records, security deposits, refunds, claims and other general intangible;

- Executory Contracts and Leases: HumanGood to review and designate which executory contracts and unexpired leases it wants to have assumed and assigned to it. Appropriate findings, including amount of cure costs, if any, to be sought as part of court process;

- Contingencies: HumanGood will receive a 45 day due diligence period with unrestricted access to all requested documents.

- Definitive Agreement and Conditions. As promptly as possible after the execution of this IOI, the parties shall work towards finalizing and executing the APA, together with appropriate exhibits and schedules thereto

- HumanGood intends to purchase the assets with existing available funds and include the two communities in its California Obligated Group. This obligated group has a Fitch A-stable outlook rating and over $300 million of unrestricted cash and investments on hand as of June 30, 2021.

This non-binding indication of interest is an expression of intention and interest only, and is not a binding obligation of HumanGood to submit an APA or bid or to consummate any transaction. Any obligation of HumanGood will arise only upon submission of, and in accordance with the express terms of and subject to the conditions set forth in a formal bid (including all agreements, exhibits and schedules contemplated by such bid), if submitted.

Thank you for your consideration. We look forward to working with you.

Sincerely,

HumanGood

By: _____
Name: Andy McDonald
Title: Chief Financial Officer

Cc: **Dentons US LLP**
601 S. Figueroa Street
Suite 2500
Los Angeles, CA 90017-5704
Attn: Tania M. Moyron

McFARLIN GROUP
OPPORTUNISTIC SENIOR LIVING INVESTMENTS

July 16, 2021

Daniel Revie
Managing Director
Ziegler
Email: drevie@ziegler.com

LETTER OF INTENT

Re: Lake Park, Oakland, CA
Forest Hill, Pacific Grove, CA

Dear Mr. Revie,

This letter of intent ("LOI") sets forth the terms on which McFarlin Group, LLC, and/or its assigns ("Purchaser") would be willing to acquire the Property defined below. The following terms and conditions are subject to the negotiation and execution of a mutually satisfactory Purchase and Sale Agreement by and between Purchaser and Seller (the "Agreement").

Offer Summary

Purchase Price:	$18,000,000
Due Diligence Period:	45 Days
Closing:	5 Days after Due Diligence Period
Earnest Money:	$180,000 (1% of Purchase Price)
Entrance Fee Liability:	Purchaser shall not assume any liability for Entrance Fee liabilities and refunds.

1. Asset: Those certain properties (the "Property" or the "Properties") located at:

   551 Gibson Avenue, Pacific Grove, CA 93950
   Forest Hill, a 135 unit senior living community

   1850 Alice Street, Oakland CA 94612
   Lake Park a 215 unit senior community

   201 19th Street, Oakland, CA 94612
   a commercial office.

2. Owner/Seller: California-Nevada Methodist Homes, Inc. a not-for-profit corporation ("Seller")

3. Purchaser: McFarlin Group, LLC or its assigns ("MG") (www.mcfarlin-group.com).

4. Company Information/Experience: MG is a senior living investment manager, developer, owner, and operator within the seniors housing industry. Senior housing and healthcare real estate is MG's core focus. Since its inception in 2008, MG has acquired, developed, and managed over 20 properties. MG currently owns ten (10) properties in Arizona, Georgia, and Texas.

5. Financing: MG will provide all the required capital and there is no financing used to acquire the Properties and therefore no financing contingency.

6. Effective Date: The "Effective Date" of the LOI shall be the date upon which Purchaser receives a counterpart hereof signed on behalf of Seller.

7. Transaction: Subject to execution of the Agreement, Purchaser will purchase from Seller the land, building, improvements, personal property, accounts receivable, intellectual property, permits, and equipment located at the Property. The acquisition will include all rights, licenses, and privileges appurtenant to the Property, including, without limitation, all books and records of Seller, all resident deposits and escrows of resident deposits, and all contract rights, if Purchaser assumes, in connection with owning and operating the Property. The Property will be free and clear of all debt, rights of first refusal, options, liens (including, without limitation, liens for taxes past-due), and encumbrances (including but not limited to real estate liabilities and liabilities associated with the operations of the Property), other than easements, agreements, and restrictions of record that will not impair or affect the use of the Property. To the extent applicable, any management contract or lease agreement with an existing manager or operator will be terminated.

8. Purchase Price: The Agreement shall provide for a Purchase Price of Eighteen Million Dollars (**$18,000,000**) paid in cash at Closing.

9. Inspection Period: The proposed Agreement shall provide for an Inspection Period which will expire no later than forty-five (45) days from the execution of the Agreement ("Inspection Period"). The Inspection Period shall begin immediately upon execution of the Agreement and shall allow Purchaser to conduct its inspection and review of the Property.

10. Deposit under Agreement: In the event of the execution of the Agreement, Purchaser shall deliver to Thomas Title Company, 3100 McKinnon St., Suite 170, Dallas, Texas 75201Attention: Stephanie Schenke (the "Escrow Agent") a refundable deposit equal to one percent (1.0%) of the Purchase Price, to be held in an interest-bearing escrow account and serve as an earnest money deposit (the "Refundable Deposit"). The Refundable Deposit, including any interest earned thereon, shall remain refundable if (a) Purchaser has given notice to the Escrow Agent, prior to the expiration of the Inspection Period stipulated herein, that it does not wish to proceed, or (b) Seller fails to perform all of its obligations under the Agreement, or (c) any Closing Condition fails to be satisfied or waived; otherwise, upon the expiration of the Inspection Period.

11. Due Diligence Materials: The proposed Agreement shall provide that within three (3)

business days after the execution of the Agreement, Seller shall provide Purchaser, to the extent available, with all information in its actual possession and control with respect to the Property including but not limited to all documentation associated with the Property (collectively, the "Due Diligence Information"). Purchaser understands and agrees that the information obtained pursuant to such Due Diligence Information and studies or inspections shall be kept in confidence and shall not be revealed to outside parties other than (i) to the extent such information is otherwise available in the public domain, (ii) to its agents, representatives, lenders, investors, principals, affiliates, or (iii) as otherwise required by law. Should the proposed transaction not be completed, Purchaser will immediately return to the Seller or destroy all Due Diligence Information previously provided to Purchaser.

12. Title: Seller, to the extent in Sellers possession or control, shall provide copies of all title insurance currently in place with respect to the Property, complete copies of all documents of record affecting the Property and an ALTA survey of the Property. Purchaser shall order a title commitment from Escrow Agent and, if required, an ALTA Survey for the Property ("Title Materials"). Purchaser shall have the right to terminate the Agreement, and have its Refundable Deposit returned, if, after the execution of the Agreement, there are any changes to (i) the title to or zoning of the Property, and/or (ii) the physical or environmental condition of the Property, in each case which have, or could have, a material adverse impact on the Property, and/or (iii) changes in the bankruptcy, litigation, licensure or similar matters.

13. Transaction Costs: Purchaser will pay the cost of any third-party reports ordered by Purchaser. Each party will pay its own legal and advisory fees. Transfer taxes, conveyance fees, title insurance, recording costs, escrow fees, and similar fees and charges will be paid for by Purchaser and Seller in accordance with local custom. Real estate taxes, assessments, utilities, Property operating expenses, and Property income will be prorated as of the Closing Date based on the periods to which they relate, and in accordance with the local custom with respect to real estate taxes and assessments. Seller represents that no broker fees are payable in connection with the transaction, other than any brokerage fees payable to Blueprint, which fees will be paid for by Seller.

14. Closing: The proposed Agreement shall provide for a Closing Date that is five days (5) days after the expiration of the Inspection Period subject to standard closing conditions and any and all regulatory approvals required.

15. Representations and Warranties: Both parties agree to work in good faith to negotiate standard and customary representations and warranties to be set forth in the Agreement.

16. Liabilities and Entrance Fee Liabilities. Purchaser will not assume any of Seller's current liabilities including, but not limited to, unfunded pension and accrued payables. Purchaser shall not assume any liability for Entrance Fee liabilities and refunds. Residents with Entrance Fee's shall be treated as unsecured creditors in Seller's bankruptcy case.

17. Exclusivity: Each party agrees that until the earlier of (i) thirty (30) days after the

execution hereof or (ii) the mutual execution of the Agreement (the "Exclusivity Covenant"), Seller will not enter into a letter of intent or purchase and sale agreement concerning the Asset with anyone other than Purchaser.

18. Confidential Information: The terms and conditions of this LOI and the transaction described herein, including the identity of the parties hereto will be held by the parties in strict confidence and will not be disclosed to anyone, other than their respective legal counsel, shareholders, directors, lenders, advisors, consultants, employees, agents and representatives who need to know such information in connection with the transaction contemplated hereby, provided that it shall not be a breach of this covenant in the event any of the following information is available from other sources. Notwithstanding the foregoing restrictions, nothing herein shall prohibit Purchaser from filing or disclosing any such information (including information regarding Seller) in connection with, and as may be required by law, including such public disclosure obligations required by the Securities Exchange Commission.

19. Non-Binding Effect; Modifications/Amendments: With the exception of the two (2) immediately preceding paragraphs captioned "Exclusivity" and "Confidential Information" and the paragraph below captioned "Authority"; this letter is not intended to and does not create any binding legal obligation or implied duty of good faith on the part of either party, and is not intended to be construed as an offer, agreement in principal, agreement to agree, contract or agreement by either party. The parties further acknowledge that the terms set forth herein are subject to change and are not binding on Seller or Purchaser and that other material terms may be added to the Agreement. The parties further acknowledge and agree that the current discussions are preliminary in nature and may be terminated at any time by either party without liability. This LOI supersedes any and all prior discussions or agreement (written or oral) between the parties regarding the transaction contemplated by this LOI. No modification or amendment may be made to this LOI unless such modification or amendment is made in writing and executed by both parties.

20. Counterparts: This LOI may be executed in one or more counterparts, each of which will be deemed to be an original copy of this LOI and all of which, when taken together, will be deemed to constitute one and the same agreement. This LOI shall be effective when signed below or in counterparts, and photocopy, facsimile, electronic (including email/PDF) or other copies shall have the same effect for all purposes as an ink-signed original.

21. Agreement: Purchaser will provide Seller with a draft of the Agreement within five (5) days of the execution of the LOI. Seller and Purchaser shall use their good faith best efforts to negotiate and execute a written definitive Agreement acceptable to each of the parties, after review and approval by their respective legal counsel, accountants, and other advisors. The purpose of this LOI is to set forth the basic terms of agreement between Seller and Purchaser, however, the parties agree that not all provisions and terms that are material to the proposed transaction are set forth in this LOI; that therefore neither party is obligated by virtue of this LOI to enter into an Agreement; and that either party, for any reason or no reason, may terminate negotiations without liability to the other upon written notice of same.

22. LOI Termination: This LOI shall terminate and its terms become void if it is not counter- signed by Seller and returned to Purchaser by 5:00 p.m. (CST) on August 5, 2021.

23. Authority: Seller has received approval and has the authority to execute this LOI.

If the foregoing terms and conditions meet with your approval, kindly acknowledge by execution below.

Sincerely,

McFarlin Group, LLC

By: Matt Johnson

Name: Matt Johnson

Title: Manager

Date: July 16, 2021

Seller

By: _____

Name: _____

Title: _____

Date: _____

July 12th 2021

Dan Revie
Managing Director

Ziegler

Dear Revie,

I am pleased to set forth the following primary business terms and conditions under which my business partners and I are interested in purchasing the 486 Bed ILL, AL and SNF facilities commonly known as California-Nevada Methodist Homes CCRC's .

The Properties/ Purchased Assets	That certain tract of lands improved with a 486 Bed ILL, AL and SNF facilities commonly known as California-Nevada Methodist Homes CCRC's located in California. As well as any and all assets on the property and articles of personal property owned by the Seller used or useful in connection therewith ("**The Facility"**).
Purchasers; New Operators	One or more companies to be formed by MED Healthcare. It is intended by MED Healthcare to establish one or more entities to purchase the Facilities (such entities to be referred to herein as the "**Purchaser**"). MED Healthcare shall also establish one or more entities to be the licensed operators of the Facilities (such entities to be collectively referred to herein as the "**New Operator**").
Existing Owner/Seller; Old Operator	The entities that own the Facilities shall collectively be referred herein as the "**Seller**". The entities that currently are licensed by the State of California to operate the Facilities shall be collectively referred to as the "**Old Operator**".
Purchase Price	Total consideration of $22,500,000 (exclusive of closing costs) which amount will be allocated as detailed below. The Purchase Price shall be payable as follows: • Upon the mutual execution of the APA (as herein defined), Purchaser shall deliver the initial Earnest Money ($225,000) to an escrow account, pursuant to the terms and conditions described below. • All Earnest Money will become nonrefundable upon the expiration of the Due Diligence period except for conditions set

forth in the Purchase Agreement.

- The balance of the Purchase Price, subject to proration's and closing costs, shall be paid at Closing by wire transfer of immediately available funds.
- Buy will assume all of the residents Contingent Liabilities (currently estimated at around 18 million dollars).

Payment of Purchase Price

At the Closing, the Purchase Price (subject to any adjustment) shall be paid in the following manner:

- The Earnest Money (plus accrued interest, if any) shall be released to Seller and credited against the Purchase Price;
- The balance of the Purchase Price shall be paid by wire transfer of immediately available funds.
- There is an interest from the purchaser to assume the existing loan. If that event the payment will be the balance remaining.

Due Diligence Period

Purchaser shall begin its due diligence review of the Properties upon the mutual execution of this Letter and shall continue through the end of 50 days after the execution of the Purchase Agreement (the "Due Diligence Period"). Once the Due Diligence period expires the Earnest Money will be hard. Closing date will be on the first of the month following 30 days after completion of Due Diligence period.

Seller and Old Operator shall provide Purchaser with access to the Properties during the Due Diligence Period.

Due Diligence Documents

The following is an initial list of documents/materials requested in Purchaser's due diligence review of the Properties, it being understood that Purchaser may supplement such list with additional reasonable requests during the Due Diligence Period:

- existing title policies, surveys and floor plans;
- descriptions of any planned/required capital improvements;
- any reports regarding the structural and mechanical condition of the Property, including the foundation, exterior walls, roof and HVAC;
- any existing environmental assessments;
- all licenses, permits, certifications and accreditations;
- all operating contracts, including any collective bargaining agreements;
- all Medicare and Medicaid surveys, including annual and

complaint surveys (last 3 years);

- any notices of any regulatory violations or deficiencies (last 3 years), including any plans of corrections;
- any civil monetary penalties (or state equivalent penalties) or regulatory monitoring programs;
- all notices of any Medicare/Medicaid overpayments (last 3 years);
- Medicare/Medicaid cost reports (last 3 years);
- financial statements for each of the Properties, including balance sheets and cash flow statements for the last 3 years;
- loss runs for the general liability and worker's compensation insurance coverage (last 3 years)

Successor Liabilities

The Bankruptcy Court shall enter an order approving the sale and providing that the sale of the purchased assets shall be free and clear of all liens, claims, encumbrances, and interests to the fullest extent permitted by Section 363 of the Bankruptcy Code (the "Sale Order").

Closing Conditions

Upon Seller's and Purchaser's execution of this Letter of Intent, Purchaser is prepared to begin immediately negotiating documentation, due diligence and other required elements of the transaction.

The closing of the Purchase Agreement is subject to the following conditions:

1. Purchaser's approval and acceptance of the Properties in its sole discretion within the Due Diligence Period, and no material adverse change that substantially impacts the operation or value of the Facility between the date of such approval and the closing of the Purchase Agreement;

2. Purchaser's review and approval of titles and surveys for the Properties, and no material adverse change between the date of such approval and the closing of the Purchase Agreement;

3. Negotiation of definitive documentation acceptable to Purchaser and Seller;

4. Purchaser shall have received all required governmental consents, approvals and licenses; and

5. There shall be no material adverse change with respect to the operations and/or the status of the Facility as a licensed assisted living facility.

6. The Bankruptcy Court shall have entered the Sale Order and the Sale Order shall be a final order not subject to any stay pending appeal.

Representations and Warranties	The Purchase Agreement shall provide the standard representations and warranties of Purchaser and Seller provided in a transaction involving the purchase and sale of an Assisted Living facility in the State of California.
Closing Costs; Prorations	Buyer and Seller to split closing costs and any transfer taxes per local custom.
Exclusivity	Upon execution of this Letter of Intent by the parties, Seller agrees to withdraw the Properties from the market and to negotiate from the date hereof in good faith exclusively with Purchaser in order to reach an agreement on the transactions contemplated hereby for 45 days.
No Solicitation	Seller agrees not to utilize this Letter of Intent to solicit other offers or to modify, renegotiate or otherwise improve the terms and conditions of any other offer heretofore or hereafter received by Seller.

This Letter of Intent summarizes some of the business points relating to the transaction described above, it being understood that other material terms of the proposed transaction are not yet agreed upon and still must be agreed upon to the mutual satisfaction of the parties. Therefore, except for the Brokerage/Advisory, Exclusivity and No Solicitation provisions hereof, it is understood that (i) no liabilities or obligations are intended to be created by this Letter of Intent or the consent by the parties hereto; (ii) this Letter of Intent is not intended to constitute a legally binding agreement to consummate the transaction contemplated hereby or to enter into a legally binding agreement; and (iii) the letter of intent is contingent on having a facility tour thereafter the seller is willing to uphold the agreement (iv) no binding obligation will be created unless and until a written agreement evidencing such obligation is duly executed and delivered by the parties.

This Letter of Intent supersedes and cancels all prior understandings between the parties, if any, and may be executed in two or more counterparts, each of which shall constitute an original, but when taken together all such counterparts shall constitute but one Letter of Intent, and either party may execute this Letter of Intent by executing any one or more of such counterparts.

If the foregoing terms are acceptable to you, please countersign this letter and return one fully executed

original to my attention.

Sincerely,

PURCHASER

Ephram Lahasky
On behalf of MED Healthcare

ACCEPTED AND AGREED

SELLER

By: _____
Name: _____
Its: _____

CALIFORNIA NEVADA METHODIST HOMES
SUMMARY TERM SHEET
AUGUST _____, 2021

Purchaser: Pacifica Companies, LLC

New Operator: Pacifica Senior Living, LLC

Seller/Merger Candidate: California Nevada Methodist Homes

Form of Transaction: Sale of Assets or Merger

Assets:

Lake Park	CNMH Corporate Office Building	Forest Hill	Pacific Grove Parking Garage
1850 Alice St. Oakland, CA 94612	201 19th St Oakland, CA 9612	511 Gibson Ave Pacific Grove, CA 93950	26 Sinex Ave Pacific Grove, CA 93950

Consideration: Aggregate purchase price of $60,293,000, consisting of $18,675,000 cash at close, $20,625,000 seller note (described below) and $20,993,000 in assumed resident refund liability (described below). **Any new refundable or non-refundable deposits will be held in escrow and given to Buyer at the close of escrow.**

Seller Note: The transaction will be partially funded by a $20,625,000 note ("the Note"), which will be assigned by the Seller to Cal-Mortgage. The Note will have a term of 5 years, bear a fixed interest rate of 3.00%, and be interest-only throughout the term.

Guarantor of Seller Note; Security Interest and Deed of Trust: Guarantor or Maker of Seller Note shall be _Pacifica Host Inc. , an entity of substantial financial means. Purchaser to provide Seller financial information verifying financial strength of maker or guarantor. Purchaser shall provide the Seller with a first lien on all purchased assets, with the exception of the above-described Parking Garage, to secure the Seller Note.

Earnest Money Deposit: Upon opening of Escrow, Purchaser shall deposit with Chicago Title, San Diego, California (the "Escrow Company") Five Hundred Thousand (**$500,000**) dollars applicable towards the Purchase Price. Such deposit shall be refundable until the expiration of the Due Diligence Period, at which time the deposit shall become non-refundable unless Purchaser has properly canceled this transaction during the Due Diligence Period.

Three (3) business days after execution of the Purchase and Sale Agreement ("PSA"), Purchaser and Seller shall open Escrow to complete the transaction and Purchaser shall deliver the Deposit to Escrow.

Resident Entrance Contract and Liabilities: Purchaser shall assume all resident contracts in their current form, including any existing "life care" contracts, and resident liabilities below Purchaser shall not assume any other leases or vendor contracts.

	Forest Hill	Lake Park	Totals

Repayable	$ 5,985,251	$ 12,893,010	$ 18,878,261
Contingent		$ 2,115,126	$ 2,115,126
Total	**$ 5,985,251**	**$ 15,008,136**	**$ 20,993,387**

Exclusivity:

Upon term sheet execution, Seller and their representatives will not enter into any other term sheet, letter of intent or PSA regarding the sale, lease or management of the Community unless the parties are unable to execute a PSA within a period of forty-five (45) days (the "Exclusivity Period") from term sheet execution by Seller.

Purchase and Sale Agreement:

The negotiation of the PSA will be conducted simultaneously with due diligence. Purchaser will provide a draft PSA (which will include provisions with respect to operations transfer) within five (5) business days of term sheet execution. Chicago Title San Diego, California will act as escrow agent and title insurer on the transaction.

Due Diligence Period:

Purchaser shall have Forty Five (45) days from the receipt of all due diligence materials to perform all inspections and tests as required by Purchaser, to arrange any necessary financing, and to conduct any and all other due diligence as Purchaser may desire in its absolute discretion. Purchaser may cancel this transaction by written notice at any time during the Due Diligence Period for any reason in its sole and absolute discretion and receive a refund of the Deposit and all accrued interest thereon.

Contemplated Timeline:

Term Sheet Execution	_8/31/21_
Draft PSA Circulated by Purchaser	_9/7/21
Expiration of Exclusivity Period/Due Diligence Period	_____45 Days from PSA execution___
PSA Execution *(deposit to be paid)*	_15 days or sooner
Change of Ownership / Licensure Application Submission	_At Due Diligence expiration
Receipt of Change of Ownership / Licensure Approvals *(Anticipated Date)*	_____ _____
Anticipated Closing Date *(subject to regulatory approvals)*	__30 days after AG and Regulatory Approvals

Treatment of Accrued and Unpaid Employee Paid Time Off:

At Closing, Seller will pay out all benefit accruals as required by California law including but not limited to Paid Time off and sick pay.

Union Contract:

Purchaser is aware of the existing, although presently expired, union contract at Lake Park and does not anticipate this will delay or impair closing of the transaction.

Pension Liability:	Purchaser shall not assume any pension liabilities .
Costs:	Seller to pay for title, transfer tax and recording fees. Buyer to pay for extended title coverage and 50% of escrow fees.
Seller's Documents:	Seller shall provide to Purchaser, within three (3) days of Opening of Escrow, any and all due diligence materials as are reasonably requested by Purchaser and which are in the possession of Seller. Purchaser to submit a due diligence list to Seller in conjunction with the Purchase Agreement.
Operation of the Property:	During the pendency of this transaction, Seller agrees to refrain from entering into any non-resident related leases, contracts or modifications to the same that affect the Property.
Broker:	Purchaser represents that it has only dealt with Ziegler. Seller shall pay any and all Broker commission per separate agreement.
Representations and Warranties:	Seller represents to Purchaser that Seller has no actual knowledge regarding any violations of applicable codes, laws, and statues relating to the Property, including, but not limited to, building codes, all seismic codes and any environmental law. This representation shall not give rise to any duty of inquiry on the part of Seller but is limited to Seller's actual knowledge.
Standard Contract Clauses:	The comprehensive contracts contemplated under this Letter of Intent shall all have standard contract clauses including, but not necessarily limited to, the following: Licensure provisions Attorneys' fees to prevailing party in any legal dispute Integration Clause No amendment except by writing signed by all parties State law to govern Severability Execution in Counterparts Allowed Time of the Essence
Confidentiality:	Purchaser and Seller agree that all terms of this Letter of Intent and the Purchase Agreement shall remain confidential except as required by applicable bankruptcy law and best bankruptcy practices.

Non-Binding Term Sheet:

This is a non-binding term sheet and is intended as a good faith expression by the parties of contemplated terms that will be incorporated into a definitive and binding agreement, except the "Communications", "Non-Disclosure" and "Exclusivity" sections under this term sheet, which are intended to be legally binding. This term sheet does not contain all matters upon which agreement must be reached in order for the transaction contemplated by this term sheet to be consummated and creates no legal obligations on the part of any party hereto. A binding commitment with respect to the acquisition of the purchased assets will result only from the execution of a definitive agreement. The definitive agreements are subject to and shall include additional essential and material provisions, which are to be negotiated and agreed upon. Until definitive agreements are executed Seller reserves the right to withdraw from or terminate negotiations at any time, for any reason or no reason, and no party shall have any liability to the other by reason of such withdrawal or termination. No written communication (including email correspondence) or oral communication between us will be sufficient to modify this paragraph such that this Term Sheet creates a binding obligation on the parties to complete the transaction described herein.

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

Agreed in Concept
(Subject to negotiation of the definitive purchase and sale agreement):

Pacifica Companies LLC	California Nevada Methodist Homes
("PURCHASER")	**("SELLER")**
Deepak Israni	
Signature	Signature
Deepak Israni	
Name	Name
President	
Title	Title
8/31/21	
Date	Date

PACIFICA
SENIOR LIVING

July 23, 2021

Dan Revie
Ziegler

RE: Offer for 2 California CCRC Communities

Dear Dan:

This letter of intent serves as an offer to purchase the above referenced property and sets forth the general terms. This offer is non-binding until the execution of the formal Purchase Agreement.

Seller:	Owning Entity
Buyer:	Pacifica Companies, LLC
Property:	The Senior Housing Assets known as "Lake Park" in Oakland, CA and "Forest Hill" in Pacific Grove, CA.
Purchase Price:	$30,000,000 cash and Buyer shall assume the outstanding refund liabilities.
Financing Terms:	None.
Buyer Deposit:	Upon the opening of Escrow, Buyer shall deposit with Escrow Company Five Hundred Thousand ($500,000) dollars applicable towards the Purchase Price. Such deposit shall be refundable until the expiration of the Due Diligence Period, at which time the deposit shall become non-refundable unless Buyer has properly canceled this transaction during the Due Diligence Period.
Contract Timing:	Within five (5) business days after mutual execution of this Letter of Intent, Buyer shall prepare a complete Purchase Agreement ("Purchase Agreement") for execution by Buyer and Seller.

Opening of Escrow:	Three (3) business days after execution of the Purchase Agreement, Buyer and Seller shall open Escrow to complete the transaction and Buyer shall deliver the Deposit to Escrow.
Close of Escrow:	Lake Park and Forest Hill shall close on or before 30 days after expiration of due diligence or as soon as permissible by State Licensure.
Title & Escrow:	Chicago Title, San Diego, California.
Due Diligence Period:	Buyer shall have Forty Five (45) days from the receipt of all due diligence materials to perform all inspections and tests as required by Buyer, to arrange financing, and to conduct any and all other due diligence as Buyer may desire in its absolute discretion. Buyer may cancel this transaction by written notice at any time during the Due Diligence Period for any reason in its sole and absolute discretion and receive a refund of the Deposit and all accrued interest thereon.
Seller's Documents:	Seller shall provide to Buyer, within three (3) days of Opening of Escrow, any and all due diligence materials as are reasonably requested by Buyer and which are in the possession of Seller. Buyer to submit a due diligence list to Seller in conjunction with the Purchase Agreement.
Operation of the Property:	During the pendency of this transaction, Seller agrees to refrain from entering into any non-resident related leases, contracts or modifications to the same that affect the Property.
Broker:	Buyer represents that it has only dealt with Dan Revie of Ziegler. Seller shall pay any and all Broker commission per separate agreement.
Representations and Warranties:	Seller represents to Buyer that Seller has no actual knowledge regarding any violations of applicable codes, laws, and statutes relating to the Property, including, but not limited to, building codes, all seismic codes and any environmental law. This representation shall not give rise to any duty of inquiry on the part of Seller but is limited to Seller actual knowledge.

Standard Contract Clauses:	The comprehensive contracts contemplated under this Letter of Intent shall all have standard contract clauses including, but not necessarily limited to, the following: Licensure provisions Attorneys fees to prevailing party in any legal dispute Integration Clause No amendment except by writing signed by all parties State law to govern Severability Execution in Counterparts Allowed Time of the Essence
Confidentiality:	Buyer and Seller agree that all terms of this Letter of Intent and the Purchase Agreement shall remain confidential and shall not be disclosed to third parties, excepting legal and financial advisors of Buyer and Seller, Escrow Company, staff personnel, and those parties necessary to arrange and fund the acquisition and development financing.

It is expressly agreed by Seller and Purchaser that this Letter of Intent is non-binding on Purchaser and Seller, and Purchaser and Seller will have no contractual obligation to purchase or sell the Property prior to the execution and delivery of the Purchase Agreement. No legal obligation is intended to be created by this Letter of Intent or by any written or oral statements, negotiations or promises between the parties hereto, directly or through any representatives, with the exception of statements and promises expressly set forth in the Purchase Agreement. Moreover, this Letter of Intent will not give rise to any rights based on any legal theory, it being intended that only the

subsequent formal written Purchase Agreement, executed and delivered by both parties hereof, will bind the parties with respect to any matter covered by this Letter of Intent. If this Letter of Intent is not executed by both parties with ten (10) days it will expire.

Sincerely,

Pacifica Companies LLC
A California limited liability company

By: _____
Adam Bandel

ACCEPTED AND AGREED TO:

Seller:

By:_____ Dated:_____

PACIFICA
SENIOR LIVING

August 9, 2021

Dan Revie
Ziegler

RE: Offer for 2 California CCRC Communities

Dear Dan:

This letter of intent serves as an offer to purchase the above referenced property and sets forth the general terms. This offer is non-binding until the execution of the formal Purchase Agreement.

Seller:	Owning Entity
Buyer:	Pacifica Companies, LLC
Property:	The Senior Housing Assets known as "Lake Park" in Oakland, CA and "Forest Hill" in Pacific Grove, CA.
Purchase Price:	$32,500,000 cash and Buyer shall assume the outstanding refund liabilities.
Financing Terms:	None.
Buyer Deposit:	Upon the opening of Escrow, Buyer shall deposit with Escrow Company Five Hundred Thousand ($500,000) dollars applicable towards the Purchase Price. Such deposit shall be refundable until the expiration of the Due Diligence Period, at which time the deposit shall become non-refundable unless Buyer has properly canceled this transaction during the Due Diligence Period.
Contract Timing:	Within five (5) business days after mutual execution of this Letter of Intent, Buyer shall prepare a complete Purchase Agreement ("Purchase Agreement") for execution by Buyer and Seller.

Opening of Escrow:	Three (3) business days after execution of the Purchase Agreement, Buyer and Seller shall open Escrow to complete the transaction and Buyer shall deliver the Deposit to Escrow.
Close of Escrow:	Lake Park and Forest Hill shall close on or before 30 days after expiration of due diligence or as soon as permissible by State Licensure.
Title & Escrow:	Chicago Title, San Diego, California.
Due Diligence Period:	Buyer shall have Forty Five (45) days from the receipt of all due diligence materials to perform all inspections and tests as required by Buyer, to arrange financing, and to conduct any and all other due diligence as Buyer may desire in its absolute discretion. Buyer may cancel this transaction by written notice at any time during the Due Diligence Period for any reason in its sole and absolute discretion and receive a refund of the Deposit and all accrued interest thereon.
Seller's Documents:	Seller shall provide to Buyer, within three (3) days of Opening of Escrow, any and all due diligence materials as are reasonably requested by Buyer and which are in the possession of Seller. Buyer to submit a due diligence list to Seller in conjunction with the Purchase Agreement.
Operation of the Property:	During the pendency of this transaction, Seller agrees to refrain from entering into any non-resident related leases, contracts or modifications to the same that affect the Property.
Broker:	Buyer represents that it has only dealt with Dan Revie of Ziegler. Seller shall pay any and all Broker commission per separate agreement.
Representations and Warranties:	Seller represents to Buyer that Seller has no actual knowledge regarding any violations of applicable codes, laws, and statutes relating to the Property, including, but not limited to, building codes, all seismic codes and any environmental law. This representation shall not give rise to any duty of inquiry on the part of Seller but is limited to Seller actual knowledge.

Standard Contract Clauses:	The comprehensive contracts contemplated under this Letter of Intent shall all have standard contract clauses including, but not necessarily limited to, the following: Licensure provisions Attorneys fees to prevailing party in any legal dispute Integration Clause No amendment except by writing signed by all parties State law to govern Severability Execution in Counterparts Allowed Time of the Essence
Confidentiality:	Buyer and Seller agree that all terms of this Letter of Intent and the Purchase Agreement shall remain confidential and shall not be disclosed to third parties, excepting legal and financial advisors of Buyer and Seller, Escrow Company, staff personnel, and those parties necessary to arrange and fund the acquisition and development financing.

It is expressly agreed by Seller and Purchaser that this Letter of Intent is non-binding on Purchaser and Seller, and Purchaser and Seller will have no contractual obligation to purchase or sell the Property prior to the execution and delivery of the Purchase Agreement. No legal obligation is intended to be created by this Letter of Intent or by any written or oral statements, negotiations or promises between the parties hereto, directly or through any representatives, with the exception of statements and promises expressly set forth in the Purchase Agreement. Moreover, this Letter of Intent will not give rise to any rights based on any legal theory, it being intended that only the

subsequent formal written Purchase Agreement, executed and delivered by both parties hereof, will bind the parties with respect to any matter covered by this Letter of Intent. If this Letter of Intent is not executed by both parties with ten (10) days it will expire.

Sincerely,

Pacifica Companies LLC
A California limited liability company

By: _____
Adam Bandel

ACCEPTED AND AGREED TO:

Seller:

By:_____ Dated:_____

Organization	Pacifica Companies, LLC	MED Healthcare Partners	HumanGood
Operator HQ	San Diego, CA	Hewlett, New York	Pleasanton, CA
Organization Type	For-Profit	For-Profit	Non-Profit
Principal(s) / Contact(s)	Adam Bandel (Managing Director)	Ephram "Mordy" Lahasky (CEO)	John Cochrane (CEO) Andy McDonald (CFO)
Proposal Type	Asset Purchase	Asset Purchase	Asset Purchase
Organizational Scale/Background	Pacifica is a $5 billion dollar privately held real estate investment company. They currently own 42 Senior Housing communities in California. Pacifica's portfolio has strong preforming senior housing communities within 3 miles of both Lake Park and Forest Hill. Pacifica buys all of their assets with cash using their own balance sheet and have transacted multiple times in the past few years buying non-profit California CCRC assets out of bankruptcy. They are well-known and vetted by the California Attorney general having successfully closed non-profit CCRC transactions in the state.	MED Healthcare Partners, a provider of assisted living, skilled nursing services and rehabilitation services with a portfolio of over 150 skilled nursing facilities, 20 assisted living and memory care communities, and five CCRCs in 20 states.	HumanGood is a recognized leader in its field and one of the largest non-profit senior living providers in the industry with 21 life plan communities and 96 affordable housing communities in eight states serving over 13,000 seniors. HumanGood California Obligated Group has a Fitch A- stable outlook rating and over $300 million of unrestricted cash and investments on hand as of June 30, 2021.
Operating Entity / Partner / Tenant	Owner.	Owner / Operator.	Owner / Operator.
Currently Own/Operate in CA	Yes.	Not disclosed.	Yes.
Purchase Price	**$30,000,000**	**$22,500,000**	**$22,000,000**
Price per Operating Bed (350 Operating beds) (486 licensed beds)	*$85,714*	*$64,286*	*$62,857*
Treatment of Entrance Fee Liability	Assume All Liability.	Assume All Liability. (~18 million)	Assume All Liability.
Additional Investment after Closing	Not disclosed.	Not disclosed.	Not disclosed.
Financing Contingency	**No.** Pacifica buys all of their assets with cash using their own balance sheet.	Not disclosed.	**No.** To purchase assets with existing available funds and include the two communities in its California Obligated Group which has over $300 million of unrestricted cash and investments on hand as of 6/30/2021.
Deposit	**$500,000.** 3 days after execution of PSA. Non-refundable upon DD period expiration.	**$1,125,000.** To be paid upon APA execution. To become non-refundable upon DD period expiration.	Not disclosed.
PSA / Definitive Agreement / APA	**5 days** after execution of LOI.	Prepared to begin negotiations directly after LOI is signed.	As promptly as possible after execution of LOI.
Due Diligence (DD) Period	**45 days** upon delivery of DD materials.	**30 days** after execution of PSA.	**45 days** upon delivery of DD materials.
Timetable to Close	**30 Days** following completion of Due Diligence period or as soon as permissible by State Licensure.	**On the first of the month following 30 Days** after completion of Due Diligence period and satisfaction of the Closing Conditions.	Not disclosed.
Data Room Activity (Views/Downloads as of 7/23/21)	593	1,107	422
Website	https://www.pacificaseniorliving.com/	http://www.medhcp.com/	https://www.humangood.org/

Organization	Assured Healthcare Partners / Eagle Arc Partners / Aspen Skilled Healthcare	Auctus	Altitude Acquisitions, LLC
Operator HQ	New York, NY	San Diego, CA / Bozeman, MT	Evanston, IL
Organization Type	For-Profit	For-Profit	For-Profit
Principal(s) / Contact(s)	Chris Cunningham (VP - Assured) Elliott Mandelbaum (Managing Partner - Eagle Arc)	Chris Rosenstock (President)	William "Avi" Rothner (President)
Proposal Type	Asset Purchase	Asset Purchase	Asset Purchase
Organizational Scale/Background	Eagle Arc is an investment firm that is focused on acquiring and executing value add strategies across skilled nursing and seniors housing facilities. Funds and affiliates managed by Eagle Arc have acquired over $1.5bn of senior living assets over the past several years. Assured Healthcare Partners is a New York-based healthcare-dedicated private equity sponsor that provides capital solutions and operational resources to support the growth of its portfolio companies. AHP has closed over $540 million of new investments since 2018 alone, and currently manages approximately $1 billion in assets. Aspen Skilled Healthcare will manage day to day operations.	Auctus Capital Partners was founded in 2014 to acquire and manage multifamily apartments and senior housing communities in the Western U.S. Since inception, ACP has acquired nine senior housing facilities in California and Washington and acquired and or sold over 4,000 apartment units located in various California, Washington and Utah markets. Total assets under management exceed $650 million.	Altitude Health Services, Inc. ("Altitude") is a leading healthcare company that provides a broad spectrum of consulting and support services to skilled nursing facilities, in 2011. Altitude currently operates 9 skilled facilities in Nebraska, Arizona and Illinois containing over 1,200 beds.
Operating Entity / Partner / Tenant	Owner (Assured & Eagle Arc) Operator (Aspen)	Owner.	Owner / Operator.
Currently Own/Operate in CA	Yes.	Yes.	No.
Purchase Price	**$22,000,000**	**$21,700,000**	**$20,000,000**
Price per Operating Bed (350 Operating beds) (486 licensed beds)	*$62,857*	*$62,000*	*$57,143*
Treatment of Entrance Fee Liability	Assume All Liability. (~19.2 million)	Assume All Liability. (~$21 million)	$21,252,000 Total. No more than $2,263,000 in Classic Agreement EF; $3,780,000 in IL Deferred Repayment EF; and $15,209,000 in assumed Deferred Repayment EF. Purchaser intends on modifying the existing independent residency agreements with Deferred Repayment Entrance Fees as follows: (a) at Closing, Purchaser will repay to each resident 20% of the amount owed (estimated at, but not more, than $3,780,000); and (b) at the time the Deferred Repayment Entrance Fee would otherwise come due pursuant to the terms of the contract, an amount equal to the product of: (x) the refundable entrance fee; times (y) 4%; times (z) the number of whole years the resident resides in the Property post-closing.
Additional Investment after Closing	Not disclosed.	Not disclosed.	Not disclosed.
Financing Contingency	**No.** Transaction will not be subject to any financing contingency.	Not disclosed.	Not disclosed.
Deposit	**$2,000,000.** $1,000,000 upon execution of LOI. $1,000,000 upon completion of its confirmatory DD. Non-refundable upon Seller Default or Buyer termination of LOI before expiration of DD period.	**$400,000.** Posted within 2 business days following execution of PSA. To become non-refundable upon DD period expiration.	**$2,000,000.** $250,000 posted within 3 business days following execution of LOI. Additional $750,000 within 3 business days after APA execution. Final $1,000,000 at least 2 business days prior to Bankruptcy auction.
PSA / Definitive Agreement / APA	**5 Days** afte LOI execution for Draft PSA. **20 Days** after LOI execution for executed PSA.	**21 days** after LOI execution.	**45 days** after LOI execution.
Due Diligence (DD) Period	**45 days** after signing Purchase Agreement.	**60 days** after Purchase Agreement execution and delivery of the due diligence materials.	**45 days** upon execution of LOI. Full access to the Facility, the Property, financial information, and other information and documents related to the Property and the business conducted at the Facility.
Timetable to Close	End of month following receipt of regulatory approvals (7 days after DD Period ends) and after entry of an order confirming the sale or debtor's plan of reorganization.	**120 days** from signing of Purchase Agreement.	within **30 days** of new operator's receipt of all licenses and approvals to operate the Facility from the California Attorney General, DPH and DSS.
Data Room Activity (Views/Downloads as of 7/23/21)	453	1,284	1,512
Website	https://www.ahpartners.com/ https://eaglearc.com/ https://www.aspenhealth.com/	https://www.auctuscapitalpartners.com/	https://altitudehs.com/

Organization	BRP Senior Housing Management LLC	Covington Investments	Heritage Campus Group / Lapis Advisers / Evergreen Senior Living
Operator HQ	Beverly Hills, CA	Atlanta, GA	San Francisco, CA (Lapis)
Organization Type	To Be Formed NFP	For-Profit	Non-Profit
Principal(s) / Contact(s)	Richard Ackerman (CEO)	Ted McMullan (President)	William Haase (Heritage Vice Chairman) Kjerstin Hatch (Lapis Managing Director)
Proposal Type	Asset Purchase	Asset Purchase	Asset Purchase
Organizational Scale/Background	BRP is an affiliate of Big Rock Partners, which is a real estate private equity firm that has invested in and managed over $1 billion in assets, including a current portfolio of over $300 million in senior housing assets. BRP recently completed the acquisition from a bankruptcy case, with a not-for-profit owner, of a large scale continuing care retirement community in Tampa, Florida with 418 units and villas.	Covington has owned four full-service CCRCs acquired from non-profit organizations in Florida, Ohio, and Tennessee. Two of those involved acquisitions under a bankruptcy court sale. They then transitioned all four of these campuses to a non-profit Sponsor to preserve the original non-profit mission of each campus. Covington acquired 2 large CCRCs in May and another in June 2021 which combine for a total of 1,208 units.	Heritage is a nonprofit led by experts in healthcare and turnaround industries with a mission to provide safe, affordable housing to seniors. Lapis is a San Francisco based investment firm with over a 10-year track record in special situation municipal investments. Lapis has raised over $1.2 billion to invest in the municipal markets with an emphasis on distressed and special situations and senior living. Heritage is expected to engage Evergreen Senior Living to manage day to day operations.
Operating Entity / Partner / Tenant	Owner / Operator.	Owner. Would partner with NFP Operator.	Bidder (Heritage Campus Group) Lender (Lapis) Manager (Evergreen Senior Living).
Currently Own/Operate in CA	No.	No.	Not Disclosed.
Purchase Price	**$20,000,000**	**$16,000,000**	**$15,839,000**
Price per Operating Bed (350 Operating beds) (486 licensed beds)	*$57,143*	*$45,714*	*$45,254*
Treatment of Entrance Fee Liability	Assume liability up to $21,160,000.	Assume All Liability. (~18 million)	Will not exceed $37,000,000 in sum of PP & Liability. (~$21 million)
Additional Investment after Closing	Will commit to invest up to $25,000,000 after closing.	Not disclosed.	$5,000,000 in prefunded capital improvement escrow.
Financing Contingency	**No.** Sufficient assets and liquidity available to close on the Transaction and operate and invest in the Assets following the Closing.	**Yes.** Include two expressions of interest to finance this transaction from IberiaBank and Northern Trust.	**No.** Lapis will act as Lender.
Deposit	Not disclosed.	**$150,000.** Upon court approval of Covington as Stalking Horse Bidder with guarantee of return to Covington within 48 hours of the auction if not selected as the winning bidder.	**$1,566,000.** $783,000 upon signing Purchase Agreement with nationally recognized title company. $783,000 following completion of due diligence. Non-refundable upon DD period expiration.
PSA / Definitive Agreement / APA	Not disclosed.	Not disclosed.	Not disclosed.
Due Diligence (DD) Period	Not disclosed.	Not disclosed.	**60 days** upon execution of LOI and concurrent with the negotiation of the APA.
Timetable to Close	Not disclosed.	Not disclosed.	Closing shall take place on the later of (i) all required regulatory and licensing approvals for the Transaction have been obtained and (ii) entry of a final, non-appealable Bankruptcy Confirmation Order.
Data Room Activity (Views/Downloads as of 7/23/21)	762	133	1,529
Website	https://www.bigrockpartners.com/	N/A.	https://lapisadvisers.com/ https://www.evergreenslc.com/

Organization	McFarlin Group
Operator HQ	McKinney, TX
Organization Type	For-Profit
Principal(s) / Contact(s)	Matt Johnson (Manager)
Proposal Type	Asset Purchase
Organizational Scale/Background	MG is a senior living investment manager, developer, owner, and operator within the seniors housing industry. Senior housing and healthcare real estate is MG's core focus. Since its inception in 2008, MG has acquired, developed, and managed over 20 properties. MG currently owns ten (10) properties in Arizona, Georgia, and Texas.
Operating Entity / Partner / Tenant	Owner / Operator.
Currently Own/Operate in CA	No.
Purchase Price	**$18,000,000**
Price per Operating Bed (350 Operating beds) (486 licensed beds)	*$51,429*
Treatment of Entrance Fee Liability	Will Not Assume Liability.
Additional Investment after Closing	Not disclosed.
Financing Contingency	**No.** MG will provide all the required capital.
Deposit	**$180,000.** Upon execution of the Purchase Agreement.
PSA / Definitive Agreement / APA	Draft PSA within **5 days** of LOI execution. Executed Agreement within best efforts.
Due Diligence (DD) Period	**45 days** upon delivery of DD materials.
Timetable to Close	**5 days** after Due Diligence Period.
Data Room Activity (Views/Downloads as of 7/23/21)	1,205
Website	https://mcfarlin-group.com/

Organization	Pacifica Companies, LLC	BRP Senior Housing Management LLC	Heritage Campus Group / Lapis Advisers / Evergreen Senior Living	MED Healthcare Partners
Operator HQ	San Diego, CA	Beverly Hills, CA	San Francisco, CA (Lapis)	Hewlett, New York
Organization Type	For-Profit	To Be Formed NFP	Non-Profit	For-Profit
Proposal Type	Asset Purchase	Asset Purchase	Asset Purchase	Asset Purchase
Organizational Scale/Background	Pacifica is a $5 billion dollar privately held real estate investment company. They currently own 42 Senior Housing communities in California. Pacifica's portfolio has strong preforming senior housing communities within 3 miles of both Lake Park and Forest Hill. Pacifica buys all of their assets with cash using their own balance sheet and have transacted multiple times in the past few years buying non-profit California CCRC assets out of bankruptcy. They are well-known and vetted by the California Attorney general having successfully closed non-profit CCRC transactions in the state.	BRP is an affiliate of Big Rock Partners, which is a real estate private equity firm that has invested in and managed over $1 billion in assets, including a current portfolio of over $300 million in senior housing assets. BRP recently completed the acquisition from a bankruptcy case, with a not-for-profit owner, of a large scale continuing care retirement community in Tampa, Florida with 418 units and villas.	Heritage is a nonprofit led by experts in healthcare and turnaround industries with a mission to provide safe, affordable housing to seniors. Lapis is a San Francisco based investment firm with over a 10-year track record in special situation municipal investments. Lapis has raised over $1.2 billion to invest in the municipal markets with an emphasis on distressed and special situations and senior living. Heritage is expected to engage Evergreen Senior Living to manage day to day operations.	MED Healthcare Partners, a provider of assisted living, skilled nursing services and rehabilitation services with a portfolio of over 150 skilled nursing facilities, 20 assisted living and memory care communities, and five CCRCs in 20 states.
Operating Entity / Partner / Tenant	Owner.	Owner / Operator.	Bidder (Heritage Campus Group) Lender (Lapis) Manager (Evergreen Senior Living).	Owner / Operator.
Currently Own/Operate in CA	Yes.	No.	Not Disclosed.	Not disclosed.
Purchase Price - Round 2	**$32,500,000**	**$32,000,000**	**$29,300,000**	**$25,000,000**
Price per Operating Bed (350 Operating beds) (486 licensed beds)	*$93,000*	*$91,000*	*$84,000*	*$71,000*
Purchase Price - Round 1	**$30,000,000**	**$20,000,000**	**$15,839,000**	**$22,500,000**
Treatment of Entrance Fee Liability	Assume All Liability.	Assume liability up to $21,160,000.	Assupmtion of approximately $14.5 million of current resident obligations and $6.5 million of former resident claims. Assume former resident claims in form of a new subordinate note repayable in equal installments over 10 years.	Assume All Liability. (~18 million)
Additional Investment after Closing	Not disclosed.	Will commit to invest up to $20,000,000 after closing.	$7,500,000 in prefunded capital improvement escrow.	Not disclosed.
Financing Contingency	**No.** Pacifica buys all of their assets with cash using their own balance sheet.	**No.** Sufficient assets and liquidity available to close on the Transaction and operate and invest in the Assets following the Closing.	**No.** Lapis will act as Lender.	Not disclosed.
Deposit	**$500,000.** 3 days after execution of PSA. Non-refundable upon DD period expiration.	Not disclosed.	**$1,914,000.** $957,000 upon signing Purchase Agreement with nationally recognized title company. $957,000 following completion of due diligence. Non-refundable upon DD period expiration.	**$1,125,000.** To be paid upon APA execution. To become non-refundable upon DD period expiration.
PSA / Definitive Agreement / APA	**5 days** after execution of LOI.	Not disclosed.	Not disclosed.	Prepared to begin negotiations directly after LOI is signed.
Due Diligence (DD) Period	**45 days** upon delivery of DD materials.	Not disclosed.	**60 days** upon execution of LOI and concurrent with the negotiation of the APA.	**30 days** after execution of PSA.
Timetable to Close	**30 Days** following completion of Due Diligence period or as soon as permissible by State Licensure.	Not disclosed.	Closing shall take place on the later of (i) all required regulatory and licensing approvals for the Transaction have been obtained and (ii) entry of a final, non-appealable Bankruptcy Confirmation Order.	**On the first of the month following 30 Days** after completion of Due Diligence period and satisfaction of the Closing Conditions.
Data Room Activity (Views/Downloads as of 8/10/21)	594	762	1,531	1,168
Website	https://www.pacificaseniorliving.com/	https://www.bigrockpartners.com/	https://lapisadvisers.com/ https://www.evergreenslc.com/	http://www.medhcp.com/

SECTION 999.5(d)(2)(E)

(E) For joint venture transactions, all asset contribution agreements and related valuations, all limited liability corporation or limited liability partnership operating agreements, management contracts, and put option agreements.

(Not Applicable)

SECTION 999.5(d)(3)

INUREMENT AND SELF-DEALING

(d)(3)(A)

(A) Copies of any documents or writings of any kind that relate or refer to any personal financial benefit that a proposed affiliation between applicant and the transferee would confer on any officer, director, employee, doctor, medical group or other entity affiliated with applicant or any family member of any such person as identified in Corporations Code section 5227(b)(2).

No officer, director, employee, doctor, medical group, or other entity affiliated with CNMH (or any family member of any such person as identified in Corporations Code Section 5227(b)(2)) will derive a personal financial benefit from the proposed sale of Lake Park or Forest Hill by CNMH to Buyers.

There are no documents or writings that relate to or refer to any personal or financial benefit that a proposed affiliation between CNMH and Buyers would confer on any officer, director, employee, doctor, medical group or other entity affiliated with CNMH or any family member of any such person as identified in Corporations Code section 5227(b)(2).

SECTION 999.5(d)(3)(B)

(B) The identity of each and every officer, trustee or director of applicant (or any family member of such persons as identified in Corporations Code section 5227(b)(2)) or any affiliate of applicant who or which has any personal financial interest in any company, firm, partnership, or business entity (other than salary and directors/trustees' fees) currently doing business with applicant, any affiliate of applicant, or the transferee or any affiliate of the transferee.

No officer, trustee, or director of CNMH (or any family member of such persons as identified in Corporations Code Section 5227(b)(2)) or any affiliate of CNMH has any personal financial interest in any company, firm, partnership, or business entity (other than salary and any directors/trustees' fees) currently doing business with CNMH, any affiliate of CNMH, or any affiliate of Buyers.

SECTION 999.5(d)(3)(C)

(C) A statement describing how the board of directors of the nonprofit corporations involved in the transaction are complying with the provisions of Health and Safety Code sections 1260 and 1260.1.

CNMH has represented that no board member involved in the negotiation of the terms and conditions of sale of the property will receive, directly or indirectly, any salary, compensation, payment, or any form of remuneration from Buyers following the close of the sale of CNMH's assets.

Health and Safety Code Section 1260.1 contemplates sales to nonprofit entities and thus does not apply to the sale of CNMH's assets.

SECTION 999.5(d)(4)

CHARITABLE USE OF ASSETS

(d)(4)(A)

(A) The applicant's articles of incorporation and all amendments thereto and current bylaws, any charitable trust restrictions, and any other information necessary to define the charitable trust purpose of the applicant's assets.

Attached to this section, please find:

1. Articles of Incorporation for CNMH, including all restatements; and
2. Current Bylaws for CNMH.

CNMH does not maintain any endowment funds. It has fully expended all donor-restricted funds that it previously had. Counsel for CNMH has advised Mr. David Eldan at the Attorney General's Charitable Trusts Division of this fact.

Articles of Incorporation for CNMH, including all restatements

A0831440

0291891

RESTATED ARTICLES OF INCORPORATION OF
CALIFORNIA-NEVADA METHODIST HOMES,
a California Nonprofit Public Benefit Corporation

FILED
Secretary of State
State of California
JUL 25 2019

The undersigned certify that:

1. They are the president and the secretary, respectively, of California-Nevada Methodist Homes, a California nonprofit public benefit corporation.

2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

ARTICLE I

The name of this corporation is CALIFORNIA-NEVADA METHODIST HOMES.

ARTICLE II

A. The corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for charitable purposes.

B. The purposes of this corporation are (1) to develop and operate housing specially designed for the elderly, with arrangements for residents' health care and financial security, and otherwise to promote the interests and serve the needs of the elderly, provided that such activities are consistent with this corporation's exempt purposes; and (2) to engage in any other activities that further such purposes.

ARTICLE III

A. This corporation is organized and operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and Sections 214 and 23701d of the California Revenue and Taxation Code, as amended.

B. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, except as provided in Section 501(h) of the Code. This corporation shall not participate or intervene in any political campaign (including the publication or distribution of statements) on behalf of or in opposition to any candidate for public office.

C. Notwithstanding any other provision of these articles, this corporation shall not conduct or carry on any activities not permitted to be conducted or carried on (a) by an organization exempt under Section 501(c)(3) of the Code; or (b) an organization, contributions to which are deductible under Section 170 of the Code.

ARTICLE IV

Notwithstanding any other provision of these articles, if the corporation is at any time a private foundation, as defined in Section 509 of the Code, it (a) shall not engage in any act of self-dealing as defined in Section 4941(d) of the Code; (b) shall distribute its income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Code; (c) shall not retain any excess business holdings as defined in Section 4943(c) of the Code; (d) shall not make any investments in such manner as to subject it to taxation under Section 4944 of the Code; and (e) shall not make any taxable expenditures as defined in Section 4945(d) of the Code.

ARTICLE V

The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any trustee, officer, or member thereof or to the benefit of any private person. Upon the liquidation, dissolution, or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a fund, foundation, or corporation that is organized and operated exclusively for charitable purposes and that has established its tax-exempt status under Section 501(c)(3) of the Code.

ARTICLE VI

The liability of the trustees of this corporation for monetary damages shall be eliminated to the fullest extent permissible under California law.

ARTICLE VII

This corporation elects to be governed by all provisions of the California Nonprofit Public Benefit Corporation Law of 1980.

3. The foregoing restatement of Articles of Incorporation has been duly approved by the board of trustees.

4. This corporation has no members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certification are true and correct of our own knowledge.

Date: 7/23/19

President

Date: 7-23-19

Corporate Secretary

Current Bylaws for CNMH

BY-LAWS
OF
CALIFORNIA-NEVADA METHODIST HOMES

ARTICLE I.
Principal Office

Section 1. Principal Office. The principal office of the corporation shall be fixed and located at such place as the Board of Trustees (hereinafter sometimes called "the Board") shall determine. The Board is granted full power and authority to change said principal office from one location to another.

Section 2. Other Offices. Branch or subordinate offices may be established at any time by the Board at any place or places.

ARTICLE II.
No Members

The corporation shall have no members. The corporation is a nonprofit public benefit corporation, as referred to in Sections 5110 and following of the California Corporations Code, and by this Article II of its By-Laws, elects pursuant to section 5310 of said Code not to have members.

ARTICLE III.
Board of Trustees

Section 1. Number. The corporate powers of this corporation are vested in the Board of Trustees, which shall consist of no fewer than two (2) and no more than five (5) persons plus the Resident Trustee described in Section 9 of this Article. The exact number of trustees shall be established by the Board of Trustees from time to time.

Section 2. Election and Term of Office. Persons to be trustees shall be elected by the Trustees at the Annual Meeting of the Board of Trustees. Except the Resident Trustee described in Section 10 of this Article, Trustees shall hold office for a term of three years and until their successors are elected. Trustees shall serve staggered terms so that approximately one-third of such Trustees' terms shall expire each year. Except the Resident Trustee, a trustee may succeed himself or herself in office. Nominations for trustees shall be received from the Trustees then in office.

Section 3. Meetings. Regular meetings of the Board of Trustees shall be held four (4) times a year at a time and place to be determined by the Board. The meeting held in the month of November of each year shall be designated as the Annual Meeting of said Board, except as otherwise determined by the Board. Special meetings of the Board may be called by the Chair of the Board, or any three trustees.

Section 4. Notice of Meetings. Written notice of the time and place of such meetings of the Board of Trustees shall be given at least seven days prior to the holding thereof, providing, always, that such notice will be sufficient if delivered personally, or mailed by United States mail, postage prepaid, within said time, addressed to each of the

Trustees at their respective addresses as shown on the records of the corporation, and providing further, that notice of any such meetings may be waived by any Trustee, in writing, or by such one's attendance at such meeting, however called. The notice of any such meeting need not specify the business to be transacted, except that neither the Articles of Incorporation nor the By-laws may be amended at any meeting without specific notice thereof in the call for such meeting. Any action taken by the mail ballot provided for in Section 8 of this Article III, or upon the written consent of all of the Trustees, shall constitute an act of the Board.

Section 5. Quorum. A majority of the trustees of this corporation shall constitute a quorum of the Board of Trustees. Any vacancies on the Board at any given time shall decrease the total number of trustees, for the purpose of determining whether or not a majority is present so as to constitute a quorum.

Section 6. Vacancies. As provided in Section 5226 of the California Corporations Code, except upon written notice to the Attorney General, no Trustee may resign where the corporation would then be left without a duly elected Trustee or Trustees in charge of its affairs. Apart from this exception, any Trustee may resign by giving written notice thereof to the Chairman of the Board or to the Secretary of the Board. Such resignation shall be effective immediately, unless the notice specifies a later time for the effective date of the resignation. If the resignation is effective at a future time, a successor may be elected before such time to take office when the resignation becomes effective. Any vacancy occurring in the Board between the annual meetings of the Board (including a vacancy resulting from the removal of a Trustee) may be filled by a majority vote of the remaining Trustees, whether or not less than a quorum, provided that each Trustee so elected shall hold office only until the next annual meeting of the Board and the election of such one's successor, who may be the Trustee so elected to fill such vacancy. No reduction of the authorized number of trustees shall have the effect of removing any Trustee prior to the expiration of the Trustee's term of office. A vacancy shall also be deemed to exist if a Trustee: (a) fails to accept office within thirty days after notice of election; (b) dies; or (c) fails to attend three successive Board meetings, unless his or her absence is then or thereafter excused by resolution of the Board.

Section 7. Mail Ballot. The Board of Trustees may, without meeting together, transact business by mail by voting upon proposed Resolutions mailed to them by the Secretary of the Board with the approval of the Chairman of the Board of this corporation. If within twenty days after the mailing of the proposed Resolution to said Trustees, the Secretary of the Board has received the written votes of all of the Trustees, and if said votes all favor said Resolution so submitted to the Trustees, the said Resolution shall be deemed adopted and shall become the act of the Board of Trustees; otherwise, said Resolution shall be declared rejected. The Secretary of the Board shall keep a complete record of each Resolution so proposed for adoption by the mail ballot, the votes received on each Resolution, the effective date of the said Resolution, if adopted, and the action taken thereon. All mail ballots received by the Secretary of the Board shall be produced and canvassed at the next meeting of the Board.

Section 8. Adjournment. A majority of the Trustees present, whether or not a quorum is present, may adjourn any Trustees' meeting to another time and place.

Section 9. Resident Trustee. As long as the corporation operates at least one continuing care retirement community ("CCRC") in California, the Board of Trustees shall accept one trustee who is a resident of one of the corporation's CCRCs (the "Resident Trustee"). The Resident Trustee shall be selected by the Board of Trustees from among the candidates nominated by a resident-elected committee of residents of the corporation's CCRCs. If the Board of Trustees disapproves of the resident committee's nominee(s), the resident committee shall nominate additional nominees until the Resident Trustee position is filled. The Resident Trustee shall serve a two (2)-year term and shall not be eligible to serve consecutive terms. The Resident Trustee shall be a voting member of the Board of Trustees and shall perform his or her duties in a manner that complies with the standards of conduct and fiduciary duties of all other Trustees.

Section 10. Resident Representatives. As long as the corporation operates at least one continuing care retirement community ("CCRC") in California, the Board of Trustees shall accept one resident representative to the Board of Trustees for each CCRC that the corporation owns and operates in California (the "Resident Representatives"). Each Resident Representative shall be selected in accordance with the procedures set forth in California law; shall be entitled to receive notices, to review materials, and to attend Board meetings as set forth in California law; and shall be subject to all of the responsibilities set forth in California law for resident representatives. Resident Representatives are not Trustees and shall not be entitled to vote on any matter coming before the Board.

ARTICLE IV
Powers and Duties of Trustees

Section 1. General. The Board of Trustees shall have the general direction, control and management of the business of the corporation, and shall have all of the rights, powers and authority that are now or may hereafter be vested by law in a board of trustees of a nonprofit public benefit corporation under California law.

Section 2. Powers. Subject to any limitations of the Articles of Incorporation and the By-laws of this Corporation, the activities and affairs of the corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of the corporation to any person or persons, or to any committees, however composed, provided that the activities and affairs of the corporation shall be managed and all corporate affairs shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these By-laws:

a. To select and remove any or all of the officers, agents and employees of the corporation, prescribe powers and duties for them as may not be inconsistent with law, the Articles or the By-laws, and fix their compensation;

b. To conduct, manage and control the affairs and activities of the corporation and to make such rules and regulations therefor not inconsistent with law, the Articles or these By-laws, as they may deem best;

c. To adopt, make and use a corporate seal and to alter the form of such seal from time to time, as they deem best;

d. To borrow money and to incur indebtedness for the purposes of the corporation, and to cause to be executed and deliver therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor; and

e. To remove any Trustee at any time, with or without cause, by resolution adopted by a majority of the authorized number of Trustees then in office, provided a quorum is present.

ARTICLE V
Executive Committee

Section 1. Appointment. The Board of Trustees shall annually appoint an Executive Committee which shall consist of the officers of the Board and not fewer than three other Trustees, to serve at the pleasure of the Board or until the next regular meeting thereof. All transactions of the Executive Committee shall be regularly reported to the Board.

Section 2. Powers. The Executive Committee shall carry out and administer the policies of the Board of Trustees and, subject to such directions as may from time to time be given to it by the Board, shall perform the duties of the Board between the regular meetings thereof. Provided, however, that the Executive Committee shall have no power to purchase, sell, exchange or hypothecate real property, or approve any self-dealing transaction, as such transactions are defined in Section 5233 (a) of the California Corporations Code.

ARTICLE VI
Standing Committees

The Board of Trustees shall from time to time appoint such standing committees as it deems useful in carrying on the work of this corporation. Each such committee shall have among its members two or more Trustees. The Board shall delegate to such committees any of the authority of the Board except with respect to:

a. The approval of any action for which the Nonprofit Public Benefit Corporation Law of California (or any successor legislation thereto) also requires the approval of the Trustees or approval of a majority of all Trustees;

b. The filling of vacancies on the Board or in any committee;

c. The fixing of compensation of the Trustees for serving on the Board or on any committee;

d. The amendment or repeal of By-laws or the adoption of new By-laws;

e. The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable;

f. The appointment of other committees of the Board or the members thereof; or

g. The approval of any self-dealing transaction, as such transactions are defined in section 5233 (a) of the California Corporations Code.

Any such committee must be created, and the members thereof appointed, by resolution adopted by a majority of the authorized number of Trustees then in office, provided a quorum is present, and any such committee may be designated an Executive Committee or by such other name as the Board shall specify. The Board may appoint, in the same manner, alternate members of any committee who may replace any absent member at any meeting of the committee. The Board shall have the power to prescribe the manner in which proceedings of any such committee shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. All actions and transactions of any such committee shall be regularly reported to the Board. Minutes shall be kept of each meeting of each committee.

ARTICLE VII
Officers

Section 1. Officers of the Board. The officers of the Board of Trustees shall be a Chair, one Vice-chair, and a Secretary and said officers shall be from among the Trustees.

Section 2. Officers of the Corporation. The officers of the corporation shall be a President who is the Chief Executive Officer, one Vice-President/Chief Financial Officer and a Corporate Secretary and such officers as shall be named by the Board of Trustees.

Section 3. Election of Officers. All officers of the Board and all officers of the corporation shall be elected by the Board of Trustees at the annual meeting of the Board, and shall hold office for one year and until their successors are elected.

Section 4. Duties of the Officers. Each of the officers of the Board and each of the officers of the corporation shall assume the responsibilities and perform the duties usually assigned to his or her office and such other or different duties as may from time to time be prescribed by the Board.

ARTICLE VIII
General Provisions

Section 1. Fiscal Period. The fiscal period of this corporation shall end on the 30th day of June of each calendar year.

Section 2. Dissolution of the Corporation. In the event of the liquidation or dissolution of this corporation, the title to all assets of the corporation after payment of all just debts and obligations shall be disposed of in the manner provided for in its Articles of Incorporation.

Section 3. Amendments. Subject to the limitations hereinafter set out, these By-laws may be amended at any duly called meeting of the Board of Trustees at which a quorum is present, by the affirmative vote of a majority of the Trustees present at said meeting. Notice of the proposed amendment or amendments shall be given in the notice of the meeting in which such vote is taken.

Section 4. Indemnification of Trustees, Officers and Administrators.

a. Right of Indemnity. To the fullest extent permitted by law, this corporation shall indemnify its trustees, officers, administrators, and other persons described in Section 5238(a) of the California Corporations Code, including persons formerly occupying such position, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and including an action by or in the right of the corporation, by reason of the fact that the person is or was a person described in that Section. "Expenses," as used in this bylaw, shall have the same meaning as in Section 5238(a) of the California Corporations Code.

b. Approval of Indemnity. On written request to the board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Corporations Code, the board shall promptly determine under Section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met and, if so, the board shall authorize indemnification.

c. Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the board in a specific instance, expenses incurred by a person seeking indemnification under subsections (a) and (b) of this Section in defending any proceeding covered by those subsections shall be advanced by the corporation before final disposition of the proceeding, on receipt by the corporation of an undertaking by or on behalf of that person that the advance will be repaid, unless it is ultimately determined that the person is entitled to be indemnified by the corporation for those expenses.

d. Insurance. The corporation shall have the right to purchase and maintain insurance to the full extent permitted by law on behalf of its trustees, officers, administrators, and other agents, against any liability asserted against or incurred by any trustee, officer, administrator, or agent in such capacity or arising out of the trustee's, officer's, administrator's, or agent's status as such.

SECTION 999.5(d)(4)(B)

(B) Applicant's plan for use of the net proceeds after the close of the proposed transaction together with a statement explaining how the proposed plan is as consistent as possible with existing charitable purposes and complies with all applicable charitable trusts that govern use of applicant's assets. The plan must include any proposed amendments to the articles of incorporation or bylaws of the applicant or any entity related to the applicant that will control any of the proceeds from the proposed transfer.

The net sale proceeds will be applied first to payment of Ziegler's fees and the obligations due to the debtor-in-possession lender. After that, a portion of the net sale proceeds will be set aside for payment of (a) payroll obligations (including taxes associated therewith); (b) accrued PTO; (c) bankruptcy "administrative expenses"; (d) accrued and anticipated professional fees; and (e) other projected "wind down" expenses. The balance of the net sale proceeds will be paid to Wilmington Trust (the bond trustee) and, with the agreement of HCAI, holders of pre-bankruptcy general unsecured claims.

The parties do not contemplate an amendment of the Articles or Bylaws of CNMH to address this plan.

SECTION 999.5(d)(5)

IMPACTS ON HEALTH CARE SERVICES

(d)(5)(A)

(A) A copy of the two most recent "community needs assessments" prepared by applicant for any health facility or facility that provides similar health care services that is the subject of the agreement or transaction.

Lake Park and Forest Hill are CCRCs under the regulatory jurisdiction of DSS, the California Department of Public Health, and the United States Department of Health and Human Services, Centers for Medicare and Medicaid Services. As a result, CNMH is currently governed by the Continuing Care Contract Statutes, the statutes and regulations applicable to SNFs and RCFEs, and the Medicare laws. None of these laws requires a CCRC to complete a community needs assessment.

SECTION 999.5(d)(5)(B)

(B) A description of all charity care provided in the last five years by each health facility or facility that provides similar health care services that is the subject of the agreement or transaction. This description shall include annual total charity care spending; inpatient, outpatient and emergency room charity care spending; a description of how the amount of charity care spending was calculated; annual charity care inpatient discharges, outpatient visits, and emergency visits; a description of the types of charity care services provided annually; and a description of the policies, procedures, and eligibility requirements for the provision of charity care.

Lake Park and Forest Hill are CCRCs, not hospitals. Questions regarding inpatient, outpatient, and emergency room charitable care are not applicable.

CNMH does not have a charity care policy; however, it does have a hardship policy under which it offers to subsidize the fees of continuing care contract residents who run out of funds due to no fault of their own (such as wasteful spending or divestiture of funds), to the extent that CNMH believes it can do so without jeopardizing its own sound financial operations. CNMH has great discretion in applying this policy. The continuing care contract summarizes this policy as follows:

> Section VI
>
> B. Possibility of Financial Assistance
>
> If you are unable to pay your Monthly Fees or other charges promptly, Methodist Homes may, in its sole discretion, grant you an extension of time to make payments that are due or to 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 this Section VI. You will not qualify for assistance if you transfer your assets for less than their fair market value (e.g. by gift, bequest, or bargain sale) after you sign this Agreement.
>
> C. Application for Public Benefits
>
> Before you qualify for financial assistance by Methodist Homes, you will be required to investigate other sources of financial aid. Methodist Homes will assist you in seeking other benefits for which you may be eligible, including but not limited to Social Security, Aid to the Blind, veterans' pensions, Old Age Assistance, and SSI/SSP.
>
> D. Increase in Assets; Preservation of Assets; Repayment Instruments
>
> To maintain any assistance arrangement, you must do all of the following: (1) report promptly to Methodist Homes any material increase in your assets and their value, whether the increase occurs by way of gift, inheritance, appreciation in value, or otherwise; (2) refrain from transferring any assets for less than their fair market value; (3) make arrangements, at Methodist Homes' request, for the preservation and management of your property by others, including conservators and trustees; (4) execute any instruments (including but not limited to promissory

notes, assignments, security agreements and deeds of trust) that Methodist Homes deems necessary to evidence or secure its claim for repayment of any sums due under this Section VI; and (5) agree to move to a smaller Apartment if requested to do so by Methodist Homes.

E. Repayment to Methodist Homes

You agree that the value of any subsidy or financial assistance that you receive under this Section VI shall be deemed a loan to you by Methodist Homes, shall be a first lien against your estate, and shall be deducted from any refund that Methodist Homes may owe you or your estate under Section IX below. If your financial situation improves while you are at Lake Park, your subsidy may be reduced or eliminated, as determined by Methodist Homes in its sole discretion. If your financial situation improves to the extent that you are able to repay all or part of the value of the subsidy, you will be required to make such repayment at a rate and on terms established by Methodist Homes, in its sole discretion.

The chart below shows the skilled nursing care subsidies that CNMH provided to continuing care residents at Lake Park and Forest Hill during the fiscal years ended June 30, 2018-2022:

Fiscal Year	**Lake Park Subsidy**	**Forest Hill Subsidy**
2018	$125,091	$ 0
2019	$ 63,762	$ 0
2020	$ 99,898	$ 0
2021	$ 73,112	$ 0
2022 (8 mos.)	$ 0	$71,750
Five-Year Average	$ 72,373	$14,350

As is evident from the above chart, subsidies declined at Lake Park between 2018 and 2021 and dropped to zero in 2022. Forest Hill provided no subsidies between 2018 and 2021 and subsidized one patient in 2022.

CNMH does not participate in Medi-Cal. It likewise does not maintain any dedicated resident subsidy funds.

SECTION 999.5(d)(5)(C)

(C) A description of all services provided by each health facility or facility that provides similar health care services that is the subject of the agreement or transaction in the past five years to Medi-Cal patients, county indigent patients, and any other class of patients. This description shall include but not be limited to the type and volume of services provided, the payors for the services provided, the demographic characteristics of and zip code data for the patients served by the health facility or facility that provides similar health care services, and the costs and revenues for the services provided.

The following charts provide a summary of Medicare and private pay skilled nursing services that CNMH has provided in the past five years at Lake Park and Forest Hill. CNMH does not participate in the Medi-Cal program; it also does not have demographic or zip code data.

Lake Park

		Medicare	Private Pay
Type of Services Provided	Fiscal Year ended 6/30	skilled nursing	skilled nursing
	2018	$ 611,112	$ 2,324,709
	2019	$ 551,390	$ 2,241,197
	2020	$ 327,434	$ 1,900,239
	2021	$ 1,034,500	$ 1,950,291
	2022 (8 mos.)	$ 272,106	$ 1,144,001
	2018	0%	55.79%
	2019	0%	54.59%
	2020	0%	73.08%
	2021	0%	61.60%
	2022 (8 mos.)	0%	80.78%

Forest Hill

		Medicare	Private Pay
Type of Services Provided	Fiscal Year ended 6/30	skilled nursing	skilled nursing
	2018	$ 1,297,299	$ 1,924,243
	2019	$ 1,382,293	$ 2,114,433
	2020	$ 71,750	$ 1,850,944
	2021	$ 1,777,070	$ 2,074,780
	2022 (8 mos.)	$ 1,283,821	$ 1,559,910
	2018	0%	35.90%
	2019	0%	11.90%
	2020	0%	22.95%
	2021	0%	18.78%
	2022 (8 mos.)	0%	15.31%

See Section 999.5(d)(5)(B) for a description of CNMH's hardship policy.

SECTION 999.5(d)(5)(D)

(D) A description of any community benefit program provided by the health facility or facility that provides similar health care services during the past five years with an annual cost of at least $10,000 and the annual cost of each program for the past five years.

The SNFs do not provide a specific community benefit program with an annual cost of at least $10,000.

See Section 999.5(d)(5)(B) for a description of CNMH's hardship policy.

SECTION 999.5(d)(5)(E)

(E) For each health facility or facility that provides similar health care services that is the subject of the agreement or transaction, a description of current policies and procedures on staffing for patient care areas; employee input on health quality and staffing issues; and employee wages, salaries, benefits, working conditions and employment protections. Such description shall include a list of all existing staffing plans, policy and procedure manuals, employee handbooks, collective bargaining agreements or similar employment-related documents.

Policies and Procedures for SNF staffing:

CNMH's Personnel Policy and Procedure Manual (the "Personnel Manual") and Nursing Services Policy and Procedure Manual for Long-Term Care (the "Nursing Manual") contain descriptions of the staffing models for the two SNFs. The Personnel Manual provides an overview of the Administrative and Director of Nursing coverage obligations at the SNFs, while the Nursing Manual details the staffing and nursing obligations for various care scenarios.

Lake Park's SNF: For an average census of 22, the staffing at Lake Park's SNF is as follows:

Day Shift (1st Shift)
2 licensed nurses
3 certified nurse assistants (CNAs)
1 restorative nursing aides (M-F)

PM Shift (2nd Shift)
1 licensed nurse
2 CNAs

Night Shift (3rd Shift)
1 licensed nurse
2 CNAs

Forest Hill's SNF: For an average census of 20, the staffing at Forest Hill's SNF is as follows:

Day Shift (1st Shift)
3 licensed nurses
3 certified nurse assistants (CNAs)
1 restorative nursing aide (M-F)

PM Shift (2nd Shift)
1 licensed nurse
3 CNAs

Night Shift (3rd Shift)
1 licensed nurse
3 CNAs

Employee input on health quality and staffing issues

SNF employees are involved in daily staffing and assignments. Staff have regular assignments to promote consistent care and are encouraged to give input to licensed nurses to review and adjust assignments as needed to achieve workload balance or respond to residents' needs. Staff also have input at care planning meetings when residents and family members review the provision of care with the Inter-Disciplinary Team as part of the ongoing assessment process. Staff peer involvement is also included in the hiring process at each level in the SNF.

Employee wages, salaries, benefits, working conditions and employment

Staff is hired based on experience and commitment. Peer staff are involved in this review to help assure that an applicant's skills are commensurate with the pace and expectation for high quality resident care. By involving peer staff, CNMH hopes to reduce turnover and align expectations with the standards set by CNMH.

Please see the attached documents:

1. Tables of Contents for CNMH's Personnel Policy and Procedure Manual*
2. Table of Contents for CNMH's Nursing Services Policy and Procedure Manual for Long-Term Care*
3. Aggregate information re: cost of wages and benefits per department per month
4. Hourly wage information per employee type and shift
5. Table of Contents Employee Handbook

* Due to the size of the policies and procedures for SNF services, only the tables of contents have been provided. The full policy and procedure manuals are available upon request.

Tables of Contents for CNMH's Personnel Policy and Procedure Manual

PERSONNEL POLICY AND PROCEDURE MANUAL

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1.3. Property and Equipment

1.4. Administrative Coverage

1.5. Administrative Coverage (Skilled Nursing Facilities)

1.6. Corporate Administrative Authority

1.7. Director of Nursing Service Coverage (Skilled Nursing Facilities)

1.8. Director of Nurse Training Coverage (Skilled Nursing Facilities)

1.9. Hours of Operation (Administration)

1.10. Federal Anti-Trust Laws

1.11. Paid Time Off (PTO) Policy (Executive Level Benefited Employees)

1.11.A. Oakland ONLY

1.11.B. Pacific Grove ONLY

1.12. Property and Equipment (Corporate Headquarters)

1.13. Administrative Coverage (Residential Facility for the Elderly)

1.14. Health Care Plan for Executive Level Employees

APPROVED
EFF. DATE 7/1/86
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2. EMPLOYMENT

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Nursing Services Policy and Procedure Manual - Clinical Tiers

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Nursing Services Policy and Procedure Manual - Clinical Tiers

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POLICIES AND PROCEDURES FOR HEALTH INFORMATION PRIVACY

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3. USE OF PROTECTED HEALTH INFORMATION WITHIN PROVIDER

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Attachment B: Confirmation of Receipt of Notice of Privacy Practices for Protected Health Information

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Attachment C: Termination of Restriction on Use or Disclosure of Protected Health Information

Attachment D: Request for Confidential Communications of Protected Health Information

APPROVED
EFF. DATE 8/15/14
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TC

3.3. Resident Access to Health Records

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Attachment B: Granting Request to Access Health Records

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3.4. Amendment of Health Records

Attachment A: Request to Amend Health Records

Attachment B: Delay in Response to Request to Amend Health Records

Attachment C: Granting Request to Amend Health Records

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4.1. Notification of Security Breaches

Attachment: Notice to DHHS of Breach of Unsecured Protected Health Information

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Attachment A: Model Business Associate Agreement

Attachment B: Model Business Associate Addendum

Attachment C: Model Business Associate Provision

Attachment D: Business Associate Relationships

5.2. Privacy Personnel

Attachment A: Privacy Official Job Description

Attachment B: Contact Person Job Description

5.3. Complaint Process

Attachment: Complaint Log

5.4. Workforce Training

5.5. Workforce Discipline

ADMINISTRATIVE MANUAL

HEALTH UNIT

California-Nevada Methodist Homes
Lake Park Retirement Residence, Oakland, CA
Forest Hill Manor, Pacific Grove, CA

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California Nevada Methodist Post
Statement of Activities - Modified
Monday, February 28, 2022
Corporate Office

---------- February Month to Date ----------						---------- Year to Date FY 2022 ----------			
BUDGET	ACTUAL	VARIANCE	% OF BUDGET	Description		BUDGET	ACTUAL	VARIANCE	% OF BUDGET
				OPERATING REVENUE					
				OPERATING EXPENSES					
				Plant Operations And Maintenance					
$27		$27	0%	90-620-606900	Other Non-Medical Supplies	$235		$235	0%
307		307	0%	90-620-607200	Repairs And Maintenance	2,665	310	2,355	12%
92		92	0%	90-620-607700	Purchased Services - Security	800	1,175	(375)	147%
690		690	0%	90-620-607900	Other Purchased Services	5,990	5,130	860	86%
1,116	0	1,116	0%	Total Plant and Operations		9,690	6,615	3,075	68%
				Utilities					
730	846	(116)	116%	90-620-608200	Utilities - Electricity	6,341	6,656	(315)	105%
368	723	(355)	197%	90-620-608300	Utilities - Gas	3,191	3,260	(69)	102%
429		429	0%	90-620-608400	Utilities - Water	3,717	5,285	(1,568)	142%
636	739	(103)	116%	90-620-608500	Utilities - Other	5,518	6,007	(489)	109%
2,163	2,308	(145)	107%	Total Utilities		18,767	21,208	(2,441)	113%
				Administration					
	328	(328)	0%	90-690-600600	Overtime - Other Sal And Wages		2,657	(2,657)	0%
35,648	34,346	1,302	96%	90-690-601900	Other Salaries And Wages	309,378	288,464	20,914	93%
2,657	2,881	(224)	108%	90-690-602100	FICA	23,054	23,401	(347)	102%
1,491	3,687	(2,196)	247%	90-690-602400	Vacation, Holiday And Sick	12,942	42,254	(29,312)	326%
2,257	3,896	(1,639)	173%	90-690-602500	Life, Health, Flex Benefits	18,056	34,081	(16,025)	189%
864	963	(99)	111%	90-690-602600	Pension And Retirement	7,494	7,819	(325)	104%
61	55	6	91%	90-690-602700	Workers Compensation Insurance	526	484	42	92%
169		169	0%	90-690-602800	Other Employee Benefits	1,466	(3,084)	4,550	-210%
37,205	22,545	14,660	61%	90-690-604600	Consulting And Mgmt Fees	322,891	348,907	(26,016)	108%
1,151	16,333	(15,182)	1,419%	90-690-604700	Professional Fees - Legal	9,987	1,497,015	(1,487,028)	14,990%
4,986	156	4,830	3%	90-690-604800	Accounting And Auditing	43,275	38,495	4,780	89%
330		330	0%	90-690-605800	Office And Admin. Supplies	2,861	1,478	1,383	52%
153		153	0%	90-690-606100	Other Minor Equipment	1,331	472	859	35%
230	122	108	53%	90-690-606800	Postage And Shipping	1,999	2,469	(470)	123%
215		215	0%	90-690-606900	Other Non-Medical Supplies	1,865	1,810	55	97%
92	123	(31)	133%	90-690-607200	Repairs And Maintenance	800	710	90	89%
1,995	12,246	(10,251)	614%	90-690-607201	Software Repairs and Maintenance	17,309	29,574	(12,265)	171%
192		192	0%	90-690-607202	Computer Repairs and Maintenance	1,662		1,662	0%
			0%	90-690-607600	Employee Phys And Recruitment		804	(804)	0%

377	26,189	(25,812)	6,947%	90-690-607900	Other Purchased Services	3,275	135,652	(132,377)	4,142%
115		115	0%	90-690-608100	Travel Expense	996		996	0%
2,033	2,446	(413)	120%	90-690-608600	Telephone And Communications	17,644	18,981	(1,337)	108%
			0%	90-690-608800	Outside Training Sessions		21	(21)	0%
407		407	0%	90-690-608900	Licenses And Taxes	3,529	144,014	(140,485)	4,081%
959	1,992	(1,033)	208%	90-690-609501	Banking Expenses	8,323	14,941	(6,618)	180%
38		38	0%	90-690-609901	Board Related Expenses	330		330	0%
	3,939	(3,939)	0%	90-730-730000	Property Taxes		7,877	(7,877)	0%
171		171	0%	90-740-740000	Property Insurance	1,489		1,489	0%
93,796	132,247	(38,451)	141%	Total Administration		812,482	2,639,296	(1,826,812)	325%
(97,341)	(134,628)	37,287	138%	90-690-607300	Home Office Charges	(844,779)	(2,667,701)	1,822,922	316%
(266)	(73)	(193)	28%	TOTAL OPERATING EXPENSE		(3,840)	(582)	(3,257)	15%
266	73	(193)	28%	OPERATING GAIN-LOSS		3,840	582	(3,257)	15%
			0%	90-000-124400	Office Equipment		(1,486)	(1,486)	0%
0	0	0	0%	Total Capital Improvements		0	(1,486)	(1,486)	0%
266	73	(193)	28%	NET GAIN/LOSS		3,840	(904)	(4,743)	-24%
				Depreciation					
407	75	332	18%	90-710-711000	Land Improvement	3,529	584	2,945	17%
407	75	332	18%	Total Depreciation		3,529	584	2,945	17%

California Nevada Methodist Post
Statement of Activities - Modified
Monday, February 28, 2022
Forest Hill

---------- February Month to Date ----------						---------- Year to Date FY 2022 ----------			
BUDGET	ACTUAL	VARIANCE	% OF BUDGET		Description	BUDGET	ACTUAL	VARIANCE	% OF BUDGET
					OPERATING REVENUE				
$21,249	$16,646	($4,603)	78%	10-910-912020	Life Care Monthly Fee	$169,992	$133,168	($36,824)	78%
94,322	85,042	(9,280)	90%	10-910-912021	Continuing Care Monthly Fee	754,576	698,107	(56,469)	93%
139,290	162,467	23,177	117%	10-910-912011	Monthly Fees-Rental	779,485	1,086,738	307,253	139%
7,616	7,616		100%	10-916-912030	Life Care AL Routine	66,096	68,816	2,720	104%
60,928	44,460	(16,468)	73%	10-916-912032	Continuing Care AL Routine	528,768	490,851	(37,917)	93%
13,636		(13,636)	0%	10-310-310020	Life Care - SNF Routine	118,341		(118,341)	0%
28,084	33,287	5,203	119%	10-310-310021	Continuing Care - SNF Routine	243,729	435,416	191,687	179%
	(176)	(176)	0%	10-912-912016	Meals Credit		(1,408)	(1,408)	0%
(3,068)	(37,895)	(34,826)	1,235%	10-912-912018	Promotional Allowance	(26,630)	(219,589)	(192,958)	825%
(7,616)	(7,616)		100%	10-916-912031	Routine C/Allowance-Life Care AL	(66,096)	(66,096)		100%
(3,136)	(2,282)	854	73%	10-916-912034	Routine C/Allowance--Cont. Care AL	(27,216)	(33,089)	(5,873)	122%
(13,636)		13,636	0%	10-520-520020	Routine C/Allow - Life Care SNF	(118,341)		118,341	0%
(1,372)	(1,624)	(252)	118%	10-520-520021	Routine C/Allow - Continuing Care SNF	(11,907)	(27,881)	(15,974)	234%
336,297	299,925	(36,371)	89%	Total Monthly Care Fees		2,410,797	2,565,033	154,237	106%
(4,795)	(20,480)	(15,686)	427%	10-910-912015	Financial Assistance Credit	(41,610)	(142,337)	(100,728)	342%
172,564	113,171	(59,393)	66%	10-310-310000	SNF Routine - Private	1,497,609	1,118,834	(378,775)	75%
1,151		(1,151)	0%	10-310-310009	SNF - Others	9,986		(9,986)	0%
233		(233)	0%	10-420-420000	Physical Therapy-Private	2,021	2,594	573	128%
	(1,400)	(1,400)	0%	10-420-420009	PT - Other		215	215	0%
	90	90	0%	10-420-425000	Occupational Therapy-Private		1,574	1,574	0%
	(1,575)	(1,575)	0%	10-420-425009	Occupational Therapy Other		1,305	1,305	0%
345		(345)	0%	10-430-430009	Pharmacy - Other	2,997		(2,997)	0%
			0%	10-520-520000	Routine C/Allowance-Private		57	57	0%
(140)	(83)	58	59%	10-520-520009	Routine C/Allowance-Others	(1,219)	(85)	1,134	7%
345		(345)	0%	10-530-532709	Pharmacy - C/A Other	2,997		(2,997)	0%
45,696	53,312	7,616	117%	10-916-912033	Assisted Living Routine Private	321,504	412,624	91,120	128%
220,194	163,515	(56,679)	74%	Total Private		1,835,895	1,537,118	(298,778)	84%
72,240	37,986	(34,254)	53%	10-310-310014	SNF Routine - Part A	626,940	699,084	72,144	112%
14,176	7,450	(6,726)	53%	10-420-420004	Physical Therapy - Part A	123,027	115,475	(7,552)	94%
	405	405	0%	10-420-420044	Physical Therapy Part B		1,205	1,205	0%
13,066	8,775	(4,291)	67%	10-420-425004	Occupational Therapy-Part A	113,391	124,565	11,174	110%

	450	450	0%	10-420-425044	Occupational Therapy-Part B		2,105	2,105	0%
1,587		(1,587)	0%	10-420-428004	Speech Therapy Part A	13,769	10,033	(3,736)	73%
13,833		(13,833)	0%	10-430-430004	Pharmacy - Part A	120,048	18,737	(101,311)	16%
	1,407	1,407	0%	10-440-440004	Laboratory - Part A		22,711	22,711	0%
			0%	10-490-491104	X Ray - Part A		1,079	1,079	0%
48,160	33,154	(15,006)	69%	10-530-531014	Routine C/Allowance-Part A	417,960	583,718	165,758	140%
			0%	10-530-531104	X Ray C/Allowance-Part A		(1,079)	(1,079)	0%
(13,066)	(8,775)	4,291	67%	10-530-531504	OT C/Allowance-Part A	(113,391)	(125,620)	(12,229)	111%
			0%	10-530-531544	OT C/Allowance-Part B		(89)	(89)	0%
(1,587)		1,587	0%	10-530-531604	Speech Therapy C/Allow-Part A	(13,769)	(10,033)	3,736	73%
(14,176)	(7,450)	6,726	53%	10-530-532604	PT C/Allow-Part A	(123,027)	(115,625)	7,402	94%
	(487)	(487)	0%	10-530-532644	PT C/Allow-Part B		(997)	(997)	0%
(13,833)		13,833	0%	10-530-532704	Pharmacy C/Allow-Part A	(120,048)	(18,737)	101,311	16%
	(1,407)	(1,407)	0%	10-530-532804	Laboratory C/Allow Part A		(22,711)	(22,711)	0%
120,400	71,508	(48,892)	59%	Total Medicare		1,044,900	1,283,821	238,921	123%
1,082	1,436	354	133%	10-912-912012	Garage Parking Fees	9,388	10,187	799	109%
1,304	(20)	(1,324)	-1%	10-913-913011	Meals - Guest	11,318	1,226	(10,092)	11%
2,685	624	(2,061)	23%	10-913-913012	Meals - Employee	23,301	5,991	(17,310)	26%
660	675	16	102%	10-913-913014	Laundry	5,725	5,144	(582)	90%
138	280	142	203%	10-913-599000	Barber and Beautician	1,198	993	(206)	83%
12		(12)	0%	10-913-913018	Housekeeping And Guest Room	100	200	100	200%
1,304	500	(804)	38%	10-913-913024	Administrative Revenue	11,318	49,274	37,956	435%
345	(1,076)	(1,421)	-312%	10-913-913027	Transportation	2,996	18,602	15,606	621%
	1,452	1,452	0%	10-913-913029	Health Care		2,376	2,376	0%
3,184	2,663	(521)	84%	10-930-913032	Lease Income	27,629	26,091	(1,537)	94%
10,714	6,534	(4,178)	61%	Total Other Income		92,973	120,084	27,111	129%
682,810	521,002	(161,806)	76%	TOTAL OPERATING REVENUE		5,342,955	5,363,719	20,764	100%
				OPERATING EXPENSES					
				Food Service					
	4,359	(4,359)	0%	10-650-600600	Overtime - Other Salaries And Wages		47,954	(47,954)	0%
57,242	62,591	(5,349)	109%	10-650-601900	Other Salaries And Wages	454,197	531,118	(76,921)	117%
4,823	5,139	(316)	107%	10-650-602100	FICA	38,273	48,580	(10,307)	127%
5,807	6,343	(536)	109%	10-650-602400	Vacation, Holiday And Sick	46,081	77,293	(31,212)	168%
2,504	3,077	(573)	123%	10-650-602500	Life, Health, Flex Benefits	21,735	23,348	(1,613)	107%
248	466	(218)	188%	10-650-602600	Pension And Retirement	2,148	5,238	(3,090)	244%
1,677	1,233	444	74%	10-650-602700	Workers Compensation Insurance	13,303	11,504	1,799	86%

57		57	0%	10-650-602800	Other Employee Benefits	499		499	0%
55,847	62,624	(6,777)	112%	10-650-604600	Consulting And Mgmt Fees	484,674	494,971	(10,297)	102%
	519	(519)	0%	10-650-605500	Catered Food Reimburseable		9,576	(9,576)	0%
			0%	10-650-605501	Food Reimburseable-COVID		31,340	(31,340)	0%
			0%	10-650-605700	Wearing Apparel		2,266	(2,266)	0%
46		46	0%	10-650-606100	Other Minor Equipment	399	8,017	(7,618)	2,009%
	599	(599)	0%	10-650-606101	Minor Equipment-COVID		1,264	(1,264)	0%
153	495	(342)	323%	10-650-606900	Other Non-Medical Supplies	1,326	495	831	37%
	9,434	(9,434)	0%	10-650-606901	Other Supplies-COVID		17,336	(17,336)	0%
92		92	0%	10-650-607200	Repairs And Maintenance	798		798	0%
153		153	0%	10-650-607600	Employee Phys And Recruitment	1,326	3,411	(2,085)	257%
361		361	0%	10-650-607900	Other Purchased Services	3,135		3,135	0%
179	767	(588)	429%	10-650-609100	Leases And Rentals	1,553	9,845	(8,292)	634%
23		23	0%	10-650-609300	Inservice Training	198		198	0%
129,212	157,646	(28,433)	122%	Total Food Service		1,069,645	1,323,556	(253,909)	124%
				Housekeeping					
2,955	2,151	804	73%	10-630-600100	Supervisors And Management	25,642	17,464	8,178	68%
	3,724	(3,724)	0%	10-630-600600	Overtime - Other Sal And Wages		9,912	(9,912)	0%
4,883	8,962	(4,079)	184%	10-630-601900	Other Salaries And Wages	42,375	96,627	(54,252)	228%
657	1,668	(1,011)	254%	10-630-602100	Fica	5,698	13,461	(7,763)	236%
744	1,342	(598)	180%	10-630-602400	Vacation, Holiday And Sick	6,460	22,879	(16,419)	354%
384	732	(348)	191%	10-630-602500	Life, Health, Flex Benefits	3,338	5,189	(1,851)	155%
122	248	(126)	203%	10-630-602600	Pension And Retirement	1,057	1,837	(780)	174%
197	359	(162)	182%	10-630-602700	Workers Compensation Insurance	1,709	3,547	(1,838)	208%
15		15	0%	10-630-602800	Other Employee Benefits	132		132	0%
1,918		1,918	0%	10-630-605700	Cleaning Supplies	16,643	16,826	(183)	101%
			0%	10-630-605701	Cleaning Supplies-COVID		1,392	(1,392)	0%
153		153	0%	10-630-605900	Wearing Apparel	1,331		1,331	0%
157		157	0%	10-630-606100	Other Minor Equipment	1,363		1,363	0%
77	342	(265)	445%	10-630-606900	Other Non-Medical Supplies	666	1,465	(799)	220%
	252	(252)	0%	10-630-606901	Other Supplies-COVID		5,362	(5,362)	0%
38		38	0%	10-630-607600	Employee Phys And Recruitment	330	1,469	(1,139)	445%
12,300	19,780	(7,480)	161%	Sub-total Housekeeping		106,744	197,430	(90,686)	185%
				Housekeeping - SNF					
			0%	10-631-600600	Overtime - Other Sal And Wages		128	(128)	0%
4,883	387	4,496	8%	10-631-601900	Other Salaries And Wages	42,375	38,333	4,042	90%
410	(96)	506	-24%	10-631-602100	FICA	3,560	3,380	180	95%
480	(1,572)	2,052	-328%	10-631-602400	Vacation, Holiday And Sick	4,163	7,460	(3,297)	179%

244	(55)	299	-23%	10-631-602500	Life, Health, Flex Benefits	2,123	1,585	538	75%
154	20	134	13%	10-631-602600	Pension And Retirement	1,334	1,233	101	92%
130	18	112	14%	10-631-602700	Workers Compensation Insurance	1,128	449	679	40%
			0%	10-631-605700	Cleaning Supplies		2,727	(2,727)	0%
6,301	(1,298)	7,600	-21%	Subtotal Housekeeping - SNF		54,683	55,295	(612)	101%
				Housekeeping - AL					
	1,976	(1,976)	0%	10-632-600600	Overtime		3,796	(3,796)	0%
4,883	2,541	2,342	52%	10-632-601900	Wages - Other	42,375	23,038	19,337	54%
410	346	65	84%	10-632-602100	FICA	3,560	2,162	1,398	61%
480	202	278	42%	10-632-602400	Vacation, Holiday, Sick &PTO	4,163	2,784	1,379	67%
242	171	71	71%	10-632-602500	Group Life Health Insurance	2,102	1,013	1,089	48%
158	150	8	95%	10-632-602600	Pension Costs	1,373	965	408	70%
176	107	69	61%	10-632-602700	Workers' Compensation	1,522	814	708	53%
6,349	5,493	857	87%	Subtotal Housekeeping - AL		55,095	34,572	20,523	63%
24,950	23,975	977	96%	Total Housekeeping		216,522	287,297	(70,774)	133%
				Laundry					
2,441		2,441	0%	10-640-601900	Wages - Other	21,188		21,188	0%
207		207	0%	10-640-602100	Payroll Taxes FICA	1,796	113	1,683	6%
263	70	193	27%	10-640-602400	Vacation, Holiday & Sick	2,282		2,282	0%
120		120	0%	10-640-602500	Group Life & Health Insuranace	1,041	62	979	6%
38		38	0%	10-640-602600	Pension Costs	330		330	0%
72		72	0%	10-640-602700	Worker's Compensation	626	27	599	4%
579		579	0%	10-640-605600	Bedding & Linen	5,026	2,210	2,816	44%
729		729	0%	10-640-605700	Cleaning Supplies	6,326	1,943	4,383	31%
			0%	10-640-606900	Other Non-Medical Supplies		2,088	(2,088)	0%
8		8	0%	10-640-607600	Employee Physicals & Recruitment	64		64	0%
4,457	70	4,387	2%	Total Laundry		38,679	6,443	32,237	17%
				Plant Operations And Maintenance					
2,947	3,151	(204)	107%	10-620-600100	Supervisors And Management	25,571	25,464	107	100%
	748	(748)	0%	10-620-600600	Overtime - Other Sal And Wages		6,461	(6,461)	0%
5,992	7,133	(1,141)	119%	10-620-601900	Other Salaries And Wages	52,002	58,163	(6,161)	112%
746	568	178	76%	10-620-602100	Fica	6,476	5,007	1,469	77%
817	214	603	26%	10-620-602400	Vacation, Holiday And Sick	7,087	6,861	226	97%
419	517	(98)	123%	10-620-602500	Life, Health, Flex Benefits	3,637	3,638	(1)	100%
138	133	5	96%	10-620-602600	Pension And Retirement	1,199	1,203	(4)	100%
259	195	64	75%	10-620-602700	Workers Compensation Insurance	2,250	1,811	439	81%
4		4	0%	10-620-602800	Other Employee Benefits	32		32	0%

77		77	0%	10-620-605900	Wearing Apparel	666		666	0%
103	55	48	53%	10-620-606100	Other Minor Equipment	895	4,885	(3,990)	546%
1,913		1,913	0%	10-620-606200	Garden/Plants And Supplies	16,596		16,596	0%
1,913	1,217	696	64%	10-620-606900	Other Non-Medical Supplies	16,596	10,012	6,584	60%
	196	(196)	0%	10-620-606901	Other Supplies-COVID		420	(420)	0%
5,202	23,012	(17,810)	442%	10-620-607200	Repairs And Maintenance	45,150	91,068	(45,918)	202%
11		11	0%	10-620-607600	Employee Phys And Recruitment	100	533	(433)	533%
689		689	0%	10-620-607700	Purchased Services - Security	5,975	1,524	4,451	26%
3,443	13,605	(10,162)	395%	10-620-607900	Other Purchased Services	29,876	89,083	(59,207)	298%
	4,810	(4,810)	0%	10-620-607901	Other Pur. Services-COVID		4,810	(4,810)	0%
	1,349	(1,349)	0%	10-620-608900	Licenses And Taxes		1,799	(1,799)	0%
421	195	226	46%	10-620-609500	Automobile Expenses	3,653	3,585	68	98%
25,094	57,098	(32,004)	228%	Total Plant and Operations		217,761	316,327	(98,565)	145%
				Utilities					
13,093	16,106	(3,013)	123%	10-620-608200	Utilities - Electricity	124,425	131,388	(6,963)	106%
10,793	13,405	(2,612)	124%	10-620-608300	Utilities - Gas	68,409	51,529	16,880	75%
8,673	7,642	1,031	88%	10-620-608400	Utilities - Water	66,285	63,493	2,792	96%
2,984	11,328	(8,344)	380%	10-620-608500	Utilities - Other	56,720	57,332	(612)	101%
35,543	48,481	(12,938)	136%	Total Utilities		315,839	303,742	12,097	96%
				Nursing					
	(208)	208	0%	10-611-600600	Overtime - Other Sal And Wages		7,479	(7,479)	0%
	7,804	(7,804)	0%	10-611-600701	Overtime - Registered Nurses		41,850	(41,850)	0%
	5,789	(5,789)	0%	10-611-600800	Overtime - L.V.N.		81,135	(81,135)	0%
	4,055	(4,055)	0%	10-611-601000	Overtime - Aides & Orderlies		47,970	(47,970)	0%
14,520	22,099	(7,579)	152%	10-611-601200	Registered Nurses	126,014	136,930	(10,916)	109%
31,724	26,259	5,465	83%	10-611-601300	Licensed Vocational Nurses	275,320	219,569	55,750	80%
38,142	48,887	(10,745)	128%	10-611-601400	Aides And Orderlies	331,021	329,950	1,070	100%
	(2,103)	2,103	0%	10-611-601900	Other Salaries And Wages		32,760	(32,760)	0%
6,932	8,790	(1,858)	127%	10-611-602100	FICA	60,159	74,253	(14,094)	123%
6,227	8,813	(2,586)	142%	10-611-602400	Vacation, Holiday And Sick	54,040	80,233	(26,193)	148%
4,605	5,101	(496)	111%	10-611-602500	Life, Health, Flex Benefits	39,962	34,249	5,713	86%
1,483	2,482	(1,000)	167%	10-611-602600	Pension And Retirement	12,866	15,083	(2,217)	117%
2,410	2,306	103	96%	10-611-602700	Workers Compensation Insurance	20,911	18,483	2,428	88%
46		46	0%	10-611-602800	Other Employee Benefits	399		399	0%
115	705	(590)	613%	10-611-604600	Consulting And Mgmt Fees	999	41,745	(40,746)	4,180%
	8,946	(8,946)	0%	10-611-604900	Other Professional Fees		15,981	(15,981)	0%
			0%	10-611-605300	Pharmaceuticals - Non Chargeable		13,924	(13,924)	0%

3,145	9,350	(6,205)	297%	10-611-605400	Medical Supplies - Non Chargeable	27,296	58,739	(31,443)	215%
			0%	10-611-605401	Medical Supplies - COVID		5,809	(5,809)	0%
	98	(98)	0%	10-611-605800	Office And Admin. Supplies		632	(632)	0%
115		115	0%	10-611-606000	Minor Med Equip & Instrum	999	101	897	10%
192	2,964	(2,772)	1,545%	10-611-606100	Other Minor Equipment	1,664	5,244	(3,580)	315%
			0%	10-611-606101	Minor Equipment-COVID		6,848	(6,848)	0%
1,151	1,579	(428)	137%	10-611-606900	Other Non-Medical Supplies	9,986	8,181	1,806	82%
	2,918	(2,918)	0%	10-611-606901	Other Supplies-COVID		15,093	(15,093)	0%
			0%	10-611-607200	Repairs And Maintenance		210	(210)	0%
460	382	78	83%	10-611-607600	Employee Phys And Recruitment	3,995	31,117	(27,122)	779%
2,148	6,560	(4,412)	305%	10-611-607900	Other Purchased Services	18,641	25,639	(6,998)	138%
38	3,336	(3,298)	8,698%	10-611-608100	Travel Expense	333	12,149	(11,816)	3,649%
230		230	0%	10-611-608800	Outside Training Sessions	1,997	1,134	863	57%
192		192	0%	10-611-608900	Licenses And Taxes	1,664	12,831	(11,167)	771%
690	355	336	51%	10-611-609100	Leases And Rentals	5,992	1,883	4,109	31%
			0%	10-611-609300	Inservice Training		294	(294)	0%
767		767	0%	10-611-609600	Cable Television	6,658	2,387	4,270	36%
115,332	177,267	(61,937)	154%	Subtotal Nursing		1,000,916	1,379,885	(378,971)	138%
				Nurse Administration					
12,819	14,657	(1,838)	114%	10-612-600100	Supervisors And Management	111,254	99,147	12,107	89%
1,647	1,121	526	68%	10-612-602100	FICA	14,297	7,626	6,671	53%
1,095		1,095	0%	10-612-602400	Vacation, Holiday And Sick	9,501	1,972	7,529	21%
1,036	650	386	63%	10-612-602500	Life, Health, Flex Benefits	8,991	3,590	5,401	40%
225		225	0%	10-612-602600	Pension And Retirement	1,952		1,952	0%
341		341	0%	10-612-602700	Workers Compensation Insurance	2,956	2,295	661	78%
268		268	0%	10-612-604900	Other Professional Fees	2,329		2,329	0%
	54	(54)	0%	10-612-605800	Office And Admin. Supplies		292	(292)	0%
			0%	10-612-606000	Minor Medical Equipment & Instrument		712	(712)	0%
	75	(75)	0%	10-612-606900	Other Non Medical Supplies		805	(805)	0%
77		77	0%	10-612-607600	Employee Phys And Recruitment	666	120	546	18%
767	6,631	(5,864)	865%	10-612-607900	Other Purchased Services	6,656	14,740	(8,084)	221%
77		77	0%	10-612-608100	Travel Expense	666	2,168	(1,502)	325%
15		15	0%	10-612-608700	Dues And Subscriptions	132		132	0%
100		100	0%	10-612-608800	Outside Training Sessions	864	99	765	11%
15		15	0%	10-612-608900	Licenses And Taxes	132		132	0%
			0%	10-612-609900	Other Direct Expenses		40	(40)	0%
18,482	23,188	(4,706)	125%	Total Nursing Administration		160,396	133,606	26,792	83%
133,814	200,455	(66,643)	150%	Total Nursing		1,161,312	1,513,491	(352,179)	130%

				Assisted Living					
5,914	9,643	(3,729)	163%	10-916-600100	Supervisors And Management	51,321	79,299	(27,978)	155%
	285	(285)	0%	10-916-600800	Overtime - L.V.N.		4,549	(4,549)	0%
	5,913	(5,913)	0%	10-916-601000	Overtime - Aides & Orderlies		29,330	(29,330)	0%
19,064	6,052	13,012	32%	10-916-601300	Licensed Vocational Nurses	152,920	156,102	(3,182)	102%
23,582	40,353	(16,771)	171%	10-916-601400	Aides And Orderlies	189,158	257,383	(68,225)	136%
3,732	4,900	(1,168)	131%	10-916-602100	FICA	29,935	43,649	(13,714)	146%
4,363	6,730	(2,367)	154%	10-916-602400	Vacation, Holiday And Sick	34,996	62,903	(27,907)	180%
2,436	2,871	(435)	118%	10-916-602500	Life, Health, Flex Benefits	19,540	20,809	(1,269)	106%
681	858	(177)	126%	10-916-602600	Pension And Retirement	5,463	4,319	1,145	79%
1,754	673	1,081	38%	10-916-602700	Workers Compensation Insurance	14,070	5,818	8,252	41%
36		36	0%	10-916-602800	Other Employee Benefits	287		287	0%
24		24	0%	10-916-605300	Pharmaceuticals - Non Chargeable	191	336	(145)	176%
79		79	0%	10-916-605400	Medical Supplies - Non Chargeable	637	3,322	(2,685)	522%
16		16	0%	10-916-606100	Other Minor Equipment	127		127	0%
238		238	0%	10-916-606900	Other Non-Medical Supplies	1,911	86	1,824	5%
103	847	(744)	821%	10-916-606901	Non-Medical Supplies-COVID	828	2,021	(1,193)	244%
48		48	0%	10-916-607200	Repairs And Maintenance	382		382	0%
64		64	0%	10-916-607600	Employee Phys And Recruitment	510	1,482	(972)	291%
24	500	(476)	2,099%	10-916-607900	Other Purchased Services	191	1,517	(1,326)	794%
16		16	0%	10-916-608700	Dues And Subscriptions	127		127	0%
79		79	0%	10-916-608800	Outside Training Sessions	637	250	387	39%
62,253	79,625	(17,373)	128%	Total Assisted Living		503,231	673,175	(169,944)	134%
				Administration					
10,403	15,310	(4,907)	147%	10-690-600100	Supervisors And Management	90,275	116,556	(26,281)	129%
	396	(396)	0%	10-690-600600	Overtime - Other Sal And Wages		2,169	(2,169)	0%
19,298	28,885	(9,587)	150%	10-690-601900	Other Salaries And Wages	167,482	228,347	(60,865)	136%
2,415	3,367	(952)	139%	10-690-602100	Fica	20,959	28,008	(7,049)	134%
2,415	143	2,272	6%	10-690-602200	Sui	20,959	3,076	17,883	15%
1,866	1,410	456	76%	10-690-602400	Vacation, Holiday And Sick	16,194	21,323	(5,129)	132%
1,607	2,541	(934)	158%	10-690-602500	Life, Health, Flex Benefits	13,946	17,306	(3,360)	124%
794	526	268	66%	10-690-602600	Pension And Retirement	6,891	4,090	2,801	59%
410	854	(444)	208%	10-690-602700	Workers Compensation Insurance	3,558	6,933	(3,375)	195%
153	76	77	50%	10-690-602800	Other Employee Benefits	1,326	4,043	(2,717)	305%
5,508	5,000	508	91%	10-690-604100	Professional Fees - Other	47,802	31,000	16,802	65%
24,481	25,275	(794)	103%	10-690-604600	Consulting And Mgmt Fees	212,461	193,453	19,008	91%
13,005		13,005	0%	10-690-604700	Professional Fees - Legal	112,868	17,742	95,126	16%
210	867	(657)	413%	10-690-604800	Accounting And Auditing	14,160	8,526	5,634	60%
995	1,312	(317)	132%	10-690-604900	Other Professional Fees	8,632	4,920	3,712	57%

2,754	106	2,648	4%	10-690-605800	Office And Admin. Supplies	23,901	14,701	9,200	62%
153		153	0%	10-690-606100	Other Minor Equipment	1,326	1,357	(31)	102%
383	262	121	68%	10-690-606800	Postage And Shipping	3,318	1,409	1,909	42%
153	946	(793)	618%	10-690-606801	Postage And Shipping-COVID	1,326	2,704	(1,378)	204%
77	1,638	(1,561)	2,127%	10-690-606900	Other Non-Medical Supplies	666	17,635	(16,969)	2,648%
	895	(895)	0%	10-690-606901	Supplies-COVID		2,082	(2,082)	0%
459	240	219	52%	10-690-607200	Repairs And Maintenance	3,983	177	3,806	4%
4,055	5,400	(1,345)	133%	10-690-607201	Software Repairs and Maintenance	35,188	57,316	(22,128)	163%
	600	(600)	0%	10-690-607202	Computer Repairs and Maintenance		600	(600)	0%
153	125	28	82%	10-690-607600	Employee Phys And Recruitment	1,326	12,101	(10,775)	913%
3,443	11,885	(8,442)	345%	10-690-607900	Other Purchased Services	29,876	23,334	6,542	78%
383		383	0%	10-690-608100	Travel Expense	3,318	1,321	1,997	40%
4,590	7,532	(2,942)	164%	10-690-608600	Telephone And Communications	39,836	50,892	(11,056)	128%
536		536	0%	10-690-608700	Dues And Subscriptions	4,649	3,248	1,401	70%
230		230	0%	10-690-608800	Outside Training Sessions	1,992	2,485	(493)	125%
918	1,000	(82)	109%	10-690-608900	Licenses And Taxes	7,966	37,134	(29,168)	466%
13,692	13,025	667	95%	10-690-609000	Insurance Premiums	109,539	104,203	5,336	95%
612		612	0%	10-690-609100	Leases And Rentals	5,314	7,559	(2,245)	142%
230	237	(7)	103%	10-690-609300	Inservice Training	1,992	2,587	(595)	130%
			0%	10-690-609501	Banking Expenses		500	(500)	0%
			0%	10-690-609600	Cable Television		1,665	(1,665)	0%
			0%	10-690-609500	Administration Automobile		900	(900)	0%
383	24	359	6%	10-730-730000	Property Taxes	3,318	2,113	1,205	64%
3,830	609	3,221	16%	10-740-740000	Property Insurance	30,639	29,885	753	98%
(2,500)		(2,500)	0%	10-770-770000	Bad Debts Expense	(20,000)	(4,356)	(15,644)	22%
118,094	130,486	(12,393)	110%	Total Administration		1,026,986	1,061,044	(34,058)	103%
				Marketing					
7,857	6,809	1,048	87%	10-692-600100	Supervisors And Management	68,190	70,949	(2,759)	104%
	84	(84)	0%	10-692-600600	Overtime - Other Sal And Wages		1,485	(1,485)	0%
4,972	5,568	(596)	112%	10-692-601900	Other Salaries And Wages	43,146	88,946	(45,800)	206%
1,035	927	108	90%	10-692-602100	Fica	8,983	12,385	(3,402)	138%
704	24	680	3%	10-692-602400	Vacation, Holiday And Sick	6,107	6,056	51	99%
	552	(552)	0%	10-692-602500	Life, Health, Flex Benefits		6,387	(6,387)	0%
272	357	(85)	131%	10-692-602600	Pension And Retirement	2,366	3,768	(1,402)	159%
463	233	230	50%	10-692-602700	Workers Compensation Insurance	4,015	3,018	997	75%
22,951	9,976	12,975	43%	10-692-607500	Marketing	199,181	89,650	109,531	45%
			0%	10-692-607600	Employee Phys And Recruitment		26	(26)	0%
38,254	24,530	13,724	64%	Total Marketing		331,988	282,670	49,318	85%

				Medical Receptionist					
	308	(308)	0%	10-691-600700	Overtime - Medical Records		1,555	(1,555)	0%
5,530	8,154	(2,624)	147%	10-691-601500	Technicians And Specialists	47,995	85,191	(37,195)	177%
4,930		4,930	0%	10-691-601800	Clerical	42,789	(126)	42,915	0%
423	630	(207)	149%	10-691-602100	FICA	3,672	6,843	(3,171)	186%
814		814	0%	10-691-602400	Vacation, Holiday And Sick	7,062	4,748	2,314	67%
253		253	0%	10-691-602500	Life, Health, Flex Benefits	2,199		2,199	0%
151	150	1	99%	10-691-602600	Pension And Retirement	1,309	1,469	(160)	112%
147	171	(24)	116%	10-691-602700	Workers Compensation Insurance	1,276	1,914	(638)	150%
115	247	(132)	215%	10-691-602800	Other Employee Benefits	999	2,313	(1,314)	232%
23		23	0%	10-691-607600	Employee Phys And Recruitment	200		200	0%
12,386	9,660	2,727	78%	Total Medical Receptionist		107,501	103,907	3,594	97%
				Activities					
4,058	(362)	4,420	-9%	10-670-600100	Supervisors And Management	35,219	15,595	19,624	44%
	(350)	350	0%	10-670-600500	Overtime Sup & Management		653	(653)	0%
			0%	10-670-600600	Overtime - Others		995	(995)	0%
1,325	2,534	(1,209)	191%	10-670-601900	Wages - Other	11,500	18,912	(7,412)	164%
349	236	113	68%	10-670-602100	Fica	3,027	3,308	(281)	109%
503	942	(439)	187%	10-670-602400	Vacation, Holiday And Sick	4,366	7,113	(2,747)	163%
281	126	155	45%	10-670-602500	Life, Health, Flex Benefits	2,438	1,586	852	65%
97		97	0%	10-670-602600	Pension And Retirement	845	790	55	93%
194	64	130	33%	10-670-602700	Workers Compensation Insurance	1,678	835	843	50%
8		8	0%	10-670-602800	Other Employee Benefits	64		64	0%
	1,880	(1,880)	0%	10-670-604600	Consulting & Management		19,530	(19,530)	0%
15		15	0%	10-670-604900	Other Professional Fees	132	100	32	76%
612	1,410	(798)	230%	10-670-605500	Food Purchases	5,314	3,957	1,357	74%
			0%	10-670-605501	Food Purchases-COVID		7,825	(7,825)	0%
38		38	0%	10-670-606100	Minor Equipment	330	1,790	(1,460)	543%
1,002	630	372	63%	10-670-606900	Other Non-Medical Supplies	8,700	2,992	5,708	34%
38		38	0%	10-670-607200	Repairs and Maintenance	330	299	31	91%
23	97	(74)	422%	10-670-607600	Employee Phys And Recruitment	198	1,155	(957)	584%
3,443	4,854	(1,411)	141%	10-670-607900	Other Purchased Services	29,876	40,679	(10,803)	136%
77		77	0%	10-670-608100	Travel	666		666	0%
23		23	0%	10-670-608700	Dues And Subscriptions	198		198	0%
38		38	0%	10-670-608800	Outside Training Sessions	330	250	80	76%
			0%	10-670-609100	Equipment Rental		170	(170)	0%
191	2,707	(2,516)	1,417%	10-670-609400	Resident Outings	1,661	3,342	(1,681)	201%
12,315	14,768	(2,452)	120%	Sub-total Activities		106,872	131,876	(25,005)	123%

5,259		5,259	0%	10-671-600100	Supervisors and Management	45,644	20,874	24,770	46%
			0%	10-671-600500	Overtime - Supervisor		244	(244)	0%
	118	(118)	0%	10-671-600600	Overtime - Other Salaries and Wages		118	(118)	0%
	7,213	(7,213)	0%	10-671-601900	Other Salaries and Wages		16,313	(16,313)	0%
422	586	(164)	139%	10-671-602100	FICA	3,668	3,033	635	83%
264	540	(276)	205%	10-671-602400	Vacation, Holiday and Sick	2,288	2,976	(688)	130%
	348	(348)	0%	10-671-602500	Life, Health, Flex Benefits		1,452	(1,452)	0%
			0%	10-671-602600	Pension and Retirement		828	(828)	0%
140	155	(15)	111%	10-671-602700	Workers' Compensation Insurance	1,215	837	378	69%
153	175	(22)	114%	10-671-605500	Raw Food	1,331	290	1,041	22%
384	559	(175)	145%	10-671-606900	Other Non-Medical Supplies	3,331	1,897	1,434	57%
31	97	(66)	313%	10-671-607600	Employee Phys and Recruitment	267	3,051	(2,784)	1,143%
245	225	20	92%	10-671-607900	Other Purchased Services	2,131	1,898	233	89%
	475	(475)	0%	10-671-608800	Outside Training Sessions		475	(475)	0%
6,898	10,491	(3,592)	152%	Subtotal Activities - SNF		59,875	54,286	5,591	91%
19,213	25,259	(6,045)	131%	Total Activities		166,747	186,162	(19,414)	112%
				Medical Care Ancillary					
	310	(310)	0%	10-810-810000	Medical Supplies - Chargeable		4,501	(4,501)	0%
11,507	5,488	6,019	48%	10-820-820000	Physical Therapy Fees	99,863	87,397	12,467	88%
10,740	6,375	4,365	59%	10-820-825000	Occupational Therapy Fees	93,205	93,764	(559)	101%
1,304	68	1,237	5%	10-820-828000	Speech Therapy Fees	11,318	6,101	5,217	54%
3,068		3,068	0%	10-830-830000	Pharmacy Expense	26,630	50,607	(23,977)	190%
292		292	0%	10-830-830044	Pharmaceutical Consultant	2,530	2,946	(416)	116%
767	14,180	(13,413)	1,849%	10-840-840000	Laboratory Fees	6,658	25,396	(18,739)	381%
460	670	(210)	146%	10-890-891100	X-Ray Fees	3,995	5,877	(1,882)	147%
153	514	(361)	335%	10-890-895000	Ambulance	1,331	70,942	(69,611)	5,328%
3,836		3,836	0%	10-890-893500	Chargeable Rentals	33,288	3,548	29,740	11%
			0%	10-917-604500	Therapist Services		1,054	(1,054)	0%
			0%	10-917-604600	Consulting And Mgmt Fees		1,600	(1,600)	0%
			0%	10-917-913021	Medical Billback Revenue		24	(24)	0%
918	267	651	29%	10-917-913031	Medical Billback Credits	7,966	2,967	4,999	37%
38		38	0%	10-917-916275	Acute Hospital Services	330		330	0%
115		115	0%	10-917-916278	Physicians Services	996		996	0%
33,198	27,872	5,327	84%	Total Medical Care Ancillary		288,110	356,724	(68,614)	124%
				Inservice Education					
7,180	9,430	(2,250)	131%	10-680-600100	Supervisors And Management	62,316	42,830	19,486	69%
			0%	10-680-600500	Overtime - Sup. & Mgmt.		2,909	(2,909)	0%
598	721	(123)	121%	10-680-602100	FICA	5,190	3,555	1,635	68%

637		637	0%	10-680-602400	Vacation, Holiday And Sick	5,533	728	4,805	13%
313	419	(106)	134%	10-680-602500	Life, Health, Flex Benefits	2,713	1,723	990	64%
			0%	10-680-602600	Pension And Retirement		1,009	(1,009)	0%
191	197	(6)	103%	10-680-602700	Workers Compensation Insurance	1,656	1,029	627	62%
			0%	10-680-609300	Inservice Training		1,140	(1,140)	0%
8,919	10,767	(1,848)	121%	Total Inservice Education		77,408	54,923	22,484	71%
39,909	49,812	(9,903)	125%	10-690-607300	Home Office Charges	346,354	987,049	(640,695)	285%
685,296	845,736	(160,438)	123%	TOTAL OPERATING EXPENSE		5,868,083	7,456,510	(1,588,422)	127%
(2,486)	(324,734)	(322,244)	13,056%	OPERATING GAIN-LOSS		(525,128)	(2,092,791)	(1,567,658)	399%
			0%	10-930-930005	Realized Gain/Loss on Invest		(5,448)	(5,448)	0%
0	0	0	0%	Total Non-Op Income/Exp		0	(5,448)	(5,448)	0%
(100)		100	0%	10-910-911310	Dividend Income	(864)		864	0%
(23)	3	26	-12%	10-910-911320	Bond Proceeds Interest Income	(198)	36	234	-18%
(123)	3	126	-2%	Total Int/Div Income		(1,062)	36	1,098	-3%
(10,318)	(11,205)	(887)	109%	10-750-750005	Bond Issuance Costs	(89,543)	(89,640)	(97)	100%
(76,325)	(87,203)	(10,878)	114%	10-750-750006	Bond Interest Expense	(662,387)	(697,626)	(35,239)	105%
(3,613)	(19,753)	(16,140)	547%	10-760-760004	Other Interest Expense	(31,355)	(135,120)	(103,765)	431%
(90,256)	(118,161)	(27,905)	131%	Total Interest Expense		(783,285)	(922,386)	(139,100)	118%
			0%	10-000-124300	Furnishings		(4,796)	(4,796)	0%
			0%	10-000-124400	Office Equipment		(3,274)	(3,274)	0%
(48,712)		48,712	0%	10-000-125000	C.I.P.	(422,756)		422,756	0%
			0%	10-000-125008	C.I.P. Jacuzzi - FH		(18,420)	(18,420)	0%
	(11,706)	(11,706)	0%	10-000-125016	C.I.P. Building Improvements - FH		(61,052)	(61,052)	0%
			0%	10-000-125035	C.I.P. Apartment Renovation - FH		(296,970)	(296,970)	0%
	(11,173)	(11,173)	0%	10-000-125109	C.I.P.-Other Capital Improvement 2015		(11,173)	(11,173)	0%
(48,712)	(22,879)	25,833	47%	Total Capital Improvements		(422,756)	(395,685)	27,073	94%
(2,685)		2,685	0%	10-910-910700	Transfer To/From Restricted	(23,304)	52,578	75,882	-226%
			0%	10-910-910705	Expenses Reimbursed		3,000	3,000	0%
(2,685)	0	2,685	0%	Total Contributions and Restricted		(23,304)	55,578	78,882	-238%
(144,262)	(465,771)	(321,505)	323%	NET GAIN LOSS		(1,755,535)	(3,360,696)	(1,605,154)	191%

Depreciation

99,726	113,601	(13,875)	114%	10-710-711000	Land Improvement	865,479	992,670	(127,191)	115%
99,726	113,601	(13,875)	114%	Total Depreciation		865,479	992,670	(127,191)	115%

California Nevada Methodist Post
Statement of Activities - Modified
Monday, February 28, 2022
Lake Park

---------- February Month to Date ----------						---------- Year to Date FY 2022 ----------			
BUDGET	ACTUAL	VARIANCE	% OF BUDGET	Description		BUDGET	ACTUAL	VARIANCE	% OF BUDGET
				OPERATING REVENUE					
			0%	20-910-912011	Monthly Care Fees		$536	$536	0%
64,495	54,260	(10,235)	84%	20-910-912020	Life Care Monthly Fee	515,960	490,391	(25,569)	95%
563,410	525,971	(37,440)	93%	20-910-912021	Continuing Care Monthly Fee	4,507,280	4,305,336	(201,944)	96%
41,720	41,160	(560)	99%	20-916-912030	Life Care Assisted Living Routine	362,070	432,135	70,065	119%
70,140	80,325	10,185	115%	20-916-912032	Continuing Care Assisted Living Routine	608,715	761,166	152,451	125%
10,220	2,190	(8,030)	21%	20-310-310020	Life Care Routine - SNF	88,695	8,184	(80,511)	9%
72,436	88,818	16,382	123%	20-310-310021	Continuing Care Routine SNF	592,798	538,845	(53,953)	91%
(10,833)	(9,467)	1,366	87%	20-912-912016	Meals Credit	(86,664)	(77,205)	9,459	89%
(11,250)	(4,683)	6,567	42%	20-912-912018	Promotional Allowance	(90,000)	(46,762)	43,238	52%
(41,720)	(41,160)	560	99%	20-916-912031	Routine C/Allow-Assisted Living LC	(362,070)	(432,135)	(70,065)	119%
(3,192)	(10,668)	(7,476)	334%	20-916-912034	Routine C/Allow-Assisted Living CC	(27,702)	(62,693)	(34,991)	226%
(10,220)	(2,190)	8,030	21%	20-520-520020	Routine C/Allow - Life Care SNF	(88,695)	(8,184)	80,511	9%
(3,920)	(13,170)	(9,250)	336%	20-520-520021	Routine C/Allow - Continuing Care SNF	(32,056)	(38,519)	(6,463)	120%
741,286	711,386	(29,901)	96%	Total Monthly Care Fees		5,988,331	5,871,095	(117,235)	98%
(29,167)	(7,676)	21,491	26%	20-910-912015	Financial Assistance Credit	(233,336)	(61,412)	171,924	26%
59,360	34,160	(25,200)	58%	20-916-912033	Assisted Living Routine - Private	418,455	304,580	(113,875)	73%
70,980	59,170	(11,810)	83%	20-310-310000	SNF Routine - Private	545,915	572,430	26,515	105%
1,485		(1,485)	0%	20-310-310009	SNF - Others	12,891	10,478	(2,414)	81%
	1,030	1,030	0%	20-420-420000	Physical Therapy-Private		11,240	11,240	0%
	675	675	0%	20-420-420009	PT - Other		3,630	3,630	0%
	(90)	(90)	0%	20-420-425000	Occupational Therapy-Private		1,890	1,890	0%
	900	900	0%	20-420-425009	Occupational Therapy Other		3,015	3,015	0%
			0%	20-420-428009	Speech Therapy - Other		50	50	0%
			0%	20-430-430009	Pharmacy - Others		719	719	0%
			0%	20-520-520009	Routine C/Allowance-Others		(5,410)	(5,410)	0%
			0%	20-530-532609	PT C/Allow - Other		(350)	(350)	0%
			0%	20-530-532709	Pharmacy - C/A Other		(719)	(719)	0%
131,825	95,845	(35,980)	73%	Total Private		977,261	901,553	(75,709)	92%
13,160	1,998	(11,162)	15%	20-310-310011	SNF Routine - Kaiser Part A	114,210	65,950	(48,260)	58%
26,320	10,340	(15,980)	39%	20-310-310014	SNF Routine - Part A	199,515	102,230	(97,285)	51%
6,561	1,980	(4,581)	30%	20-420-420004	Physical Therapy - Part A	52,510	23,895	(28,615)	46%
4,812	540	(4,272)	11%	20-420-420011	Physical Therapy - Kaiser Part A	38,517	14,810	(23,707)	38%
366		(366)	0%	20-420-420044	Physical Therapy Part B	2,926		(2,926)	0%
7,974		(7,974)	0%	20-420-425004	Occupational Therapy-Part A	63,822	20,610	(43,212)	32%
5,380	540	(4,840)	10%	20-420-425011	Occupational Therapy-Kaiser Part A	43,058	14,580	(28,478)	34%

150		(150)	0%	20-420-428004	Speech Therapy Part A	1,204	982	(222)	82%
63	100	37	158%	20-420-428011	Speech Therapy Kaiser Part A	507	873	366	172%
2,940	183	(2,757)	6%	20-430-430004	Pharmacy - Part A	23,530	5,295	(18,236)	23%
3,321		(3,321)	0%	20-430-430011	Pharmacy-Kaiser Part A	26,581	3,235	(23,345)	12%
456		(456)	0%	20-440-440004	Laboratory - Part A	3,651	1,324	(2,327)	36%
72		(72)	0%	20-440-440011	Laboratory - Kaiser Part A	579	320	(259)	55%
62		(62)	0%	20-490-491104	X Ray - Part A	496	473	(24)	95%
65		(65)	0%	20-490-491111	X Ray - Kaiser Part A	523		(523)	0%
3,790	1,902	(1,888)	50%	20-530-531011	Routine C/Allowance-Kaiser Part A	30,333	25,050	(5,283)	83%
17,620	8,844	(8,776)	50%	20-530-531014	Routine C/Allowance-Part A	141,022	77,596	(63,426)	55%
(62)		62	0%	20-530-531104	X Ray C/Allowance-Part A	(496)	(473)	24	95%
(7,974)		7,974	0%	20-530-531504	OT C/Allowance-Part A	(63,822)	(20,610)	43,212	32%
(5,380)	(540)	4,840	10%	20-530-531511	OT C/Allowance-Kaiser Part A	(43,058)	(14,580)	28,478	34%
(150)		150	0%	20-530-531604	Speech Therapy C/Allow-Part A	(1,204)	(982)	222	82%
(63)		63	0%	20-530-531611	Speech Therapy C/Allow-Kaiser Part A	(507)	(273)	234	54%
(6,561)	(1,980)	4,581	30%	20-530-532604	PT C/Allow-Part A	(52,510)	(23,895)	28,615	46%
(4,812)	(540)	4,272	11%	20-530-532611	PT C/Allow-Kaiser Part A	(38,517)	(14,130)	24,387	37%
(169)		169	0%	20-530-532644	PT C/Allow-Part B	(1,351)		1,351	0%
(2,940)	(183)	2,757	6%	20-530-532704	Pharmacy C/Allow-Part A	(23,530)	(5,295)	18,236	23%
(3,321)		3,321	0%	20-530-532711	Pharmacy C/Allow-Kaiser Part A	(26,581)	(3,235)	23,345	12%
(456)		456	0%	20-530-532804	Laboratory C/Allow Part A	(3,651)	(1,324)	2,327	36%
(72)		72	0%	20-530-532811	Laboratory C/Allow-Kaiser Part A	(579)	(320)	259	55%
61,152	23,184	(37,968)	38%	Total Medicare		487,178	272,106	(215,071)	56%
5,990	5,840	(150)	97%	20-912-912012	Garage Parking Fees	47,944	48,271	328	101%
5,191		(5,191)	0%	20-913-913011	Meals - Guest	41,551	9,782	(31,769)	24%
5,191	5,015	(177)	97%	20-913-913012	Meals - Employee	41,551	44,221	2,669	106%
1		(1)	0%	20-913-913014	Laundry	6	40	34	625%
56	500	444	894%	20-913-599000	Barber and Beautician	447	4,088	3,640	914%
280	42	(238)	15%	20-913-913016	Personal Care Supplies	2,237	1,221	(1,016)	55%
958		(958)	0%	20-913-913018	Housekeeping And Guest Room	7,671	273	(7,398)	4%
16		(16)	0%	20-913-913022	Tray Charges	128		(128)	0%
1,757		(1,757)	0%	20-913-913023	Maintenance Revenue	14,064	792	(13,272)	6%
1,917	520	(1,397)	27%	20-913-913024	Administrative Revenue	15,342	6,400	(8,942)	42%
			0%	20-913-913030	Cable TV Revenue		10,700	10,700	0%
21,357	11,917	(9,442)	56%	Total Other		170,941	125,788	(45,154)	74%
926,453	834,656	(91,800)	90%	TOTAL OPERATING REVENUE		7,390,375	7,109,130	(281,245)	96%
				OPERATING EXPENSES					
				Food Service					

	4,131	(4,131)	0%	20-650-600600	Overtime - Other Salaries And Wages		29,540	(29,540)	0%
109,844	106,913	2,931	97%	20-650-601900	Other Salaries And Wages	953,289	892,455	60,834	94%
9,488	8,971	517	95%	20-650-602100	FICA	82,340	77,644	4,696	94%
14,182	11,471	2,711	81%	20-650-602400	Vacation, Holiday And Sick	123,075	111,942	11,133	91%
14,600	15,990	(1,390)	110%	20-650-602500	Life, Health, Flex Benefits	126,711	113,415	13,296	90%
9,271	8,363	908	90%	20-650-602600	Pension And Retirement	80,457	89,048	(8,591)	111%
3,111	2,065	1,046	66%	20-650-602700	Workers Compensation Insurance	26,997	17,863	9,134	66%
			0%	20-650-602800	Other Employee Benefits		1,351	(1,351)	0%
106,126	106,849	(723)	101%	20-650-604600	Consulting And Mgmt Fees	921,025	833,514	87,511	90%
1,178	1,280	(102)	109%	20-650-604900	Other Professional Fees	10,227	10,240	(13)	100%
261		261	0%	20-650-605500	Catered Food Reimburseable	2,264	1,848	416	82%
276		276	0%	20-650-605900	Employee Apparel	2,398	549	1,849	23%
307		307	0%	20-650-606100	Other Minor Equipment	2,665		2,665	0%
300	418	(118)	139%	20-650-606900	Other Non-Medical Supplies	2,609	2,465	144	94%
828	3,439	(2,611)	415%	20-650-606901	Other Supplies-COVID	7,189	16,439	(9,250)	229%
1,105		1,105	0%	20-650-607200	Repairs And Maintenance	9,588		9,588	0%
384	751	(367)	196%	20-650-607600	Employee Phys And Recruitment	3,331	2,295	1,036	69%
1,151	500	651	43%	20-650-607900	Other Purchased Services	9,987	6,495	3,492	65%
92	200	(108)	217%	20-650-609100	Leases And Rentals	800	599	201	75%
272,504	271,341	1,162	100%	Total Food Service		2,364,952	2,207,702	157,250	93%
				Housekeeping					
4,167	7,363	(3,196)	177%	20-630-600100	Supervisors And Management	33,333	57,967	(24,633)	174%
	516	(516)	0%	20-630-600600	Overtime - Other Sal And Wages		6,986	(6,986)	0%
13,389	15,531	(2,142)	116%	20-630-601900	Other Salaries And Wages	116,194	114,692	1,502	99%
1,810	1,897	(87)	105%	20-630-602100	FICA	15,708	15,011	697	96%
2,372	82	2,290	3%	20-630-602400	Vacation, Holiday And Sick	20,586	24,441	(3,855)	119%
2,711	3,437	(726)	127%	20-630-602500	Life, Health, Flex Benefits	23,526	22,094	1,432	94%
1,477	1,525	(48)	103%	20-630-602600	Pension And Retirement	12,818	14,202	(1,384)	111%
594	469	125	79%	20-630-602700	Workers Compensation Insurance	5,151	3,586	1,565	70%
			0%	20-630-602800	Other Employee Benefits		848	(848)	0%
92		92	0%	20-630-605600	Bedding And Linen	800		800	0%
422		422	0%	20-630-605700	Cleaning Supplies	3,661	1,497	2,164	41%
153		153	0%	20-630-605900	Wearing Apparel	1,331	927	404	70%
230		230	0%	20-630-606100	Other Minor Equipment	1,999	1,651	348	83%
767	528	239	69%	20-630-606900	Other Non-Medical Supplies	6,656	3,165	3,491	48%
			0%	20-630-606901	Supplies-COVID		1,872	(1,872)	0%
422	129	293	31%	20-630-607200	Repairs And Maintenance	3,661	476	3,185	13%
	134	(134)	0%	20-630-607600	Employee Phys And Recruitment		3,222	(3,222)	0%
4,679	2,954	1,726	63%	20-630-607800	Purchased Services - Laundry	40,612	28,287	12,325	70%
537		537	0%	20-630-607900	Other Purchased Services	4,662	4,950	(288)	106%
33,822	34,565	(742)	102%	Subtotal Housekeeping		290,698	305,874	(15,177)	105%

				Housekeeping - SNF					
	673	(673)	0%	20-631-600600	Overtime - Other Sal And Wages		7,364	(7,364)	0%
7,767	5,468	2,299	70%	20-631-601900	Other Salaries And Wages	67,404	52,806	14,598	78%
664	558	106	84%	20-631-602100	FICA	5,761	5,030	731	87%
910	1,521	(611)	167%	20-631-602400	Vacation, Holiday And Sick	7,895	9,988	(2,093)	127%
989	971	18	98%	20-631-602500	Life, Health, Flex Benefits	8,584	7,101	1,483	83%
539	500	39	93%	20-631-602600	Pension And Retirement	4,678	5,579	(901)	119%
231	136	95	59%	20-631-602700	Workers Compensation Insurance	2,000	1,234	766	62%
560	894	(334)	160%	20-631-605700	Cleaning Supplies	4,860	4,080	780	84%
460		460	0%	20-631-606900	Other Non-Medical Supplies	3,996	1,791	2,205	45%
31		31	0%	20-631-607200	Repairs and Maintenance	267	1,075	(808)	403%
12,151	10,721	1,431	88%	Subtotal Housekeeping - SNF		105,445	96,048	9,396	91%
				Housekeeping ALU					
			0%	20-632-600600	Overtime		91	(91)	0%
4,768	1,638	3,130	34%	20-632-601900	Wages - Other	41,381	15,326	26,055	37%
409	134	275	33%	20-632-602100	FICA	3,550	1,288	2,262	36%
575	220	355	38%	20-632-602400	Vacation, Holiday, Sick &PTO	4,987	2,905	2,082	58%
607	252	355	41%	20-632-602500	Group Life Health Insurance	5,269	1,930	3,339	37%
331	131	200	40%	20-632-602600	Pension Costs	2,869	1,519	1,350	53%
192	60	132	31%	20-632-602700	Workers' Compensation	1,669	476	1,193	29%
6,882	2,435	4,448	35%	Subtotal Housekeeping - ALU		59,725	23,535	36,189	39%
52,855	47,721	5,137	90%	Total Housekeeping		455,868	425,457	30,408	93%
				Laundry					
77		77	0%	20-640-605600	Bedding And Linen	666	250	416	38%
307		307	0%	20-640-606900	Non-Medical Supplies	2,664	1,230	1,434	46%
384	0	384	0%	Total Laundry		3,330	1,480	1,850	44%
				Plant Operations And Maintenance					
4,622	2,102	2,520	45%	20-620-600100	Supervisors And Management	40,116	36,102	4,014	90%
	9	(9)	0%	20-620-600600	Overtime - Other Sal And Wages		1,068	(1,068)	0%
7,838	6,848	990	87%	20-620-601900	Other Salaries And Wages	68,019	51,671	16,348	76%
1,049	945	104	90%	20-620-602100	FICA	9,107	6,983	2,124	77%
1,259	3,967	(2,708)	315%	20-620-602400	Vacation, Holiday And Sick	10,927	4,943	5,984	45%
1,653	1,685	(32)	102%	20-620-602500	Life, Health, Flex Benefits	14,345	10,269	4,076	72%
893	718	175	80%	20-620-602600	Pension And Retirement	7,752	4,947	2,805	64%
344	217	127	63%	20-620-602700	Workers Compensation Insurance	2,987	1,616	1,371	54%
46		46	0%	20-620-602800	Other Employee Benefits	399	75	324	19%
69		69	0%	20-620-605900	Employee Wearing Apparel	597	71	526	12%
1,074	765	309	71%	20-620-606100	Other Minor Equipment	9,321	4,897	4,424	53%
575	376	199	65%	20-620-606200	Garden/Plants And Supplies	4,992	4,236	756	85%
1,151	166	985	14%	20-620-606900	Other Non-Medical Supplies	9,987	2,941	7,046	29%

			0%	20-620-606901	Other Supplies-COVID		72	(72)	0%
8,822	11,222	(2,400)	127%	20-620-607200	Repairs And Maintenance	76,561	47,066	29,495	61%
230		230	0%	20-620-607600	Employee Phys And Recruitment	1,999	621	1,378	31%
20,712	23,048	(2,336)	111%	20-620-607700	Purchased Services - Security	179,756	195,997	(16,241)	109%
5,868	1,169	4,699	20%	20-620-607900	Other Purchased Services	50,929	52,734	(1,805)	104%
107	675	(568)	631%	20-620-608900	Licenses And Taxes	932	3,375	(2,443)	362%
56,312	53,912	2,397	96%	Total Plant and Operations		488,726	429,684	59,042	88%
				Utilities					
27,032	29,692	(2,660)	110%	20-620-608200	Utilities - Electricity	296,915	251,357	45,558	85%
25,768	26,884	(1,115)	104%	20-620-608300	Utilities - Gas	134,048	167,102	(33,054)	125%
7,517	5,409	2,108	72%	20-620-608400	Utilities - Water	90,484	67,314	23,170	74%
11,125	9,302	1,823	84%	20-620-608500	Utilities - Other	72,122	71,398	724	99%
71,442	71,287	156	100%	Total Utilities		593,569	557,171	36,398	94%
				Nursing					
			0%	20-611-600600	Overtime - Other Sal And Wages		2,438	(2,438)	0%
	2,178	(2,178)	0%	20-611-600701	Overtime - Registered Nurses		9,844	(9,844)	0%
	7,486	(7,486)	0%	20-611-600800	Overtime - L.V.N.		81,347	(81,347)	0%
	2,751	(2,751)	0%	20-611-601000	Overtime - Aides & Orderlies		31,607	(31,607)	0%
7,146	2,849	4,297	40%	20-611-601200	Registered Nurses	57,154	17,602	39,551	31%
20,801	20,483	318	98%	20-611-601300	Licensed Vocational Nurses	166,362	165,504	858	99%
28,418	26,946	1,472	95%	20-611-601400	Aides And Orderlies	227,282	200,264	27,019	88%
1,201	1,972	(771)	164%	20-611-601900	Other Salaries And Wages	9,608	16,324	(6,716)	170%
4,968	5,300	(333)	107%	20-611-602100	FICA	39,729	42,845	(3,116)	108%
7,368	6,771	597	92%	20-611-602400	Vacation, Holiday And Sick	58,927	47,318	11,609	80%
6,552	8,921	(2,370)	136%	20-611-602500	Life, Health, Flex Benefits	52,401	57,798	(5,398)	110%
1,531	4,238	(2,707)	277%	20-611-602600	Pension And Retirement	12,243	42,575	(30,332)	348%
1,695	1,523	171	90%	20-611-602700	Workers Compensation Insurance	13,554	11,238	2,317	83%
			0%	20-611-602800	Other Employee Benefits		545	(545)	0%
99		99	0%	20-611-604900	Other Professional Fees	792	857	(65)	108%
202	113	90	56%	20-611-605300	Pharmaceuticals - Non Chargeable	1,619	(5,331)	6,950	-329%
3,684	3,227	457	88%	20-611-605400	Medical Supplies - Non Chargeable	29,465	24,030	5,434	82%
80		80	0%	20-611-605800	Office And Admin. Supplies	641		641	0%
40		40	0%	20-611-606000	Minor Med Equip & Instrum	320		320	0%
160	249	(89)	155%	20-611-606100	Other Minor Equipment	1,281	3,380	(2,098)	264%
8		8	0%	20-611-606101	Minor Equipment-COVID	64		64	0%
242	928	(686)	383%	20-611-606900	Other Non-Medical Supplies	1,936	2,517	(581)	130%
1,077	194	883	18%	20-611-606901	Supplies-COVID	8,613	1,995	6,618	23%
585		585	0%	20-611-607200	Repairs And Maintenance	4,676		4,676	0%
40		40	0%	20-611-607502	Nurses Registry	320		320	0%
553	150	403	27%	20-611-607600	Employee Phys And Recruitment	4,420	6,791	(2,371)	154%
4,045	3,850	196	95%	20-611-607800	Purchased Services - Laundry	32,355	29,556	2,799	91%

80		80	0%	20-611-607900	Other Purchased Services	641	306	334	48%
	650	(650)	0%	20-611-607901	Purchased Services-COVID		650	(650)	0%
			0%	20-611-608100	Travel Expense		46	(46)	0%
521		521	0%	20-611-608800	Outside Training Sessions	4,163		4,163	0%
241	280	(39)	116%	20-611-609100	Leases And Rentals	1,929	2,019	(90)	105%
91,337	101,059	(9,721)	111%	Subtotal Nursing		730,495	794,065	(63,571)	109%
12,219	12,119	100	99%	20-612-600100	Supervisors And Management	106,043	92,427	13,616	87%
998	927	71	93%	20-612-602100	FICA	8,661	6,766	1,895	78%
823	447	376	54%	20-612-602400	Vacation, Holiday And Sick	7,142	7,834	(692)	110%
1,666	1,637	29	98%	20-612-602500	Life, Health, Flex Benefits	14,456	10,798	3,658	75%
393	351	42	89%	20-612-602600	Pension And Retirement	3,410	2,805	605	82%
325	251	74	77%	20-612-602700	Workers Compensation Insurance	2,821	2,015	806	71%
192		192	0%	20-612-607900	Other Purchased Services	1,662		1,662	0%
19		19	0%	20-612-608700	Dues And Subscriptions	166		166	0%
16,635	15,732	903	95%	Total Nursing Administration		144,361	122,645	21,716	85%
107,972	116,791	(8,818)	108%	Total Nursing		874,856	916,710	(41,856)	105%
				Assisted Living					
7,269	7,578	(309)	104%	20-916-600100	Supervisors And Management	63,085	49,222	13,863	78%
	2,427	(2,427)	0%	20-916-600800	Overtime - L.V.N.		36,612	(36,612)	0%
	677	(677)	0%	20-916-601000	Overtime - Aides & Orderlies		12,897	(12,897)	0%
27,149	24,967	2,182	92%	20-916-601300	Licensed Vocational Nurses	235,617	206,338	29,279	88%
24,321	21,253	3,068	87%	20-916-601400	Aides And Orderlies	211,072	187,771	23,301	89%
5,079	4,566	513	90%	20-916-602100	FICA	44,076	40,404	3,672	92%
7,648	7,978	(330)	104%	20-916-602400	Vacation, Holiday And Sick	66,371	58,730	7,641	88%
7,497	8,113	(616)	108%	20-916-602500	Life, Health, Flex Benefits	65,068	58,272	6,796	90%
4,356	3,646	710	84%	20-916-602600	Pension And Retirement	37,807	41,137	(3,330)	109%
2,112	418	1,694	20%	20-916-602700	Workers Compensation Insurance	18,328	2,890	15,438	16%
			0%	20-916-602800	Other Employee Benefits		1,005	(1,005)	0%
			0%	20-916-604600	Consulting And Mgmt Fees		1,460	(1,460)	0%
77		77	0%	20-916-605300	Pharmaceuticals - Non Chargeable	666	1,250	(584)	188%
499	1,169	(670)	234%	20-916-605400	Medical Supplies - Non Chargeable	4,327	6,761	(2,434)	156%
184		184	0%	20-916-606100	Other Minor Equipment	1,598	205	1,393	13%
468	92	376	20%	20-916-606900	Other Non-Medical Supplies	4,060	670	3,390	17%
153		153	0%	20-916-606901	Supplies-COVID	1,331	646	686	48%
77		77	0%	20-916-607502	Nurses Registry	666		666	0%
153	25	128	16%	20-916-607600	Employee Phys And Recruitment	1,331	3,328	(1,997)	250%
87,042	82,909	4,132	95%	Total Assisted Living		755,403	709,598	45,808	94%
				Administration					
28,432	27,459	973	97%	20-690-600100	Supervisors And Management	246,755	218,887	27,868	89%
	8	(8)	0%	20-690-600600	Overtime - Other Sal And Wages		313	(313)	0%

15,831	13,722	2,109	87%	20-690-601900	Other Salaries And Wages	137,390	139,872	(2,482)	102%
3,577	3,446	131	96%	20-690-602100	FICA	31,041	25,525	5,516	82%
1,534	396	1,138	26%	20-690-602200	SUI	13,317	4,488	8,829	34%
2,489	3,478	(989)	140%	20-690-602400	Vacation, Holiday And Sick	21,603	28,645	(7,042)	133%
5,815	6,607	(792)	114%	20-690-602500	Life, Health, Flex Benefits	50,467	45,325	5,142	90%
903	890	13	99%	20-690-602600	Pension And Retirement	7,839	7,187	652	92%
1,050	922	128	88%	20-690-602700	Workers Compensation Insurance	9,115	5,816	3,299	64%
537		537	0%	20-690-602800	Other Employee Benefits	4,662	4,508	154	97%
2,148	2,000	148	93%	20-690-604100	Professional Fees - Other	18,640	16,000	2,640	86%
3,836	1,249	2,587	33%	20-690-604600	Consulting And Mgmt Fees	33,291	31,866	1,425	96%
11,123		11,123	0%	20-690-604700	Professional Fees - Legal	96,534	11,546	84,988	12%
4,219	988	3,231	23%	20-690-604800	Accounting And Auditing	36,616	9,377	27,239	26%
460		460	0%	20-690-604900	Other Professional Fees	3,996	1,339	2,657	34%
921		921	0%	20-690-605800	Office And Admin. Supplies	7,988	4,537	3,451	57%
384		384	0%	20-690-606100	Other Minor Equipment	3,331		3,331	0%
			0%	20-690-606101	Minor Equipment-COVID		441	(441)	0%
268	300	(32)	112%	20-690-606800	Postage And Shipping	2,329	1,394	935	60%
921	1,055	(134)	115%	20-690-606900	Other Non-Medical Supplies	7,988	7,422	566	93%
115		115	0%	20-690-606901	Non-Medical Supplies-COVID	996	101	895	10%
77	240	(163)	312%	20-690-607200	Repairs And Maintenance	666	1,817	(1,151)	273%
3,836	3,700	136	96%	20-690-607201	Software Repairs and Maintenance	33,291	36,429	(3,138)	109%
153	360	(207)	235%	20-690-607600	Employee Phys And Recruitment	1,331	4,094	(2,763)	308%
1,458	1,761	(303)	121%	20-690-607900	Other Purchased Services	12,652	9,267	3,385	73%
			0%	20-690-607900	Purchased Services-COVID		86	(86)	0%
767		767	0%	20-690-608100	Travel Expense	6,656	3,308	3,348	50%
4,603	8,028	(3,425)	174%	20-690-608600	Telephone And Communications	39,947	58,110	(18,163)	145%
1,074		1,074	0%	20-690-608700	Dues And Subscriptions	9,321		9,321	0%
38		38	0%	20-690-608800	Outside Training Sessions	330		330	0%
3,068	6,159	(3,091)	201%	20-690-608900	Licenses And Taxes	26,629	28,651	(2,022)	108%
17,185	19,033	(1,848)	111%	20-690-609000	Insurance Premiums	149,141	152,264	(3,123)	102%
			0%	20-690-609100	Leases And Rentals		221	(221)	0%
			0%	20-690-609501	Banking Expenses		400	(400)	0%
	450	(450)	0%	20-690-609600	Cable Television		2,481	(2,481)	0%
4,603	21,531	(16,928)	468%	20-730-730000	Property Taxes	39,947	56,781	(16,834)	142%
5,910	889	5,021	15%	20-740-740000	Property Insurance	51,289	44,258	7,031	86%
2,685		2,685	0%	20-770-770000	Bad Debts Expense	23,304	12,794	10,510	55%
130,020	124,671	5,349	96%	Total Administration		1,128,402	975,550	152,851	86%
				Marketing					
12,613	9,559	3,054	76%	20-692-601800	Clerical & Other Admin	109,459	92,148	17,311	84%
4,437	4,079	358	92%	20-692-601900	Other Salaries And Wages	38,510	25,222	13,288	65%
965	1,091	(126)	113%	20-692-602100	FICA	8,373	9,205	(832)	110%
1,058	773	285	73%	20-692-602400	Vacation, Holiday And Sick	9,179	8,833	347	96%

651	1,936	(1,285)	297%	20-692-602500	Life, Health, Flex Benefits	5,652	14,019	(8,367)	248%
227		227	0%	20-692-602600	Pension And Retirement	1,968		1,968	0%
428	259	169	61%	20-692-602700	Workers Compensation Insurance	3,714	2,288	1,426	62%
35		35	0%	20-692-606100	Other Minor Equipment	299		299	0%
7,602	7,956	(354)	105%	20-692-607500	Marketing	65,977	79,579	(13,602)	121%
2,393		2,393	0%	20-692-607900	Other Purchased Services	20,771	522	20,249	3%
30,409	25,653	4,755	84%	Total Marketing		263,902	231,816	32,085	88%
				Medical Receptionist					
			0%	20-691-600700	Overtime - Medical Records		74	(74)	0%
3,287	3,545	(258)	108%	20-691-601500	Technicians And Specialists	28,526	22,101	6,425	77%
6,321		6,321	0%	20-691-601900	Other Salaries And Wages	54,857		54,857	0%
816	264	552	32%	20-691-602100	FICA	7,079	1,775	5,304	25%
1,052	192	860	18%	20-691-602400	Vacation, Holiday And Sick	9,131	2,016	7,115	22%
1,332	504	828	38%	20-691-602500	Life, Health, Flex Benefits	11,556	2,598	8,958	22%
63		63	0%	20-691-602600	Pension And Retirement	549		549	0%
283	75	209	26%	20-691-602700	Workers Compensation Insurance	2,461	463	1,998	19%
58		58	0%	20-691-604300	Medical Records Consultant	502		502	0%
77		77	0%	20-691-605800	Office And Admin. Supplies	666	82	584	12%
13,289	4,580	8,710	34%	Total Medical Receptionist		115,327	29,109	86,219	25%
				Activities					
			0%	20-670-600600	Overtime - Other Sal and Wages		178	(178)	0%
6,797	5,172	1,625	76%	20-670-601900	Other Sal and Wages	58,993	48,328	10,665	82%
4,808	4,992	(184)	104%	20-670-600100	Supervisors And Management	41,725	40,082	1,643	96%
966	813	153	84%	20-670-602100	FICA	8,381	7,229	1,152	86%
1,018	1,461	(443)	144%	20-670-602400	Vacation, Holiday And Sick	8,835	11,057	(2,222)	125%
1,427	1,485	(58)	104%	20-670-602500	Life, Health, Flex Benefits	12,385	10,872	1,513	88%
149	220	(71)	148%	20-670-602600	Pension And Retirement	1,292	1,990	(698)	154%
317	195	122	62%	20-670-602700	Workers Compensation Insurance	2,750	1,707	1,043	62%
			0%	20-670-602800	Other Employee Benefits		150	(150)	0%
307	693	(386)	226%	20-670-605500	Raw Food	2,665	3,432	(767)	129%
230		230	0%	20-670-606100	Other Minor Equipment	1,999	1,541	458	77%
384	168	216	44%	20-670-606900	Other Non-Medical Supplies	3,331	2,068	1,263	62%
38		38	0%	20-670-607200	Repairs and Maintenance	330		330	0%
77		77	0%	20-670-607600	Employee Phys And Recruitment	666	290	376	44%
4,449	4,887	(438)	110%	20-670-607900	Other Purchased Services	38,613	49,474	(10,861)	128%
58		58	0%	20-670-608900	Licenses and Taxes	502	309	193	62%
192	(346)	538	-180%	20-670-609400	Resident Outings	1,662	2,708	(1,046)	163%
690	2,219	(1,529)	322%	20-670-609500	Automobile	5,990	12,282	(6,292)	205%
21,907	21,959	(52)	100%	Sub-total Activities		190,119	193,697	(3,578)	102%
				Activities - SNF					

4,273	2,940	1,333	69%	20-671-600100	Supervisors and Management	37,084	21,914	15,170	59%
	467	(467)	0%	20-670-600500	Overtime - Supervisor		495	(495)	0%
1,643	1,709	(66)	104%	20-671-601900	Other Salaries and Wages	14,265	19,426	(5,161)	136%
512	441	71	86%	20-671-602100	FICA	4,445	3,827	618	86%
775	798	(23)	103%	20-671-602400	Vacation, Holiday and Sick	6,732	4,620	2,112	69%
728	750	(22)	103%	20-671-602500	Life, Health, Flex Benefits	6,311	5,605	706	89%
79	72	7	91%	20-671-602600	Pension and Retirement	682	299	383	44%
178	96	82	54%	20-671-602700	Workers' Compensation Insurance	1,545	997	548	65%
230	374	(144)	163%	20-671-605500	Raw Food	1,999	1,969	30	98%
230		230	0%	20-671-606100	Other Minor Equipment	1,999	833	1,166	42%
77		77	0%	20-671-606900	Other Non-Medical Supplies	666	196	470	29%
			0%	20-671-607600	Employee Phys and Recruitment		3,118	(3,118)	0%
384	355	29	93%	20-671-607900	Other Purchased Services	3,331	5,112	(1,781)	153%
230		230	0%	20-671-609400	Resident Outings	1,999		1,999	0%
9,339	8,002	1,336	86%	Subtotal Activities - SNF		81,058	68,411	12,647	84%
				Activities - Active Living					
31,246	29,961	1,284	96%	Total Activities		271,177	262,108	9,069	97%
				Medical Care Ancillary					
557	288	269	52%	20-810-810000	Medical Supplies - Chargeable	4,836	1,361	3,475	28%
9,368	2,812	6,557	30%	20-820-820000	Physical Therapy Fees	81,302	30,347	50,955	37%
10,246	2,270	7,976	22%	20-820-825000	Occupational Therapy Fees	88,922	23,637	65,285	27%
511	85	426	17%	20-820-828000	Speech Therapy Fees	4,430	716	3,714	16%
3,563	783	2,780	22%	20-830-830000	Pharmacy Expense	30,917	12,301	18,616	40%
301	151	150	50%	20-830-830044	Pharmaceutical Consultant	2,617	2,512	105	96%
362	43	319	12%	20-840-840000	Laboratory Fees	3,143	2,590	553	82%
209		209	0%	20-890-891100	X-Ray Fees	1,812	737	1,075	41%
19		19	0%	20-917-607602	Ambulance	166		166	0%
153		153	0%	20-917-916275	Acute Hospital Services	1,331		1,331	0%
77		77	0%	20-917-916278	Physicians Services	666	118	548	18%
345		345	0%	20-917-913031	Medical Billback Credits	2,995	506	2,489	17%
25,711	6,432	19,280	25%	Total Medical Care Ancillary		223,137	74,825	148,313	34%
				Inservice Education					
1,643	1,357	286	83%	20-680-600100	Supervisors And Management	14,265	6,345	7,920	44%
	56	(56)	0%	20-680-600500	Overtime - Sup. & Mgmt.		56	(56)	0%
130	108	22	83%	20-680-602100	FICA	1,128	490	638	43%
56		56	0%	20-680-602400	Vacation, Holiday And Sick	486		486	0%
	189	(189)	0%	20-680-602500	Life, Health, Flex Benefits		698	(698)	0%
44	26	18	60%	20-680-602700	Workers Compensation Insurance	378	125	253	33%

77	136	(59)	177%	20-680-606900	Other Non-Medical Supplies	666	216	450	32%
1,950	1,872	78	96%	Total Inservice Education		16,923	7,930	8,993	47%
				Social Services					
3,836		3,836	0%	20-660-604600	Consulting and Mgmt Fees	33,291		33,291	0%
3,836	0	3,836	0%	Total Social Services		33,291	0	33,291	0%
57,432	84,816	(27,384)	148%	20-690-607300	Corporate Allocation	498,430	1,680,652	(1,182,222)	337%
942,404	921,946	20,457	98%	TOTAL OPERATING EXPENSE		8,087,293	8,509,792	(422,501)	105%
(15,951)	(87,290)	(71,344)	547%	OPERATING GAIN-LOSS		(696,918)	(1,400,662)	(703,746)	201%
			0%	20-910-910304	Unrestricted Cash Donation		(872)	(872)	0%
			0%	20-930-930005	Realized Gain/Loss on Invest.		(5,448)	(5,448)	0%
0	0	0	0%	Total Non-Operating Revenue/Expense		0	(6,320)	(6,320)	0%
220,000		(220,000)	0%	20-910-911201	Resident Deposits-Cur Yr	1,760,000	1,375,933	(384,067)	78%
			0%	20-910-911203	Entrance Fees Refunded		(5,000)	(5,000)	0%
220,000	0	(220,000)	0%	Net Entrance Fees		1,760,000	1,370,933	(389,067)	78%
(153)		153	0%	20-910-911310	Dividend Income	(1,331)		1,331	0%
(8)		8	-6%	20-910-911320	Bond Proceeds Interest Income	(64)	6	70	-9%
(161)	0	161	0%	Total Interest and Dividend Income		(1,395)	6	1,401	0%
(1,266)	(1,374)	(108)	109%	20-750-750005	Bond Issuance Costs	(10,983)	(10,989)	(6)	100%
(15,633)	(14,292)	1,341	91%	20-750-750006	Bond Interest Expense	(135,671)	(114,340)	21,331	84%
(3,613)	(19,753)	(16,140)	547%	20-760-760004	Other Interest Expense	(31,355)	(135,120)	(103,765)	431%
(20,512)	(35,419)	(14,907)	173%	Total Interest Expense		(178,009)	(260,449)	(82,440)	146%
			0%	20-000-121200	Land Improvements		(4,480)	(4,480)	0%
			0%	20-000-122102	Building Improvements		(23,160)	(23,160)	0%
			0%	20-000-124100	Major Mov Equip		(35,086)	(35,086)	0%
			0%	20-000-124400	Office Equipment		(22,195)	(22,195)	0%
(58,915)		58,915	0%	20-000-125000	C.I.P	(511,296)		511,296	0%
			0%	20-000-125003	C.I.P. Trash Compactor - LP		(9,179)	(9,179)	0%
			0%	20-000-125004	C.I.P. Apt. Renov. - LP		(37,169)	(37,169)	0%
			0%	20-000-125012	C.I.P. - Bathroom - LP		(1,552)	(1,552)	0%
			0%	20-000-125061	C.I.P. Interior Design & Remodelling		(837)	(837)	0%
			0%	20-000-125118	C.I.P.-Common Area Refurbishment		(6,987)	(6,987)	0%
	(25,000)	(25,000)	0%	20-000-125119	C.I.P.-Fixtures, Furnishings & Equip Replacement		(34,793)	(34,793)	0%
(58,915)	(25,000)	33,915	42%	Total Capital Disbursements		(511,296)	(175,438)	335,858	34%
			0%	20-910-910700	Transfer To/From Restricted		1,358	1,358	0%
0	0	0	0%	Total Restricted Funds Transfers		0	1,358	1,358	0%

124,461	(147,709)	(272,174)	-119%	NET GAIN/LOSS		372,382	(470,572)	(842,955)	-126%
				Depreciation					
84,384	84,693	(309)	100%	20-710-711000	Land Improvement	732,331	743,828	(11,497)	102%
84,384	84,693	(309)	100%	Total Depreciation		732,331	743,828	(11,497)	102%

Hourly wage information per employee type and shift

California Nevada Methodist Homes
Corporate Staff

				Tax Status		*Pay*			
Employee	**Employee Type**	**Status**	**Type**	**FED**	**SUI**	**Freq**	**Pay Rate**		
Employee 1	Corporate Staff	A	Regular Full Time	S-0	CA/S-0	CA	S	5,015.40	Salary
Employee 2	Director of Nursing	A	Regular Full Time	S-0	CA/S-0	CA	S	5,803.42	Salary
Employee 3	Corporate Staff	A	Regular Full Time	S-0	CA/S-0	CA	S	28.00	Hour
Employee 4	Corporate Staff	A	Regular Full Time	M-0		CA	S	38.00	Hour
Employee 5	Corporate Staff	A	Regular Full Time	H-0	CA/H-1	CA	S	5,045.63	Salary
Employee 6	Administrator	A	Regular Full Time	M-0	CA/M-0	CA	S	6,002.40	Salary
Employee 7	Executive Director	A	Regular Full Time	S-1	CA/S-1	CA	S	7,750.00	Salary
Employee 8	CFO	A	Regular Full Time	M-5	CA/S-5	CA	S	6,247.92	Salary
Employee 9	Assisted Living Director	A	Regular Full Time	S-0	CA/S-0	CA	S	3,750.00	Salary
Employee 10	Marketing	A	Regular Full Time	M-2	CA/M-2	CA	S	4,971.84	Salary
Employee 11	Corporate Staff	A	Regular Full Time	M-1	CA/M-1	CA	S	44.00	Hour
Employee 12	Corporate Staff	A	Regular Full Time	M-2	CA/M-2	CA	S	3,986.67	Salary

Total Employees 12

California Nevada Methodist Homes

Check Date: 02/25/2022

Forest Hill Staff

Employee	Emp Id	Employee Type	Type	Tax Status FED	Tax Status SITW	Pay SUI	Freq		Pay Rate	
Employee 1	101208	Unknown	A	PT	S-0	CA/S-0	CA	B	18.00	Hour
Employee 2	101107	Housekeeping staff-ILU	A	FT	S-1	CA/S-1	CA	B	17.30	Hour
Employee 3	100835	Unknown	A	PD	S-0	CA/S-0	CA	B	26.10	Hour
Employee 4	100996	Food Service Staff	A	FT	S-0	CA/S-0	CA	B	22.40	Hour
Employee 5	101201	Food Service Staff	A	PT	S-0	CA/S-0	CA	B	17.00	Hour
Employee 6	100926	Unknown	A	PD	S-1	CA/S-1	CA	B	26.00	Hour
Employee 7	100936	Food Service Staff	A	FT	S-0	CA/S-0	CA	B	17.30	Hour
Employee 8	100868	Food Service Staff	A	FT	S-0	CA/S-0	CA	B	17.60	Hour
Employee 9	100540	Food Service Staff	A	FT	S-0	CA/S-0	CA	B	17.00	Hour
Employee 10	269	Food Service Staff	A	FT	S-0	CA/M-0	CA	B	17.30	Hour
Employee 11	101068	SNF CNA	A	FT	S-0	CA/S-0	CA	B	28.23	Hour
Employee 12	240	Corporate Staff	A	FT	M-0	CA/M-0	CA	B	18.54	Hour
Employee 13	490	Food Service Staff	A	FT	S-0	CA/S-0	CA	B	17.00	Hour
Employee 14	101238	SNF CNA	A	FT	S-0	CA/S-0	CA	B	27.00	Hour
Employee 15	101212	Maintenance Staff	A	FT	M-0	CA/M-0	CA	B	21.00	Hour
Employee 16	101240	Housekeeping staff-ILU	A	FT				B	0.00	Hour
Employee 17	100918	Food Service Staff	A	PD	M-1	CA/M-1	CA	B	17.00	Hour
Employee 18	101043	SNF CNA	A	FT	M-1	CA/M-1	CA	B	28.00	Hour
Employee 19	101211	SNF RN	A	PD	S-0	CA/S-0	CA	B	52.00	Hour
Employee 20	101143	Unknown	A	FT	S-0	CA/S-1	CA	B	2,500.00	Salary
Employee 21	101243	Food Service Staff	A					B	0.00	Hour
Employee 22	100290	Housekeeping staff-ILU	A	FT	M-2	CA/M-2	CA	B	17.30	Hour
Employee 23	101219	Food Service Staff	A	PT	S-0	CA/S-0	CA	B	17.00	Hour
Employee 24	101213	SNF CNA	A	PT	M-0	CA/M-0	CA	B	26.00	Hour
Employee 25	101215	SNF CNA	A	PD	M-0	CA/M-0	CA	B	28.00	Hour
Employee 26	101110	Unknown	A	FT	S-0	CA/S-1	CA	B	26.00	Hour
Employee 27	100450	Unknown	A	FT	H-0	CA/H-1	CA	B	44.00	Hour
Employee 28	101022	Food Service Staff	A	PD	S-0	CA/S-0	CA	B	17.00	Hour
Employee 29	101112	SNF LVN	A	PD	M-0	CA/M-0	CA	B	40.00	Hour
Employee 30	101231	Director of Nursing	A	FT	H-0	CA/H-0	CA	B	7,200.00	Salary
Employee 31	535	Unknown	A	FT	S-0	CA/S-0	CA	B	26.00	Hour
Employee 32	100848	SNF CNA	A	FT	M-0	CA/S-0	CA	B	27.00	Hour
Employee 33	101067	SNF CNA	A	PT	H-0	CA/H-4	CA	B	26.00	Hour
Employee 34	101171	Assisted Living Director	A	FT	S-0	CA/S-0	CA	B	4,807.69	Salary
Employee 35	101025	Housekeeping Staff - SNF	A	FT	S-0	CA/S-0	CA	B	17.30	Hour
Employee 36	323	Unknown	A	PT	S-0	CA/S-0	CA	B	26.76	Hour
Employee 37	101221	Food Service Staff	A	FT	M-0	CA/M-0	CA	B	0.00	Salary
Employee 38	101175	SNF LVN	A	FT	M-0	CA/M-0	CA	B	45.50	Hour
Employee 39	101170	Housekeeping/Maintenance D	A	FT	S-1	CA/S-1	CA	B	3,115.20	Salary
Employee 40	101237	SNF CNA	A	PT	S-0	CA/S-3	CA	B	26.00	Hour
Employee 41	101232	SNF LVN	A	FT	M-0	CA/S-1	CA	B	42.00	Hour
Employee 42	101001	Maintenance Staff	A	FT	S-1	CA/S-1	CA	B	22.03	Hour
Employee 43	101233	SNF CNA	A	PT	M-0	CA/M-3	CA	B	24.00	Hour
Employee 44	100967	Housekeeping Staff - AL	A	FT	M-0	CA/M-0	CA	B	17.30	Hour
Employee 45	101094	SNF LVN	A	PD	M-0	CA/M-0	CA	B	36.00	Hour
Employee 46	101195	Corporate Staff	A	PT	S-0	CA/M-0	CA	B	18.00	Hour
Employee 47	101224	Activities Skilled	A	FT	S-0	CA/S-0	CA	B	18.00	Hour
Employee 48	101064	SNF LVN	A	CAS	S-0	CA/S-0	CA	B	42.00	Hour
Employee 49	101235	Activities Skilled/AL Staff	A	FT	S-0	CA/S-1	CA	B	23.00	Hour
Employee 50	101230	Marketing	A	FT	S-1	CA/S-1	CA	B	3,565.38	Salary
Employee 51	100590	Unknown	A	FT	S-1	CA/S-1	CA	B	26.00	Hour
Employee 52	101103	Unknown	A	PD	S-1	CA/S-1	CA	B	26.00	Hour
Employee 53	101222	Corporate Staff	A	PT	S-0	CA/S-0	CA	B	18.00	Hour
Employee 54	101084	Unknown	A	PT	S-0	CA/S-0	CA	B	36.00	Hour
Employee 55	101135	SNF CNA	A	FT	S-0	CA/S-0	CA	B	27.50	Hour
Employee 56	101145	Corporate Staff	A	FT	S-0	CA/S-0	CA	B	2,398.40	Salary
Employee 57	101149	Food Service Staff	A	PT	S-0	CA/S-0	CA	B	17.00	Hour
Employee 58	100101	Food Service Staff	A	FT	M-0	CA/M-2	CA	B	18.26	Hour
Employee 59	101216	Unknown	A	FT	M-0	CA/M-0	CA	B	26.00	Hour
Employee 60	101223	SNF LVN	A	PT	S-0	CA/S-0	CA	B	42.00	Hour
Employee 61	101189	Unknown	A	FT	M-0	CA/M-0	CA	B	38.00	Hour
Employee 62	101217	Corporate Staff	A	PT	S-0	CA/S-0	CA	B	18.00	Hour

Employee 63	101227	SNF RN	A	FT	M-0	CA/M-1	CA	B	54.00	Hour
Employee 64	101229	Activities Skilled	A	FT	S-0	CA/S-0	CA	B	33.00	Hour
Employee 65	100954	Unknown	A	FT	S-0	CA/S-0	CA	B	39.00	Hour
Employee 66	101177	Corporate Staff	A	FT	S-0	CA/S-0	CA	B	37.50	Hour
Employee 67	101209	SNF CNA	A	FT	H-0	CA/H-1	CA	B	28.00	Hour
Employee 68	100961	Food Service Staff	A	PT	S-2	CA/S-2	CA	B	17.00	Hour
Employee 69	100924	Food Service Staff	A	FT	S-1	CA/S-1	CA	B	22.70	Hour
Employee 70	101051	SNF CNA	A	FT	H-2	CA/H-2	CA	B	26.29	Hour
Employee 71	101199	Unknown	A	FT	S-0	CA/S-0	CA	B	20.00	Hour
Employee 72	100915	Unknown	A	FT	M-0	CA/S-0	CA	B	26.00	Hour
Employee 73	101080	SNF CNA	A	PD	M-0	CA/M-0	CA	B	28.00	Hour
Employee 74	101234	SNF CNA	A	FT	H-0	CA/H-2	CA	B	24.00	Hour
Employee 75	101196	Housekeeping staff-ILU	A	FT	M-0	CA/M-0	CA	B	17.00	Hour
Employee 76	101183	Food Service Staff	A	FT	M-0	CA/M-1	CA	B	17.00	Hour
Employee 77	101200	Food Service Staff	A	PT	S-0	CA/S-0	CA	B	17.00	Hour
Employee 78	101193	Unknown	A	FT	S-0	CA/S-0	CA	B	17.00	Hour
Employee 79	100872	SNF CNA	A	FT	M-0	CA/M-0	CA	B	28.00	Hour
Employee 80	101204	Food Service Staff	A	FT	S-0	CA/S-0	CA	B	17.00	Hour
Employee 81	100982	Housekeeping staff-ILU	A	FT	M-0	CA/M-0	CA	B	17.30	Hour
Employee 82	100860	Food Service Staff	A	FT	M-3	CA/M-3	CA	B	23.70	Hour
Employee 83	100942	Food Service Staff	A	FT	M-0	CA/M-0	CA	B	17.30	Hour
Employee 84	101008	Unknown	A	FT	S-2	CA/S-2	CA	B	26.00	Hour
Employee 85	101198	Food Service Staff	A	PD	S-0	CA/S-0	CA	B	17.00	Hour
Employee 86	101218	SNF LVN	A	PD	M-0	CA/M-2	CA	B	40.00	Hour
Employee 87	101081	SNF CNA	A	PD	M-0	CA/M-0	CA	B	28.80	Hour
Employee 88	100865	Activities Independent/AL St	A	FT	S-0	CA/H-2	CA	B	19.17	Hour
Employee 90	100885	Food Service Staff	A	FT	M-2	CA/S-2	CA	B	16.08	Hour
Employee 91	101163	Corporate Staff	A	PD	M-0	CA/S-0	CA	B	18.00	Hour
Employee 92	100988	Food Service Staff	A	FT	S-1	CA/S-1	CA	B	18.57	Hour
Employee 93	101151	Corporate Staff	A	FT	S-0	CA/S-1	CA	B	20.70	Hour
Employee 94	101023	Food Service Staff	A	FT	S-1	CA/S-1	CA	B	17.30	Hour
Employee 95	101203	SNF CNA	A	FT	S-0	CA/S-0	CA	B	25.00	Hour
Employee 96	101131	SNF CNA	A	FT	M-1	CA/M-0	CA	B	28.13	Hour
Employee 97	101236	SNF CNA	A	FT	M-0	CA/S-0	CA	B	28.00	Hour
Employee 98	101228	Unknown	A	FT	M-0	CA/M-0	CA	B	4,640.00	Salary
Employee 99	101075	Unknown	A	PD	S-0	CA/S-0	CA	B	26.00	Hour
Employee 100	101150	Corporate Staff	A	FT	M-0	CA/M-0	CA	B	18.65	Hour
Employee 101	101194	Corporate Staff	A	FT	S-0	CA/S-1	CA	B	7,600.00	Salary
Employee 102	101191	Housekeeping staff-ILU	A	PT	M-0	CA/M-0	CA	B	17.00	Hour
Employee 103	101169	Unknown	A	PT	M-0	CA/M-0	CA	B	26.00	Hour
Employee 104	101113	Food Service Staff	A	PT	S-0	CA/S-0	CA	B	17.00	Hour
Employee 105	100500	Food Service Staff	A	FT	S-0	CA/S-0	CA	B	17.30	Hour
Employee 106	101167	Unknown	A	FT	M-0	CA/M-0	CA	B	26.00	Hour
Employee 107	101070	SNF CNA	A	FT	S-0	CA/S-0	CA	B	27.95	Hour
Employee 108	101134	SNF CNA	A	FT	S-0	CA/S-0	CA	B	28.13	Hour
Employee 109	100987	SNF CNA	A	FT	S-1	CA/S-1	CA	B	20.07	Hour
Employee 110	101042	Food Service Staff	A	FT	S-0	CA/M-0	CA	B	17.30	Hour
Employee 111	101172	SNF RN	A	FT	S-0	CA/M-0	CA	B	54.00	Hour

Total Employees 111

Employee Listing

California Nevada Methodist Homes
Lake Park Staff

Company (11865)

Check

Page

Employee	Employee Type	Status		Type	FED	*Tax*	*Pay* SUI	Freq	Pay Rate	
Empoyee 1	Maintenance Staff		A	UFT	S-0	CA/S-0	CA	B	24.84	Hour
Employee 2	Licensed Vocational Nurse		A	UFT	S-1	CA/S-1	CA	B	39.35	Hour
Employee 3	SNF CNA		A	UFT	S-2	CA/S-0	CA	B	21.71	Hour
Employee 4	Unknown		A	UOC	S-0	CA/S-0	CA	B	17.44	Hour
Employee 5	SNF CNA		A	UOC	M-0	CA/M-4	CA	B	21.10	Hour
Employee 6	AL CNA		A	UOC	S-0	CA/S-0	CA	B	21.71	Hour
Employee 7	Unknown		A	UPT	S-2	CA/S-2	CA	B	17.44	Hour
Employee 8	AL CNA		A	UOC	S-0	CA/S-0	CA	B	21.10	Hour
Employee 9	Unknown		A	UOC	S-0	CA/S-0	CA	B	15.40	Hour
Empoyee 10	Activities Independent/AL Staff		A	RFT	M-0	CA/M-0	CA	B	20.29	Hour
Employee 11	Unknown		A	USH	S-0	CA/S-0	CA	B	17.77	Hour
Employee 12	Activities Independent/AL Staff		A	RPT	S-0	CA/S-0	CA	B	20.04	Hour
Employee 13	Unknown		A	RFT	S-1	CA/S-1	CA	B	2,317.60	Salary
Employee 14	SNF CNA		A	UPT	S-0	CA/S-0	CA	B	21.71	Hour
Employee 15	Unknown		A	UFT	S-0	CA/S-0	CA	B	17.46	Hour
Employee 16	Unknown		A	RFT	S-0	CA/S-0	CA	B	17.77	Hour
Employee 17	Unknown		A	UFT	S-0	CA/S-0	CA	B	17.44	Hour
Employee 18	Unknown		A	UFT	S-0	CA/S-0	CA	B	18.30	Hour
Employee 19	SNF LVN		A	UOC	S-0	CA/S-0	CA	B	39.35	Hour
Employee 20	Unknown		A	UOC	S-0	CA/S-0	CA	B	17.44	Hour
Employee 21	SNF CNA		A	UPT	S-0	CA/S-1	CA	B	21.71	Hour
Employee 22	Food Service Manager		A	UFT	S-0	CA/S-0	CA	B	24.03	Hour
Employee 23	Unknown		A	USH	S-0	CA/S-0	CA	B	17.77	Hour
Employee 24	Unknown		A	RPT	M-0	CA/M-0	CA	B	24.50	Hour
Employee 25	Unknown		A	UOC	S-0	CA/S-0	CA	B	17.44	Hour
Employee 26	Unknown		A	UFT	S-0	CA/S-0	CA	B	17.46	Hour
Employee 27	Unknown		A	UFT	M-0	CA/M-0	CA	B	19.08	Hour
Employee 28	AL CNA		A	UFT	M-0	CA/M-0	CA	B	21.71	Hour
Employee 29	Unknown		A	UFT	M-1	CA/M-1	CA	B	18.30	Hour
Employee 30	Food Service Manager		A	UOC	M-1	CA/M-1	CA	B	23.33	Hour
Employee 31	SNF CNA		A	UOC				B	0.00	Hour
Employee 32	Housekeeping Staff - ILU		A	UFT	S-0	CA/S-0	CA	B	18.55	Hour
Employee 33	AL LVN		A	UFT	S-0	CA/S-0	CA	B	39.35	Hour
Employee 34	Unknown		A	UFT	S-1	CA/S-1	CA	B	17.46	Hour
Employee 35	Unknown		A	RFT	S-0	CA/S-0	CA	B	27.81	Hour
Employee 36	Unknown		A	UFT	S-0	CA/S-0	CA	B	17.44	Hour
Employee 37	Unknown		A	UFT	S-0	CA/S-0	CA	B	17.11	Hour
Employee 38	Housekeeping Staff		A	UFT	S-0	CA/S-0	CA	B	18.78	Hour
Employee 39	Housekeeping Staff - ILU		A	UFT	S-0	CA/S-0	CA	B	18.55	Hour
Employee 40	AL LVN		A	UFT	H-0	CA/H-0	CA	B	39.35	Hour
Employee 41	Unknown		A	UOC	S-0	CA/S-0	CA	B	17.44	Hour
Employee 42	Housekeeping Director		A	RFT	S-0	CA/S-0	CA	B	3,846.15	Salary
Employee 43	SNF RN		A	RPT	S-0	CA/S-0	CA	B	45.00	Hour
Employee 44	Unknown		A	UOC	S-0	CA/S-0	CA	B	15.73	Hour
Employee 45	AL CNA		A	UFT	M-0	CA/M-0	CA	B	21.71	Hour
Employee 46	Activities Skilled		A	RPT	S-0	CA/S-2	CA	B	16.48	Hour
Employee 47	Unknown		A	UOC	S-0	CA/S-0	CA	B	15.73	Hour
Employee 48	Unknown		A	UPT	S-0	CA/S-0	CA	B	17.44	Hour
Employee 49	Unknown		A	UOC	S-0	CA/S-0	CA	B	15.73	Hour
Employee 50	Admin Staff		A	RFT	H-0	CA/H-0	CA	B	21.00	Hour
Employee 51	AL LVN		A	UOC	S-0	CA/S-0	CA	B	37.50	Hour
Employee 52	Unknown		A	ROC	S-0	CA/S-0	CA	B	43.00	Hour
Employee 53	SNF CNA		A	UFT	S-0	CA/S-0	CA	B	20.00	Hour
Employee 54	Housekeeping Staff - SNF		A	UFT	S-2	CA/S-2	CA	B	19.82	Hour
Employee 55	Unknown		A	RFT	S-0	CA/S-0	CA	B	24.00	Hour
Employee 56	Unknown		A	UPT	S-0	CA/S-0	CA	B	17.44	Hour
Employee 57	Unknown		A	UFT	S-0	CA/S-0	CA	B	18.61	Hour
Employee 58	AL CNA		A	UFT	S-1	CA/S-1	CA	B	21.10	Hour
Employee 59	Housekeeping Staff - ILU		A	UFT	M-0	CA/M-0	CA	B	18.55	Hour
Empoyee 60	Food Service Manager		A	UFT	M-0	CA/M-0	CA	B	24.03	Hour

Employee 61	Unknown	A	UOC	S-0	CA/S-0	CA	B	17.44	Hour
Employee 62	Activities Independent/AL	A	RFT	S-2	CA/S-2	CA	B	2,627.34	Salary
Employee 63	Housekeeping Staff - ILU	A	RFT	S-0	CA/S-0	CA	B	19.82	Hour
Employee 64	Unknown	A	UOC				B	0.00	Hour
Employee 65	Unknown	A	UPT	M-0	CA/M-0	CA	B	17.77	Hour
Employee 66	Unknown	A	UOC	S-0	CA/S-0	CA	B	17.44	Hour
Employee 67	Unknown	A	UFT	S-0	CA/S-0	CA	B	19.47	Hour
Employee 68	Unknown	A	UOC	S-0	CA/S-0	CA	B	38.06	Hour
Employee 69	Unknown	A	UOC	H-0	CA/H-0	CA	B	37.50	Hour
Employee 70	SNF LVN	A	UFT	H-0	CA/H-0	CA	B	39.35	Hour
Employee 71	SNF CNA	A	UOC	S-0	CA/S-0	CA	B	21.71	Hour
Employee 72	SNF LVN	A	UOC	H-3	CA/H-4	CA	B	35.57	Hour
Employee 73	SNF CNA	A	RFT	M-0	CA/M-0	CA	B	21.10	Hour
Employee 74	Unknown	A	UOC	M-0	CA/M-0	CA	B	15.73	Hour
Employee 75	Unknown	A	UFT	S-0	CA/S-0	CA	B	18.58	Hour
Employee 76	Unknown	A	UFT	S-0	CA/S-0	CA	B	17.96	Hour
Employee 77	Unknown	A	UOC	S-0	CA/S-0	CA	B	15.73	Hour
Employee 78	SNF CNA	A	UFT	M-0	CA/M-0	CA	B	21.10	Hour
Employee 79	Loc: 611013	A	UFT	S-0	CA/S-0	CA	B	36.51	Hour
Employee 80	Loc: 650005	A	UOC	S-0	CA/S-0	CA	B	17.44	Hour
Employee 81	SNF CNA	A	RFT	S-0	CA/S-0	CA	B	21.71	Hour
Employee 82	Food Service Staff	A	RFT	M-0	CA/M-0	CA	B	23.80	Hour
Employee 83	Unknown	A	UFT	M-0	CA/M-0	CA	B	17.96	Hour
Employee 84	AL CNA	A	UFT	S-0	CA/S-0	CA	B	21.10	Hour
Employee 85	Food Service Manager	A	UFT	S-0	CA/S-0	CA	B	23.33	Hour
Employee 86	Unknown	A	UFT	S-0	CA/S-0	CA	B	17.96	Hour
Employee 87	Unknown	A	UOC				B	0.00	Hour
Employee 88	Maintenance Supervisor	A	RFT	S-0	CA/S-0	CA	B	23.31	Hour
Employee 89	Unknown	A	UOC	S-0	CA/S-0	CA	B	17.44	Hour
Employee 90	AL CNA	A	UFT	S-0	CA/S-0	CA	B	21.10	Hour
Employee 91	Unknown	A	UOC	M-0	CA/M-0	CA	B	38.64	Hour
Employee 92	AL CNA	A	UOC	S-0	CA/S-0	CA	B	20.77	Hour
Employee 93	Housekeeping Staff - ILU	A	UFT	S-0	CA/S-0	CA	B	18.78	Hour
Employee 94	AL CNA	A	UOC	S-0	CA/S-0	CA	B	21.71	Hour
Employee 95	Housekeeping Staff - ILU	A	UFT	S-0	CA/S-0	CA	B	19.82	Hour
Employee 96	SNF CNA	A	UOC	S-0	CA/S-0	CA	B	21.10	Hour
Employee 97	Unknown	A	UFT	S-1	CA/S-1	CA	B	17.77	Hour
Employee 98	AL CNA	A	UFT	S-0	CA/S-0	CA	B	21.10	Hour
Employee 99	Admin Staff	A	ROC	S-0	CA/S-0	CA	B	19.00	Hour
Employee 100	SNF CNA	A	UFT	S-3	CA/S-0	CA	B	21.10	Hour
Employee 101	SNF LVN	A	UOC	S-2	CA/S-2	CA	B	36.51	Hour
Employee 102	Unknown	A	UPT	M-0	CA/M-0	CA	B	18.30	Hour
Employee 103	Housekeeping Staff - ILU	A	UPT	S-0	CA/S-0	CA	B	18.55	Hour
Employee 104	Unknown	A	UFT	S-0	CA/S-0	CA	B	17.44	Hour
Employee 105	AL CNA	A	UPT	M-0	CA/M-0	CA	B	21.71	Hour
Employee 106	Unknown	A	RFT	S-1	CA/S-1	CA	B	17.44	Hour
Employee 107	Unknown	A	UPT	S-0	CA/S-0	CA	B	17.44	Hour
Employee 108	Housekeeping Staff - AL	A	UPT	S-0	CA/S-0	CA	B	18.78	Hour
Employee 109	Unknown	A	UOC				B	0.00	Hour
Employee 110	Food Service Manager	A	UFT	S-1	CA/S-1	CA	B	24.03	Hour

Total Employees 110

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SECTION 999.5(d)(5)(F)

(F) For each health facility or facility that provides similar health care services that is the subject of the agreement or transaction, all existing documents setting forth any guarantees made by any entity that would be taking over operation or control of the health facility or facility that provides similar health care services relating to employee job security and retraining, or the continuation of current staffing levels and policies, employee wages, salaries, benefits, working conditions and employment protections.

Lake Merritt Senior Living LLC has entered into separate management agreements with Northstar Senior Living to manage the RCFE at Lake Park and AOAS, LLC to manage the SNF at Lake Park.

Pacific Grove Senior Living LLC has entered into a management agreement with California Senior Living Management LLC to manage the RCFE at Forest Hill and 551 Gibson Ave SNF, LLC to operate the SNF at Forest Hill.

The Sale Agreement contains assurances regarding continuation of staffing levels, wages, benefits, etc. See Section 10.3. See also Section 4.b. of the California Senior Living Management Agreement and Section 10(b)(i) of the 551 Gibson Ave SNF, LLC operating lease, attached at Section 999.5(d)(1)(B).

SECTION 999.5(d)(5)(G)

(G) If the agreement or transaction will have any impact on reproductive health care services provided by any facility that is the subject of the agreement or transaction, or any impact on the availability or accessibility of reproductive health care services, a description of all reproductive health care services provided in the last five years by each health facility or facility that provides similar health care services that is the subject of the agreement or transaction. This description shall include the types and levels of reproductive services including, but not limited to, information about the number of pregnancy terminations and tubal ligations and a description of how this information was compiled.

(Not Applicable. CNMH owns and operates senior care facilities.)

SECTION 999.5(d)(5)(H)

(H) A statement describing all effects that the proposed agreement or transaction may have on health care services provided by each facility proposed to be transferred including, but not limited to, any changes in the types or levels of medical services that may be provided at the health facility or facility that provides similar health care services and a statement of how the proposed transaction may affect the availability and accessibility of health care in the affected communities.

CNMH anticipates that the transaction will not adversely affect the delivery, availability, or accessibility of health care in affected communities and that it may even improve access to health care services. Buyers' agents will continue to operate Lake Park and Forest Hill and will either perform, pay or discharge commitments made in CNMH's existing continuing care, residential care, and skilled nursing facility contracts.

As noted in Section 999.5(d)(5)(F) above, Buyers have contracts with experienced management companies to manage the RCFEs at Lake Park and Forest Hill. They likewise have contracts with experienced SNF operators to operate the SNFs at Lake Park and Forest Hill.

SECTION 999.5(d)(5)(I)

(I) A description and copy of all current contracts between the applicant and the city in which the applicant is located and current contracts between the applicant and the county in which the applicant is located for each health facility or facility that provides similar health care services that are the subject of the agreement or transaction.

CNMH has a Water Use Agreement, dated August 17, 2005, with the City of Pacific Grove with respect to Forest Hill; a copy of such contract is attached.

CNMH does not have any contracts with the City of Oakland or Alameda County with respect to Lake Park.

Copy of Water Use Agreement between the City of Pacific Grove and CNMH with respect to Forest Hill, dated August 17, 2005.

Stephen L. Vagnini
Monterey County Recorder
Recorded at the request of
Filer

CRLUCY
7/24/2006
13:27:37

DOCUMENT: **2006064682**

Titles: 1/ Pages: 5

Fees ...	20.00
Taxes...	
Other...	
AMT PAID	$20.00

WHEN RECORDED MAIL TO:

Beverly A. Power
Forest Hill Manor
551 Gibson Ave.
Pacific Grove, CA 93950

THIS SPACE FOR RECORDER'S USE ONLY

TITLE OF DOCUMENT

Water Use Agreement

WATER USE AGREEMENT

THIS AGREEMENT is executed this 17th day of August, 2005, by and between the CITY OF PACIFIC GROVE, a municipal corporation ("City"), and California Nevada Methodist Homes ("CNMH"), a nonprofit public benefit corporation, which operates a continuing care retirement facility in Pacific Grove known as Forest Hill Manor ("FHM"), collectively the "Parties."

RECITALS

WHEREAS, CNMH made a request to the City to approve "Special Circumstances" (under Monterey Peninsula Water Management District Rule 24-G) for the water permit for the expansion of FHM; and

WHEREAS, on March 6, 2002, the City Council of the City of Pacific Grove granted the request to approve "Special Circumstances" upon the conditions incorporated herein; and

WHEREAS, the Monterey Peninsula Water Management District approved the Special Circumstance for the FHM expansion; and

WHEREAS, the real property which is the subject of this Agreement is located at 551 Gibson Avenue, Pacific Grove, California, and is more particularly described on **Exhibit "A"** to this Agreement, incorporated herein by reference.

AGREEMENT

Now, therefore, it is mutually agreed as follows:

1. WATER USE

CNMH shall monitor its water use for FHM ("Water Use") and keep Water Use within the allocation of 10.376 acre-feet per year ("Allocation"). It is understood that the City bears no responsibility for monitoring Water Use or keeping Water Use within the Allocation. No additional water will be provided to FHM from the City's water allocation.

2. MEASURES IF WATER USE IS EXCEEDED

In the event that Water Use exceeds either the Allocation for any year (as evidenced by Water Use Reports or water audits) or one-fourth of the Allocation (as evidenced by two or more consecutive, quarterly Water Use Reports), CNMH will immediately adopt one or more of the following measures to reduce Water Use as required to ensure Water Use not greater than the Allocation:

(a) Further retrofit showerheads and faucets.

(b) Convert existing bathrooms to .5 GPE toilets.

(c) Whether in new construction or by retrofit, ensure that washing machines in all residential units use a maximum of 18 gallons per cycle.

(d) Whether in new construction or by retrofit, ensure that dishwashers in all residential units use 7.66 gallons or less per wash.

(e) Prohibit the use of washing machines within independent living units more than once per week, and institute an educational program for residents as to this requirement.

(f) Any other measure reasonably required by City, including but not limited to fully financing other water conservation projects within the City to compensate for Water Use in excess of the Allocation and reducing occupancy by closing rooms or reducing the number of beds in the facility.

3. WATER USE REPORTS

CNMH shall supply quarterly Water Use reports, in the form requested by City, to the City Community Development Director each year during construction and for five years following occupancy and completion of the FHM expansion. Thereafter, CNMH will supply such Water Use reports as may be required by MPWMD.

4. NONCOMPLIANCE WITH AGREEMENT

If CNMH fails to supply quarterly Water Use reports, or if CNMH's quarterly Water Use exceeds one-fourth of the Allocation (as evidenced by two or more consecutive Water Use Reports), or fails to take measures to reduce Water Use (as set forth in Paragraph 2) CNMH shall be deemed to have breached this Agreement. City shall send a letter to CNMH giving notice of the breach, and provide methods and a time period within which to rectify the breach. If City determines that the response is inadequate or CNMH refuses to rectify the breach, City may bring an action in the Monterey Superior Court to force compliance. The Parties agree that damages alone would be insufficient to compensate City, and as such, specific performance is the appropriate remedy for breach of this Agreement. If such an action is necessary, or any other legal or administrative action is required to enforce the terms of this Agreement, the prevailing party shall be entitled to its attorneys' fees incurred in the action.

5. INCORPORATION OF DISTRICT TERMS & CONDITIONS

This Agreement incorporates herein by reference the November 27, 2001, letter setting forth the approval of Special Circumstances of the Monterey Peninsula Water Management District, including all terms and conditions set forth therein. The letter is attached hereto as **Exhibit "B."**

6. TERM OF AGREEMENT

The Agreement will be in effect as long as there is a water use permit in effect for FHM from the MPWMD based on Special Circumstances. After the expiration of six months following the end of the reporting period established by paragraph 3 of this Agreement, no additional water conservation measures shall be required of CNMH for FHM except such measures as may be required by the MPWMD.

7. WATER AUDIT & CREDIT OF SURPLUS

A Water Use audit will be performed at the end of five years following occupancy and completion of the FHM expansion. If it is determined that the actual average annual water usage was less than 10.376 acre-feet during the term of the Agreement, the surplus will be credited to the City upon approval by the Monterey Peninsula Water Management District, at no charge to the City.

8. INDEMNIFICATION

CNMH agrees to indemnify, defend and hold City harmless from and against any and all costs, liabilities, damages, water account debits by the Monterey Peninsula Water Management District, expenses, or claims, including without limitation reasonable attorneys' fees, arising from or in connection with CNMH's performance or non-performance of this Agreement.

9. AMENDMENTS

No alteration or variation of the terms or conditions of this Agreement shall be valid unless made in writing and signed by the parties hereto.

10. PARTIAL INVALIDITY

If any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will continue in full force without being impaired or invalidated in any way.

11. INTERPRETATION

Parties agree that this Agreement shall not be interpreted against the party who prepared the Agreement, but shall be interpreted as prepared by both parties, equally.

12. GOVERNING LAW

This Agreement will be governed by and construed in accordance with the laws of the State of California and the City of Pacific Grove.

13. ENTIRE AGREEMENT

This Agreement constitutes the entire Agreement between the Parties hereto and supersedes any and all prior agreements, whether oral or written, relating to the subject matter thereof. Any modification of this Agreement will be effective only if it is in writing signed by both Parties hereto.

14. SUCCESSORS; RECORDING

This Agreement shall bind and benefit the Parties and their successors. The covenants of this Agreement are intended to benefit the FHM property described in Exhibit "A" to this Agreement and other properties within City and shall be enforceable as equitable servitudes and as covenants running with the land. Upon execution, the Parties will record this Agreement in the Office of the Monterey County Recorder to provide notice of the terms of this Agreement.

CITY OF PACIFIC GROVE

By: _____
James J. Colangelo, City Manager

CALIFORNIA-NEVADA METHODIST HOMES

By: _____
Robert E. Hubbard, President & CEO

APPROVED AS TO FORM:

By: _____
Lloyd W. Lowrey, Jr., for
Noland, Hamerly, Etienne & Hoss,
Attorneys at Law
A Professional Corporation
SPECIAL COUNSEL

END OF DOCUMENT

SECTION 999.5(d)(5)(J)

(J) A description of compliance with the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983, as amended by the California Hospital Facilities Seismic Safety Act (Health & Saf. Code, § 129675-130070), for each health facility or facility that provides similar health care that is the subject of the agreement or transaction, including the certified Structural Performance Category of every building affected by the agreement or transaction and a copy of every final determination letter received from the Office of Statewide Health Planning and Development for every building affected by the agreement or transaction.

(Not applicable.)

SECTION 999.5(d)(5)(K)

(K) A description of each measure proposed by the applicant to mitigate or eliminate any potential adverse effect on the availability or accessibility of health care services to the affected community that may result from the agreement or transaction.

See Section 999.5(d)(5)(H) above.

SECTION 999.5(d)(5)(L)

(L) A list of the primary languages spoken at the health facility or facility that provides similar health care and the threshold languages for Medi-Cal beneficiaries, as determined by the State Department of Health Care Services for the county in which the health facility or facility that provides similar health care is located.

If any of the quantitative information required by subsections (B) and (C) is not available, the applicant shall so indicate and provide a reasonable estimate.

The primary language spoken at Lake Park is English. For Alameda County, DHCS has identified the following threshold languages: English, Arabic, Cantonese, Mandarin, Spanish, Tagalog, and Vietnamese.

The primary language spoken at Forest Hill is English. For Monterey County, DHCS has identified the following threshold languages: English and Spanish.

SECTION 999.5(d)(6)

POSSIBLE EFFECT ON COMPETITION

(d)(6)(A)

(A) For any agreement or transaction for which a Premerger Notification and Report Form is required to be submitted to the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, a brief analysis of the possible effect of any proposed merger or acquisition of each health care facility or facility that provides similar health care services that is the subject of the agreement or transaction on competition and market share in any relevant product or geographic market.

(Not Applicable.)

SECTION 999.5(d)(6)(B)

(B) The applicant shall provide the Premerger Notification and Report Form and any attachments thereto as filed with the Federal Trade Commission pursuant to the Hart-Scott-Rodino Antitrust Improvement Act of 1976 and 16 C.F.R. Parts 801-803. The procedure for designating information as confidential set forth in section 999.5(c)(3) of these regulations shall apply to any information submitted under this subsection.

(Not Applicable.)

SECTION 999.5(d)(7)

OTHER PUBLIC INTEREST FACTORS

(7) The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) of these regulations shall include a section entitled "Other Public Interest Factors" that contains any other information the applicant believes the Attorney General should consider in deciding whether the proposed agreement or transaction is in the public interest.

Given CNMH's dire cash flow situation (it is losing between $400,000 and $500,000 per month), it is essential that the sale of CNMH's assets be allowed to close as quickly as possible.

Timely approval of the sale is critical for Lake Park's and Forest Hill's residents because it will help prevent the need for residents to move from their homes. This will help avoid "transfer trauma," the sense of displacement, loneliness, and isolation often experienced by the elderly when forced to move away from family and friends. Studies show that transfer trauma can result in health declines and even death.

In addition, timely approval will help assure that former residents and their families will receive long-awaited repayment of their entrance fees upon the reletting of their apartments.

The sale of these communities will also protect CNMH's workforce, which currently includes 268 employees. Buyers have committed to offer employment or to cause their RCFE management companies and SNF operators to agree to offer employment to all qualified employees after review of their personnel files.

Finally, the sale is in best interest of the communities surrounding Lake Park and Forest Hill because it will help assure access to two well-run, financially sound senior care communities.

CNMH recognizes that the Attorney General also considers the effects of a proposed transaction on the availability and accessibility of cultural interests in the community, pursuant to California Corporations Code section 5917(j). CNMH does not tailor or target its services to serve a specific cultural group. Thus, the cultural interests consideration does not apply to this proposed transaction.

SECTION 999.5(d)(8)

BOARD RESOLUTION AUTHORIZING FILING

(8) The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) shall include a resolution of the board of directors of the applicant authorizing the filing of the written notice and a statement by the chair of the board that the contents of the written notice are true, accurate and complete.

Please see the following attachments:

1. Board Committee resolution of CNMH authorizing filing of the written notice to the Attorney General, dated March 30, 2022.

2. Written statement by Garrett B. Cross, the Chair of the Board, that the contents of the written notice to the Attorney General are true, accurate and complete, dated March 31, 2022.

Board resolutions of CNMH ratifying Purchase and Sale Agreement with Buyers and regulatory notices and approving and authorizing filing of this Notice, dated March 30, 2022.

CALIFORNIA-NEVADA METHODIST HOMES
BOARD RESOLUTIONS RATIFYING CERTAIN ACTIONS RELATED TO ASSET SALE AND AUTHORIZING ATTORNEY GENERAL NOTICE

WHEREAS, on February 2, 2022, an auction to sell all or substantially all assets of the Corporation was held pursuant to Section 363 of the United States Bankruptcy Code;

WHEREAS, Pacifica Communities, LLC "Pacifica" was the stalking horse bidder in the auction;

WHEREAS, Pacifica's bid, $34,000,000, was $250,000 less than a bid made by Heritage Campus Group;

WHEREAS, despite this fact, the Corporation and its counsel, in consultation with Ziegler, determined that Pacifica s bid was superior based on its experience operating similar communities in California, the absence of a financing contingency, its ability to close quickly, and the comfort levels of several government agencies, including the Department of Health Care Access and Information, which operates the Cal-Mortgage bond insurance program;

WHEREAS, the Bankruptcy Court issued an order on February 8, 2022 approving the proposed sale to Pacifica or its designees on the terms set forth in the Purchase and Sale Agreement negotiated by the Corporation and Pacifica the "PSA" ;

WHEREAS, the Corporation now wishes to ratify its approval of Pacifica s bid and its decision to enter into the PSA with Pacifica;

WHEREAS, Pacifica has created two new limited liability companies to purchase the Corporation's assets: Lake Merritt Senior Living, LLC to acquire Lake Park and Pacific Grove Senior Living to acquire Pacific Grove, and has assigned the PSA to these two entities;

WHEREAS, under the PSA and California law, the Corporation must prepare (1 a notice of proposed sale to the California Attorney General (the "AG Notice" ; and (2 various regulatory notices to the California Department of Social Services and residents of the two communities operated by the Corporation;

WHEREAS, the Corporation has also opted to provided notices of the sale to its staff modeled after the notices to residents;

WHEREAS, the Board Chair has reviewed and approved the content of the various regulatory and staff notices and such notices have been sent;

WHEREAS, the AG Notice is nearly complete and the Board Chair has reviewed and approved such notice in substantially final form;

WHEREAS, the Board wishes to ratify approval of the regulatory notices, approve the submission of the AG Notice, and deputize the Board Chair to sign the AG Notice;

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The Corporation hereby ratifies the Corporation's approval of Pacifica's bid and its decision to enter into the PSA with Pacifica;

Section 2. The Corporation hereby ratifies the content of all regulatory and staff notices that have been provided and authorizes legal counsel to provide any further notices that counsel deems necessary or advisable.

Section 3. The Corporation hereby approves the draft AG Notice in substantially final form, deputizes the Board Chair, Garrett B. Cross, to finalize and execute the Notice, and authorizes legal counsel to file the notice and take all related actions.

Section 4. Any actions of the Board, any officer or director of the Corporation, or anyone acting on its behalf that are authorized by the foregoing resolutions but were taken before the adoption of such resolutions, are hereby separately ratified, confirmed, approved and adopted as acts in the name of and on behalf of the Corporation.

Passed, approved and adopted by a unanimous vote of the Board on March 30, 2022.

Garrett B Cross

Garrett B. Cross, Board Chair

03/30/2022

Date

Board Committee resolution of CNMH authorizing filing of the written notice to the Attorney General, dated March 31, 2022.

CALIFORNIA-NEVADA METHODIST HOMES

CERTIFICATION

The undersigned Chair of the Board of California-Nevada Methodist Homes ("CNMH") certifies that the content of the written notice to the California Attorney General regarding the proposed sale of CNMH's assets to Lake Merritt Senior Living, LLC and Pacific Grove Senior Living, LLC together, "Buyers" is true, accurate, and complete. Buyers have advised CNMH that the information provided by Buyers and its affiliates is true, accurate, and complete.

Garrett B Cross

Garrett B. Cross, Board Chair

03/31/2022

Date

SECTION 999.5(d)(9)

(9) The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) shall include a list of the officers and directors of the transferee, the most recent audited financial statements for the transferee, the transferee's governance documents, such as the articles of incorporation and bylaws, and a description of the transferee's policies, procedures, and eligibility requirements for the provision of charity care.

Attached please find the following documents for Buyers:

1. A list of the Members of each Buyer that is acquiring assets and assuming liabilities under the Purchase and Sale Agreement.
2. Combined Balance Sheet for Buyer and Its Affiliates
3. Pacific Grove Senior Living LLC – Articles of Organization
4. Pacific Grove Senior Living LLC – Operating Agreement
5. Lake Merritt Senior Living LLC – Articles of Organization
6. Lake Merritt Senior Living LLC – Operating Agreement

Buyers will honor the subsidy policies of CNMH as described in all assumed Care and Residence Agreements. See Section 999.5(d)(5)(B).

Buyer is assigning assets and liabilities under the Purchase and Sales Agreement to Lake Merritt Senior Living LLC and Pacific Grove Senior Living LLC ("Assignees"). The members of the Assignees are:

- Ashok Israni and Lata Israni Family Trust,
- Deepak Israni and Varsha Israni Family Trust, and
- Sushil M. Israni and Reena S. Israni Revocable Trust

Submitted under separate cover; Subject to confidentiality request

California Secretary of State
Electronic Certified Copy

I, SHIRLEY N. WEBER, Ph.D., Secretary of State of the State of California, hereby certify that the attached transcript of 1 page is a full, true and correct copy of the original record in the custody of the California Secretary of State's office.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California on this day of February 24, 2022

SHIRLEY N. WEBER, Ph.D.
Secretary of State

Verification Number: VPMHBJ
Entity (File) Number: 202205510150

To verify the issuance of this Certificate, use the Verification Number above with the Secretary of State Electronic Verification Search available at *bizfile.sos.ca.gov*

California Secretary of State
Electronic Filing

FILED
Secretary of State
State of California

LLC Registration – Articles of Organization

Entity Name:	Pacific Grove Senior Living LLC
Entity (File) Number:	202205510150
File Date:	02/22/2022
Entity Type:	Domestic LLC
Jurisdiction:	California

Certificate Verification Number: VPMHBJ
Use bizfile.sos.ca.gov to verify the certified copy.

Detailed Filing Information

1. Entity Name: Pacific Grove Senior Living LLC

2. Business Addresses:
   a. Initial Street Address of Designated Office in California: 1775 HANCOCK ST STE 200, San Diego, California 92110, United States
   b. Initial Mailing Address: 1775 HANCOCK ST STE 200, San Diego, California 92110, United States

3. Agent for Service of Process: PARACORP INCORPORATED (C1082536)

4. Management Structure: One Manager

5. Purpose Statement: The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.

Electronic Signature:

The organizer affirms the information contained herein is true and correct.

Organizer: Deepak Israni

Use bizfile.sos.ca.gov for online filings, searches, business records, and resources.

OPERATING AGREEMENT OF
PACIFIC GROVE SENIOR LIVING LLC
A CALIFORNIA LIMITED LIABILITY COMPANY

This Operating Agreement (this "Agreement") is entered into as of March 1, 2022 by and among the signatories to this Agreement.

Explanatory Statement

The parties have agreed to organize a limited liability company in accordance with the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. DEFINED TERMS

The following capitalized terms shall have the respective meanings specified in this *Section 1*. Capitalized terms not defined in this Agreement shall have the meanings specified in the Act.

"Act" means the California Revised Uniform Limited Liability Company Act, Title 2.6 of the California Corporations Code, as amended from time to time.

"Adjusted Capital Account Deficit" means, with respect to any Interest Holder, the deficit balance, if any, in the Interest Holder's Capital Account as of the end of the relevant taxable year, after giving effect to the following adjustments:

(a) the deficit shall be decreased by the amounts which the Interest Holder is obligated to restore pursuant to *Section 4.4.2* "*Effect Of Negative Capital Account*" or is deemed obligated to restore pursuant to Regulation Sections 1.704-1(b)(2)(ii)(c), 1.704-2(g), and 1.704-2(i)(5); and

(b) the deficit shall be increased by the items described in Regulation Sections 1.704-1(b)(2)(ii)(d)(4), (5), and (6).

"Adjusted Capital Balance" means, as of any day, an Interest Holder's total Contributions less all amounts actually distributed to the Interest Holder pursuant to *Section4.2.3 "Capital Proceeds"* and *4.4* "*Liquidation and Dissolution*" hereof. If any Interest is transferred in accordance with the terms of this Agreement, the Transferee shall succeed to the Adjusted Capital Balance of the transferor to the extent the Adjusted Capital Balance relates to the Interest transferred.

"Affiliate" means:

(a) a Person directly or indirectly controlling, controlled by, or under common control with another Person;

(b) a Person owning or controlling 10 percent or more of the outstanding voting securities or beneficial interests of another Person;

(c) an officer, director, partner, or member of the immediate family of an officer, director or partner, of another Person; and/or (d) any affiliate of any such Person.

"Agreement" means this Operating Agreement, as amended from time to time including each exhibit hereto.

"Assignee" means the Person who has acquired an Economic Interest in the Company but is not a Member.

"Capital Account" means the account to be maintained by the Company for each Interest Holder in accordance with the following provisions:

(a) an Interest Holder's Capital Account shall be credited with the amount of money and the fair market value of any property contributed to the Company (net of liabilities secured by such property that the Company either assumes or to which such property is subject); the amount of any Company unsecured liabilities assumed by the Interest Holder; and the Interest Holder's distributive share of Profit; and any item in the nature of income or gain specially allocated to the Interest Holder pursuant to the provisions of *Section4.3* "Regulatory *Allocations*" (other than *Section 4.3.3* "*Contributed Property and Book-Ups*"); and

(b) an Interest Holder's Capital Account shall be debited with the amount of money and the fair market value of any Company property distributed to the Interest Holder (net of liabilities secured by such distributed property that the Interest Holder either assumes or to which such property is subject); the amount of any unsecured liabilities of the Interest Holder assumed by the Company; and the Interest Holder's distributive share of Loss and any item in the nature of expenses or losses specially allocated to the Interest Holder pursuant to the provisions of *Section 4.3 "Regulatory Allocations"* (other than *Section 4.3.3 "Contributed Property and Book-Ups"*).

If any Interest is transferred pursuant to the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent the Capital Account is attributable to the transferred Interest. If the book value of Company property is adjusted pursuant to *Section 4.3 "Regulatory Allocations"*, the Capital Account of each Interest Holder shall be adjusted to reflect the aggregate adjustment in the same manner as if the Company had recognized gain or loss equal to the amount of such aggregate adjustment. It is intended that the Capital Accounts of all Interest Holders shall be maintained in compliance with the provisions of Regulation Section 1.704-1(b), and all provisions of this Agreement relating to the maintenance of Capital Accounts shall be interpreted and applied in a manner consistent with that Regulation.

"Capital Proceeds" means the gross receipts received by the Company from a Capital Transaction.

"Capital Transaction" means any transaction not in the ordinary course of business which results in the Company's receipt of cash or other consideration other than Contributions, including, without limitation, proceeds of sales, exchanges, or other dispositions of property not in the ordinary course of business, financings, refinancings, condemnations, recoveries of damage awards, and insurance proceeds.

"Cash Flow" means all cash derived from operations of the Company (including interest received on reserves), without reduction for any non-cash charges, but less cash used to pay current operating expenses and to pay or establish reasonable reserves for future expenses, debt payments, capital improvements, and replacements as determined by the General Manager. Cash Flow shall not include Capital Proceeds but shall be increased by the reduction of any reserve previously established.

"Code" means the Internal Revenue Code of 1986, as amended, or any corresponding provision of any succeeding revenue law.

"Company" means the limited liability company formed in accordance with this Agreement.

"Contribution" means any money, property, or services rendered, or a promissory note or other binding obligation to contribute money or property, or to render services as permitted in this title, which a Member contributes to a Limited Liability Company as capital in that Member's capacity as a Member pursuant to an agreement between the Members, including an agreement as to value.

"Economic Interest" means a person's right to share in the income, gains, losses, deductions, credit, or similar items of, and to receive Distributions from, the Company, but does not include any other rights of a Member including, without limitation, the right to Vote or to participate in management, or any right to information concerning the business and affairs of the Company.

"General Manager" means the Person designated as such in *Section 5 "Management: Rights, Powers, and Duties"*.

"Interest Holder" means any Person who holds an Economic Interest, whether as a Member or as an Assignee of a Member.

"Involuntary Withdrawal" means, with respect to any Member, the occurrence of any of the following events:

(a) the Member makes an assignment for the benefit of creditors;

(b) the Member is bankrupt;

(c) the Member files a petition seeking for the Member any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any state law;

(d) the Member seeks, consents to, or acquiesces in the appointment of a trustee for, receiver for, or liquidation of the Member or of all or any substantial part of the Member's properties;

(e) if the Member is an individual, the Member's death or adjudication by a court of competent jurisdiction as incompetent to manage the Member's person or property;

(f) if the Member is acting as a Member by virtue of being a trustee of a trust, the termination of the trust;

(g) if the Member is a partnership or limited liability company, the dissolution and commencement of winding up of the partnership or limited liability company;

(h) if the Member is a corporation, the dissolution of the corporation or the revocation of its charter;

(i) if the Member is a partnership, limited liability company or corporation, a change in control of such entity;

(j) if the Member is an estate, the distribution by the fiduciary of the estate's entire interest in the Company; or

(k) if the Member files an action seeking a decree of judicial dissolution pursuant to Section 17351 of the Act.

"Member" means any person who executes a counterpart of this Agreement as a Member and any Person who subsequently is admitted as a Member of the Company.

"Member Loan Nonrecourse Deductions" means any Company deductions that would be Nonrecourse Deductions if they were not attributable to a loan made or guaranteed by a Member within the meaning of Regulation Section 1.704-2(i).

"Member Nonrecourse Debt Minimum Gain" has the meaning set forth in Regulation Section 1.704-2(i)(2) (determined by substituting "Member" or "interest Holder" for "partner").

"Membership Interest" means a Member's rights in the Company, collectively, including the Member's Economic Interest, any right to vote or participate in management, and any right to information concerning the business and affairs of the Company.

"Minimum Gain" has the meaning set forth in Regulation Section 1.704-2(d). Minimum Gain shall be computed separately for each Interest Holder in a manner consistent with the Regulations under IRC Section 704(b).

"Negative Capital Account" means a Capital Account with a balance of less than zero.

"Nonrecourse Deductions" has the meaning set forth in Regulation Section 1.704-2(b)(1). The amount of Nonrecourse Deductions for a taxable year of the Company equals the net increase, if any, in the amount of Minimum Gain during that taxable year, determined according to the provisions of Regulation Section 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Regulation Section 1.704-2(b)(3).

"Percentage" means, as to a Member, the percentage set forth after the Member's name on *Exhibit* A, as amended from time to time, and as to an Interest Holder who is not a Member, the Percentage or part of the Percentage that corresponds to the portion of a Member's Economic Interest that the Interest Holder has Acquired, to the extent the Interest Holder has succeeded to that Member's interest.

"Person" means and includes an individual, corporation, partnership, association, limited liability company, trust, estate, or other entity.

"Positive Capital Account" means a Capital Account with a balance greater than zero.

"Profit" **and** ***"Loss"*** means, for each taxable year of the Company (or other period for which Profit or Loss must be computed), the Company's taxable income or loss determined in accordance with IRC Section 703(a), with the following adjustments:

(a) all items of income, gain, loss, deduction, or credit required to be stated separately pursuant to IRC Section 703(a)(1) shall be included in computing taxable income or loss;

(b) any tax-exempt income of the Company, not otherwise taken into account in computing Profit or Loss, shall be included in computing taxable income or loss;

(c) any expenditures of the Company described in IRC Section 705(a)(2)(B) (or treated as such pursuant to Regulation Section 1.704-1(b)(2)(iv)(i)) and not otherwise taken into account in computing Profit or Loss, shall be subtracted from taxable income or loss;

(d) gain or loss resulting from any taxable disposition of Company property shall be computed by reference to the book value as adjusted under Regulation Section 1.704-1(b) ("adjusted book value") of the property disposed of, notwithstanding the fact that the adjusted book value differs from the adjusted basis of the property for federal income tax purposes;

(e) in lieu of the depreciation, amortization, or cost recovery deductions allowable in computing taxable income or loss, there shall be taken into account the depreciation computed based upon the adjusted book value of the asset; and

(f) notwithstanding any other provision of this definition, any items which are specially allocated pursuant to *Section 4.3 "Regulatory Allocations"* shall not be taken into account in computing Profit or Loss.

"Regulation" means the income tax regulations, including any temporary regulations, from time to time promulgated under the Code.

"Secretary of State" means the Secretary of State of the State of California.

"Transfer" means, when used as a noun, any sale, hypothecation, pledge, assignment, attachment, or other transfer, and, when used as a verb, to sell hypothecate, pledge, assign, or otherwise transfer.

"Voluntary Withdrawal" means a Member's disassociation from the Company by means other than a Transfer or an Involuntary Withdrawal.

2. FORMATION AND NAME; OFFICE; PURPOSE; TERM

2.1 *Organization*

The parties hereby organize a limited liability company pursuant to the Act and the provisions of this Agreement. The Company shall cause Articles of Organization to be prepared, executed, and filed with the Secretary of State.

2.2 *Name of the Company*

The name of the Company is Pacific Grove Senior Living LLC.

2.3 *Purpose*

The Company is organized solely to purchase, acquire, buy, sell, own, trade in, hold, develop, lease, manage, and otherwise deal in and with real property and improvements and to do any and all things necessary, convenient, or incidental to that purpose including, without limitation.

2.4 *Term*

The Company shall continue in existence until December 31, 2060, unless sooner dissolved as provided by this Agreement or the Act.

2.5 *Principal Place of Business*

The Company's Principal Place of Business shall be located at 1775 Hancock Street, Suite 200, San Diego, CA 92110, or at any other place as the General Manager selects.

2.6 *Resident Agent*

The name and address of the Company's resident agent in the State of California are Paracorp Incorporated, 2804 Gateway Oaks Drive, #200, Sacramento, CA 95833-3509.

2.7 *Members*

The name, present mailing address, taxpayer identification number, and Percentage of each Member are set forth on *Exhibit* A.

3. MEMBERS; CAPITAL; CAPITAL ACCOUNTS

3.1 Initial Contributions

As of the date of the execution of this Agreement, the Members have contributed to the Company cash and other properties in kind as set forth on *Exhibit* A.

3.2 Additional Contributions

No Member shall be required to contribute any additional capital to the Company, and no Member shall have personal liability for any obligation of the Company except as expressly provided by law. No Member shall contribute additional capital to the Company without the express written consent of the General Manager. Should any Member, with the written consent of the General Manager, voluntarily elect to make additional capital contributions from time to time the General Manager shall then promptly amend *Exhibit A* to reflect such additional contribution.

3.3 Interest on Contributions

No Member shall be entitled to interest on his or her contributions.

3.4 Return of Contributions

Except as otherwise provided in this Agreement, no Member nor Interest Holder shall have the right to receive the return of any Contribution or withdraw from the Company, except upon the dissolution of the Company.

3.5 Form of Return of Capital

If a Member or an Interest Holder is entitled to receive the return of a Contribution, the Company may distribute in lieu of money, notes, or other, property having a value equal to the amount of money distributable to such Person.

3.6 Capital Accounts

A separate Capital Account shall be maintained for each Member and Interest Holder.

3.7 Loans and Other Business Transactions

Any Member may, at any time, make or cause a loan to be made to the Company in any amount and on those terms upon which the Company and the Member agree. Members may also transact other business with the Company and, in doing so, they shall have the same rights and be subject to the same obligations arising out of any such business transaction as would be enjoyed by and imposed upon any Person, not a Member, engaged in a similar business transaction with the Company.

4. PROFIT, LOSS, AND DISTRIBUTION

4.1 Allocations of Profit or Loss and Distributions of Cash Other Than from Capital Transactions

4.1.1 Profit or Loss Other Than from a Capital Transaction

After giving effect to the special allocations set forth in *Section 4.3* "*Regulatory Allocations*", for any taxable year of the Company, Profit or Loss (other than Profit or Loss resulting from a Capital Transaction, which Profit or Loss shall be allocated in accordance with the provisions of *Sections 4.2.1* "*Profit*" and *4.2.2* "*Loss*") shall be allocated to the Interest Holders in proportion to their Percentages.

4.1.2 Cash Flow

Subject to the management and incentive fees payable to the General Manager under Section 5.3.2, Cash Flow for each taxable year of the Company shall be distributed to the Interest Holders in proportion to their Percentages no later than seventy-five (75) days after the end of the taxable year.

4.2 Allocation of Profit or Loss from a Capital Transaction

After giving effect to the special allocations set forth in *Section 4.3 "Regulatory Allocations"*, Profit and Loss from a Capital Transaction shall be allocated as follows. For purposes of this Section *4.2*, (a) Profit, if any, shall be allocated to payment of accrued interest outstanding attributable to each Interest Holder's Capital Account as specified in *Section 3.3* "*Interest on Contributions*" (b) Profit, if any remaining, and Loss shall be allocated prior to reducing

Capital Accounts by the distribution of the Proceeds from the Capital Transaction and (c) an Interest Holder's Capital Account shall be determined by crediting to each Interest Holder's Capital Account such Interest Holder's share of Minimum Gain and Member Nonrecourse Debt Minimum Gain remaining after such Capital Transaction.

4.2.1 Profit

Profit from a Capital Transaction shall be allocated among the Interest Holders in the following order of priority:

(a) First, if one or more Interest Holders has a Negative Capital Account, to those Interest Holders, in proportion to their Negative Capital Accounts, until all of those Negative Capital Accounts have been reduced to zero.

(b) Second, to the Interest Holders as necessary to cause each Interest Holder's Capital Account to equal its respective Adjusted Capital Balance.

(c) Third, any Profit in excess of the foregoing allocations shall be allocated to the Interest Holders in proportion to their Percentages.

4.2.2 Loss

Loss from a Capital Transaction shall be allocated among the Interest Holders in the following order of priority:

(a) First, to the Interest Holders, as necessary to cause the portion of their Capital Accounts, if any, exceeding their Adjusted Capital Balances, to be in the ratio of their Percentages.

(b) Second, to the Interest Holders in proportion to their Percentages as necessary to eliminate the excess of their respective Capital Accounts over their respective Adjusted Capital Balances.

(c) Third, to the Interest Holders in proportion to their Adjusted Capital Balances until all Positive Capital Accounts have been reduced to zero.

(d) Fourth, any Loss remaining shall be allocated to the Interest Holders in proportion to their Percentages.

4.2.3 Capital Proceeds

Except as provided in *Section 4.4* "*Liquidation and Dissolution*" with respect to the Distribution of Capital Proceeds derived in connection with liquidation of the Company, and subject to the management and incentive fees payable to the General Manager under Section 5.3.2, Capital Proceeds shall be distributed and applied by the Company in the following order and priority:

(a) To the payment of all expenses of the Company incident to the Capital Transaction; then

(b) To the payment of debts and liabilities of the Company then due and outstanding (including all debts due to any Interest Holder); then

(c) To the establishment of any reserves which the General Manager deems necessary for liabilities or obligations of the Company; then

(d) The balance shall be distributed as follows:

(i) To the Interest Holders in proportion to their Adjusted Capital Balances, until their remaining Adjusted Capital Balances have been paid in full;

(ii) The balance, to the Interest Holders in proportion to their Percentages.

4.2.4 Distributions To Partial Repayment Of Capital

If there is insufficient Profit or Loss from a Capital Transaction to allocate to the Interest Holders pursuant to any subsection of *Section 4.2* "*Allocation of Profit or Loss from a Capital Transaction*" to cause every Interest Holder's Capital Account balance to equal the entire Capital Account balance described in such subsection with respect to such Interest Holder, Profit or Loss from a Capital Transaction available to be allocated among the Interest Holders pursuant to said subsection shall be allocated in proportion to the amounts thereof that would have been allocated to each Interest Holder pursuant to such subsection if there had been sufficient amounts thereof to fully satisfy the requirements of such subsection with respect to every Interest Holder.

4.3 Regulatory Allocations

4.3.1 Impermissible Deficit and Qualified Income Offset

No Interest Holder shall be allocated Losses or deductions if the allocation causes the Interest Holder to have an Adjusted Capital Account Deficit; instead, such items shall be allocated to the other Interest Holders. If an Interest Holder for any reason (whether or not expected) receives (1) an allocation of Loss or deduction (or item thereof) or (2) any Distribution, which causes the Interest Holder to have an Adjusted Capital Account Deficit at the end of any taxable year, then all items of income and gain of the Company (consisting of a pro rata portion of each item of Company income, including gross income and gain) for that taxable year shall be allocated to that Interest Holder, before any other allocation is made of Company items for that taxable year (other than an allocation under *Section 4.3.2* "*Minimum Gain Chargebacks*"), in the amount and in proportions required to eliminate the excess as quickly as possible. This *Section 4.3.1* is intended to comply with, and shall be interpreted consistently with, the "alternate test for economic effect" and "qualified income offset" provisions of the Regulations promulgated under IRC Section 704(b).

4.3.2 Minimum Gain Chargebacks

In order to comply with the "minimum gain chargeback" requirements of Regulation Sections 1.704-2(f)(1) and 1.704-2(i)(4), and notwithstanding any other provision of this Agreement to the contrary, in the event there is a net decrease in an Interest Holder's share of Minimum Gain and/or Member Nonrecourse Debt Minimum Gain during a Company's taxable year, such Interest Holder shall be allocated items of income and gain for that year (and if necessary, other years) as required by and in accordance with Regulation Sections 1.704-2(f)(1) and 1.704-2(i)(4) before any other allocation is made. It is the intent of the parties hereto that any allocation pursuant to this *Section 4.3.2* shall constitute a "minimum gain chargeback" under Regulation Section 1.704-2(f) and 1.704-2(i)(4).

4.3.3 Contributed Property and Book-Ups

In accordance with IRC Section 704(c) and the Regulations thereunder, including Regulation Section 1.704-l(b)(2)(iv)(d)(3), income, gain, loss, and deduction with respect to any property contributed (or deemed contributed) to the Company shall, solely for tax purposes, be allocated among the Interest Holders so as to take account of any variation between the adjusted basis of the property to the Company for federal income tax purposes and its fair market value at the date of Contribution (or deemed Contribution). If the adjusted book value of any Company asset is adjusted under Regulation Section 1.704-1(b)(2)(iv)(f), subsequent allocations of income, gain, loss, and deduction with respect to the asset shall take account any variation between the adjusted basis of the asset for federal income tax purposes and its adjusted book value in the manner required under IRC Section 704(c) and the Regulations thereunder. The parties hereto agree to use the traditional method with curative allocations, as described in Regulation Section 1.704-3(c), for making IRC Section 704(c) allocations.

4.3.4 IRC Section 754 Adjustment

To the extent an adjustment to the tax basis of any Company asset pursuant to IRC Section 734(b) or IRC Section 743(b) is required, pursuant to Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of the adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases basis), and the gain or loss shall be specially allocated to the Interest Holders in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to that Section of the Regulations.

4.3.5 Nonrecourse Deductions

Nonrecourse Deductions for a taxable year or other period shall be specially allocated among the Interest Holders in proportion to their Percentages.

4.3.6 Member Loan Nonrecourse Deductions

Any Member Loan Nonrecourse Deduction for any taxable year or other period shall be specially allocated to the Interest Holder who bears the risk of loss with respect to the loan to which the Member Loan Nonrecourse Deduction is attributable in accordance with Regulation Section 1.704-2(i).

4.3.7 Guaranteed Payments

To the extent any compensation paid to any Interest Holder by the Company, including any fees payable to any Interest Holder pursuant to *Section 5.3* "*Personal Service*" hereof, is determined by the Internal Revenue Service not to be a guaranteed payment under IRC Section 707(c) or is not paid to the Interest Holder other than in the Person's capacity as a partner (Interest Holder) within the meaning of IRC Section 707(a), the Interest Holder shall be specially allocated gross income of the Company in an amount equal to the amount of that compensation, and the Interest Holder's Capital Account shall be adjusted to reflect the payment of that compensation.

4.3.8 Unrealized Receivables

If an Interest Holder's Economic Interest is reduced (provided the reduction does not result in a complete termination of the Interest Holder's Interest), the Interest Holder's share of the Company's "unrealized receivables" and "substantially appreciated inventory" (within the meaning of IRC Section 751) shall not be reduced, so that, notwithstanding any other provision of this Agreement to the contrary, that portion of the Profit otherwise allocable upon a liquidation or dissolution of the Company pursuant to *Section 4.4* "*Liquidation and Dissolution*" hereof which is taxable as ordinary income (recaptured) for federal income tax purposes shall, to the extent possible without increasing the total gain to the Company or to any Interest Holder, be specially allocated among the Interest Holders in proportion to the deductions (or basis reductions treated as deductions) giving rise to such recapture.

4.3.9 Withholding

All amounts required to be withheld pursuant to IRC Section 1446 or any other provision of federal, state, or local tax law shall be treated as amounts actually distributed to the affected Interest Holders for all purposes under this Agreement.

4.3.10 Nonrecourse Liabilities

Solely for purposes of determining an Interest Holder's proportionate share of "excess nonrecourse liabilities" of the Company within the meaning of Regulation Section 1.752-3(a)(3), the Interest Holders' interest in Company profits shall be based on their respective Percentages.

4.3.11 Intent of Allocations

The tax allocation provisions of this Agreement are intended to produce final Capital Account Balances of the Interest Holders that will permit liquidating distributions that are made in accordance with such final Capital Account Balances under *Section 4.4.1* "*To Interest Holders Capital Balances*" to be equal to the Distributions that would occur under *Section 4.2.3* "Capital Proceeds" (in the same order and priority) if such liquidating proceeds were distributed pursuant to *Section. 4.2.3* To the extent that the tax allocation provisions of this Agreement would not produce such final Capital Account Balances, (1) such provisions shall be amended by the General Manager if and to the extent necessary to produce such result and (2) taxable income or taxable loss of the Company for prior open years (or items of gross income and deduction of the Company) shall be reallocated among the Interest Holders to the extent it is not possible to achieve such result with allocations of income (including gross income) and deduction for the current year and future years. This *Section 4.3.11* shall control notwithstanding any reallocation or adjustment of taxable income, taxable loss, or items thereof by the Internal Revenue Service or any other taxing authority.

4.3.12 Income Tax Provisions

The Interest Holders are aware of the income tax consequences of this *Section 4* and agree to be bound by these provisions in reporting their shares of Profit, Losses, and other items for federal and state income tax purposes.

4.4 Liquidation and Dissolution

4.4.1 To Interest Holders Capital Balances

Upon liquidation of the company, the assets of the Company shall be distributed to the Interest Holders in accordance with the positive balances in their respective Capital Accounts, after giving effect to all Contributions, Distributions,

and allocations for all periods. Distributions to the Interest Holders pursuant to this *Section 4.4.1* shall be made in accordance with Regulation Section 1.704-1(b)(2)(ii)(b)(2).

4.4.2 Effect Of Negative Capital Account

No Interest Holder shall be obligated to restore a Negative Capital Account.

4.5 General

4.5.1 General Manager's Discretion

Except as otherwise provided in this Agreement, the timing and amount of all Distributions shall be determined by the General Manager.

4.5.2 Distributions In Kind

If any assets of the Company are distributed in kind to the Interest Holders, those assets shall be valued on the basis of their fair market value, and any Interest Holder entitled to any interest in those assets shall receive that interest as a tenant-in-common with all other Interest Holders so entitled. Unless the Members otherwise agree, the fair market value of the assets shall be determined by an independent appraiser who shall be selected by the General Manager. The Profit or Loss for each unsold asset shall be determined as if the asset had been sold at its fair market value, and the Profit or Loss shall be allocated as provided in *Section 4.2* "*Allocation of Profit or Loss from a Capital Transaction*" and shall be properly credited or charged to the Capital Accounts of the Interest Holders prior to the Distribution of the assets in liquidation pursuant to *Section 4.4* "*Liquidation and Dissolution*".

4.5.3 Interest Holders Of Record

All Profit and Loss shall be allocated and all distributions shall be made to the Persons shown on the records of the Company to have been Interest Holders as of the last day of the taxable year for which the allocation or Distribution is to be made. Notwithstanding the foregoing, unless the Company's taxable year is separated into segments, if there is a Transfer or an Involuntary Withdrawal during the taxable year, the Profit and Loss shall be allocated between the original Interest Holder and the successor on the basis of the number of days each was an Interest Holder during the taxable year; provided, however, the Company's taxable year shall be segregated into two or more segments in order to account for Profit, Loss, or proceeds attributable to a Capital Transaction or to any other extraordinary non-recurring items of the Company.

4.5.4 Authority To Amend Regulations To Comply With Code

The General Manager is hereby authorized, upon the advice of the Company's tax counsel, to amend this *Section* 4 to comply with the Code and the Regulations promulgated under IRC Section 704(b); provided, however, that no amendment shall materially affect Distributions to an Interest Holder without the Interest Holder's prior written consent.

5. MANAGEMENT: RIGHTS, POWERS, AND DUTIES

5.1 Management

5.1.1 General Manager

The Company shall be managed by a General Manager, who may, but need not be, a Member. Deepak Israni is hereby designated to serve as the initial General Manager.

5.1.2 General Powers

The General Manager shall have full, exclusive, and complete discretion, power, and authority, subject in all cases to the other provisions of this Agreement and the requirements of applicable law, to manage, control, administer, and

operate the business and affairs of the Company for the purposes herein stated, and to make all decisions affecting such business and affairs, including, without limitation, the power to:

(a) acquire by purchase, lease, or otherwise, any real or personal property, tangible or intangible;

(b) construct, operate, maintain, finance, and improve, and to own, sell, convey, assign, mortgage, or lease any real estate and any personal property;

(c) sell, dispose, trade, or exchange Company assets in the ordinary course of the Company's business;

(d) enter into agreements and contracts and to give receipts, releases, and discharges;

(e) purchase liability and other insurance to protect the Company's properties and business;

(f) borrow money for and on behalf of the Company, and, in connection therewith, execute and deliver instruments authorizing the confession of judgment against the Company;

(g) execute or modify leases with respect to any part or all of the assets of the Company;

(h) prepay, in whole or in part, refinance, amend, modify, or extend any mortgages or deeds of trust which may affect any asset of the Company and in connection therewith to execute for and on behalf of the Company any extensions, renewals, or modifications of such mortgages or deeds of trust;

(i) execute any and all other instruments and documents which may be necessary or in the opinion of the General Manager desirable to carry out the intent and purpose of this Agreement, including, but not limited to, documents whose operation and effect extend beyond the term of the Company;

(j) make any and all expenditures which the General Manager, in its sole discretion, deems necessary or appropriate in connection with the management of the affairs of the Company and the carrying out of its obligations and responsibilities under this Agreement, including, without limitation, expenditures for legal, accounting, and other related expenses incurred in connection with the organization, financing, and operation of the Company;

(k) enter into any kind of activity necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Company; and

(l) invest and reinvest Company reserves in short-term instruments or money market funds.

5.1.3 Extraordinary Transactions

Notwithstanding anything to the contrary in this Agreement, without the approval of the Members the General Manager shall not have the power and authority to take any of the following actions:

(a) the admission of a Member to the Company;

(b) causing the Company to engage in business in any jurisdiction which does not provide for the registration of limited liability companies; and

5.1.4 Limitation on Authority of Members

No Member is an agent of the Company solely by virtue of being a Member, and no Member has authority to act for the Company solely by virtue of being a Member. This *Section5.1.4* supersedes any authority granted to the Members pursuant to Section §17703.01 of the Act. Any Member who takes any action or binds the Company in violation of this *Section5.1.4* shall be solely responsible for any loss and expense incurred by the Company as a result of the unauthorized action and shall indemnify and hold the Company harmless with respect to the loss or expense.

5.1.5 Removal of General Manager

The Members, at any time and from time to time and for any reason, may remove the General Manager then acting and elect a new General Manager by affirmative Vote of Members holding Percentages which aggregate not less than 51% of voting interests in the Company.

5.2 Meetings of and Voting by Members

5.2.1 Who May Call

A meeting of the Members may be called at any time by the General Manager or by those Members holding at least a Majority in Interest of the Members. Meetings of Members shall be held at the Company's principal place of business or at any other place in San Diego County, California, designated by the Person or Persons calling the meeting. Not less than ten (10) nor more than sixty (60) days before each meeting, the Person or Persons calling the meeting shall give written notice of the meeting to each Member entitled to Vote at the meeting. The notice shall state the time, place, and purpose of the meeting. Notwithstanding the foregoing provisions, each Member who is entitled to notice may waive notice, either before or after the meeting, by executing a waiver of such notice, or by appearing at and participating, in person or by proxy in the meeting. Unless this Agreement provides otherwise, at a meeting of Members, the presence in person or by Proxy of Members holding Percentages which aggregate to not less than fifty-one percent (51%) constitutes a quorum. A Member may Vote either in person or by written Proxy signed by the Member or by the Member's duly authorized attorney in fact.

5.2.2 When Majority Approvals Required

Except as otherwise provided in this Agreement, the affirmative Vote of Members holding a majority of the aggregate Percentages present at the meeting in person and by proxy shall be required to approve any matter coming before the Members.

5.2.3 Action By Written Consent

In lieu of holding a meeting, the Members may take action by written consents specifying the action to be taken, which consents must be executed and delivered to the Company by Members whose combined Voting Power constitutes not less than 51% of the total Voting Power of all Members. Any such approved action shall be effective immediately. The Company shall give prompt notice to all Members of any action approved by Members by less than unanimous consent.

5.2.4 When Extra Majority Approvals Required

The following matters shall require the Vote or consent of the percentage interest of Members indicated after each such item for such action to be approved by the Members:

(a) Approval of the transfer of a Membership Interest and admission of an Assignee as a Member: a majority of the non-transferring Member Managers.

(b) An amendment to the Articles of Organization or this Agreement (51%).

(c) Removal of the General Manager (51%).

5.3 Personal Service

5.3.1 No Requirement To Perform Services

No Member shall be required to perform services for the Company solely by virtue of being a Member. Unless approved by the General Manager, no Member shall perform services for the Company or be entitled to compensation for services performed for the Company.

5.3.2 Compensation Of General Manager

The General Manager shall be entitled to compensation in the amount of $1,500.00/month plus, after all Members have received distributions equal to their Contributions, a management incentive fee of fifteen percent (15%) of Cash Flow and/or cash available from any Capital Transaction. Upon substantiation of the amount and purpose thereof, the General Manager shall be entitled to reimbursement for expenses reasonably incurred, and advances reasonably made, in furtherance of the business of the Company.

5.4 Duties of Parties

5.4.1 General Manager To Devote Reasonable Time

The General Manager shall devote such time to the business and affairs of the Company as is necessary to carry out the General Manager's duties set forth in this Agreement.

5.4.2 No Restriction On Members Other Business Activities

Except as otherwise expressly provided in *Section 5.4.3* "*Manager's Fiduciary Duties Limited*", nothing in this Agreement shall be deemed to restrict in any way the rights of any Member, or of any Affiliate of any Member, to conduct any other business or activity whatsoever, and no Member shall be accountable to the Company or to any other Member with respect to that business or activity even if the business or activity competes with the Company's business. The organization of the Company shall be without prejudice to the Members' respective rights (or the rights of their respective Affiliates) to maintain, expand, or diversify such other interests and activities and to receive and enjoy profits or compensation therefrom. Each Member waives any rights the Member might otherwise have to share or participate in such other interests or activities of any other Member or the Member's Affiliates.

5.4.3 Manager's Fiduciary Duties Limited

The only fiduciary duties a Manager owes to the Company and the other Members are the duty of loyalty and the duty of care set forth in subdivisions (a) and (b):

(a) A Manager's duty of loyalty to the Company and the other Members is limited to the following:

(i) To account to the Company and hold as trustee for it any property, profit, or benefit derived by the Manager in the conduct or winding up of the Company's business or derived from a use by the Manager of Company property, including the appropriation of a Company opportunity, without the consent of the other Members;

(ii) To refrain from dealing with the Company in the conduct or winding up of the Company business as or on behalf of a party having an interest adverse to the Company without the consent of the other Members; and

(iii) To refrain from competing with the Company in the conduct of the Company business before the dissolution of the Company without the consent of the other Members.

(b) A Manager's duty of care to the Company and the other Members in the conduct and winding up of the Company business is limited to refraining from engaging in grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of law.

5.4.4 Fiduciary Duties Of Members Limited

Members who are not Managers do not have, and shall not be deemed to have, fiduciary duties to the Company or the other Members except to the extent any such fiduciary duty shall be based upon or arise out of another relationship or contract between such Member and the person or entity asserting the existence of a fiduciary duty.

5.5 Indemnification of Each Manager

5.5.1 Liability Of Managers Limited

No Manager shall be liable, responsible, or accountable, in damages or otherwise, to any Member or to the Company for any act performed by such Manager within the scope of the authority conferred on such Manager by this Agreement, and within the standard of care specified in *Section 5.5.2* "*Company To Indemnify Managers*".

5.5.2 Company To Indemnify Managers

The Company shall indemnify each Manager for any act performed by the Manager within the scope of the authority conferred on the Manager by this Agreement, unless such act constitutes grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of law.

5.6 Power of Attorney

5.6.1 Grant of Power

Each Member constitutes and appoints the General Manager as the Member's true and lawful attorney-in-fact ("Attorney-in-Fact"), and in the Member's name, place, and stead, to make, execute, sign, acknowledge, and file:

(a) one or more Articles of Organization;

(b) all documents (including amendments to Articles of Organization) which the Attorney-in-Fact deems appropriate to reflect any amendment, change, or modification of this Agreement;

(c) any and all other certificates or other instruments required to be filed by the Company under the laws of the State of California or of any other state or jurisdiction, including, without limitation, any certificate or other instruments necessary in order for the Company to continue to qualify as a Limited Liability Company under the laws of the State of California;

(d) one or more fictitious trade name certificates; and

(e) all documents which may be required to dissolve and terminate the Company and to cancel its Articles of Organization.

5.6.2 Irrevocability

The foregoing power of attorney is irrevocable and is coupled with an interest, and, to the extent permitted by applicable law, shall survive the death or disability of a Member. It also shall survive the Transfer of a Membership Interest, except that if the Assignee is admitted as a Member, this power of attorney shall survive the delivery of the assignment for the sole purpose of enabling the Attorney-in-Fact to execute, acknowledge, and file any documents needed to effectuate the substitution. Each Member shall be bound by any representations made by the Attorney-in-Fact acting in good faith pursuant to this power of attorney, and each Member hereby waives any and all defenses which may be available to contest, negate, or disaffirm the action of the Attorney-in-Fact taken in good faith under this power of attorney.

6. TRANSFER OF INTERESTS AND WITHDRAWALS OF MEMBERS

6.1 Transfers Of Membership Interests Restricted

Except as provided herein, no Member may Transfer all, or any portion of, or any interest or rights in, the Membership Interest owned by the Member. Each Member hereby acknowledges the reasonableness of this prohibition in view of the purposes of the Company and the relationship of the Members. The attempted Transfer of any portion or all of a Membership Interest in violation of the prohibition contained in this *Section 6.1* shall be deemed invalid, null and void, and of no force or effect, except any Transfer mandated by operation of law and then only to the extent necessary to give effect to such Transfer by operation of law. Notwithstanding anything to the contrary in this Section 6.1 or elsewhere in this Agreement, any Member who is a living person (as opposed to an entity) may transfer his or her Membership Interest and/or his or her Economic Interest to himself or herself and/or to his or her spouse, as trustee of a revocable family trust for estate planning purposes, without the consent of any other Member or Manager and without complying with any right of first refusal or other restriction on transfer; provided, however, written notice of such transfer shall first be given to the Manager before such transfer shall become effective.

6.1.1 Transfer Of Economic Interests Conditioned

A Member may Transfer all or any portion of or any interest or rights in the Member's Economic Interest if each of the following conditions ("Conditions of Transfer") is satisfied:

(a) the Transfer may be accomplished without registration, or similar process, under federal and state securities laws;

(b) the transferee delivers to the Company a written agreement to be bound by the terms of *Section 6* of this Agreement;

(c) the Transfer will not result in the termination of the Company pursuant to IRC Section 708;

(d) the Transfer will not result in the Company being subject to the Investment Company Act of 1940, as amended;

(e) the transferor or the transferee delivers the following information to the Company: (i) the transferee's taxpayer identification number; and (ii) the transferee's initial tax basis in the transferred Membership Interest; and

(f) the transferor complies with the provisions set forth in *Section 6.1.3* "Right of First Refusal".

6.1.2 Rights Of Transferee Of Economic Interest

If the Conditions of Transfer are satisfied, the Member may Transfer all or any portion of the Member's Economic Interest. The Transfer of an Economic Interest pursuant to this *Section 6.1* shall not result in the Transfer of any of the transferor's other Membership rights. The transferee of the Economic Interest shall have no right to: (i) become a Member; (ii) exercise any Membership rights other than those specifically pertaining to the ownership of an Economic Interest; or (iii) act as an agent of the Company.

6.1.3 Right of First Refusal

If a Member (a "Transferor") receives a bona fide written offer which the Member desires to accept (the "Transferee Offer") from any other Person, including another Member (a "Transferee") to purchase all or any portion of or any interest or rights in the Transferor's Economic Interest (the "Transferor Interest") then, prior to any Transfer of the Transferor's Interest, the Transferor shall give the Company written notice (the "Transfer Notice") containing each of the following:

(a) the Transferee's identify;

(b) a true and complete copy of the Transferee Offer; and

(c) the Transferor's offer (the "Offer") to sell the Transferor Interest to the Company for consideration equal to that contained in the Transferee Offer or, if the consideration specified in the Transferee Offer is not specified as cash, then for consideration in U.S. Dollars equal in value to the consideration specified in the Transferee Offer (the "Transfer Purchase Price").

(d) The Offer shall be and remain irrevocable for a period (the "Offer Period") ending at 11:59 P.M. local time at the Company's principal office, on the sixtieth (60th) day following the date the Transfer Notice is given to the Company. At any time during the Offer Period, the Company may accept the Offer by giving written notice to the Transferor of its acceptance (the "Offeree Notice"). The Transferor shall not be deemed a Member for the purpose of the Vote on whether the Company shall accept the Offer. If the Company accepts the Offer, the Offeree Notice shall fix a closing date (the "Transfer Closing Date") for the purchase, which shall not be earlier than ten (10) or more than sixty (60) days after the expiration of the Offer Period.

(e) If the Company accepts the Offer, the Transfer Purchase Price shall be paid on the Transfer Closing Date unless the Company elects prior to or on the Transfer Closing Date to pay the Transfer Purchase Price in installments pursuant to the provisions of *Section 6.2.2* "*Members Rights Following Voluntary Withdrawal*" of this Agreement.

(f) If the Company does not accept the Offer in its entirety within thirty (30) days after the Offer Date, the Company shall give immediate notice to that effect (the "Remaining Members Notice") to each Member, other than the Transferor (the "Remaining Members"). Such notice to the Remaining Members shall include a copy of the Transfer Notice and inform the Remaining Members of their right to purchase all, or a portion, of the Transferor Interest for a pro rata portion of the Transfer Purchase Price.

(g) The Remaining Members Notice shall be and remain irrevocable for the remainder of the Offer Period. At any time during such period, a Remaining Member may accept the offer by notifying the Transferor in writing that the Remaining Member intends to purchase all, but not less than all, of the Transferor Interest. If two (2) or more Remaining Members desire to accept the Offer, then, in the absence of an agreement between or among them, each such Remaining Member shall purchase the Transferor Interest in the proportion that such Member's respective Percentage bears to the total Percentages of all of the Remaining Members who desire to accept the Offer, adjusted to reflect the portion, if any, of the Transferor Interest to be purchased by the Company.

(h) If the Company and/or the Remaining Members (collectively, the "Purchasers") have accepted the Offer prior to the end of the Offer Period, any Purchaser may give written notice to that effect to the Transferor specifying a closing date (the "Transfer Closing Date") for the purchase which shall be no earlier than ten (10) nor later than sixty (60) days after the expiration of the Offer Period.

(i) On the Transfer Closing Date the Purchasers shall pay the Transfer Purchase Price unless the Purchasers elect prior to or on the Transfer Closing Date to pay the Transfer Purchase Price in installments pursuant to the provisions of *Section 6.2.2 "Members Rights Following Voluntary Withdrawal"* of this Agreement.

(j) If neither the Company nor any Remaining Member accepts the Offer (within the time and in the manner specified in this Section), then the Transferor shall be free for a period (the "Permitted Transfer Period") of thirty (30) days after the expiration of the Offer Period to Transfer the Transferor Interest to the Transferee, for the same or greater price and on the same terms and conditions as set forth in the Transfer Notice. The Transfer shall be subject, however, to the Conditions of Transfer. If the Transferor does not Transfer the Transferor's Interest within the Permitted Transfer Period, the Transferor's right to Transfer the Transferor Interest pursuant to this Section shall cease and terminate.

(k) Any Transfer by the Transferor after the last day of the Permitted Transfer Period or without strict compliance with the terms, provisions, and conditions of this Section and the other terms, provisions, and conditions of this Agreement, shall be null and void and of no force or effect.

6.2 Withdrawal of a Member

6.2.1 Members Voluntary Withdrawal Restricted

No Member shall have the right or power to Voluntarily Withdraw from the Company, except as otherwise provided by this Agreement.

6.2.2 Members Rights Following Voluntary Withdrawal

Upon withdrawal of any Member as permitted under the terms of this *Section 6.2* , the Withdrawn Member and the Company shall have the respective rights and obligations set forth in *Section 6.3 "Optional Buy-out in Event of Involuntary Withdrawal"* of this Agreement provided, however, that the Withdrawn Member's Membership Interest shall be valued at Book Value and, provided further, that the Company shall have the right to pay the amount due the Withdrawing Member in twelve (12) equal monthly payments, the first of which shall be due on the thirtieth (30th) day following the date upon which such amount due shall be finally determined.

6.2.3 Members Involuntary Withdrawal

"Involuntary Withdrawal" means, with respect to any Member, the occurrence of any of the following events:

(a) the Member makes an assignment for the benefit of creditors;

(b) the Member is bankrupt;

(c) the Member files a petition seeking for the Member any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any state law;

(d) the Member seeks, consents to, or acquiesces in the appointment of a trustee for, receiver for, or liquidation of the Member or of all or any substantial part of the Member's properties;

(e) if the Member is an individual, the Member's death or adjudication by a court of competent jurisdiction as incompetent to manage the Member's person or property;

(f) if the Member is acting as a Member by virtue of being a trustee of a trust, the termination of the trust;

(g) if the Member is a partnership or limited liability company, the dissolution and commencement of winding up of the partnership or limited liability company;

(h) if the Member is a corporation, the dissolution of the corporation or the revocation of its charter;

(i) if the Member is a partnership, limited liability company or corporation, a change in control of such entity;

(j) if the Member is an estate, the distribution by the fiduciary of the estate's entire interest in the Company; or

(k) if the Member files an action seeking a decree of judicial dissolution pursuant to Section 17351 of the Act.

6.3 Optional Buy-out in Event of Involuntary Withdrawal

6.3.1 Option To Company To Purchase Interest Of Withdrawing Member

If the Members elect to continue the Company after an Involuntary Withdrawal, the withdrawn Member or the successor in interest to such Member (the "Withdrawn Member") shall be deemed to offer for sale to the Company (the "Withdrawal Offer") all of the Membership Interest of the withdrawn Member (the "Withdrawal Interest").

6.3.2 Term And Method Of Acceptance Of Offer By Company

The Withdrawal Offer shall be and remain irrevocable for a period (the "Withdrawal Offer Period") ending at 11:59 P.M. local time at the Company's principal office on the sixtieth (60th) day following the date the Members elect to continue the Company. At any time during the Withdrawal Offer Period, the Company may accept the Withdrawal Offer by notifying the Withdrawn Member of its acceptance (the "Withdrawal Notice"). The Withdrawn Member shall not be deemed a Member or Manager for the purpose of the Vote on whether the Company shall accept the Withdrawal Offer.

6.3.3 Closing Date For Purchase

If the Company accepts the Withdrawal Offer, the Withdrawal Notice shall fix a closing date (the "Withdrawal Closing Date") for the purchase which shall be not earlier than ten (10) or later than ninety (90) days after the expiration of the Withdrawal Period.

6.3.4 Option Price

If the Company accepts the Withdrawal Offer, the Company shall purchase the Withdrawal Interest for the price equal to the amount the Withdrawn Member would receive if the Company were liquidated and the amount equal to the Appraised Value were available for distribution to the Members pursuant to *Section 4.4 "Liquidation and Dissolution"* (the "Withdrawal Purchase Price"). The Withdrawal Purchase Price shall be paid in cash on the Withdrawal Closing Date.

6.3.5 Status Of Withdrawn Member If Option Not Accepted By Company

If the Company fails to accept the Withdrawal Offer, then the Withdrawn Member, upon the expiration of the Withdrawal Offer Period, thereafter shall be treated as the unadmitted assignee of a Member.

6.4 Appraised Value

6.4.1 Method Determination Of "Appraised Value"

The term "Appraised Value" means the appraised value of the Company as hereinafter provided. Within fifteen (15) days after demand by either one to the other, the Company and the Withdrawn Member shall each appoint an appraiser to determine the value of the Company. If the two appraisers agree upon such value, they shall jointly render a single written report stating that value. If the two appraisers cannot agree upon the value of the Company, they shall each render a separate written report and shall appoint a third appraiser, who shall appraise the Company, determine its value, and render a written report of his or her opinion thereon. Each party shall pay the fees and other costs of the appraiser appointed by such party, and the fees and other costs of the third appraiser shall be shared equally by both parties.

The value contained in the aforesaid joint written report or written report of the third appraiser, as the case may be, shall be the Appraised Value; provided, however, that if the value of the equity contained in the appraisal report of the third appraiser is more than the higher of the first two appraisals, the higher of the first two appraisals shall govern; and provided, further, that if the value of the equity contained in the appraisal report of the third appraiser is less than the lower of the first two appraisals, the lower of the first two appraisals shall govern.

7. DISSOLUTION, LIQUIDATION, AND TERMINATION OF THE COMPANY

7.1 Events of Dissolution

The Company shall be dissolved upon the happening of the first to occur of an event specified in Section §17707.01 of the Act or any of the following events:

(a) on the date fixed for its termination in *Section 2.4* "*Term*";

(b) on the date of sale, other disposition of all of the real property whose acquisition, development, build out and re-sale is the principal purpose of this Company.

7.2 Procedure for Winding Up and Dissolution

If the Company is dissolved, the General Manager shall wind up its affairs. On winding up of the Company, the assets of the Company shall be distributed, first to creditors of the Company, including Interest Holders who are creditors, in satisfaction of the liabilities of the Company, and then, to the Interest Holders in accordance with *Section 4.4* "*Liquidation and Dissolution*" of this Agreement.

7.3 Filing of Certificate of Cancellation

Upon completion of the affairs of the Company, the General Manager shall promptly file the Certificate of Cancellation of Articles of Organization with the Secretary of State. If there is no General Manager, then the Certificate of Cancellation shall be filed by the remaining Members; if there are no remaining Members, the Certificate shall be filed by the last Person to be a Member; if there is neither a General Manager, remaining Members, nor a Person who last was a Member, the Certificate shall be filed by the legal or personal representatives of the Person who last was a Member.

8. BOOKS, RECORDS, ACCOUNTING, AND TAX ELECTIONS

8.1 Bank Accounts

All funds of the Company shall be deposited in a bank account or accounts opened in the Company's name. The General Manager shall determine the financial institution or institutions at which the accounts will be opened and maintained, the types of accounts, and the Persons who will have authority with respect to the accounts and the funds therein.

8.2 Books and Records

8.2.1 General Manager To Keep Books And Records

The General Manager shall keep or cause to be kept complete and accurate books, records, and financial statements of the Company and supporting documentation of transactions with respect to the conduct of the Company's business. The books, records, and financial statements of the Company shall be maintained on the accrual basis of accounting in accordance with generally accepted accounting principles. Such books, records, financial statements, and documents shall include, but not be limited to, the following:

(a) a current list of the full name and last known business or residence address of each Member and Interest Holder, in alphabetical order, with the Contribution and the share in profits and losses of each Member and Interest Holder specified in such list;

(b) a current list of the full name and business or residence address of each Manager;

(c) the Articles of Organization, including all amendments; and any powers of attorney under which the Articles of Organization or amendments were executed;

(d) federal, state, and local income tax or information returns and reports, if any, for the six most recent taxable years;

(e) this Agreement and any amendments thereto; and any Powers-of-Attorney under which this Agreement or amendments were executed;

(f) financial statements for the six most recent years;

(g) internal books and records for the current and three most recent years; and

(h) a true copy of relevant records indicating the amount, cost, and value of all property which the Company owns, claims, possesses, or controls.

8.2.2 Location Of Books And Records

Such books, records, and financial statements of the Company and supporting documentation shall be kept, maintained, and available at the Company's office within the State of California.

8.3 Right to Inspect Books and Records; Receive Information

8.3.1 Books And Records To Be Delivered On Request

Upon the reasonable request of a Member for a purpose reasonably related to the interest of that Member of the Company, the General Manager shall promptly deliver to the requesting Member at the expense of the Company a copy of this Agreement, as well as the information required to be maintained by the Company under subparagraphs (a), (b), and (d) of *Section 8.2.1 "General Manager To Keep Books And Records"*.

8.3.2 Members Right To Inspect

Each Member and Manager has the right upon reasonable request, and for purposes reasonably related to the interest of that Member or Manager of the Company, to do the following:

(a) to inspect and copy during normal business hours any of the records required to be maintained by the Company under *Section 8.2.1 "General Manager To Keep Books And Records"* of this Agreement; and

(b) to obtain from the Company promptly after becoming available, a copy of the Company's federal, state, and local income tax or information returns for each year.

8.3.3 Members Right To Require Interim Financial Statements

If the Company has more than thirty five (35) Members, Members representing at least five percent (5%) of the voting interests of all Members, or three (3) or more Members, may make a written request to a Manager for an income statement of the Company for the initial three-month, six-month, or nine-month period of the current fiscal year ended more than 30 days prior to the date of the request, and a balance sheet of the Company as of the end of that period. The statement must be delivered or Mailed to the Members within thirty (30) days thereafter. The financial statements referred to in this Paragraph shall be accompanied by the report thereon, if any, of the independent accountants engaged by the Company or, if there is no report, the certificate of the General Manager that the financial statements were prepared without audit from the books and records of the Company.

8.3.4 Annual Financial Statements

If the Company has more than thirty five (35) Members, the General Manager shall cause an annual report to be sent to each Member of the Company not later than one hundred twenty (120) days after the close of the Company's fiscal year. Such report must contain the Company's balance sheet as of the end of the Company's fiscal year and an income statement and statement of changes in financial position for such fiscal year. The financial statements referred to in this Paragraph shall be accompanied by the report thereon, if any, of the independent accountants engaged by the Company or, if there is no report, the certificate of the General Manager that the financial statements were prepared without audit from the books and records of the Company.

8.3.5 Amendments Pursuant To Power Of Attorney

If a Manager has executed an amendment to the Articles of Organization or this Agreement pursuant to a power of attorney from the Members, such Manager must promptly furnish to the Members a copy of such amendment.

8.3.6 Tax Information

The General Manager shall send or shall cause to be sent to each Member or Interest Holder within ninety (90) days after the end of each fiscal year of the Company: (i) such information as is necessary to complete federal and state income tax or information returns, and (ii) if the Company has thirty five (35) or fewer Members or Interest Holders, a copy of the Company's federal, state, and local income tax or information returns for the fiscal year.

8.3.7 Company's Right To Reimbursement

Unless otherwise expressly provided in this Agreement, the inspecting or requesting Member or Manager as the case may be, shall reimburse the Company for all reasonable costs and expenses incurred by the Company in connection with such inspection and copying of the Company's books and records and the production and delivery of any other books or records.

8.4 Annual Accounting Period

The annual accounting period of the Company shall be its taxable year. The Company's taxable year shall be selected by the General Manager, subject to the requirements and limitations of the Code.

8.5 Tax Matters Partner

The General Manager shall be the Tax Matters Partner for purposes of IRC Section 6231(a)(7), and shall have all the authority granted by the Code to the Tax Matters Partner, provided that the General Manager shall not have the authority without first obtaining the consent of the Members to do any of the following:

(a) Enter into a settlement agreement with the Internal Revenue Service that purports to bind the Members.

(b) File a petition as contemplated in IRC Section 6226(a) or IRC Section 6228.

(c) Intervene in any action as contemplated in IRC Section 6226(b)(5).

(d) File any request contemplated in IRC Section 6227(b).

(e) Enter into an agreement extending the period of limitations as contemplated in IRC Section 6229(b)(1)(B).

8.6 Tax Elections

The General Manager shall have the authority to make all Company elections permitted under the Code, including, without limitation, elections of methods of depreciation and elections under IRC Section 754. The decision to make or not make an election shall be at the General Manager's sole and absolute discretion.

8.7 Title to Company Property

All real and personal property acquired by the Company shall be acquired and held by the Company in the Company's name.

9. GENERAL PROVISIONS

9.1 Assurances

Each Member shall execute all certificates and other documents and shall do all such filing, recording, publishing, and other acts as the General Manager deems appropriate to comply with the requirements of law for the formation and operation of the Company and to comply with any laws, rules, and regulations relating to the acquisition, operation, or holding of the property of the Company.

9.2 Notifications

Any notice, demand, consent, election, offer, approval, request, or other communication (collectively a "notice") required or permitted under this Agreement must be in writing and either delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested. Any notice to be given hereunder by the Company shall be given by the General Manager. A notice must be addressed to an Interest Holder at the Interest Holder's last known

address on the records of the Company. A notice to the Company must be addressed to the Company's principal office. A notice delivered personally will be deemed given only when acknowledged in writing by the Person to whom it is delivered. A notice that is sent by Mail will be deemed given three (3) business days after it is Mailed. Any party may designate, by notice to all of the others, substitute addresses or addressees for notices; and, thereafter, notices are to be directed to those substitute addresses or addressees.

9.3 Specific Performance

The parties recognize that irreparable injury will result from a breach of any provision of this Agreement and that money damages will be inadequate to fully remedy the injury. Accordingly, in the event of a breach or threatened breach of one or more of the provisions of this Agreement, any party who may be injured (in addition to any other remedies which may be available to that party) shall be entitled to one or more preliminary or permanent orders (a) restraining and enjoining any act which would constitute a breach or (b) compelling the performance of any obligation which, if not performed, would constitute a breach.

9.4 Complete Agreement

This Agreement constitutes the complete and exclusive statement of the agreement among the Members. It supersedes all prior written and oral statements, including any prior representation, statement, condition, or warranty. Except as expressly provided otherwise herein, this Agreement may not be amended without the written consent of all of the Members.

9.5 Applicable Law

All questions concerning the construction, validity, and interpretation of this Agreement and the performance of the obligations imposed by this Agreement shall be governed by the internal law, not the law of conflicts, of the State of California.

9.6 Section and Section Titles

The headings herein are inserted as a matter of convenience only and do not define, limit, or describe the scope of this Agreement or the intent of the provisions hereof.

9.7 Binding Provisions

This Agreement is binding upon, and to the limited extent specifically provided herein, inures to the benefit of, the parties hereto and their respective heirs, executors, administrators, personal and legal representatives, successors, and assigns.

9.8 Jurisdiction and Venue

Any suit involving any dispute or matter arising under this Agreement may only be brought in the appropriate United States District Court in California or any California State Court having jurisdiction over the subject matter of the dispute or matter. All Members hereby consent to the exercise of personal jurisdiction by any such court with respect to any such proceeding.

9.9 Terms

Common nouns and pronouns shall be deemed to refer to the masculine, feminine, neuter, singular, and plural, as the identity of the Person may in the context require.

9.10 Severability of Provisions

Each provision of this Agreement shall be considered severable; and if, for any reason, any provision or provisions herein are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those portions of this Agreement which are valid.

9.11 Counterparts

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which, when taken together, constitute one and the same document. The signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

9.12 Estoppel Certificate

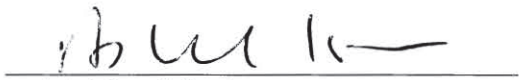
Each Member shall, within ten (10) days after written request by the General Manager, deliver to the requesting Person a certificate stating, to the Member's knowledge, that: (a) this Agreement is in full force and effect; (b) this Agreement has not been modified except by any instrument or instruments identified in the certificate; and (c) there is no default hereunder by the requesting Person, or if there is a default, the nature and extent thereof. If the certificate is not received within the 10-day period, the General Manager shall execute and deliver the certificate on behalf of the requested Member, without qualification, pursuant to the power of attorney granted in *Section 5.6* "*Power of Attorney*".

IN WITNESS WHEREOF, the parties have executed, or caused this Agreement to be executed, as of the date set forth hereinabove.

Deepak

By: _____
Deepak Israni, General Manager

Exhibit "A"
Members Names And Percentages

Name		% Interest
Ashok Israni and Lata Israni Family Trust, dated December 16, 2010	 Ashok Israni, Trustee	85.00%
Deepak Israni and Varsha Israni Family Trust, a revocable inter vivos trust dated May 3, 2011	 Deepak Israni, Trustee	10.00%
Sushil M. Israni and Reena S. Israni Revocable Trust, an inter vivos trust dated January 15, 2009	 Sushil Israni, Trustee	5.00%

California Secretary of State
Electronic Certified Copy

I, SHIRLEY N. WEBER, Ph.D., Secretary of State of the State of California, hereby certify that the attached transcript of 1 page is a full, true and correct copy of the original record in the custody of the California Secretary of State's office.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California on this day of February 24, 2022

SHIRLEY N. WEBER, Ph.D.
Secretary of State

Verification Number: BN2HD3
Entity (File) Number: 202205510103

To verify the issuance of this Certificate, use the Verification Number above with the Secretary of State Electronic Verification Search available at *bizfile.sos.ca.gov*

California Secretary of State
Electronic Filing

FILED
Secretary of State
State of California

LLC Registration – Articles of Organization

Entity Name:	Lake Merritt Senior Living LLC
Entity (File) Number:	202205510103
File Date:	02/22/2022
Entity Type:	Domestic LLC
Jurisdiction:	California

Certificate Verification Number: BN2HD3
Use bizfile.sos.ca.gov to verify the certified copy.

Detailed Filing Information

1. Entity Name: Lake Merritt Senior Living LLC

2. Business Addresses:
   a. Initial Street Address of Designated Office in California:
   1775 HANCOCK ST STE 200
   San Diego, California 92110
   United States

   b. Initial Mailing Address:
   1775 HANCOCK ST STE 200
   San Diego, California 92110
   United States

3. Agent for Service of Process: PARACORP INCORPORATED (C1082536)

4. Management Structure: One Manager

5. Purpose Statement: The purpose of the limited liability company is to engage in any lawful act or activity for which a limited liability company may be organized under the California Revised Uniform Limited Liability Company Act.

Electronic Signature:

The organizer affirms the information contained herein is true and correct.

Organizer: Deepak Israni

Use bizfile.sos.ca.gov for online filings, searches, business records, and resources.

OPERATING AGREEMENT OF
LAKE MERRITT SENIOR LIVING LLC
A CALIFORNIA LIMITED LIABILITY COMPANY

This Operating Agreement (this "Agreement") is entered into as of March 1, 2022 by and among the signatories to this Agreement.

Explanatory Statement

The parties have agreed to organize a limited liability company in accordance with the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. DEFINED TERMS

The following capitalized terms shall have the respective meanings specified in this *Section 1*. Capitalized terms not defined in this Agreement shall have the meanings specified in the Act.

"Act" means the California Revised Uniform Limited Liability Company Act, Title 2.6 of the California Corporations Code, as amended from time to time.

"Adjusted Capital Account Deficit" means, with respect to any Interest Holder, the deficit balance, if any, in the Interest Holder's Capital Account as of the end of the relevant taxable year, after giving effect to the following adjustments:

(a) the deficit shall be decreased by the amounts which the Interest Holder is obligated to restore pursuant to *Section 4.4.2* "*Effect Of Negative Capital Account*" or is deemed obligated to restore pursuant to Regulation Sections 1.704-1(b)(2)(ii)(c), 1.704-2(g), and 1.704-2(i)(5); and

(b) the deficit shall be increased by the items described in Regulation Sections 1.704-1(b)(2)(ii)(d)(4), (5), and (6).

"Adjusted Capital Balance" means, as of any day, an Interest Holder's total Contributions less all amounts actually distributed to the Interest Holder pursuant to *Section4.2.3 "Capital Proceeds"* and *4.4* "*Liquidation and Dissolution*" hereof. If any Interest is transferred in accordance with the terms of this Agreement, the Transferee shall succeed to the Adjusted Capital Balance of the transferor to the extent the Adjusted Capital Balance relates to the Interest transferred.

"Affiliate" means:

(a) a Person directly or indirectly controlling, controlled by, or under common control with another Person;

(b) a Person owning or controlling 10 percent or more of the outstanding voting securities or beneficial interests of another Person;

(c) an officer, director, partner, or member of the immediate family of an officer, director or partner, of another Person; and/or (d) any affiliate of any such Person.

"Agreement" means this Operating Agreement, as amended from time to time including each exhibit hereto.

"Assignee" means the Person who has acquired an Economic Interest in the Company but is not a Member.

"Capital Account" means the account to be maintained by the Company for each Interest Holder in accordance with the following provisions:

(a) an Interest Holder's Capital Account shall be credited with the amount of money and the fair market value of any property contributed to the Company (net of liabilities secured by such property that the Company either assumes or to which such property is subject); the amount of any Company unsecured liabilities assumed by the Interest Holder; and the Interest Holder's distributive share of Profit; and any item in the nature of income or gain specially allocated to the Interest Holder pursuant to the provisions of *Section4.3* "Regulatory *Allocations*" (other than *Section 4.3.3* "*Contributed Property and Book-Ups*"); and

(b) an Interest Holder's Capital Account shall be debited with the amount of money and the fair market value of any Company property distributed to the Interest Holder (net of liabilities secured by such distributed property that the Interest Holder either assumes or to which such property is subject); the amount of any unsecured liabilities of the Interest Holder assumed by the Company; and the Interest Holder's distributive share of Loss and any item in the nature of expenses or losses specially allocated to the Interest Holder pursuant to the provisions of *Section 4.3 "Regulatory Allocations"* (other than *Section 4.3.3 "Contributed Property and Book-Ups"*).

If any Interest is transferred pursuant to the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent the Capital Account is attributable to the transferred Interest. If the book value of Company property is adjusted pursuant to *Section 4.3 "Regulatory Allocations"*, the Capital Account of each Interest Holder shall be adjusted to reflect the aggregate adjustment in the same manner as if the Company had recognized gain or loss equal to the amount of such aggregate adjustment. It is intended that the Capital Accounts of all Interest Holders shall be maintained in compliance with the provisions of Regulation Section 1.704-1(b), and all provisions of this Agreement relating to the maintenance of Capital Accounts shall be interpreted and applied in a manner consistent with that Regulation.

"Capital Proceeds" means the gross receipts received by the Company from a Capital Transaction.

"Capital Transaction" means any transaction not in the ordinary course of business which results in the Company's receipt of cash or other consideration other than Contributions, including, without limitation, proceeds of sales, exchanges, or other dispositions of property not in the ordinary course of business, financings, refinancings, condemnations, recoveries of damage awards, and insurance proceeds.

"Cash Flow" means all cash derived from operations of the Company (including interest received on reserves), without reduction for any non-cash charges, but less cash used to pay current operating expenses and to pay or establish reasonable reserves for future expenses, debt payments, capital improvements, and replacements as determined by the General Manager. Cash Flow shall not include Capital Proceeds but shall be increased by the reduction of any reserve previously established.

"Code" means the Internal Revenue Code of 1986, as amended, or any corresponding provision of any succeeding revenue law.

"Company" means the limited liability company formed in accordance with this Agreement.

"Contribution" means any money, property, or services rendered, or a promissory note or other binding obligation to contribute money or property, or to render services as permitted in this title, which a Member contributes to a Limited Liability Company as capital in that Member's capacity as a Member pursuant to an agreement between the Members, including an agreement as to value.

"Economic Interest" means a person's right to share in the income, gains, losses, deductions, credit, or similar items of, and to receive Distributions from, the Company, but does not include any other rights of a Member including, without limitation, the right to Vote or to participate in management, or any right to information concerning the business and affairs of the Company.

"General Manager" means the Person designated as such in *Section 5 "Management: Rights, Powers, and Duties"*.

"Interest Holder" means any Person who holds an Economic Interest, whether as a Member or as an Assignee of a Member.

"Involuntary Withdrawal" means, with respect to any Member, the occurrence of any of the following events:

(a) the Member makes an assignment for the benefit of creditors;

(b) the Member is bankrupt;

(c) the Member files a petition seeking for the Member any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any state law;

(d) the Member seeks, consents to, or acquiesces in the appointment of a trustee for, receiver for, or liquidation of the Member or of all or any substantial part of the Member's properties;

(e) if the Member is an individual, the Member's death or adjudication by a court of competent jurisdiction as incompetent to manage the Member's person or property;

(f) if the Member is acting as a Member by virtue of being a trustee of a trust, the termination of the trust;

(g) if the Member is a partnership or limited liability company, the dissolution and commencement of winding up of the partnership or limited liability company;

(h) if the Member is a corporation, the dissolution of the corporation or the revocation of its charter;

(i) if the Member is a partnership, limited liability company or corporation, a change in control of such entity;

(j) if the Member is an estate, the distribution by the fiduciary of the estate's entire interest in the Company; or

(k) if the Member files an action seeking a decree of judicial dissolution pursuant to Section 17351 of the Act.

"Member" means any person who executes a counterpart of this Agreement as a Member and any Person who subsequently is admitted as a Member of the Company.

"Member Loan Nonrecourse Deductions" means any Company deductions that would be Nonrecourse Deductions if they were not attributable to a loan made or guaranteed by a Member within the meaning of Regulation Section 1.704-2(i).

"Member Nonrecourse Debt Minimum Gain" has the meaning set forth in Regulation Section 1.704-2(i)(2) (determined by substituting "Member" or "interest Holder" for "partner").

"Membership Interest" means a Member's rights in the Company, collectively, including the Member's Economic Interest, any right to vote or participate in management, and any right to information concerning the business and affairs of the Company.

"Minimum Gain" has the meaning set forth in Regulation Section 1.704-2(d). Minimum Gain shall be computed separately for each Interest Holder in a manner consistent with the Regulations under IRC Section 704(b).

"Negative Capital Account" means a Capital Account with a balance of less than zero.

"Nonrecourse Deductions" has the meaning set forth in Regulation Section 1.704-2(b)(1). The amount of Nonrecourse Deductions for a taxable year of the Company equals the net increase, if any, in the amount of Minimum Gain during that taxable year, determined according to the provisions of Regulation Section 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Regulation Section 1.704-2(b)(3).

"Percentage" means, as to a Member, the percentage set forth after the Member's name on *Exhibit* A, as amended from time to time, and as to an Interest Holder who is not a Member, the Percentage or part of the Percentage that corresponds to the portion of a Member's Economic Interest that the Interest Holder has Acquired, to the extent the Interest Holder has succeeded to that Member's interest.

"Person" means and includes an individual, corporation, partnership, association, limited liability company, trust, estate, or other entity.

"Positive Capital Account" means a Capital Account with a balance greater than zero.

"Profit" **and** ***"Loss"*** means, for each taxable year of the Company (or other period for which Profit or Loss must be computed), the Company's taxable income or loss determined in accordance with IRC Section 703(a), with the following adjustments:

(a) all items of income, gain, loss, deduction, or credit required to be stated separately pursuant to IRC Section 703(a)(1) shall be included in computing taxable income or loss;

(b) any tax-exempt income of the Company, not otherwise taken into account in computing Profit or Loss, shall be included in computing taxable income or loss;

(c) any expenditures of the Company described in IRC Section 705(a)(2)(B) (or treated as such pursuant to Regulation Section 1.704-1(b)(2)(iv)(i)) and not otherwise taken into account in computing Profit or Loss, shall be subtracted from taxable income or loss;

(d) gain or loss resulting from any taxable disposition of Company property shall be computed by reference to the book value as adjusted under Regulation Section 1.704-1(b) ("adjusted book value") of the property disposed of, notwithstanding the fact that the adjusted book value differs from the adjusted basis of the property for federal income tax purposes;

(e) in lieu of the depreciation, amortization, or cost recovery deductions allowable in computing taxable income or loss, there shall be taken into account the depreciation computed based upon the adjusted book value of the asset; and

(f) notwithstanding any other provision of this definition, any items which are specially allocated pursuant to *Section 4.3 "Regulatory Allocations"* shall not be taken into account in computing Profit or Loss.

"Regulation" means the income tax regulations, including any temporary regulations, from time to time promulgated under the Code.

"Secretary of State" means the Secretary of State of the State of California.

"Transfer" means, when used as a noun, any sale, hypothecation, pledge, assignment, attachment, or other transfer, and, when used as a verb, to sell hypothecate, pledge, assign, or otherwise transfer.

"Voluntary Withdrawal" means a Member's disassociation from the Company by means other than a Transfer or an Involuntary Withdrawal.

2. FORMATION AND NAME; OFFICE; PURPOSE; TERM

2.1 *Organization*

The parties hereby organize a limited liability company pursuant to the Act and the provisions of this Agreement. The Company shall cause Articles of Organization to be prepared, executed, and filed with the Secretary of State.

2.2 *Name of the Company*

The name of the Company is Lake Merritt Senior Living LLC.

2.3 *Purpose*

The Company is organized solely to purchase, acquire, buy, sell, own, trade in, hold, develop, lease, manage, and otherwise deal in and with real property and improvements and to do any and all things necessary, convenient, or incidental to that purpose including, without limitation.

2.4 *Term*

The Company shall continue in existence until December 31, 2060, unless sooner dissolved as provided by this Agreement or the Act.

2.5 *Principal Place of Business*

The Company's Principal Place of Business shall be located at 1775 Hancock Street, Suite 200, San Diego, CA 92110, or at any other place as the General Manager selects.

2.6 *Resident Agent*

The name and address of the Company's resident agent in the State of California are Paracorp Incorporated, 2804 Gateway Oaks Drive, #200, Sacramento, CA 95833-3509.

2.7 *Members*

The name, present mailing address, taxpayer identification number, and Percentage of each Member are set forth on *Exhibit* A.

3. MEMBERS; CAPITAL; CAPITAL ACCOUNTS

3.1 Initial Contributions

As of the date of the execution of this Agreement, the Members have contributed to the Company cash and other properties in kind as set forth on *Exhibit* A.

3.2 Additional Contributions

No Member shall be required to contribute any additional capital to the Company, and no Member shall have personal liability for any obligation of the Company except as expressly provided by law. No Member shall contribute additional capital to the Company without the express written consent of the General Manager. Should any Member, with the written consent of the General Manager, voluntarily elect to make additional capital contributions from time to time the General Manager shall then promptly amend *Exhibit A* to reflect such additional contribution.

3.3 Interest on Contributions

No Member shall be entitled to interest on his or her contributions.

3.4 Return of Contributions

Except as otherwise provided in this Agreement, no Member nor Interest Holder shall have the right to receive the return of any Contribution or withdraw from the Company, except upon the dissolution of the Company.

3.5 Form of Return of Capital

If a Member or an Interest Holder is entitled to receive the return of a Contribution, the Company may distribute in lieu of money, notes, or other, property having a value equal to the amount of money distributable to such Person.

3.6 Capital Accounts

A separate Capital Account shall be maintained for each Member and Interest Holder.

3.7 Loans and Other Business Transactions

Any Member may, at any time, make or cause a loan to be made to the Company in any amount and on those terms upon which the Company and the Member agree. Members may also transact other business with the Company and, in doing so, they shall have the same rights and be subject to the same obligations arising out of any such business transaction as would be enjoyed by and imposed upon any Person, not a Member, engaged in a similar business transaction with the Company.

4. PROFIT, LOSS, AND DISTRIBUTION

4.1 Allocations of Profit or Loss and Distributions of Cash Other Than from Capital Transactions

4.1.1 Profit or Loss Other Than from a Capital Transaction

After giving effect to the special allocations set forth in *Section 4.3* "*Regulatory Allocations*", for any taxable year of the Company, Profit or Loss (other than Profit or Loss resulting from a Capital Transaction, which Profit or Loss shall be allocated in accordance with the provisions of *Sections 4.2.1* "*Profit*" and *4.2.2* "*Loss*") shall be allocated to the Interest Holders in proportion to their Percentages.

4.1.2 Cash Flow

Subject to the management and incentive fees payable to the General Manager under Section 5.3.2, Cash Flow for each taxable year of the Company shall be distributed to the Interest Holders in proportion to their Percentages no later than seventy-five (75) days after the end of the taxable year.

4.2 Allocation of Profit or Loss from a Capital Transaction

After giving effect to the special allocations set forth in *Section 4.3 "Regulatory Allocations"*, Profit and Loss from a Capital Transaction shall be allocated as follows. For purposes of this Section *4.2*, (a) Profit, if any, shall be allocated to payment of accrued interest outstanding attributable to each Interest Holder's Capital Account as specified in *Section 3.3* "*Interest on Contributions*" (b) Profit, if any remaining, and Loss shall be allocated prior to reducing

Capital Accounts by the distribution of the Proceeds from the Capital Transaction and (c) an Interest Holder's Capital Account shall be determined by crediting to each Interest Holder's Capital Account such Interest Holder's share of Minimum Gain and Member Nonrecourse Debt Minimum Gain remaining after such Capital Transaction.

4.2.1 Profit

Profit from a Capital Transaction shall be allocated among the Interest Holders in the following order of priority:

(a) First, if one or more Interest Holders has a Negative Capital Account, to those Interest Holders, in proportion to their Negative Capital Accounts, until all of those Negative Capital Accounts have been reduced to zero.

(b) Second, to the Interest Holders as necessary to cause each Interest Holder's Capital Account to equal its respective Adjusted Capital Balance.

(c) Third, any Profit in excess of the foregoing allocations shall be allocated to the Interest Holders in proportion to their Percentages.

4.2.2 Loss

Loss from a Capital Transaction shall be allocated among the Interest Holders in the following order of priority:

(a) First, to the Interest Holders, as necessary to cause the portion of their Capital Accounts, if any, exceeding their Adjusted Capital Balances, to be in the ratio of their Percentages.

(b) Second, to the Interest Holders in proportion to their Percentages as necessary to eliminate the excess of their respective Capital Accounts over their respective Adjusted Capital Balances.

(c) Third, to the Interest Holders in proportion to their Adjusted Capital Balances until all Positive Capital Accounts have been reduced to zero.

(d) Fourth, any Loss remaining shall be allocated to the Interest Holders in proportion to their Percentages.

4.2.3 Capital Proceeds

Except as provided in *Section 4.4* "*Liquidation and Dissolution*" with respect to the Distribution of Capital Proceeds derived in connection with liquidation of the Company, and subject to the management and incentive fees payable to the General Manager under Section 5.3.2, Capital Proceeds shall be distributed and applied by the Company in the following order and priority:

(a) To the payment of all expenses of the Company incident to the Capital Transaction; then

(b) To the payment of debts and liabilities of the Company then due and outstanding (including all debts due to any Interest Holder); then

(c) To the establishment of any reserves which the General Manager deems necessary for liabilities or obligations of the Company; then

(d) The balance shall be distributed as follows:

(i) To the Interest Holders in proportion to their Adjusted Capital Balances, until their remaining Adjusted Capital Balances have been paid in full;

(ii) The balance, to the Interest Holders in proportion to their Percentages.

4.2.4 Distributions To Partial Repayment Of Capital

If there is insufficient Profit or Loss from a Capital Transaction to allocate to the Interest Holders pursuant to any subsection of *Section 4.2* "*Allocation of Profit or Loss from a Capital Transaction*" to cause every Interest Holder's Capital Account balance to equal the entire Capital Account balance described in such subsection with respect to such Interest Holder, Profit or Loss from a Capital Transaction available to be allocated among the Interest Holders pursuant to said subsection shall be allocated in proportion to the amounts thereof that would have been allocated to each Interest Holder pursuant to such subsection if there had been sufficient amounts thereof to fully satisfy the requirements of such subsection with respect to every Interest Holder.

4.3 Regulatory Allocations

4.3.1 Impermissible Deficit and Qualified Income Offset

No Interest Holder shall be allocated Losses or deductions if the allocation causes the Interest Holder to have an Adjusted Capital Account Deficit; instead, such items shall be allocated to the other Interest Holders. If an Interest Holder for any reason (whether or not expected) receives (1) an allocation of Loss or deduction (or item thereof) or (2) any Distribution, which causes the Interest Holder to have an Adjusted Capital Account Deficit at the end of any taxable year, then all items of income and gain of the Company (consisting of a pro rata portion of each item of Company income, including gross income and gain) for that taxable year shall be allocated to that Interest Holder, before any other allocation is made of Company items for that taxable year (other than an allocation under *Section 4.3.2* "*Minimum Gain Chargebacks*"), in the amount and in proportions required to eliminate the excess as quickly as possible. This *Section 4.3.1* is intended to comply with, and shall be interpreted consistently with, the "alternate test for economic effect" and "qualified income offset" provisions of the Regulations promulgated under IRC Section 704(b).

4.3.2 Minimum Gain Chargebacks

In order to comply with the "minimum gain chargeback" requirements of Regulation Sections 1.704-2(f)(1) and 1.704-2(i)(4), and notwithstanding any other provision of this Agreement to the contrary, in the event there is a net decrease in an Interest Holder's share of Minimum Gain and/or Member Nonrecourse Debt Minimum Gain during a Company's taxable year, such Interest Holder shall be allocated items of income and gain for that year (and if necessary, other years) as required by and in accordance with Regulation Sections 1.704-2(f)(1) and 1.704-2(i)(4) before any other allocation is made. It is the intent of the parties hereto that any allocation pursuant to this *Section 4.3.2* shall constitute a "minimum gain chargeback" under Regulation Section 1.704-2(f) and 1.704-2(i)(4).

4.3.3 Contributed Property and Book-Ups

In accordance with IRC Section 704(c) and the Regulations thereunder, including Regulation Section 1.704-l(b)(2)(iv)(d)(3), income, gain, loss, and deduction with respect to any property contributed (or deemed contributed) to the Company shall, solely for tax purposes, be allocated among the Interest Holders so as to take account of any variation between the adjusted basis of the property to the Company for federal income tax purposes and its fair market value at the date of Contribution (or deemed Contribution). If the adjusted book value of any Company asset is adjusted under Regulation Section 1.704-1(b)(2)(iv)(f), subsequent allocations of income, gain, loss, and deduction with respect to the asset shall take account any variation between the adjusted basis of the asset for federal income tax purposes and its adjusted book value in the manner required under IRC Section 704(c) and the Regulations thereunder. The parties hereto agree to use the traditional method with curative allocations, as described in Regulation Section 1.704-3(c), for making IRC Section 704(c) allocations.

4.3.4 IRC Section 754 Adjustment

To the extent an adjustment to the tax basis of any Company asset pursuant to IRC Section 734(b) or IRC Section 743(b) is required, pursuant to Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of the adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases basis), and the gain or loss shall be specially allocated to the Interest Holders in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to that Section of the Regulations.

4.3.5 Nonrecourse Deductions

Nonrecourse Deductions for a taxable year or other period shall be specially allocated among the Interest Holders in proportion to their Percentages.

4.3.6 Member Loan Nonrecourse Deductions

Any Member Loan Nonrecourse Deduction for any taxable year or other period shall be specially allocated to the Interest Holder who bears the risk of loss with respect to the loan to which the Member Loan Nonrecourse Deduction is attributable in accordance with Regulation Section 1.704-2(i).

4.3.7 Guaranteed Payments

To the extent any compensation paid to any Interest Holder by the Company, including any fees payable to any Interest Holder pursuant to *Section 5.3* "*Personal Service*" hereof, is determined by the Internal Revenue Service not to be a guaranteed payment under IRC Section 707(c) or is not paid to the Interest Holder other than in the Person's capacity as a partner (Interest Holder) within the meaning of IRC Section 707(a), the Interest Holder shall be specially allocated gross income of the Company in an amount equal to the amount of that compensation, and the Interest Holder's Capital Account shall be adjusted to reflect the payment of that compensation.

4.3.8 Unrealized Receivables

If an Interest Holder's Economic Interest is reduced (provided the reduction does not result in a complete termination of the Interest Holder's Interest), the Interest Holder's share of the Company's "unrealized receivables" and "substantially appreciated inventory" (within the meaning of IRC Section 751) shall not be reduced, so that, notwithstanding any other provision of this Agreement to the contrary, that portion of the Profit otherwise allocable upon a liquidation or dissolution of the Company pursuant to *Section 4.4* "*Liquidation and Dissolution*" hereof which is taxable as ordinary income (recaptured) for federal income tax purposes shall, to the extent possible without increasing the total gain to the Company or to any Interest Holder, be specially allocated among the Interest Holders in proportion to the deductions (or basis reductions treated as deductions) giving rise to such recapture.

4.3.9 Withholding

All amounts required to be withheld pursuant to IRC Section 1446 or any other provision of federal, state, or local tax law shall be treated as amounts actually distributed to the affected Interest Holders for all purposes under this Agreement.

4.3.10 Nonrecourse Liabilities

Solely for purposes of determining an Interest Holder's proportionate share of "excess nonrecourse liabilities" of the Company within the meaning of Regulation Section 1.752-3(a)(3), the Interest Holders' interest in Company profits shall be based on their respective Percentages.

4.3.11 Intent of Allocations

The tax allocation provisions of this Agreement are intended to produce final Capital Account Balances of the Interest Holders that will permit liquidating distributions that are made in accordance with such final Capital Account Balances under *Section 4.4.1* "*To Interest Holders Capital Balances*" to be equal to the Distributions that would occur under *Section 4.2.3* "Capital Proceeds" (in the same order and priority) if such liquidating proceeds were distributed pursuant to *Section. 4.2.3* To the extent that the tax allocation provisions of this Agreement would not produce such final Capital Account Balances, (1) such provisions shall be amended by the General Manager if and to the extent necessary to produce such result and (2) taxable income or taxable loss of the Company for prior open years (or items of gross income and deduction of the Company) shall be reallocated among the Interest Holders to the extent it is not possible to achieve such result with allocations of income (including gross income) and deduction for the current year and future years. This *Section 4.3.11* shall control notwithstanding any reallocation or adjustment of taxable income, taxable loss, or items thereof by the Internal Revenue Service or any other taxing authority.

4.3.12 Income Tax Provisions

The Interest Holders are aware of the income tax consequences of this *Section 4* and agree to be bound by these provisions in reporting their shares of Profit, Losses, and other items for federal and state income tax purposes.

4.4 Liquidation and Dissolution

4.4.1 To Interest Holders Capital Balances

Upon liquidation of the company, the assets of the Company shall be distributed to the Interest Holders in accordance with the positive balances in their respective Capital Accounts, after giving effect to all Contributions, Distributions,

and allocations for all periods. Distributions to the Interest Holders pursuant to this *Section 4.4.1* shall be made in accordance with Regulation Section 1.704-1(b)(2)(ii)(b)(2).

4.4.2 Effect Of Negative Capital Account

No Interest Holder shall be obligated to restore a Negative Capital Account.

4.5 General

4.5.1 General Manager's Discretion

Except as otherwise provided in this Agreement, the timing and amount of all Distributions shall be determined by the General Manager.

4.5.2 Distributions In Kind

If any assets of the Company are distributed in kind to the Interest Holders, those assets shall be valued on the basis of their fair market value, and any Interest Holder entitled to any interest in those assets shall receive that interest as a tenant-in-common with all other Interest Holders so entitled. Unless the Members otherwise agree, the fair market value of the assets shall be determined by an independent appraiser who shall be selected by the General Manager. The Profit or Loss for each unsold asset shall be determined as if the asset had been sold at its fair market value, and the Profit or Loss shall be allocated as provided in *Section 4.2* "*Allocation of Profit or Loss from a Capital Transaction*" and shall be properly credited or charged to the Capital Accounts of the Interest Holders prior to the Distribution of the assets in liquidation pursuant to *Section 4.4* "*Liquidation and Dissolution*".

4.5.3 Interest Holders Of Record

All Profit and Loss shall be allocated and all distributions shall be made to the Persons shown on the records of the Company to have been Interest Holders as of the last day of the taxable year for which the allocation or Distribution is to be made. Notwithstanding the foregoing, unless the Company's taxable year is separated into segments, if there is a Transfer or an Involuntary Withdrawal during the taxable year, the Profit and Loss shall be allocated between the original Interest Holder and the successor on the basis of the number of days each was an Interest Holder during the taxable year; provided, however, the Company's taxable year shall be segregated into two or more segments in order to account for Profit, Loss, or proceeds attributable to a Capital Transaction or to any other extraordinary non-recurring items of the Company.

4.5.4 Authority To Amend Regulations To Comply With Code

The General Manager is hereby authorized, upon the advice of the Company's tax counsel, to amend this *Section* 4 to comply with the Code and the Regulations promulgated under IRC Section 704(b); provided, however, that no amendment shall materially affect Distributions to an Interest Holder without the Interest Holder's prior written consent.

5. MANAGEMENT: RIGHTS, POWERS, AND DUTIES

5.1 Management

5.1.1 General Manager

The Company shall be managed by a General Manager, who may, but need not be, a Member. Deepak Israni is hereby designated to serve as the initial General Manager.

5.1.2 General Powers

The General Manager shall have full, exclusive, and complete discretion, power, and authority, subject in all cases to the other provisions of this Agreement and the requirements of applicable law, to manage, control, administer, and

operate the business and affairs of the Company for the purposes herein stated, and to make all decisions affecting such business and affairs, including, without limitation, the power to:

(a) acquire by purchase, lease, or otherwise, any real or personal property, tangible or intangible;

(b) construct, operate, maintain, finance, and improve, and to own, sell, convey, assign, mortgage, or lease any real estate and any personal property;

(c) sell, dispose, trade, or exchange Company assets in the ordinary course of the Company's business;

(d) enter into agreements and contracts and to give receipts, releases, and discharges;

(e) purchase liability and other insurance to protect the Company's properties and business;

(f) borrow money for and on behalf of the Company, and, in connection therewith, execute and deliver instruments authorizing the confession of judgment against the Company;

(g) execute or modify leases with respect to any part or all of the assets of the Company;

(h) prepay, in whole or in part, refinance, amend, modify, or extend any mortgages or deeds of trust which may affect any asset of the Company and in connection therewith to execute for and on behalf of the Company any extensions, renewals, or modifications of such mortgages or deeds of trust;

(i) execute any and all other instruments and documents which may be necessary or in the opinion of the General Manager desirable to carry out the intent and purpose of this Agreement, including, but not limited to, documents whose operation and effect extend beyond the term of the Company;

(j) make any and all expenditures which the General Manager, in its sole discretion, deems necessary or appropriate in connection with the management of the affairs of the Company and the carrying out of its obligations and responsibilities under this Agreement, including, without limitation, expenditures for legal, accounting, and other related expenses incurred in connection with the organization, financing, and operation of the Company;

(k) enter into any kind of activity necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Company; and

(l) invest and reinvest Company reserves in short-term instruments or money market funds.

5.1.3 Extraordinary Transactions

Notwithstanding anything to the contrary in this Agreement, without the approval of the Members the General Manager shall not have the power and authority to take any of the following actions:

(a) the admission of a Member to the Company;

(b) causing the Company to engage in business in any jurisdiction which does not provide for the registration of limited liability companies; and

5.1.4 Limitation on Authority of Members

No Member is an agent of the Company solely by virtue of being a Member, and no Member has authority to act for the Company solely by virtue of being a Member. This *Section5.1.4* supersedes any authority granted to the Members pursuant to Section §17703.01 of the Act. Any Member who takes any action or binds the Company in violation of this *Section5.1.4* shall be solely responsible for any loss and expense incurred by the Company as a result of the unauthorized action and shall indemnify and hold the Company harmless with respect to the loss or expense.

5.1.5 Removal of General Manager

The Members, at any time and from time to time and for any reason, may remove the General Manager then acting and elect a new General Manager by affirmative Vote of Members holding Percentages which aggregate not less than 51% of voting interests in the Company.

5.2 Meetings of and Voting by Members

5.2.1 Who May Call

A meeting of the Members may be called at any time by the General Manager or by those Members holding at least a Majority in Interest of the Members. Meetings of Members shall be held at the Company's principal place of business or at any other place in San Diego County, California, designated by the Person or Persons calling the meeting. Not less than ten (10) nor more than sixty (60) days before each meeting, the Person or Persons calling the meeting shall give written notice of the meeting to each Member entitled to Vote at the meeting. The notice shall state the time, place, and purpose of the meeting. Notwithstanding the foregoing provisions, each Member who is entitled to notice may waive notice, either before or after the meeting, by executing a waiver of such notice, or by appearing at and participating, in person or by proxy in the meeting. Unless this Agreement provides otherwise, at a meeting of Members, the presence in person or by Proxy of Members holding Percentages which aggregate to not less than fifty-one percent (51%) constitutes a quorum. A Member may Vote either in person or by written Proxy signed by the Member or by the Member's duly authorized attorney in fact.

5.2.2 When Majority Approvals Required

Except as otherwise provided in this Agreement, the affirmative Vote of Members holding a majority of the aggregate Percentages present at the meeting in person and by proxy shall be required to approve any matter coming before the Members.

5.2.3 Action By Written Consent

In lieu of holding a meeting, the Members may take action by written consents specifying the action to be taken, which consents must be executed and delivered to the Company by Members whose combined Voting Power constitutes not less than 51% of the total Voting Power of all Members. Any such approved action shall be effective immediately. The Company shall give prompt notice to all Members of any action approved by Members by less than unanimous consent.

5.2.4 When Extra Majority Approvals Required

The following matters shall require the Vote or consent of the percentage interest of Members indicated after each such item for such action to be approved by the Members:

(a) Approval of the transfer of a Membership Interest and admission of an Assignee as a Member: a majority of the non-transferring Member Managers.

(b) An amendment to the Articles of Organization or this Agreement (51%).

(c) Removal of the General Manager (51%).

5.3 Personal Service

5.3.1 No Requirement To Perform Services

No Member shall be required to perform services for the Company solely by virtue of being a Member. Unless approved by the General Manager, no Member shall perform services for the Company or be entitled to compensation for services performed for the Company.

5.3.2 Compensation Of General Manager

The General Manager shall be entitled to compensation in the amount of $1,500.00/month plus, after all Members have received distributions equal to their Contributions, a management incentive fee of fifteen percent (15%) of Cash Flow and/or cash available from any Capital Transaction. Upon substantiation of the amount and purpose thereof, the General Manager shall be entitled to reimbursement for expenses reasonably incurred, and advances reasonably made, in furtherance of the business of the Company.

5.4 Duties of Parties

5.4.1 General Manager To Devote Reasonable Time

The General Manager shall devote such time to the business and affairs of the Company as is necessary to carry out the General Manager's duties set forth in this Agreement.

5.4.2 No Restriction On Members Other Business Activities

Except as otherwise expressly provided in *Section 5.4.3* "*Manager's Fiduciary Duties Limited*", nothing in this Agreement shall be deemed to restrict in any way the rights of any Member, or of any Affiliate of any Member, to conduct any other business or activity whatsoever, and no Member shall be accountable to the Company or to any other Member with respect to that business or activity even if the business or activity competes with the Company's business. The organization of the Company shall be without prejudice to the Members' respective rights (or the rights of their respective Affiliates) to maintain, expand, or diversify such other interests and activities and to receive and enjoy profits or compensation therefrom. Each Member waives any rights the Member might otherwise have to share or participate in such other interests or activities of any other Member or the Member's Affiliates.

5.4.3 Manager's Fiduciary Duties Limited

The only fiduciary duties a Manager owes to the Company and the other Members are the duty of loyalty and the duty of care set forth in subdivisions (a) and (b):

(a) A Manager's duty of loyalty to the Company and the other Members is limited to the following:

(i) To account to the Company and hold as trustee for it any property, profit, or benefit derived by the Manager in the conduct or winding up of the Company's business or derived from a use by the Manager of Company property, including the appropriation of a Company opportunity, without the consent of the other Members;

(ii) To refrain from dealing with the Company in the conduct or winding up of the Company business as or on behalf of a party having an interest adverse to the Company without the consent of the other Members; and

(iii) To refrain from competing with the Company in the conduct of the Company business before the dissolution of the Company without the consent of the other Members.

(b) A Manager's duty of care to the Company and the other Members in the conduct and winding up of the Company business is limited to refraining from engaging in grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of law.

5.4.4 Fiduciary Duties Of Members Limited

Members who are not Managers do not have, and shall not be deemed to have, fiduciary duties to the Company or the other Members except to the extent any such fiduciary duty shall be based upon or arise out of another relationship or contract between such Member and the person or entity asserting the existence of a fiduciary duty.

5.5 Indemnification of Each Manager

5.5.1 Liability Of Managers Limited

No Manager shall be liable, responsible, or accountable, in damages or otherwise, to any Member or to the Company for any act performed by such Manager within the scope of the authority conferred on such Manager by this Agreement, and within the standard of care specified in *Section 5.5.2* "*Company To Indemnify Managers*".

5.5.2 Company To Indemnify Managers

The Company shall indemnify each Manager for any act performed by the Manager within the scope of the authority conferred on the Manager by this Agreement, unless such act constitutes grossly negligent or reckless conduct, intentional misconduct, or a knowing violation of law.

5.6 Power of Attorney

5.6.1 Grant of Power

Each Member constitutes and appoints the General Manager as the Member's true and lawful attorney-in-fact ("Attorney-in-Fact"), and in the Member's name, place, and stead, to make, execute, sign, acknowledge, and file:

(a) one or more Articles of Organization;

(b) all documents (including amendments to Articles of Organization) which the Attorney-in-Fact deems appropriate to reflect any amendment, change, or modification of this Agreement;

(c) any and all other certificates or other instruments required to be filed by the Company under the laws of the State of California or of any other state or jurisdiction, including, without limitation, any certificate or other instruments necessary in order for the Company to continue to qualify as a Limited Liability Company under the laws of the State of California;

(d) one or more fictitious trade name certificates; and

(e) all documents which may be required to dissolve and terminate the Company and to cancel its Articles of Organization.

5.6.2 Irrevocability

The foregoing power of attorney is irrevocable and is coupled with an interest, and, to the extent permitted by applicable law, shall survive the death or disability of a Member. It also shall survive the Transfer of a Membership Interest, except that if the Assignee is admitted as a Member, this power of attorney shall survive the delivery of the assignment for the sole purpose of enabling the Attorney-in-Fact to execute, acknowledge, and file any documents needed to effectuate the substitution. Each Member shall be bound by any representations made by the Attorney-in-Fact acting in good faith pursuant to this power of attorney, and each Member hereby waives any and all defenses which may be available to contest, negate, or disaffirm the action of the Attorney-in-Fact taken in good faith under this power of attorney.

6. TRANSFER OF INTERESTS AND WITHDRAWALS OF MEMBERS

6.1 Transfers Of Membership Interests Restricted

Except as provided herein, no Member may Transfer all, or any portion of, or any interest or rights in, the Membership Interest owned by the Member. Each Member hereby acknowledges the reasonableness of this prohibition in view of the purposes of the Company and the relationship of the Members. The attempted Transfer of any portion or all of a Membership Interest in violation of the prohibition contained in this *Section 6.1* shall be deemed invalid, null and void, and of no force or effect, except any Transfer mandated by operation of law and then only to the extent necessary to give effect to such Transfer by operation of law. Notwithstanding anything to the contrary in this Section 6.1 or elsewhere in this Agreement, any Member who is a living person (as opposed to an entity) may transfer his or her Membership Interest and/or his or her Economic Interest to himself or herself and/or to his or her spouse, as trustee of a revocable family trust for estate planning purposes, without the consent of any other Member or Manager and without complying with any right of first refusal or other restriction on transfer; provided, however, written notice of such transfer shall first be given to the Manager before such transfer shall become effective.

6.1.1 Transfer Of Economic Interests Conditioned

A Member may Transfer all or any portion of or any interest or rights in the Member's Economic Interest if each of the following conditions ("Conditions of Transfer") is satisfied:

(a) the Transfer may be accomplished without registration, or similar process, under federal and state securities laws;

(b) the transferee delivers to the Company a written agreement to be bound by the terms of *Section 6* of this Agreement;

(c) the Transfer will not result in the termination of the Company pursuant to IRC Section 708;

(d) the Transfer will not result in the Company being subject to the Investment Company Act of 1940, as amended;

(e) the transferor or the transferee delivers the following information to the Company: (i) the transferee's taxpayer identification number; and (ii) the transferee's initial tax basis in the transferred Membership Interest; and

(f) the transferor complies with the provisions set forth in *Section 6.1.3* "Right of First Refusal".

6.1.2 Rights Of Transferee Of Economic Interest

If the Conditions of Transfer are satisfied, the Member may Transfer all or any portion of the Member's Economic Interest. The Transfer of an Economic Interest pursuant to this *Section 6.1* shall not result in the Transfer of any of the transferor's other Membership rights. The transferee of the Economic Interest shall have no right to: (i) become a Member; (ii) exercise any Membership rights other than those specifically pertaining to the ownership of an Economic Interest; or (iii) act as an agent of the Company.

6.1.3 Right of First Refusal

If a Member (a "Transferor") receives a bona fide written offer which the Member desires to accept (the "Transferee Offer") from any other Person, including another Member (a "Transferee") to purchase all or any portion of or any interest or rights in the Transferor's Economic Interest (the "Transferor Interest") then, prior to any Transfer of the Transferor's Interest, the Transferor shall give the Company written notice (the "Transfer Notice") containing each of the following:

(a) the Transferee's identify;

(b) a true and complete copy of the Transferee Offer; and

(c) the Transferor's offer (the "Offer") to sell the Transferor Interest to the Company for consideration equal to that contained in the Transferee Offer or, if the consideration specified in the Transferee Offer is not specified as cash, then for consideration in U.S. Dollars equal in value to the consideration specified in the Transferee Offer (the "Transfer Purchase Price").

(d) The Offer shall be and remain irrevocable for a period (the "Offer Period") ending at 11:59 P.M. local time at the Company's principal office, on the sixtieth (60th) day following the date the Transfer Notice is given to the Company. At any time during the Offer Period, the Company may accept the Offer by giving written notice to the Transferor of its acceptance (the "Offeree Notice"). The Transferor shall not be deemed a Member for the purpose of the Vote on whether the Company shall accept the Offer. If the Company accepts the Offer, the Offeree Notice shall fix a closing date (the "Transfer Closing Date") for the purchase, which shall not be earlier than ten (10) or more than sixty (60) days after the expiration of the Offer Period.

(e) If the Company accepts the Offer, the Transfer Purchase Price shall be paid on the Transfer Closing Date unless the Company elects prior to or on the Transfer Closing Date to pay the Transfer Purchase Price in installments pursuant to the provisions of *Section 6.2.2* "*Members Rights Following Voluntary Withdrawal*" of this Agreement.

(f) If the Company does not accept the Offer in its entirety within thirty (30) days after the Offer Date, the Company shall give immediate notice to that effect (the "Remaining Members Notice") to each Member, other than the Transferor (the "Remaining Members"). Such notice to the Remaining Members shall include a copy of the Transfer Notice and inform the Remaining Members of their right to purchase all, or a portion, of the Transferor Interest for a pro rata portion of the Transfer Purchase Price.

(g) The Remaining Members Notice shall be and remain irrevocable for the remainder of the Offer Period. At any time during such period, a Remaining Member may accept the offer by notifying the Transferor in writing that the Remaining Member intends to purchase all, but not less than all, of the Transferor Interest. If two (2) or more Remaining Members desire to accept the Offer, then, in the absence of an agreement between or among them, each such Remaining Member shall purchase the Transferor Interest in the proportion that such Member's respective Percentage bears to the total Percentages of all of the Remaining Members who desire to accept the Offer, adjusted to reflect the portion, if any, of the Transferor Interest to be purchased by the Company.

(h) If the Company and/or the Remaining Members (collectively, the "Purchasers") have accepted the Offer prior to the end of the Offer Period, any Purchaser may give written notice to that effect to the Transferor specifying a closing date (the "Transfer Closing Date") for the purchase which shall be no earlier than ten (10) nor later than sixty (60) days after the expiration of the Offer Period.

(i) On the Transfer Closing Date the Purchasers shall pay the Transfer Purchase Price unless the Purchasers elect prior to or on the Transfer Closing Date to pay the Transfer Purchase Price in installments pursuant to the provisions of *Section 6.2.2 "Members Rights Following Voluntary Withdrawal"* of this Agreement.

(j) If neither the Company nor any Remaining Member accepts the Offer (within the time and in the manner specified in this Section), then the Transferor shall be free for a period (the "Permitted Transfer Period") of thirty (30) days after the expiration of the Offer Period to Transfer the Transferor Interest to the Transferee, for the same or greater price and on the same terms and conditions as set forth in the Transfer Notice. The Transfer shall be subject, however, to the Conditions of Transfer. If the Transferor does not Transfer the Transferor's Interest within the Permitted Transfer Period, the Transferor's right to Transfer the Transferor Interest pursuant to this Section shall cease and terminate.

(k) Any Transfer by the Transferor after the last day of the Permitted Transfer Period or without strict compliance with the terms, provisions, and conditions of this Section and the other terms, provisions, and conditions of this Agreement, shall be null and void and of no force or effect.

6.2 Withdrawal of a Member

6.2.1 Members Voluntary Withdrawal Restricted

No Member shall have the right or power to Voluntarily Withdraw from the Company, except as otherwise provided by this Agreement.

6.2.2 Members Rights Following Voluntary Withdrawal

Upon withdrawal of any Member as permitted under the terms of this *Section 6.2* , the Withdrawn Member and the Company shall have the respective rights and obligations set forth in *Section 6.3 "Optional Buy-out in Event of Involuntary Withdrawal"* of this Agreement provided, however, that the Withdrawn Member's Membership Interest shall be valued at Book Value and, provided further, that the Company shall have the right to pay the amount due the Withdrawing Member in twelve (12) equal monthly payments, the first of which shall be due on the thirtieth (30th) day following the date upon which such amount due shall be finally determined.

6.2.3 Members Involuntary Withdrawal

"Involuntary Withdrawal" means, with respect to any Member, the occurrence of any of the following events:

(a) the Member makes an assignment for the benefit of creditors;

(b) the Member is bankrupt;

(c) the Member files a petition seeking for the Member any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any state law;

(d) the Member seeks, consents to, or acquiesces in the appointment of a trustee for, receiver for, or liquidation of the Member or of all or any substantial part of the Member's properties;

(e) if the Member is an individual, the Member's death or adjudication by a court of competent jurisdiction as incompetent to manage the Member's person or property;

(f) if the Member is acting as a Member by virtue of being a trustee of a trust, the termination of the trust;

(g) if the Member is a partnership or limited liability company, the dissolution and commencement of winding up of the partnership or limited liability company;

(h) if the Member is a corporation, the dissolution of the corporation or the revocation of its charter;

(i) if the Member is a partnership, limited liability company or corporation, a change in control of such entity;

(j) if the Member is an estate, the distribution by the fiduciary of the estate's entire interest in the Company; or

(k) if the Member files an action seeking a decree of judicial dissolution pursuant to Section 17351 of the Act.

6.3 Optional Buy-out in Event of Involuntary Withdrawal

6.3.1 Option To Company To Purchase Interest Of Withdrawing Member

If the Members elect to continue the Company after an Involuntary Withdrawal, the withdrawn Member or the successor in interest to such Member (the "Withdrawn Member") shall be deemed to offer for sale to the Company (the "Withdrawal Offer") all of the Membership Interest of the withdrawn Member (the "Withdrawal Interest").

6.3.2 Term And Method Of Acceptance Of Offer By Company

The Withdrawal Offer shall be and remain irrevocable for a period (the "Withdrawal Offer Period") ending at 11:59 P.M. local time at the Company's principal office on the sixtieth (60th) day following the date the Members elect to continue the Company. At any time during the Withdrawal Offer Period, the Company may accept the Withdrawal Offer by notifying the Withdrawn Member of its acceptance (the "Withdrawal Notice"). The Withdrawn Member shall not be deemed a Member or Manager for the purpose of the Vote on whether the Company shall accept the Withdrawal Offer.

6.3.3 Closing Date For Purchase

If the Company accepts the Withdrawal Offer, the Withdrawal Notice shall fix a closing date (the "Withdrawal Closing Date") for the purchase which shall be not earlier than ten (10) or later than ninety (90) days after the expiration of the Withdrawal Period.

6.3.4 Option Price

If the Company accepts the Withdrawal Offer, the Company shall purchase the Withdrawal Interest for the price equal to the amount the Withdrawn Member would receive if the Company were liquidated and the amount equal to the Appraised Value were available for distribution to the Members pursuant to *Section 4.4 "Liquidation and Dissolution"* (the "Withdrawal Purchase Price"). The Withdrawal Purchase Price shall be paid in cash on the Withdrawal Closing Date.

6.3.5 Status Of Withdrawn Member If Option Not Accepted By Company

If the Company fails to accept the Withdrawal Offer, then the Withdrawn Member, upon the expiration of the Withdrawal Offer Period, thereafter shall be treated as the unadmitted assignee of a Member.

6.4 Appraised Value

6.4.1 Method Determination Of "Appraised Value"

The term "Appraised Value" means the appraised value of the Company as hereinafter provided. Within fifteen (15) days after demand by either one to the other, the Company and the Withdrawn Member shall each appoint an appraiser to determine the value of the Company. If the two appraisers agree upon such value, they shall jointly render a single written report stating that value. If the two appraisers cannot agree upon the value of the Company, they shall each render a separate written report and shall appoint a third appraiser, who shall appraise the Company, determine its value, and render a written report of his or her opinion thereon. Each party shall pay the fees and other costs of the appraiser appointed by such party, and the fees and other costs of the third appraiser shall be shared equally by both parties.

The value contained in the aforesaid joint written report or written report of the third appraiser, as the case may be, shall be the Appraised Value; provided, however, that if the value of the equity contained in the appraisal report of the third appraiser is more than the higher of the first two appraisals, the higher of the first two appraisals shall govern; and provided, further, that if the value of the equity contained in the appraisal report of the third appraiser is less than the lower of the first two appraisals, the lower of the first two appraisals shall govern.

7. DISSOLUTION, LIQUIDATION, AND TERMINATION OF THE COMPANY

7.1 Events of Dissolution

The Company shall be dissolved upon the happening of the first to occur of an event specified in Section §17707.01 of the Act or any of the following events:

(a) on the date fixed for its termination in *Section 2.4* "*Term*";

(b) on the date of sale, other disposition of all of the real property whose acquisition, development, build out and re-sale is the principal purpose of this Company.

7.2 Procedure for Winding Up and Dissolution

If the Company is dissolved, the General Manager shall wind up its affairs. On winding up of the Company, the assets of the Company shall be distributed, first to creditors of the Company, including Interest Holders who are creditors, in satisfaction of the liabilities of the Company, and then, to the Interest Holders in accordance with *Section 4.4* "*Liquidation and Dissolution*" of this Agreement.

7.3 Filing of Certificate of Cancellation

Upon completion of the affairs of the Company, the General Manager shall promptly file the Certificate of Cancellation of Articles of Organization with the Secretary of State. If there is no General Manager, then the Certificate of Cancellation shall be filed by the remaining Members; if there are no remaining Members, the Certificate shall be filed by the last Person to be a Member; if there is neither a General Manager, remaining Members, nor a Person who last was a Member, the Certificate shall be filed by the legal or personal representatives of the Person who last was a Member.

8. BOOKS, RECORDS, ACCOUNTING, AND TAX ELECTIONS

8.1 Bank Accounts

All funds of the Company shall be deposited in a bank account or accounts opened in the Company's name. The General Manager shall determine the financial institution or institutions at which the accounts will be opened and maintained, the types of accounts, and the Persons who will have authority with respect to the accounts and the funds therein.

8.2 Books and Records

8.2.1 General Manager To Keep Books And Records

The General Manager shall keep or cause to be kept complete and accurate books, records, and financial statements of the Company and supporting documentation of transactions with respect to the conduct of the Company's business. The books, records, and financial statements of the Company shall be maintained on the accrual basis of accounting in accordance with generally accepted accounting principles. Such books, records, financial statements, and documents shall include, but not be limited to, the following:

(a) a current list of the full name and last known business or residence address of each Member and Interest Holder, in alphabetical order, with the Contribution and the share in profits and losses of each Member and Interest Holder specified in such list;

(b) a current list of the full name and business or residence address of each Manager;

(c) the Articles of Organization, including all amendments; and any powers of attorney under which the Articles of Organization or amendments were executed;

(d) federal, state, and local income tax or information returns and reports, if any, for the six most recent taxable years;

(e) this Agreement and any amendments thereto; and any Powers-of-Attorney under which this Agreement or amendments were executed;

(f) financial statements for the six most recent years;

(g) internal books and records for the current and three most recent years; and

(h) a true copy of relevant records indicating the amount, cost, and value of all property which the Company owns, claims, possesses, or controls.

8.2.2 Location Of Books And Records

Such books, records, and financial statements of the Company and supporting documentation shall be kept, maintained, and available at the Company's office within the State of California.

8.3 Right to Inspect Books and Records; Receive Information

8.3.1 Books And Records To Be Delivered On Request

Upon the reasonable request of a Member for a purpose reasonably related to the interest of that Member of the Company, the General Manager shall promptly deliver to the requesting Member at the expense of the Company a copy of this Agreement, as well as the information required to be maintained by the Company under subparagraphs (a), (b), and (d) of *Section 8.2.1 "General Manager To Keep Books And Records"*.

8.3.2 Members Right To Inspect

Each Member and Manager has the right upon reasonable request, and for purposes reasonably related to the interest of that Member or Manager of the Company, to do the following:

(a) to inspect and copy during normal business hours any of the records required to be maintained by the Company under *Section 8.2.1 "General Manager To Keep Books And Records"* of this Agreement; and

(b) to obtain from the Company promptly after becoming available, a copy of the Company's federal, state, and local income tax or information returns for each year.

8.3.3 Members Right To Require Interim Financial Statements

If the Company has more than thirty five (35) Members, Members representing at least five percent (5%) of the voting interests of all Members, or three (3) or more Members, may make a written request to a Manager for an income statement of the Company for the initial three-month, six-month, or nine-month period of the current fiscal year ended more than 30 days prior to the date of the request, and a balance sheet of the Company as of the end of that period. The statement must be delivered or Mailed to the Members within thirty (30) days thereafter. The financial statements referred to in this Paragraph shall be accompanied by the report thereon, if any, of the independent accountants engaged by the Company or, if there is no report, the certificate of the General Manager that the financial statements were prepared without audit from the books and records of the Company.

8.3.4 Annual Financial Statements

If the Company has more than thirty five (35) Members, the General Manager shall cause an annual report to be sent to each Member of the Company not later than one hundred twenty (120) days after the close of the Company's fiscal year. Such report must contain the Company's balance sheet as of the end of the Company's fiscal year and an income statement and statement of changes in financial position for such fiscal year. The financial statements referred to in this Paragraph shall be accompanied by the report thereon, if any, of the independent accountants engaged by the Company or, if there is no report, the certificate of the General Manager that the financial statements were prepared without audit from the books and records of the Company.

8.3.5 Amendments Pursuant To Power Of Attorney

If a Manager has executed an amendment to the Articles of Organization or this Agreement pursuant to a power of attorney from the Members, such Manager must promptly furnish to the Members a copy of such amendment.

8.3.6 Tax Information

The General Manager shall send or shall cause to be sent to each Member or Interest Holder within ninety (90) days after the end of each fiscal year of the Company: (i) such information as is necessary to complete federal and state income tax or information returns, and (ii) if the Company has thirty five (35) or fewer Members or Interest Holders, a copy of the Company's federal, state, and local income tax or information returns for the fiscal year.

8.3.7 Company's Right To Reimbursement

Unless otherwise expressly provided in this Agreement, the inspecting or requesting Member or Manager as the case may be, shall reimburse the Company for all reasonable costs and expenses incurred by the Company in connection with such inspection and copying of the Company's books and records and the production and delivery of any other books or records.

8.4 Annual Accounting Period

The annual accounting period of the Company shall be its taxable year. The Company's taxable year shall be selected by the General Manager, subject to the requirements and limitations of the Code.

8.5 Tax Matters Partner

The General Manager shall be the Tax Matters Partner for purposes of IRC Section 6231(a)(7), and shall have all the authority granted by the Code to the Tax Matters Partner, provided that the General Manager shall not have the authority without first obtaining the consent of the Members to do any of the following:

(a) Enter into a settlement agreement with the Internal Revenue Service that purports to bind the Members.

(b) File a petition as contemplated in IRC Section 6226(a) or IRC Section 6228.

(c) Intervene in any action as contemplated in IRC Section 6226(b)(5).

(d) File any request contemplated in IRC Section 6227(b).

(e) Enter into an agreement extending the period of limitations as contemplated in IRC Section 6229(b)(1)(B).

8.6 Tax Elections

The General Manager shall have the authority to make all Company elections permitted under the Code, including, without limitation, elections of methods of depreciation and elections under IRC Section 754. The decision to make or not make an election shall be at the General Manager's sole and absolute discretion.

8.7 Title to Company Property

All real and personal property acquired by the Company shall be acquired and held by the Company in the Company's name.

9. GENERAL PROVISIONS

9.1 Assurances

Each Member shall execute all certificates and other documents and shall do all such filing, recording, publishing, and other acts as the General Manager deems appropriate to comply with the requirements of law for the formation and operation of the Company and to comply with any laws, rules, and regulations relating to the acquisition, operation, or holding of the property of the Company.

9.2 Notifications

Any notice, demand, consent, election, offer, approval, request, or other communication (collectively a "notice") required or permitted under this Agreement must be in writing and either delivered personally or sent by certified or registered mail, postage prepaid, return receipt requested. Any notice to be given hereunder by the Company shall be given by the General Manager. A notice must be addressed to an Interest Holder at the Interest Holder's last known

address on the records of the Company. A notice to the Company must be addressed to the Company's principal office. A notice delivered personally will be deemed given only when acknowledged in writing by the Person to whom it is delivered. A notice that is sent by Mail will be deemed given three (3) business days after it is Mailed. Any party may designate, by notice to all of the others, substitute addresses or addressees for notices; and, thereafter, notices are to be directed to those substitute addresses or addressees.

9.3 Specific Performance

The parties recognize that irreparable injury will result from a breach of any provision of this Agreement and that money damages will be inadequate to fully remedy the injury. Accordingly, in the event of a breach or threatened breach of one or more of the provisions of this Agreement, any party who may be injured (in addition to any other remedies which may be available to that party) shall be entitled to one or more preliminary or permanent orders (a) restraining and enjoining any act which would constitute a breach or (b) compelling the performance of any obligation which, if not performed, would constitute a breach.

9.4 Complete Agreement

This Agreement constitutes the complete and exclusive statement of the agreement among the Members. It supersedes all prior written and oral statements, including any prior representation, statement, condition, or warranty. Except as expressly provided otherwise herein, this Agreement may not be amended without the written consent of all of the Members.

9.5 Applicable Law

All questions concerning the construction, validity, and interpretation of this Agreement and the performance of the obligations imposed by this Agreement shall be governed by the internal law, not the law of conflicts, of the State of California.

9.6 Section and Section Titles

The headings herein are inserted as a matter of convenience only and do not define, limit, or describe the scope of this Agreement or the intent of the provisions hereof.

9.7 Binding Provisions

This Agreement is binding upon, and to the limited extent specifically provided herein, inures to the benefit of, the parties hereto and their respective heirs, executors, administrators, personal and legal representatives, successors, and assigns.

9.8 Jurisdiction and Venue

Any suit involving any dispute or matter arising under this Agreement may only be brought in the appropriate United States District Court in California or any California State Court having jurisdiction over the subject matter of the dispute or matter. All Members hereby consent to the exercise of personal jurisdiction by any such court with respect to any such proceeding.

9.9 Terms

Common nouns and pronouns shall be deemed to refer to the masculine, feminine, neuter, singular, and plural, as the identity of the Person may in the context require.

9.10 Severability of Provisions

Each provision of this Agreement shall be considered severable; and if, for any reason, any provision or provisions herein are determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those portions of this Agreement which are valid.

9.11 Counterparts

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original and all of which, when taken together, constitute one and the same document. The signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

9.12 Estoppel Certificate

Each Member shall, within ten (10) days after written request by the General Manager, deliver to the requesting Person a certificate stating, to the Member's knowledge, that: (a) this Agreement is in full force and effect; (b) this Agreement has not been modified except by any instrument or instruments identified in the certificate; and (c) there is no default hereunder by the requesting Person, or if there is a default, the nature and extent thereof. If the certificate is not received within the 10-day period, the General Manager shall execute and deliver the certificate on behalf of the requested Member, without qualification, pursuant to the power of attorney granted in *Section 5.6* "*Power of Attorney*".

IN WITNESS WHEREOF, the parties have executed, or caused this Agreement to be executed, as of the date set forth hereinabove.

By: _____
Deepak Israni, General Manager

Exhibit "A"
Members Names And Percentages

Name		% Interest
Ashok Israni and Lata Israni Family Trust, dated December 16, 2010	 Ashok Israni, Trustee	85.00%
Deepak Israni and Varsha Israni Family Trust, a revocable inter vivos trust dated May 3, 2011	 Deepak Israni, Trustee	10.00%
Sushil M. Israni and Reena S. Israni Revocable Trust, an inter vivos trust dated January 15, 2009	 Sushil Israni, Trustee	5.00%

SECTION 999.5(d)(10)

(10) The written notice of any proposed agreement or transaction set forth in section 999.5(a)(1) shall include a description of the applicant's efforts to inform local governmental entities, professional staff and employees of the health facility or facility that provides similar health care services and the general public of the proposed transaction. This description shall include any comments or reaction to this effort.

The attached documents (1-10) demonstrate the efforts made by CNMH to inform local governmental entities, professional staff, employees, residents, and the general public about the proposed transaction, as well as any comments or reactions to this effort.

1. Letter dated February 22, 2022 from CNMH to the residents and families of Lake Park, notifying them of the proposed sale to Buyer in accordance with the requirements of Health and Safety Code Section 1789.4.

2. Letter dated February 22, 2022 from CNMH to the residents and families of Forest Hill, notifying them of the proposed sale to Buyer in accordance with the requirements of Health and Safety Code Section 1789.4.

3. Letter dated February 22, 2022 from CNMH to the staff of Lake Park, notifying them of the proposed sale to Buyer.

4. Letter dated February 22, 2022 from CNMH to the staff of Forest Hill, notifying them of the proposed sale to Buyer.

5. Letter dated February 22, 2022 from Hanson Bridgett on behalf of CNMH to the Continuing Care Bureau of DSS providing notice and details of the sale and transition.

6. CNMH counsel notice to Community Care Licensing Division ("CCLD") administrators for Lake Park dated March 15, 2022.

7. CNMH counsel notice to Community Care Licensing Division ("CCLD") administrators for Forest Hill dated March 15, 2022.

8. Notices to residents of Lake Park's SNF, pursuant to Health and Safety Code 1267.61, dated March 30, 2022.

9. Notices to residents of Forest Hill's SNF, pursuant to Health and Safety Code 1267.61, dated March 31, 2022.

10. Notice of Proposed Sale of Assets, posted on EMMA (an online service of the Municipal Securities Rulemaking Board) on April 5, 2022.

Buyers' regulatory legal counsel projects that RCFE license, SNF license, Medicare CHOW, and DSS Certificate of Authority (COA) applications for the Buyers of both Forest Hill and Lake Park will be submitted on April 11, 2022. Buyers' RCFE managers and SNF operators also intend to conduct meetings in the coming months with Lake Park and Forest Hill residents, their families, and staff.

Following the filing of this notice, CNMH plans to make a complete copy of the filing available to residents for review and to notify the two communities accordingly.

Letter dated February 22, 2022 from CNMH to the residents and families of Lake Park, notifying them of the proposed sale to Buyer in accordance with the requirements of Health and Safety Code Section 1789.4.



1850 Alice Street | Oakland, CA 94612
510-216-1981 | lakeparkretirement.org

February 22, 2022

Dear Lake Park Residents and Families,

We are pleased to announce that we have entered into an agreement to sell Lake Park. On February 8, 2022, the judge in the California-Nevada Methodist Homes (CNMH) bankruptcy case entered an order approving the sale.

The buyer, Lake Merritt Senior Living LLC (the "Buyer"), shares our commitment to enhance the quality of life of our residents and honor our promises to you. As part of the sale, the Buyer will agree to assume and honor our agreements with you, including the repayment obligations. It also plans to make improvements at Lake Park. Most importantly, the Buyer has committed to continue our caring culture.

We are also excited to share that the Buyer is currently finalizing agreements with two different management companies. The Buyer has selected Northstar Senior Living (Northstar) to manage the residential care portion of Lake Park and Aspen Skilled Healthcare or an entity created by Aspen (Aspen) to manage the skilled nursing facility. Both managers have a considerable presence in California and are known to state regulators (the California Departments of Social Services and Public Health, respectively). Both organizations are widely respected and experienced in senior care.

As you can imagine, this transition will require us to clear several regulatory hurdles. The ownership transition may take six or seven months to complete, depending on how long the various public agencies take to issue approvals. At closing, Northstar and Aspen will manage Lake Park.

We understand that changes, even positive ones, can raise questions. The Buyer plans to host multiple meetings with you and your families in the coming months so that you can get acquainted with each other.

We hope to make this transition as smooth as possible for you and your families. We, the Buyer, and its management team will collaborate to avoid any disruption in service and to assure that you continue to receive quality care and services. To facilitate a smooth transition, the Buyer and its management team expect to offer jobs to substantially all Lake Park employees, subject to these companies' usual and customary hiring practices and policies.

Thank you very much for allowing us to serve you over the years. It has been our honor and privilege. As always, Tammy Hauck, your Executive Director, is available to answer any questions.

Yours truly,

Garrett B Cross

Garrett B. Cross
CNMH Board Chair

Letter dated February 22, 2022 from CNMH to the residents and families of Forest Hill, notifying them of the proposed sale to Buyer in accordance with the requirements of Health and Safety Code Section 1789.4.

Forest Hill
SENIOR LIVING. COASTAL LIFESTYLE.

February 22, 2022

Dear Forest Hill Residents and Families,

We are pleased to announce that we have entered into an agreement to sell Forest Hill. On February 8, 2022, the judge in the California-Nevada Methodist Homes (CNMH) bankruptcy case entered an order approving the sale.

The buyer, Pacific Grove Senior Living LLC (the "Buyer"), shares our commitment to enhance the quality of life of our residents and honor our promises to you. As part of the sale, the Buyer will agree to assume and honor our agreements with you, including the repayment obligations. It also plans to make improvements at Forest Hill. Most importantly, it has committed to continue our caring culture. The Buyer will both own and operate Forest Hill.

As you can imagine, this transition will require us to clear several regulatory hurdles. The ownership transition may take six or seven months to complete, depending on how long the various public agencies take to issue approvals.

We understand that changes, even positive ones, can raise questions. The Buyer plans to host multiple meetings with you and your families in the coming months so that you can get acquainted with each other.

We hope to make this transition as smooth as possible for you and your families. We and the Buyer will collaborate to avoid any disruption in service and to assure that you continue to receive quality care and services. To facilitate a smooth transition, the Buyer expects to offer jobs to substantially all Forest Hill employees, subject to its usual and customary hiring practices and policies.

Thank you very much for allowing us to serve you over the years. It has been our honor and privilege. As always, Sarah Ehret, your Executive Director, is available to answer any questions.

Yours truly,

Garrett B Cross

Garrett B. Cross
CNMH Board Chair

18297738.4

Letter dated February 22, 2022 from CNMH to the staff of Lake Park, notifying them of the proposed sale to Buyer.



February 22, 2022

Dear Lake Park Staff,

We are pleased to announce that we have entered into an agreement to sell Lake Park. On February 8, 2022, the judge in the California-Nevada Methodist Homes (CNMH) bankruptcy case entered an order approving the sale.

The buyer, Lake Merritt Senior Living LLC (the "Buyer"), shares our commitment to enhance the quality of life of our residents and to continue our caring culture.

In addition, the Buyer and its management team, described below, are committed to offering jobs to substantially all Lake Park employees, subject to their usual and customary hiring practices and policies.

The Buyer has selected Northstar Senior Living (Northstar) to manage the residential care portion of Lake Park and Aspen Skilled Healthcare or an entity created by Aspen (Aspen) to manage the skilled nursing facility. Both managers have a considerable presence in California and are known to state regulators (the California Departments of Social Services and Public Health, respectively). Both organizations are widely respected and experienced in senior care.

As you can imagine, this transition will require us to clear several regulatory hurdles. The ownership transition may take six or seven months to complete, depending on how long the various public agencies take to issue approvals. At closing, Northstar and Aspen will manage Lake Park.

We understand that changes, even positive ones, can raise questions. The Buyer and/or its managers plan to host multiple meetings with staff in the coming months so that you can get acquainted with each other.

We hope to make this transition as smooth as possible for our residents and our staff. We, the Buyer, and its management team will collaborate to avoid any disruption at Lake Park.

Thank you very much for your hard work, your concern for our residents, and your loyalty. As always, Tammy Hauck, your Executive Director, is available to answer any questions.

Yours truly,

Garrett B Cross

Garrett B. Cross
CNMH Board Chair

Letter dated February 22, 2022 from CNMH to the staff of Forest Hill, notifying them of the proposed sale to Buyer.

Forest Hill
SENIOR LIVING. COASTAL LIFESTYLE.

February 22, 2022

Dear Forest Hill Team Members,

We are pleased to announce that we have entered into an agreement to sell Forest Hill. On February 8, 2022, the judge in the California-Nevada Methodist Homes (CNMH) bankruptcy case entered an order approving the sale.

The buyer, Pacific Grove Senior Living LLC (the "Buyer"), shares our commitment to enhance the quality of life of our residents and to continue our caring culture. The Buyer will own and operate Forest Hill.

In addition, the Buyer is committed to offering jobs to substantially all Forest Hill employees, subject to its usual and customary hiring practices and policies.

As you can imagine, this transition will require us to clear several regulatory hurdles. The ownership transition may take six or seven months to complete, depending on how long the various public agencies take to issue approvals.

We understand that changes, even positive ones, can raise questions. The Buyer plans to host multiple meetings with staff in the coming months so that you can get acquainted with each other.

We hope to make this transition as smooth as possible for our residents and our staff. We and the Buyer will collaborate to avoid any disruption at Forest Hill.

Thank you very much for your hard work, your concern for our residents, and your loyalty. As always, Sarah Ehret, your Executive Director, is available to answer any questions.

Yours truly,

Garrett B Cross

Garrett B. Cross
CNMH Board Chair

18307584.1

Letter dated February 22, 2022 from Hanson Bridgett on behalf of CNMH to the Continuing Care Bureau of DSS providing notice and details of the sale and transition.

PAMELA S. KAUFMANN
PARTNER
DIRECT DIAL (415) 995-5043
DIRECT FAX (415) 995-3449
E-MAIL pkaufmann@hansonbridgett.com

HansonBridgett

February 22, 2022

VIA ELECTRONIC AND FIRST CLASS MAIL

Ms. Katie Anderson, Chief
Mr. Craig Lundgren, Legal Counsel
Continuing Care Branch
Department of Social Services
744 P Street, M.S. 8-3-90
Sacramento, CA 95814

Re: Notice of Proposed Sale of Assets of California-Nevada Methodist Homes
(Our File 9736.37)

Dear Katie and Craig,

On behalf of California-Nevada Methodist Homes ("CNMH"), I am providing you with this notice of sale as required by California Health and Safety Code Section 1789.4. You and your counsel are already aware of much of this information through filings made in CNMH's Chapter 11 bankruptcy case before the United States Bankruptcy Court, Northern District of California, Oakland Division (Case # 21-40363) .

On February 2, 2022, Hanson Bridgett as debtor's counsel conducted an auction for the sale of substantially all of the assets of CNMH. The prevailing bidder was Pacifica Companies, LLC ("Pacifica"). On February 4, 2022, the bankruptcy judge heard CNMH's motion to approve the sale to Pacifica, and on February 8, 2022, the judge entered an order approving Pacifica as the purchaser on the terms set forth in a purchase and sale agreement ("Sale Agreement") provided to the Bankruptcy Court. You have a copy of this agreement.

Under the Sale Agreement, Pacifica reserves the right to assign its rights and obligations under the agreement to other entities. Pacifica currently plans to create a single purpose limited liability company for each of CNMH's continuing care retirement communities. It plans to self-manage Forest Hill but to engage managers to operate the RCFE and SNF portions of Lake Park. Northstar Senior Living is slated to manage the RCFE and a new LLC created by Aspen Skilled Healthcare is slated to manage the SNF. Both entities have a considerable presence in California and are known to DPH and DSS, as applicable. We understand that Pacifica and/or its managers intend to offer employment to substantially all Lake Park and Forest Hill employees, subject to their usual and customary hiring practices.

Pacifica plans to assume various liabilities of CNMH in exchange for the transfer of substantially all of CNMH's assets to the buyers. The details are contained in the Sale Agreement. In

exchange for this assumption, including fulfilling CNMH's contractual obligations to residents, Pacifica will receive virtually all of CNMH's assets.

There will be a wind-down period after the closing to allow the transition to be completed, including issuance of the SNF licenses and CMS provider agreements and, ultimately, the dissolution and winding up of CNMH.

Pacifica is in the process of preparing applications to DSS (Certificates of Authority and RCFE licenses), DPH (SNF licenses), and CMS (Medicare CHOWs). Our firm is preparing the notice to the Attorney General, which we project will be submitted on or about April 11, 2022. Because CNMH is selling multiple health facilities, the Attorney General has advised us that it plans to add to the minimum 90-day review process an additional 45-day review period. It is also not uncommon for the Attorney General to request additional information, which could delay its review. Additional extension requests are also relatively common. California law requires a public hearing in both Monterey and Alameda Counties in connection with the sale. We will do what we can to provide timely information so as not to be the source of delay.

We respectfully request that the Department do whatever it can to expedite review of the RCFE license applications and applications for Certificates of Authority that it receives in connection with Lake Park and Forest Hill.

Please do not hesitate to contact me if you have any questions.

Thank you in advance for your efforts on this matter.

Very truly yours,



Pamela S. Kaufmann

cc: Allison Nakatomi
Garrett B. Cross
Neal Wolf, Esq.
Anthony Dutra, Esq.

CNMH counsel notice to Community Care Licensing Division ("CCLD") administrators for Lake Park dated March 15, 2022.

Joyce L. Chang

Subject: FW: Notice of Upcoming Sale of Lake Park - 9736.37
Attachments: LTO DSS re Notice of Proposed Sale of Assets of California-Nevada Methodist Homes 2-22-2022.pdf

From: Pamela S. Kaufmann
Sent: Tuesday, March 15, 2022 7:41 PM
To: jeremy.fong@dss.ca.gov; laura.hall@dss.ca.gov
Cc: Tammy Hauck <tammyhauck@cnmh.org>
Subject: Notice of Upcoming Sale of Lake Park - 9736.37

Dear Mr. Fong and Ms. Hall:

I am legal counsel for California-Nevada Methodist Homes (CNMH), the owner and operator of Lake Park, a continuing care retirement community located in Oakland, COA #88 and RCFE License # 011400369.

On behalf of CNMH, I am sharing a notice of sale that I previously sent to the Continuing Care Contracts Branch regarding the proposed sale of Lake Park and its sister community, Forest Hill in Pacific Grove. Allison Nakatomi of the Branch has informed CCLD of the sales, but I wanted to reach out to you directly. Lake Park residents and staff were notified on the same date that the Branch was notified.

Please do not hesitate to contact me if you require more information about the upcoming sale of Lake Park.

Thank you very much.

Best wishes,
Pam Kaufmann

Pamela S. Kaufmann
Partner
Hanson Bridgett LLP
(415) 995-5043 Direct
(415) 995-3449 Fax
pkaufmann@hansonbridgett.com

HansonBridgett

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The foregoing applies even if this notice is embedded in a message that is forwarded or attached.

PAMELA S. KAUFMANN
PARTNER
DIRECT DIAL (415) 995-5043
DIRECT FAX (415) 995-3449
E-MAIL pkaufmann@hansonbridgett.com

HansonBridgett

February 22, 2022

VIA ELECTRONIC AND FIRST CLASS MAIL

Ms. Katie Anderson, Chief
Mr. Craig Lundgren, Legal Counsel
Continuing Care Branch
Department of Social Services
744 P Street, M.S. 8-3-90
Sacramento, CA 95814

Re: Notice of Proposed Sale of Assets of California-Nevada Methodist Homes
(Our File 9736.37)

Dear Katie and Craig,

On behalf of California-Nevada Methodist Homes ("CNMH"), I am providing you with this notice of sale as required by California Health and Safety Code Section 1789.4. You and your counsel are already aware of much of this information through filings made in CNMH's Chapter 11 bankruptcy case before the United States Bankruptcy Court, Northern District of California, Oakland Division (Case # 21-40363) .

On February 2, 2022, Hanson Bridgett as debtor's counsel conducted an auction for the sale of substantially all of the assets of CNMH. The prevailing bidder was Pacifica Companies, LLC ("Pacifica"). On February 4, 2022, the bankruptcy judge heard CNMH's motion to approve the sale to Pacifica, and on February 8, 2022, the judge entered an order approving Pacifica as the purchaser on the terms set forth in a purchase and sale agreement ("Sale Agreement") provided to the Bankruptcy Court. You have a copy of this agreement.

Under the Sale Agreement, Pacifica reserves the right to assign its rights and obligations under the agreement to other entities. Pacifica currently plans to create a single purpose limited liability company for each of CNMH's continuing care retirement communities. It plans to self-manage Forest Hill but to engage managers to operate the RCFE and SNF portions of Lake Park. Northstar Senior Living is slated to manage the RCFE and a new LLC created by Aspen Skilled Healthcare is slated to manage the SNF. Both entities have a considerable presence in California and are known to DPH and DSS, as applicable. We understand that Pacifica and/or its managers intend to offer employment to substantially all Lake Park and Forest Hill employees, subject to their usual and customary hiring practices.

Pacifica plans to assume various liabilities of CNMH in exchange for the transfer of substantially all of CNMH's assets to the buyers. The details are contained in the Sale Agreement. In

exchange for this assumption, including fulfilling CNMH's contractual obligations to residents, Pacifica will receive virtually all of CNMH's assets.

There will be a wind-down period after the closing to allow the transition to be completed, including issuance of the SNF licenses and CMS provider agreements and, ultimately, the dissolution and winding up of CNMH.

Pacifica is in the process of preparing applications to DSS (Certificates of Authority and RCFE licenses), DPH (SNF licenses), and CMS (Medicare CHOWs). Our firm is preparing the notice to the Attorney General, which we project will be submitted on or about April 11, 2022. Because CNMH is selling multiple health facilities, the Attorney General has advised us that it plans to add to the minimum 90-day review process an additional 45-day review period. It is also not uncommon for the Attorney General to request additional information, which could delay its review. Additional extension requests are also relatively common. California law requires a public hearing in both Monterey and Alameda Counties in connection with the sale. We will do what we can to provide timely information so as not to be the source of delay.

We respectfully request that the Department do whatever it can to expedite review of the RCFE license applications and applications for Certificates of Authority that it receives in connection with Lake Park and Forest Hill.

Please do not hesitate to contact me if you have any questions.

Thank you in advance for your efforts on this matter.

Very truly yours,



Pamela S. Kaufmann

cc: Allison Nakatomi
Garrett B. Cross
Neal Wolf, Esq.
Anthony Dutra, Esq.

CNMH counsel notice to Community Care Licensing Division ("CCLD") administrators for Forest Hill, dated March 15, 2022.

Joyce L. Chang

Subject: FW: Notice of Upcoming Sale of Forest Hill - 9736.37 - with attachment!
Attachments: LTO DSS re Notice of Proposed Sale of Assets of California-Nevada Methodist Homes 2-22-2022.pdf

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From: Pamela S. Kaufmann
Sent: Tuesday, March 15, 2022 7:36 PM
To: CCLASCPFresnoRO@dss.ca.gov; Marybeth.Donovan@dss.ca.gov
Cc: Sarah Ehret <sarahehret@cnmh.org>
Subject: Notice of Upcoming Sale of Forest Hill - 9736.37 - with attachment!

Dear Ms. White and Ms. Donovan:

I am legal counsel for California-Nevada Methodist Homes (CNMH), the owner and operator of Forest Hill, a continuing care retirement community located in Pacifica Grove, COA #50 and RCFE License Number 270700245.

On behalf of CNMH, I am sharing a notice of sale that I previously sent to the Continuing Care Contracts Branch regarding the proposed sale. Allison Nakatomi of the Branch has informed CCLD of the sale, but I wanted to reach out to you directly. Residents and staff were notified on the same date that the Branch was notified.

Please do not hesitate to contact me if you require more information about the sale.

Thank you very much.

Best wishes,
Pam Kaufmann

Pamela S. Kaufmann
Partner
Hanson Bridgett LLP
(415) 995-5043 Direct
(415) 995-3449 Fax
pkaufmann@hansonbridgett.com

HansonBridgett

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The foregoing applies even if this notice is embedded in a message that is forwarded or attached.

PAMELA S. KAUFMANN
PARTNER
DIRECT DIAL (415) 995-5043
DIRECT FAX (415) 995-3449
E-MAIL pkaufmann@hansonbridgett.com

HansonBridgett

February 22, 2022

VIA ELECTRONIC AND FIRST CLASS MAIL

Ms. Katie Anderson, Chief
Mr. Craig Lundgren, Legal Counsel
Continuing Care Branch
Department of Social Services
744 P Street, M.S. 8-3-90
Sacramento, CA 95814

Re: Notice of Proposed Sale of Assets of California-Nevada Methodist Homes
(Our File 9736.37)

Dear Katie and Craig,

On behalf of California-Nevada Methodist Homes ("CNMH"), I am providing you with this notice of sale as required by California Health and Safety Code Section 1789.4. You and your counsel are already aware of much of this information through filings made in CNMH's Chapter 11 bankruptcy case before the United States Bankruptcy Court, Northern District of California, Oakland Division (Case # 21-40363) .

On February 2, 2022, Hanson Bridgett as debtor's counsel conducted an auction for the sale of substantially all of the assets of CNMH. The prevailing bidder was Pacifica Companies, LLC ("Pacifica"). On February 4, 2022, the bankruptcy judge heard CNMH's motion to approve the sale to Pacifica, and on February 8, 2022, the judge entered an order approving Pacifica as the purchaser on the terms set forth in a purchase and sale agreement ("Sale Agreement") provided to the Bankruptcy Court. You have a copy of this agreement.

Under the Sale Agreement, Pacifica reserves the right to assign its rights and obligations under the agreement to other entities. Pacifica currently plans to create a single purpose limited liability company for each of CNMH's continuing care retirement communities. It plans to self-manage Forest Hill but to engage managers to operate the RCFE and SNF portions of Lake Park. Northstar Senior Living is slated to manage the RCFE and a new LLC created by Aspen Skilled Healthcare is slated to manage the SNF. Both entities have a considerable presence in California and are known to DPH and DSS, as applicable. We understand that Pacifica and/or its managers intend to offer employment to substantially all Lake Park and Forest Hill employees, subject to their usual and customary hiring practices.

Pacifica plans to assume various liabilities of CNMH in exchange for the transfer of substantially all of CNMH's assets to the buyers. The details are contained in the Sale Agreement. In

exchange for this assumption, including fulfilling CNMH's contractual obligations to residents, Pacifica will receive virtually all of CNMH's assets.

There will be a wind-down period after the closing to allow the transition to be completed, including issuance of the SNF licenses and CMS provider agreements and, ultimately, the dissolution and winding up of CNMH.

Pacifica is in the process of preparing applications to DSS (Certificates of Authority and RCFE licenses), DPH (SNF licenses), and CMS (Medicare CHOWs). Our firm is preparing the notice to the Attorney General, which we project will be submitted on or about April 11, 2022. Because CNMH is selling multiple health facilities, the Attorney General has advised us that it plans to add to the minimum 90-day review process an additional 45-day review period. It is also not uncommon for the Attorney General to request additional information, which could delay its review. Additional extension requests are also relatively common. California law requires a public hearing in both Monterey and Alameda Counties in connection with the sale. We will do what we can to provide timely information so as not to be the source of delay.

We respectfully request that the Department do whatever it can to expedite review of the RCFE license applications and applications for Certificates of Authority that it receives in connection with Lake Park and Forest Hill.

Please do not hesitate to contact me if you have any questions.

Thank you in advance for your efforts on this matter.

Very truly yours,



Pamela S. Kaufmann

cc: Allison Nakatomi
Garrett B. Cross
Neal Wolf, Esq.
Anthony Dutra, Esq.

Notices to residents of Forest Hill's SNF, pursuant to Health and Safety Code 1267.61, dated March 31, 2022.

Forest Hill
SENIOR LIVING. COASTAL LIFESTYLE.

March 31, 2022

Dear Forest Hill SNF Residents and Families,

As we have advised you, we have entered into an agreement to sell Forest Hill. On February 8, 2022, the judge in the California-Nevada Methodist Homes ("CNMH") bankruptcy case entered an order approving the sale. The purpose of this disclosure notice is to provide you with information specifically about future changes at our skilled nursing facility ("SNF").

As we previously advised you, the buyer of Forest Hill is Pacific Grove Senior Living LLC, a California limited liability company ("the Buyer"). Deepak Israni is the initial general manager. The Buyer's address is 1775 Hancock Street, Suite 200, San Diego, CA 92110.

The Buyer is currently finalizing an operating lease with 551 Gibson Ave SNF, LLC, a California limited liability company ("Gibson"), to serve as the licensed operator of the SNF. Gibson is a wholly owned subsidiary of Buena Vista Healthcare, LLC, a California limited liability company formed in 2019 ("BVHC") . BVHC has a considerable presence in California and is known to the Department of Public Health. It is also widely respected and experienced in nursing care. The managers of both Gibson and BVHC are Richard Martin and Bryan Boehrer. The members (owners) of BVHC are Mr. Martin (50%) and Mr. Boehrer (50%). The sole member of Gibson is BVHC. BVHC's and Gibson's address is 4747 Viewridge Avenue #105, San Diego, CA 92123.

As you can imagine, this transition will require us to clear several regulatory hurdles. The ownership transition of Forest Hill may take six months or longer to complete, depending on how long the various public agencies take to issue approvals. We hope to close the sale by September 30, 2022. At closing, Gibson will operate the SNF.

We understand that changes, even positive ones, can raise questions. The Buyer plans to host several meetings with you and your families in the coming months so that you can get acquainted with each other. We hope to make this transition as smooth as possible for you and your families. We, the Buyer, and Gibson will collaborate to avoid any disruption in service and to assure that you continue to receive quality care and services.

18369544.1

Forest Hill
SENIOR LIVING. COASTAL LIFESTYLE.

Thank you very much for allowing us to serve you over the years. It has been our honor and privilege. As always, Sarah Ehret, your Executive Director, is available to answer any questions.

Yours truly,

Garrett B Cross

Garrett B. Cross
CNMH Board Chair

18369544.1

Notices to residents of Lake Park's SNF, pursuant to Health and Safety Code 1267.61, dated March 30, 2022.

LAKE PARK
A welcoming, inclusive Life Plan community

March 30, 2022

Dear Lake Park SNF Residents and Families,

As you have already heard, we have entered into an agreement to sell Lake Park. On February 8, 2022, the judge in the California-Nevada Methodist Homes ("CNMH") bankruptcy case entered an order approving the sale. The purpose of this disclosure notice is to provide you with information specifically about future changes at our skilled nursing facility ("SNF").

As we previously advised you, the buyer of Lake Park is Lake Merritt Senior Living LLC, a California limited liability company (the "Buyer"). Deepak Israni is the initial general manager. The Buyer's address is 1775 Hancock Street, Suite 200, San Diego, CA 92110.

The Buyer is currently finalizing an agreement with AOAS, LLC, a California limited liability company ("AOAS") to serve as the licensed operator of the SNF. AOAS is a wholly owned subsidiary of Aspen Skilled Healthcare, Inc., a California corporation founded in 2009 ("Aspen"). Aspen has a considerable presence in California and is known to the Department of Public Health. It is also widely respected and experienced in nursing care. The managers of AOAS are Jay Brady, Jeffrey Bradshaw, and Ryan Case. Aspen is the 100% owner of AOAS. The owners of Aspen are listed below:

Name:	**Equity Ownership (Rounded to whole percentage):**
Jay Brady	32%
Jeffrey Bradshaw	23%
Ryan Case	32%
Minority Members (4)	13%

The directors of Aspen are: Ryan Case, Jeffrey Bradshaw, and Jay Brady. The officers are Ryan Case (CEO) and Jeffrey Bradshaw (Secretary). AOAS's and Aspen's address is 28202 Cabot Road, Suite 412, Laguna Niguel, CA 92677.

As you can imagine, this transition will require us to clear several regulatory hurdles. The ownership transition of Lake Park may take six months or longer to complete, depending on how long the various public agencies take to issue approvals. We hope to close the sale by September 30, 2022. At closing, AOAS will operate the SNF.

We understand that changes, even positive ones, can raise questions. The Buyer plans to host several meetings with you and your families in the coming months so that you can get acquainted with each other. We hope to make this transition as smooth as possible for you and your families. We, the Buyer, and AOAS will collaborate to avoid any disruption in service and to assure that you continue to receive quality care and services.

Thank you very much for allowing us to serve you over the years. It has been our honor and privilege. As always, Tammy Hauck, your Executive Director, is available to answer any questions.

Yours truly,

Garrett B Cross

Garrett B. Cross
CNMH Board Chair

Notice of Proposed Sale of Assets, posted on EMMA (an online service of the Municipal Securities Rulemaking Board) on April 5, 2022.

NOTICE OF PROPOSED SALE OF ASSETS

$32,920,000.00
California Health Facilities Financing Authority
Insured Revenue Bonds (California-Nevada Methodist Homes)
Series 2015
CUSIP #’s 13032UAF5, 13032UAG3, 13032UAH1, 13032UAJ7, 13032UAK4, 13032UAL2, 13032UAM0, 13032UAN8, 13032UAP3*

NOTICE IS HEREBY GIVEN pursuant to the Continuing Disclosure Agreement dated as of October 21, 2015 with respect to the above-named Series 2015 Bonds that California-Nevada Methodist Homes (the “Borrower”) has entered into an Asset Purchase Agreement with Pacifica Companies, LLC, a California limited liability company, whereby Pacifica Companies, LLC or its designees (collectively, the "Buyers") will purchase substantially all of the Borrower's assets and assume substantially all of its liabilities.

The selection of the Buyers was the result of an auction conducted on February 2, 2022 pursuant to Sections 363 and 365 of the United States Bankruptcy Code (the "Code") in connection with the Borrower's voluntary case under chapter 11 of the Code (Case Number 21-40363), currently pending in the United States Bankruptcy Court for the Northern District of California (Oakland Division). The Bankruptcy Court issued an order approving the sale on February 8, 2022.

The Asset Purchase Agreement was the product of considerable negotiation between the Borrower and the Buyers, who served as stalking horse bidders for the auction.

The assets being sold include all the real and personal property, including intangible assets, comprising Lake Park, a continuing care retirement community located in Oakland, California, Forest Hill, a continuing care retirement community located in Pacific Grove, California, and the Borrower's corporate office located at 201 19th Street, Oakland, California.

The sale is expected to close in late 2022 after various approvals, including those of the California Attorney General and various regulatory agencies, have been obtained. Until the closing, the Borrower is working on a detailed transition plan to help assure a smooth transition for both residents and employees. The proposed sale, if consummated, will result in the defeasance of all of the debt comprising the Series 2015 Bonds as of the closing date.

The filing of this notice does not constitute a representation regarding any other financial or operating information about the Borrower or a representation that other circumstances have not occurred that may have a bearing on CNMH's financial or operating condition or an investor's decision to buy, sell, or hold the Series 2015 Bonds.

Dated: April 5, 2022

California-Nevada Methodist Homes

SECTION 999.5(d)(11)(A)

(A) Any board minutes or other documents relating or referring to consideration by the board of directors of the applicant and any related entity, or any committee thereof of the agreement or transaction or of any other possible transaction involving any of the health facilities or facilities that provide similar health care services that are the subject of agreement or transaction.

Attached please find the following CNMH Board minutes that relate to the proposed transaction:

1. Board resolution of CNMH authorizing filing of voluntary bankruptcy petition, engagement of Steven A. Nerger as the Chief Restructuring Officer, engagement of Hanson Bridgett LLP as bankruptcy counsel, and engagement of STRETTO LLC and Silverman Consulting to carry out CNMH's obligations under the Bankruptcy Code, dated March 15, 2021.

2. Board resolution of CNMH authorizing engagement of Ziegler, dated April 5, 2021.

3. Action by Unanimous Written Consent of Board to Approve Loan Documents, dated July 29, 2021.

4. Board resolutions of CNMH ratifying Purchase and Sale Agreement with Buyers and regulatory notices and approving and authorizing filing of this Notice, dated March 30, 2022.

See also Section 999.5(d)(11)(D).

Board resolution of CNMH authorizing filing of voluntary bankruptcy petition, engagement of Steven A. Nerger as the Chief Restructuring Officer, engagement of Hanson Bridgett LLP as bankruptcy counsel, and engagement of STRETTO LLC and Silverman Consulting to carry out CNMH's obligations under the Bankruptcy Code, dated March 15, 2021.

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CALIFORNIA-NEVADA
METHODIST HOMES

201 - 19th Street, Suite 100 • Oakland, CA 94612-4117 • (510) 893-8989 • Fax: (510) 893-3041

RESOLUTIONS OF
THE BOARD OF TRUSTEES OF
CALIFORNIA-NEVADA METHODIST HOMES

The undersigned, constituting the entire Board of Trustees (the "***Board***") of California-Nevada Methodist Homes, a California non-profit public benefit corporation (the "***Corporation***"), acting pursuant to Section 307 of the California Corporations Code, and the Corporation's Bylaws, as amended, at a duly noticed meeting of the Board in Executive Session on March 15, 2021, held via video conference, hereby adopts and approves, the following resolutions.

Chapter 11 Filing

WHEREAS, the Board has considered presentations by management and the financial and legal advisors of the Corporation regarding the liabilities and liquidity situation of the Corporation, the strategic alternatives available to it, and the effect of the foregoing on the Corporation's business; and

WHEREAS, the Board has had the opportunity to consult with the management and the financial and legal advisors of the Corporation and fully consider each of the strategic alternatives available to the Corporation.

NOW, THEREFORE, BE IT RESOLVED, that in the judgement of the Board, it is desirable and in the best interests of the Corporation, its creditors, and other parties in interest, that the Corporation shall be and hereby is authorized to file or cause to be filed a voluntary petition for relief for the Corporation (the "***Chapter 11 Case***") under the provisions of chapter 11 of title 11 of the United States Code (the "***Bankruptcy Code***") in a court of proper jurisdiction (the "***Bankruptcy Court***");

RESOLVED FURTHER, that Steven A. Nerger, the Chief Restructuring Officer of the Corporation, be, and hereby is, authorized to sign, deliver, and file on behalf of the Corporation all petitions, schedules, lists and other motions, papers, or documents, and to do such other acts on behalf of this Corporation as are required in connection with, or are necessary to effectuate, the purpose and intent of these Resolutions; and

RESOLVED FURTHER, that Robert L. Leeper, the Vice President of Finance and Chief Financial Officer of the Corporation (the "***Authorized Officer***") be, and hereby is, authorized, empowered and directed to certify the authenticity of these resolutions.

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Retention of Professionals

IT IS FURTHER RESOLVED, that the Authorized Officer is, with power of delegation, authorized and directed to employ the law firm of HANSON BRIDGETT LLP as general bankruptcy counsel to represent and assist the Corporation in carrying out its duties under the Bankruptcy Code, and to take any and all actions to advance the Corporation's rights and obligations, including filing any pleadings; and in connection therewith, the Authorized Officer, with power of delegation, is hereby authorized and directed to execute appropriate retention agreements, pay appropriate retainers, and to cause to be filed an appropriate application for authority to retain the services of Hanson Bridgett LLP;

RESOLVED FURTHER, that the Authorized Officer is, with power of delegation, authorized and directed to employ the firm of STRETTO LLC as notice, claims, and balloting agent and as administrative advisor to represent and assist the Corporation in carrying out its duties under the Bankruptcy Code, and to take any and all actions to advance the Corporation's rights and obligations; and in connection therewith, the Authorized Officer is hereby authorized and directed to execute appropriate retention agreements, pay appropriate retainers, and to cause to be filed appropriate applications for authority to retain the services of STRETTO LLC;

RESOLVED FURTHER, that the Authorized Officer is, with power of delegation, authorized and directed to employ the firm of SILVERMAN CONSULTING as financial advisor to represent and assist the Corporation in carrying out its duties under the Bankruptcy Code, and to take any and all actions to advance the Corporation' s rights and obligations; and in connection therewith, the Authorized Officers is hereby authorized and directed to execute appropriate retention agreements, pay appropriate retainers, and to cause to be filed appropriate application s for authority to retain the services of SILVERMAN CONSULTING; and it is further

RESOLVED FURTHER, that the Authorized Officer is, with power of delegation, authorized and directed to employ any other professionals to assist the Corporation in carrying out its duties under the Bankruptcy Code; and in connection therewith, the Authorized Officer, with power of delegation, is hereby authorized and directed to execute appropriate retention agreements, pay appropriate retainers, and to cause to be filed an appropriate application for authority to retain the services of any other professionals as necessary; and

RESOLVED FURTHER, that the Authorized Officer is, with power of delegation, authorized, empowered and directed to execute and file all petitions , schedules , motions, lists, applications , pleadings, and other papers and, in connection therewith, to employ and retain all assistance by legal counsel, accountants, financial advisors, and other professionals and to take and perform any and all further acts and deeds that the Authorized Officer deems necessary, proper, or desirable in connection with the Chapter 11 Case, with a view to the successful prosecution of such case.

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General

RESOLVED, that in addition to the specific authorizations heretofore conferred upon the Authorized Officer, the Authorized Officer (and his designees and delegates) is authorized and empowered, in the name of and on behalf of the Corporation, to take or cause to be taken any and all such other and further action, and to execute, acknowledge, deliver, and file any and all such agreements, certificates, instruments, and other documents and to pay all expenses, including but not limited to filing fees, in each case as in the Authorized Officer's judgment, shall be necessary, advisable or desirable in order to fully carry out the intent and accomplish the purposes of the resolutions adopted herein;

RESOLVED, that all members of the Board of the Corporation have received sufficient notice of the actions and transactions relating to the matters contemplated by the foregoing resolutions, as may be required by the organizational documents of the Corporation, or hereby waive any right to have received such notice;

RESOLVED, that all acts, actions, and transactions relating to the matters contemplated by the foregoing resolutions done in the name of and on behalf of the Corporation, which acts would have been approved by the foregoing resolutions except that such acts were taken before the adoption of these resolutions, are hereby in all respects approved and ratified as the true acts and deeds of the Corporation with the same force and effect as if each such act, transaction, agreement or certificate has been specifically authorized in advance by resolution of the Board; and

RESOLVED, that the Authorized Officer (and his designees and delegates) is authorized and empowered to take all actions or to not take any action in the name of the Corporation with respect to the transactions contemplated by these resolutions hereunder, as such Authorized Officer shall deem necessary or desirable in such Authorized Officer's reasonable business judgment as may be necessary or appropriate to effectuate the purposes of the transactions contemplated herein.

(*Signature page follows*)

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IN WITNESS WHEREOF, the undersigned, constituting the entire Board of Trustees of the Corporation, have duly executed these Resolutions.

Garrett B. Cross
Board Chair

03/15/2021
Date

Paul Extrum-Fernandez
Secretary and Treasurer

03/15/2021
Date

DocuSigned by:
907602543SB0421...
William Riess
Resident Trustee

03/15/2021
Date

Board resolution of CNMH authorizing engagement of Ziegler, dated April 5, 2021.

CALIFORNIA-NEVADA
METHODIST HOMES
201 - 19th Street, Suite 100 • Oakland, CA 94612-4117 • (510) 893-8989 • Fax: (510) 893-3041

RESOLUTION OF
THE BOARD OF TRUSTEES OF
CALIFORNIA-NEVADA METHODIST HOMES

The undersigned, constituting the entire Board of Trustees (the "***Board***") of California-Nevada Methodist Homes, a California non-profit public benefit corporation (the "***Corporation***"), at a duly noticed meeting of the Board in Executive Session on April 5, 2021, held via video conference, hereby adopts and approves, the following resolution.

Selection of Investment Bank and Proposal

WHEREAS, the Board has requested, received and reviewed proposals from four qualified investment banks, those being Cain Brothers, Herbert Sims, Piper Sandler and Ziegler, to provide services including preparing, receiving, evaluating and recommending offers from either for-profit or not-for-profit organizations for the sale, affiliation or merger of CNMH.

NOW, BE IT RESOLVED, that the Board has voted to accept the proposal of B.C. Ziegler and Company, dated April 1, 2021 for these services.

IN WITNESS WHEREOF, the undersigned, constituting the entire Board of Trustees of the Corporation, have duly executed this Resolution.

Garrett B Cross
Garrett B. Cross
Board Chair

04/05/2021
Date

Paul ExtrumFernandez
Paul Extrum-Fernandez
Secretary and Treasurer

4/5/2021
Date

William Riess
Resident Trustee

Date

Action by Unanimous Written Consent of Board to Approve Loan Documents, dated July 29, 2021.

ACTION BY UNANIMOUS WRITTEN CONSENT OF THE BOARD OF TRUSTEES OF CALIFORNIA-NEVADA METHODIST HOMES

The undersigned, being all of the members of the Board of Trustees (the "**Board**") of California-Nevada Methodist Homes, a California not-for-profit corporation (the "**Company**"), hereby adopt the following resolutions by unanimous written consent as authorized by the Company's Bylaws and Section 307 of the California Corporations Code:

WHEREAS, on March 16, 2021, the Company filed a voluntary petition with the Bankruptcy Court initiating the Chapter 11 Case and has continued in the possession of its assets and in the management of its businesses pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

WHEREAS, the Company has applied to the Lender for a multiple-advance term loan facility in an aggregate principal amount not to exceed $5,000,000 (subject to the terms and conditions of the Credit Agreement).

Capitalized terms used but not otherwise defined herein have the respective meanings given them in the Credit Agreement (defined below).

Approval of Loan Documents

BE IT RESOLVED, that the Company is authorized to enter into that certain Senior Secured Superpriority Debtor-In-Possession Credit Agreement, dated as of July 30, 2021 (the "**Credit Agreement**", which together with all related documents and security instruments required thereunder are referred to as the "**Loan Documents**"), by and between the Company and B.H. Capital Ventures, LLC, a California limited liability company (the "**Lender**"), and the other Loan Documents, and to grant a security interest in the Collateral to secure its obligations under the Loan Documents.

RESOLVED FURTHER, that the Company be, and it hereby is, authorized and empowered to negotiate, execute, and deliver (or cause to be negotiated, executed, and delivered) each Loan Document, and any agreements, documents and instruments required to be delivered by the Company pursuant thereto.

RESOLVED FURTHER, that the terms and conditions of the Loan Agreement and the other Loan Documents and the Company's performance of its obligations thereunder, in each case, with such changes thereto as may be approved by an Authorized Officer (defined below) of the Company, are hereby authorized and approved in their entirety, together with the borrowings and other extensions of credit to be made, and all other transactions contemplated thereby, such approval to be conclusively evidenced by the execution of such Loan Documents.

RESOLVED FURTHER, that Steven A. Nerger and Robert L. Leeper (each such person, an "**Authorized Officer**"), may request and agree to amendments, supplements, restatements, renewals and extensions of any of the Loan Documents, and do and perform all such further acts and things and to execute and deliver all such further documents, instruments and agreements and

to take all such other steps that may be necessary or advisable or convenient and proper to carry out the intent of the foregoing resolutions and fully perform the provisions of the foregoing.

RESOLVED FURTHER, that the omission from this Action by Unanimous Written Consent of any agreement, document or other arrangement contemplated by any of the Loan Documents described in the foregoing resolutions or any action to be taken in accordance with any requirement of any of the agreements, documents or instruments described in the foregoing resolutions shall in no manner derogate from the authority of the Company to take all actions necessary, desirable, advisable or appropriate to consummate, effectuate, carry out or further the transactions contemplated by, and the intent and purposes of, the foregoing resolutions.

RESOLVED FURTHER, that all acts authorized pursuant to these resolutions and performed prior to the passage of these resolutions are hereby ratified and approved, that these resolutions shall remain in full force and effect.

RESOLVED FURTHER, that this Action by Unanimous Written Consent may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any copy, facsimile or other reliable reproduction of this Action by Unanimous Written Consent may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used.

RESOLVED FURTHER, that this Action by Unanimous Written Consent shall be filed with the minutes of the proceedings of the Board.

[*Signature page follows*]

IN WITNESS WHEREOF, the undersigned have duly executed this Action by Unanimous Written Consent as of the last date set forth below.

BOARD OF TRUSTEES:

DocuSigned by:
Garrett B Cross
646DEF1925E7459...

Garrett B. Cross
Board Chair

Date: 7/29/2021

DocuSigned by:
Paul Extrum-Fernandez
708AF7488042495...

Paul Extrum-Fernandez
Secretary and Treasurer

Date: 7/29/2021

DocuSigned by:
9076025435B0421...

William Riess
Resident Trustee

Date: 7/29/2021

Board resolutions of CNMH ratifying Purchase and Sale Agreement with Buyers and regulatory notices and approving and authorizing filing of this Notice, dated March 30, 2022.

CALIFORNIA-NEVADA METHODIST HOMES
BOARD RESOLUTIONS RATIFYING CERTAIN ACTIONS RELATED TO ASSET SALE AND AUTHORIZING ATTORNEY GENERAL NOTICE

WHEREAS, on February 2, 2022, an auction to sell all or substantially all assets of the Corporation was held pursuant to Section 363 of the United States Bankruptcy Code;

WHEREAS, Pacifica Communities, LLC "Pacifica" was the stalking horse bidder in the auction;

WHEREAS, Pacifica's bid, $34,000,000, was $250,000 less than a bid made by Heritage Campus Group;

WHEREAS, despite this fact, the Corporation and its counsel, in consultation with Ziegler, determined that Pacifica s bid was superior based on its experience operating similar communities in California, the absence of a financing contingency, its ability to close quickly, and the comfort levels of several government agencies, including the Department of Health Care Access and Information, which operates the Cal-Mortgage bond insurance program;

WHEREAS, the Bankruptcy Court issued an order on February 8, 2022 approving the proposed sale to Pacifica or its designees on the terms set forth in the Purchase and Sale Agreement negotiated by the Corporation and Pacifica the "PSA" ;

WHEREAS, the Corporation now wishes to ratify its approval of Pacifica s bid and its decision to enter into the PSA with Pacifica;

WHEREAS, Pacifica has created two new limited liability companies to purchase the Corporation's assets: Lake Merritt Senior Living, LLC to acquire Lake Park and Pacific Grove Senior Living to acquire Pacific Grove, and has assigned the PSA to these two entities;

WHEREAS, under the PSA and California law, the Corporation must prepare (1 a notice of proposed sale to the California Attorney General (the "AG Notice" ; and (2 various regulatory notices to the California Department of Social Services and residents of the two communities operated by the Corporation;

WHEREAS, the Corporation has also opted to provided notices of the sale to its staff modeled after the notices to residents;

WHEREAS, the Board Chair has reviewed and approved the content of the various regulatory and staff notices and such notices have been sent;

WHEREAS, the AG Notice is nearly complete and the Board Chair has reviewed and approved such notice in substantially final form;

WHEREAS, the Board wishes to ratify approval of the regulatory notices, approve the submission of the AG Notice, and deputize the Board Chair to sign the AG Notice;

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. The Corporation hereby ratifies the Corporation's approval of Pacifica's bid and its decision to enter into the PSA with Pacifica;

Section 2. The Corporation hereby ratifies the content of all regulatory and staff notices that have been provided and authorizes legal counsel to provide any further notices that counsel deems necessary or advisable.

Section 3. The Corporation hereby approves the draft AG Notice in substantially final form, deputizes the Board Chair, Garrett B. Cross, to finalize and execute the Notice, and authorizes legal counsel to file the notice and take all related actions.

Section 4. Any actions of the Board, any officer or director of the Corporation, or anyone acting on its behalf that are authorized by the foregoing resolutions but were taken before the adoption of such resolutions, are hereby separately ratified, confirmed, approved and adopted as acts in the name of and on behalf of the Corporation.

Passed, approved and adopted by a unanimous vote of the Board on March 30, 2022.

Garrett B Cross

Garrett B. Cross, Board Chair

03/30/2022

Date

SECTION 999.5(d)(11)(B)

(B) Copies of all documents relating or referring to the reasons why any potential transferee was excluded from further consideration as a potential transferee for any of the health facilities or facilities that provide similar health care services that are the subject of the agreement or transaction.

Please see the Ziegler matrices in Section 999.5(d)(2)(D) and the narrative in Section 999.5(d)(11)(D) for details.

SECTION 999.5(d)(11)(C)

(C) Copies of all Requests for Proposal sent to any potential transferee, and all responses received thereto.

See Section 999.5(d)(2)(D) for copies of the Confidential Memorandum, Executive Summary, NDAs, and letters of interest.

SECTION 999.5(d)(11)(D)

(D) All documents reflecting the deliberative process used by the applicant and any related entity in selecting the transferee as the entity to participate in the proposed agreement or transaction.

See the resolutions passed by CNMH's board (Sections 999.5(d)(8) and (d)(11)(A)). See also the attached motions filed with the Bankruptcy Court on behalf of CNMH pertaining to the approval of Buyer as the winning bidder in the auction.

Please also see the matrices attached at Section 999.5(d)(2)(D).

SECTION 999.5(d)(11)(E)

(E) Copies of each Proposal received by the applicant from any potential transferee suggesting the terms of a potential transfer of applicant's health facilities or facilities that provide similar health care services, and any analysis of each such Proposal.

Please see Section 999.5(d)(2)(D) to review all letters of interest received by CNMH. Please also see Section 999.5(d)(11)(D) regarding CNMH's rationale for selecting Buyer.

SECTION 999.5(d)(11)(F)

(F) The applicant's prior two annual audited financial statements, the applicant's most current unaudited financial statement, business projection data and current capital asset valuation data.

Attached are the following materials:

1. CNMH's audited financial statements for the fiscal years ended June 30, 2020 and June 30, 2021 (including income statements and balance sheets).

2. CNMH's unaudited financial statement for the period ended February 28, 2022.

3. CNMH's fixed asset schedules, prepared January 31, 2022.

CNMH's audited financial statements for the fiscal years ended June 30, 2019 and June 30, 2020 (including income statements and balance sheets).

CALIFORNIA-NEVADA METHODIST HOMES

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2020 AND JUNE 30, 2019

RINA
Accountants & Advisors

CALIFORNIA-NEVADA METHODIST HOMES

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RINA Accountancy LLP
150 Post Street, Suite 200, San Francisco, CA 94108
phone: 415.777.4488 *fax:* 415.837.1260 1.800.RINA.CPA *web:* www.rina.com

Independent Auditors' Report

Board of Trustees
California-Nevada Methodist Homes

We have audited the accompanying financial statements of California-Nevada Methodist Homes (a California not-for-profit corporation), which comprise the statements of financial position as of June 30, 2020 and June 30, 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California-Nevada Methodist Homes as of June 30, 2020 and June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, Statements of Unrestricted Revenue and Expenses by Division, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

RINA Accountancy LLP

Certified Public Accountants

San Francisco, California
December 11, 2020

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF FINANCIAL POSITION - JUNE 30, 2020

ASSETS	Without Donor Restriction	With Donor Restriction	Total
CURRENT:			
Cash and cash equivalents	$ 4,032,106	$ 26,920	$ 4,059,026
Investments, at fair value	103,679	-	103,679
Accounts receivable (pledged):			
Trade, net of $105,000 allowance for uncollectible accounts	501,746	-	501,746
Other	196,691	-	196,691
Accrued interest	5,000	-	5,000
Prepaid expenses	408,860	-	408,860
Bond reserve funds	2,918,540	-	2,918,540
TOTAL CURRENT ASSETS	8,166,622	26,920	8,193,542
PROPERTY AND EQUIPMENT, at cost, net encumbered	46,012,913	-	46,012,913
OTHER:			
Charitable remainder trust, at present value	13,559	-	13,559
	$ 54,193,094	$ 26,920	$54,220,014
LIABILITIES AND NET ASSETS			
CURRENT:			
Bond payable	$ 610,000	$ -	$ 610,000
Accounts payable - trade	971,203	-	971,203
Accrued liabilities:			
Salaries and wages	217,092	-	217,092
Compensated absences	907,680	-	907,680
Accrued interest	767,826	-	767,826
Other	14,366	-	14,366
TOTAL CURRENT LIABILITIES	3,488,167	-	3,488,167
LONG-TERM:			
Entrance deposits	21,010	-	21,010
Accrued severance pay	159,911	-	159,911
Repayable entrance fees	20,535,427	-	20,535,427
Deferred revenue from entrance fees	13,172,882	-	13,172,882
Deferred compensation	106,886	-	106,886
Line of credit	2,999,120	-	2,999,120
Bonds payable net of debt financing fees of $2,691,994	30,482,187	-	30,482,187
Future service obligation	173,000	-	173,000
Other deposits payable	51,371	-	51,371
TOTAL LIABILITIES	71,189,961	-	71,189,961
NET ASSETS (DEFICIT)	(16,996,867)	26,920	(16,969,947)
	$ 54,193,094	$ 26,920	$54,220,014

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF FINANCIAL POSITION - JUNE 30, 2019

ASSETS	Without Donor Restriction	With Donor Restriction	Total
CURRENT:			
Cash and cash equivalents	$ 705,253	$ 37,300	$ 742,553
Investments, at fair value	2,745,325	-	2,745,325
Accounts and notes receivable (pledged):			
Trade, net of $45,000 allowance for uncollectible accounts	334,983	-	334,983
Other	136,374	-	136,374
Accrued interest	6,114	-	6,114
Prepaid expenses	330,286	-	330,286
Bond reserve funds	3,584,726	-	3,584,726
TOTAL CURRENT ASSETS	7,843,061	37,300	7,880,361
PROPERTY AND EQUIPMENT, at cost, net (encumbered)	47,808,599	-	47,808,599
OTHER:			
Charitable remainder trust, at present value	14,495	-	14,495
	$ 55,666,155	$ 37,300	$55,703,455
LIABILITIES AND NET ASSETS			
CURRENT:			
Bond payable	$ 585,000	$ -	$ 585,000
Accounts payable - trade	1,343,734	-	1,343,734
Accrued liabilities:			
Salaries and wages	215,042	-	215,042
Compensated absences	1,178,265	-	1,178,265
Accrued interest	779,525	-	779,525
Other	11,367	-	11,367
TOTAL CURRENT LIABILITIES	4,112,933	-	4,112,933
LONG-TERM:			
Entrance deposits	17,010	-	17,010
Accrued severance pay	158,493	-	158,493
Repayable entrance fees	20,113,452		20,113,452
Deferred revenue from entrance fees	13,346,188	-	13,346,188
Deferred compensation	110,129	-	110,129
Note Payable	2,449,120	-	2,449,120
Bonds payable net of debt financing fees of $2,993,882	31,236,758	-	31,236,758
Future service obligation	1,563,000	-	1,563,000
TOTAL LIABILITIES	73,107,083	-	73,107,083
NET ASSETS (DEFICIT)	(17,440,928)	37,300	(17,403,628)
	$ 55,666,155	$ 37,300	$55,703,455

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE:						
Resident fees	$ 11,924,508	$ -	$ 11,924,508	$ 11,124,069	$ -	$ 11,124,069
Patient fees	4,465,954	-	4,465,954	5,605,514	-	5,605,514
Amortization of entrance fees	2,249,888	-	2,249,888	3,031,375	-	3,031,375
Interest and dividend income	55,667	-	55,667	113,793	-	113,793
Rental income	42,682	-	42,682	101,260	-	101,260
Gifts, bequests and grants	10,000	17,558	27,558	-	49,736	49,736
Change in present value of charitable remainder trust	(936)	-	(936)	685	-	685
Unrealized gains (losses) on investments	14,901	-	14,901	(250,523)	-	(250,523)
Realized gains on sale of investments	173,664	-	173,664	429,199	-	429,199
Government grants	2,517,965	-	2,517,965	-	-	-
Change in value of future service obligation	1,390,000	-	1,390,000	(1,563,000)	-	(1,563,000)
Miscellaneous	108,418	-	108,418	127,521	-	127,521
Net assets released from restrictions:						
Satisfaction of program restrictions	27,938	(27,938)	-	37,399	(37,399)	-
TOTAL REVENUE	22,980,649	(10,380)	22,970,269	18,757,292	12,337	18,769,629
EXPENSES:						
Program services:						
Forest Hill Manor	9,235,437	-	9,235,437	9,342,265	-	9,342,265
Lake Park Retirement Residence	12,074,422	-	12,074,422	12,107,941	-	12,107,941
Rental properties	12,792	-	12,792	31,610	-	31,610
Total program services	21,322,651	-	21,322,651	21,481,816	-	21,481,816
Supporting services:						
Management and general	1,213,937	-	1,213,937	1,503,935	-	1,503,935
Fundraising	-	-	-	-	-	-
TOTAL EXPENSES	22,536,588	-	22,536,588	22,985,751	-	22,985,751
INCREASE (DECREASE) IN NET ASSETS	444,061	(10,380)	433,681	(4,228,459)	12,337	(4,216,122)
NET ASSETS, beginning of year	(17,440,928)	37,300	(17,403,628)	(13,212,469)	24,963	(13,187,506)
NET ASSETS, end of year	$ (16,996,867)	$ 26,920	$ (16,969,947)	$ (17,440,928)	$ 37,300	$ (17,403,628)

See notes to financial statements.

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CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF FUNCTIONAL EXPENSES - JUNE 30, 2020

	Program Services				Supporting Services		
	Forest Hill	Lake Park	Rental	Total	Management and General	Fundraising	Total Expenses
Program expenses:							
Salaries and Wages	$ 2,558,884	$ 4,729,307	$ -	$ 7,288,191	$ 579,341	$ -	$ 7,867,532
Employee Benefits	350,691	1,300,590	-	1,651,281	74,526	-	1,725,807
Payroll Taxes	247,471	396,044	-	643,515	48,593	-	692,108
Management Fees	998,641	1,210,294	-	2,208,935	63,780	-	2,272,715
Professional Fees	205,808	204,214	-	410,022	295,529	-	705,551
Other Fees	123,666	42,667	-	166,333	500	-	166,833
Advertising	342,572	176,283	-	518,855	-	-	518,855
Office Expense	99,766	107,541	-	207,307	47,001	-	254,308
Travel	1,967	3,148	-	5,115	1,720	-	6,835
Insurance	266,540	396,704	-	663,244	3,535	-	666,779
Housekeeping & Laundry	(3,380)	119,651	-	116,271	-	-	116,271
Medical Services	300,466	301,351	-	601,817	-	-	601,817
Auto Expense	4,613	11,150	-	15,763	-	-	15,763
Bank Fees	-	-	-	-	13,281	-	13,281
Board related expenses	-	-	-	-	2,467	-	2,467
Utilities	459,668	864,111	-	1,323,779	51,144	-	1,374,923
Supplies	49,108	23,999	-	73,107	-	-	73,107
Dues and Subs	12,142	7,970	-	20,112	-	-	20,112
Recruitment & Training	18,107	22,536	-	40,643	-	-	40,643
Equipment Rentals	20,346	30,972	-	51,318	1,256	-	52,574
Food Service	22,055	14,399	-	36,454	-	-	36,454
Lab Fees	6,414	5,151	-	11,565	-	-	11,565
License & Taxes	36,658	104,471	8,361	149,490	70	-	149,560
Maintenance & Operations	129,106	201,469	-	330,575	828	-	331,403
Other Purchased Svcs	211,037	156,294	-	367,331	21,862	-	389,193
Resident Outings	1,258	2,949	-	4,207	-	-	4,207
Security	7,036	264,011	151	271,198	1,588	-	272,786
Total program expenses	6,470,640	10,697,276	8,512	17,176,428	1,207,021	-	18,383,449
Other expenses:							
Depreciation	1,482,715	1,102,819	4,280	2,589,814	6,916	-	2,596,730
Amortization of bond issuance costs	134,460	16,484	-	150,944	-	-	150,944
Interest	1,147,622	257,843	-	1,405,465	-	-	1,405,465
Total other expenses	2,764,797	1,377,146	4,280	4,146,223	6,916	-	4,153,139
TOTAL EXPENSES	$ 9,235,437	$ 12,074,422	$ 12,792	$ 21,322,651	$ 1,213,937	$ -	$ 22,536,588

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF FUNCTIONAL EXPENSES - JUNE 30, 2019

	Program Services				Supporting Services		
	Forest Hill	Lake Park	Rental	Total	Management and General	Fundraising	Total Expenses
Program expenses:							
Salaries and Wages	$ 2,744,432	$ 4,587,672	$ -	$ 7,332,104	$ 702,374	$ -	$ 8,034,478
Employee Benefits	353,036	1,363,559	-	1,716,595	80,779	-	1,797,374
Payroll Taxes	223,438	375,852	-	599,290	45,332	-	644,622
Management Fees	785,311	1,243,908	-	2,029,219	-	-	2,029,219
Professional Fees	201,859	57,568	92	259,519	557,291	-	816,810
Other Fees	30,645	40,105	-	70,750	-	-	70,750
Advertising	558,425	382,030	-	940,455	21	-	940,476
Office Expense	96,209	81,849	873	178,931	11,060	-	189,991
Travel	6,515	7,249	-	13,764	268	-	14,032
Insurance	281,897	403,944	1,819	687,660	1,858	-	689,518
Housekeeping & Laundry	(5,347)	100,356	-	95,009	-	-	95,009
Medical Services	495,614	479,796	-	975,410	-	-	975,410
Auto Expense	5,493	16,627	-	22,120	-	-	22,120
Bank Fees	817	169	-	986	16,890	-	17,876
Board related expenses	-	-	-	-	11,064	-	11,064
Utilities	427,597	816,990	9,824	1,254,411	36,788	-	1,291,199
Supplies	58,911	26,090	-	85,001	-	-	85,001
Dues and Subs	22,526	17,198	-	39,724	557	-	40,281
Recruitment & Training	21,193	18,420	-	39,613	256	-	39,869
Equipment Rentals	41,509	39,046	35	80,590	423	-	81,013
Exp. Reimbursed by Restricted Funds	-		-	-	-	-	-
Food Service	4,018	7,696	-	11,714	-	-	11,714
Lab Fees	12,264	1,250	-	13,514	-	-	13,514
License & Taxes	26,733	98,869	8,738	134,340	770	-	135,110
Maintenance & Operations	77,408	204,915	436	282,759	2,384	-	285,143
Other Purchased Svcs	99,677	167,137	5,223	272,037	13,947	-	285,984
Resident Outings	953	5,553	-	6,506	-	-	6,506
Security	8,945	236,501	423	245,869	578	-	246,447
Total program expenses	6,580,078	10,780,349	27,463	17,387,890	1,482,640	-	18,870,530
Other expenses:							
Depreciation	1,524,211	1,103,505	4,136	2,631,852	21,295	-	2,653,147
Amortization of bond issuance costs	134,460	16,484	-	150,944	-	-	150,944
Interest	1,103,516	207,603	11	1,311,130	-	-	1,311,130
Total other expenses	2,762,187	1,327,592	4,147	4,093,926	21,295	-	4,115,221
TOTAL EXPENSES	$ 9,342,265	$12,107,941	$31,610	$ 21,481,816	$ 1,503,935	$ -	$ 22,985,751

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2020		Year Ended June 30, 2019	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Increase (Decrease) in net assets		$ 433,681		$ (4,216,122)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:				
Depreciation	$ 2,596,729		$ 2,653,147	
Amortization of bond issuance costs	150,944		150,944	
Amortization of bond premium	463,218		(311,015)	
Amortization of entrance fees	(2,249,888)		(3,031,375)	
Entrance fees received, net	2,498,557		1,972,070	
Realized (gain) loss on sale of investments	(173,664)		(429,199)	
Unrealized (gain) loss on investments	(14,901)		250,523	
Decrease (increase) in present value of charitable remainder trust	936		(685)	
Change in value of future service obligation	(1,390,000)		1,563,000	
Decrease (increase) in:				
Accounts and notes receivable - trade	(166,763)		173,368	
Other receivables	(60,317)		(100,183)	
Accrued interest receivable	1,114		9,156	
Prepaid expenses	(78,574)		(30,339)	
Increase (decrease) in:				
Accounts payable	(372,531)		465,782	
Accrued liabilities	(224,445)		17,904	
Deferred compensation	(3,243)		-	
Entrance deposits	4,000	981,172	(237,005)	3,116,093
NET CASH USED BY OPERATING ACTIVITIES		1,414,853		(1,100,029)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment	(801,043)		(1,000,803)	
Proceeds from sale of investments	2,830,211		1,154,075	
(Increase) decrease in bond reserve funds	666,186		(73,251)	
Purchases of investments	-		(271,540)	
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES		2,695,354		(191,519)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on note payable	-		(152,778)	
Proceeds from line of credit	550,000		1,753,415	
Payments on long term debt	(1,343,734)		(570,000)	
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		(793,734)		1,030,637
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		3,316,473		(260,911)
CASH AND CASH EQUIVALENTS, beginning of year		742,553		1,003,464
CASH AND CASH EQUIVALENTS, end of year		$ 4,059,026		$ 742,553
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for interest		$ 1,700,989		$ 1,622,144

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

California-Nevada Methodist Homes (the Corporation) is a non-profit charitable corporation with a primary mission of enhancing the well-being of seniors for the remaining years of their lives through the creation and ethical administration of residential and health care facilities in which the independence, dignity, traditional values and individual rights of each person are held in high regard.

Financial statement presentation:

On August 18,2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)- Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

The Corporation reports information regarding its financial position and its activities according to the following net asset classifications: without donor restrictions (including board designated amounts) and with donor restrictions. Net assets with donor restrictions are reclassified to without donor restrictions upon satisfaction of the time or purpose restrictions.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, current support and net assets of the Corporation and changes therein are classified and reported according to their respective restriction or lack thereof.

See Note 16 for a summary of net assets with donor restrictions as of June 30, 2020 and 2019.

Cash and cash equivalents:

Cash and cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less.

Accounts receivable:

Accounts receivable represent amounts billed but not yet collected. The Corporation provides an allowance for doubtful accounts based on management's evaluation of a current aging of the accounts. It is the corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Investments:

The Corporation reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Corporation invests in various investments. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments (continued):

Professional accounting standards established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional accounting standards are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.
Level 2	Inputs to the valuation methodology include: • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data, by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Equity securities, debt securities, and U.S. government securities*:* Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Depreciation:

The Corporation computes depreciation on its property and equipment using the straight-line method of accounting over useful lives ranging from 3 to 50 years.

Depreciation is a non-cash adjustment to assets on the "Statement of Financial Position". As of June 30, 2020, cumulative depreciation is $44,611,306 (see Note 9).

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Amortization of deferred income - entrance fees:

The Entrance Fee and Continuing Care Agreements between the Corporation and the residents provide for the payment of an entrance fee. Entrance fees are used for general purposes, including support of operations, debt retirement and capital acquisitions. Repayable entrance fees are held on the balance sheet and not amortized. The amortizable fees are recognized as revenue on a straight-line method of accounting over the expected remaining life of the residents as recomputed actuarially at the end of each year. In the case of repayable entrance fee contracts, and upon the death of the resident, the unamortized amount of the entrance fee taken into income is reduced by the amount of the repayment embodied in the contract.

Deferred revenue from entrance fees is treated as a long-term liability on the "Statement of Financial Position". Only a portion of this deferred revenue, however, is subject to repayment provisions. As of June 30, 2020, the amount of deferred revenue not subject to repayment provisions is $7,362,546 (see Note 14).

Amortization of bond issuance cost:

Certain costs related to the bond issue have been capitalized and are being amortized using the straight-line method over the life of the bond. Debt issuance costs are presented as a direct reduction form the carrying amount of the debt liability. These costs are amortized to interest expense over the term of the respective bond outstanding.

Amortization of bond premium:

The premium on issuance of the bonds is being amortized to offset interest expense over the life of the bonds.

Income taxes:

The Corporation has received tax-exempt status under the Internal Revenue Code Section 501(c)(3) and under the California Revenue Code Section 23701(d).

Reclassifications:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

Recent Accounting Pronouncements:

On June 21, 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the accounting Guidance for Contributions Received and Contributions Made*. The Update assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Update is effective to annual periods beginning after December 15, 2019. The Corporation has implemented ASU 2018-08 and has adjusted the presentation in these financial statements accordingly.

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2020 AND JUNE 30, 2019

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Recent Accounting Pronouncements (continued):

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) which affects any entity that enters into contracts with customers to transfer goods or services. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual reporting periods beginning after December 15, 2018. ASU 2014-09 has been adopted for the year ended June 30, 2020.

Note 2. NATURE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents, investments and trade accounts receivable. Cash and cash equivalents were held in financial institutions in amounts exceeding the guaranteed amounts of the Federal Deposit Insurance Corporation. Trade accounts receivable are due from Medicare and private sources. Investments are held at brokerage firms in amounts which may exceed the guaranteed amount of the Securities Investor Protection Corporation.

Note 4. LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	June 30, 2020	June 30, 2019
Cash and cash equivalents	$ 4,032,106	$ 742,553
Investments	103,679	2,745,325
Accounts receivable	698,437	471,357
Total	$ 4,834,222	$ 3,959,235

Note 5. STATUTORY LIQUID ASSET RESERVE:

Effective January 1, 2005 the State of California Health and Safety Code Section 1792 requires the Corporation to hold reserves to cover its annual long-term debt service and seventy-five days of net operating expenses. The Corporation is not required to segregate these reserves, and the reserves may be held as cash, investments or letters of credit. The Corporation's assets held by the Tax Exempt Bond Trustee, Union Bank, can be used to satisfy this requirement. At June 30, 2020 and June 30, 2019, the Corporation had a required reserve of $173,000 and $1,563,000, respectively, which were held as cash, cash equivalents and investments.

Note 6. INVESTMENTS:

Investments are stated at fair value. Fair value and cost as of June 30, 2020 and June 30, 2019 are summarized as follows:

	June 30, 2020		June 30, 2019	
Investment Type	Fair Value	Cost	Fair Value	Cost
Corporate equities	$ 102,707	$ 77,139	$ 439,381	$ 409,668
Debt securities	972	985	2,305,944	2,388,585
	$ 103,679	$ 78,124	$ 2,745,325	$ 2,798,253

Note 7. FAIR VALUE MEASUREMENTS:

The following tables sets forth by level, the fair value hierarchy, the Corporation's assets at fair value as of June 30, 2020 and June 30, 2019:

Assets at Fair Value as of June 30, 2020

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate equities	$ 102,707	$ -	$ -	$ 102,707
Debt securities	972	-	-	972
Charitable remainder trust	-	-	13,559	13,559
	$ 103,679	$ -	$ 13,559	$ 117,238

Assets at Fair Value as of June 30, 2019

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate equities	$ 439,381	$ -	$ -	$ 439,381
Debt securities	2,305,944	-	-	2,305,944
Charitable remainder trust	-	-	14,495	14,495
	$ 2,745,325	$ -	$ 14,495	$ 2,759,820

Note 7. FAIR VALUE MEASUREMENTS (Continued):

Level 3 Gains and Losses:

The following table sets forth a summary of changes in the fair value of the Corporation's level 3 assets for the years ended June 30, 2020 and June 30, 2019:

	June 30, 2020 Charitable Remainder Trust	June 30, 2019 Charitable Remainder Trust
Balance, beginning of year	$ 14,495	$ 13,810
Unrealized gains (losses) relating to instruments held at reporting date	(936)	685
Balance, end of year	$ 13,559	$ 14,495

Note 8. BOND RESERVE FUNDS:

The bond reserve funds are held by a trustee in the following accounts:

	June 30, 2020	June 30, 2019
Interest fund	$ 278,520	$ 786,298
Bond reserve	2,237,462	2,207,838
Project	210	207
Principal	402,348	590,383
	$ 2,918,540	$ 3,584,726

The trustee has invested the funds in marketable certificates of deposit. These earnings will be accumulated and used to fund bond bi-annual interest payments. During the years ended June 30, 2020 and June 30, 2019, bond payments in the amount of $585,000 and $570,000, respectively, were made from the principal fund.

Note 9. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30:

	June 30, 2020	June 30, 2019
Land	$ 834,624	$ 834,624
Land improvements	337,637	337,637
Buildings and improvements	83,423,577	82,671,586
Furniture and equipment	6,013,108	5,979,329
Construction in progress	15,273	-
Totals	90,624,219	89,823,176
Less accumulated depreciation	(44,611,306)	(42,014,577)
Property and equipment, net	$ 46,012,913	$ 47,808,599

Note 9. PROPERTY AND EQUIPMENT (Continued):

The balances of accumulated depreciation by category are as follows:

	June 30, 2020	June 30, 2019
Land improvements	$ 236,271	$ 224,194
Buildings and improvements	39,796,871	37,457,132
Furniture and equipment	4,578,161	4,333,251
Totals	$ 44,611,303	$ 42,014,577

Note 10. CHARITABLE TRUSTS:

The Corporation has been named as a beneficiary of a Charitable Remainder Trust. The income beneficiaries of the Trust are entitled to a payment each year calculated at 6% of the fair market value of the trust assets as of the first day of each taxable year of the trust.

The Trusts are stated at the present value of the projected balance of the Trusts at termination, net of the amounts due to the income beneficiaries over the term of the Trusts. Changes in the calculated net present value are reported in the statement of activities annually.

The key assumptions used in net present value calculations for the Trusts are as follows:

	June 30, 2020	June 30, 2019
Present value	$ 13,559	$ 14,495
Trust assets at fair value	$ 18,831	$ 19,909
Projected term of the trusts based on actuarial tables	9.10 years	9.50
Projected growth rate net of payments to income beneficiaries	0.00 %	0.00 %
Risk-free discount rate	3.40 %	3.40 %

Note 11. LINE OF CREDIT:

The Corporation executed a $3,525,000 revolving line of credit with a bank that matures on August 1, 2021. The interest rate on the line is the prime rate plus .25% (currently 3.25%). The balance outstanding on the revolving line of credit was $2,999,120 and $2,449,120 as of June 30, 2020 and June 30, 2019, respectively.

Note 12. TAX EXEMPT BOND PAYABLE:

The construction of the new buildings at Forest Hill and a portion of the costs incurred in the expansion of the Lake Park skilled nursing unit were financed by the Corporation through the issuance of tax-exempt California Health Facilities Financing Authority Insured Revenue Bonds (California-Nevada Methodist Homes), Series 2006 (the " 2006 Bonds"), in the aggregate principal amount of $42,280,000. The Office of Statewide Health Planning and Development of the State of California insures the principal and interest payments on the Bonds. Union Bank of California serves as the trustee.

Note 12. TAX EXEMPT BOND PAYABLE (Continued):

October 1, 2015, the 2006 Bonds were refinanced by the Corporation through the issuance of tax-exempt California Health Facilities Financing Authority Insured Revenue Bonds (California-Nevada Methodist Homes), Series 2015 (the "Bonds"), in the aggregate principal amount of $32,920,000. The Office of Statewide Health Planning and Development of the State of California insures the principal and interest payments on the Bonds. Wilmington Trust serves as the trustee.

The Bonds are secured by the property, accounts receivable and equipment of the Corporation. The Bonds have a final maturity date of 2045 but were subject to mandatory redemptions beginning in 2016.

The Serial Bonds for the years 2019 - 2026 will be repaid by the Corporation making twelve monthly payments each year to the Trustee. The payments will be equal to the sum of two future interest payments (January 1 and July 1) and the one annual redemption payment (July 1). The Corporation received a waiver on making these payments for the months of April, May and June. On July 1, 2020 the trustee was directed to withdraw the annual payment from the debt service reserve account.

The Term Bonds due in 2030, 2035 and 2045 have sinking fund requirements that start in 2027. The payments each year will begin with $850,000 in 2027 to $2 million in 2045.

For all bonds, according to the indenture requirements, the monthly payments made by the Corporation, as calculated and administered by the trustee, include both interest and principal amounts. Thus, at the time of each bond redemption, all principal due will have been accumulated and no additional principal payment will be required.

The Corporation is required to maintain a debt service fund equal to approximately one year's debt service with the trustee, which was met at June 30, 2020 and June 30, 2019.

The Corporation is required to meet certain covenants. The Corporation expects to receive a waiver for these covenants as measured on June 30, 2020.

The stated fixed interest rate of the Bonds varies from 2.0% to 5.0%. The bonds were issued at a premium of $4,238,125 which is being amortized over the life of the bonds.

Note 12. TAX EXEMPT BOND PAYABLE (Continued):

Bond maturity dates are as follows:

Maturity Date	Amount	Type of Bonds
July 1, 2020	$ 610,000	Serial
July 1, 2021	630,000	Serial
July 1, 2022	665,000	Serial
July 1, 2023	700,000	Serial
July 1, 2024	735,000	Serial
July 1, 2025	770,000	Serial
July 1, 2026	810,000	Serial
2030	3,655,000	Term
2035	5,700,000	Term
2045	16,560,000	Term
Subtotal	30,835,000	
Less unamortized debt issuance costs	(2,691,994)	
Bond payable less debt issuance costs	28,143,006	
Premium on bond payable	2,949,181	
Total	$ 31,092,187	

Note 13. DEFERRED REVENUE FROM ENTRANCE FEES:

The Corporation has several different types of contracts. Type A entrance fee agreements provide for the right of each resident to terminate the agreement and be entitled to a refund of the original fee less 1.5% of the original fee for each month of residency. Type B entrance fee agreements provide for the right of each resident to terminate the agreement and be entitled to a refund of the original fee less 2.78% of the original fee for each month of residency. For guaranteed repayment contracts the repayment is 80% or 50% of the original fee. At June 30, 2020 and June 30, 2019, unamortized entrance fees (deferred revenue) were $13,172,882 and $13,346,188, respectively. At June 30, 2020 and June 30, 2019, repayable entrance fees were $20,535,427 and $20,113,452, respectively.

Note 14. SELECTIVE MANAGEMENT COMPENSATION PLAN:

The Corporation has agreements with certain key employees. The agreements are designed to provide benefits to be paid to these employees in installments upon retirement or, in the event of their death, to a designated beneficiary. Accordingly, the Corporation has accrued deferred compensation of $106,886 and $110,129 at June 30, 2020 and June 30, 2019.

Note 15. FUTURE SERVICE OBLIGATION:

Professional accounting standards require the Corporation to record a liability recognizing an obligation to provide future services and the use of the facilities to all current residents if the net present value of future net cash out-flows, adjusted for certain noncash items, exceeds the present value of future net cash in-flows. At June 30, 2020 and June 30, 2019 the estimated future service obligation was $173,000 and $1,563,000, respectively. Future Service Obligation is calculated by Continuing Care Actuaries. The interest rate used to discount the liability was 5.5% in both 2020 and 2019.

Note 16. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisted of the following for the year ended June 30, 2020:

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Forest Hill:				
Service enhancement	$ 1,046	$ -	$ -	$ 1,046
Resident support	7,850	17,558	7,300	18,108
Facility undesignated	-	-		-
Capital improvement	5,261	-	-	5,261
Total Forest Hill	14,157	17,558	7,300	24,415
Lake Park:				
Service enhancement	23,143	-	20,638	2,505
Capital improvement	-	-	-	-
Facility undesignated	-	-	-	-
Total Lake Park	23,143	-	20,638	2,505
Total net assets with donor restrictions	$ 37,300	$ 17,558	$ 27,938	$ 26,920

Net assets with donor restrictions consisted of the following for the year ended June 30, 2019:

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Forest Hill:				
Service enhancement	$ 1,046	$ -	$ -	$ 1,046
Resident support	6,600	12,000	10,750	7,850
Facility undesignated	2,482	17,367	19,849	-
Capital improvement	5,261	-	-	5,261
Total Forest Hill	15,389	29,367	30,599	14,157
Lake Park:				
Service enhancement	5,569	20,369	2,795	23,143
Capital improvement	2,330	-	2,330	-
Facility undesignated	1,675	-	1,675	-
Total Lake Park	9,574	20,369	6,800	23,143
Total net assets with donor restrictions	$ 24,963	$ 49,736	$ 37,399	$ 37,300

Note 17. GOVERNMENT GRANTS:

On April 22, 2020, the Organization received loan proceeds in the amount of $1,939,965 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has used the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. As of June 30, 2020, the Organization's qualifying expenses exceeded the loan amount and the grant is being recognized as government grant income in accompanying financial statements.

During the months of April - June, the Organization received HHS Stimulus proceeds in the amount of $578,000 under the Provider Relief Fund, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The funds were expended on eligible expenses through June 30, 2020.

Note 18. MULTI-EMPLOYER RETIREMENT PLAN:

The Corporation contributes to a multi-employer defined benefit union pension plan that covers all Lake Park employees under collective bargaining agreements. In accordance with the plans, the Corporation makes monthly contributions based on employee hours worked. For the years ended June 30, 2020 and June 30, 2019, the Corporation contributed to the union pensions in the amount of $236,850 and $250,647, respectively. Management is not able to determine whether or not there is any unfunded union pension liability at June 30, 2020 as information relating to the plan's funded status each year is not available at the date the financial statements are available to be issued. Balances will vary depending on market conditions. The Corporation has made all required payments during the year. The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Corporation chooses to stop participating in its multi-employer plan, the Corporation may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Corporation's participation in this plan for the annual period ended June 30, 2020, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and three digit plan number. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available is for the plan's year end at December 31, 2017.

Note 18. MULTI-EMPLOYER RETIREMENT PLAN (Continued):

The zone status is based on information that the Corporation received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreements to which the plan is subject.

The Corporation's contributions do not represent more than 5 percent of total contributions to the plan.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2019	FIP/RP Status Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
SEIU National Industry Pension Fund	52-6148540	Red/Critical	Yes	Yes	7/31/2020

Note 19. INTEREST EXPENSE:

Interest expense consists of the following at June 30:

	2020	2019
Bond interest	$ 1,535,650	$ 1,559,051
Amortized bond premium	(295,516)	(311,015)
Credit line interest	158,274	56,926
Short term note	7,064	6,168
Total	$ 1,405,472	$ 1,311,130

Note 20. CONTINGENCIES:

The Corporation is aware of certain asserted and unasserted legal claims that arise in the normal course of business. While the outcome cannot be determined at this time, it is management's opinion that the potential liability, if any, from all actions will not have a material adverse effect on the Corporation's financial position.

Note 21. PRO FORMA INFORMATION:

Pro forma of the Statement of Financial Position without deferred income and depreciation:

In the absence of depreciation, total assets on the "Statement of Financial Position" as of June 30, 2020 would change from $54,220,015 to $96,234,592. If deferred income from entrance subscriptions was reduced by the amount not subject to refund provisions, total liabilities on the 74,"Statement of Financial Position" as of June 30, 2020 would change from $72,741,624 to $59,580,079. Thus, Total Net Assets would change from ($18,521,609) to 36,654,513.

Note 22. SUBSEQUENT EVENT:

Management has evaluated events through December 11, 2020, the date which the financial statements were available for issue.

As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact revenue and operating results. While the disruption is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

CALIFORNIA-NEVADA METHODIST HOMES

SUPPLEMENTAL INFORMATION

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT REVENUE WITHOUT DONOR RESTRICTIONS AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2020

	Forest Hill	Lake Park	Interest and Rental Properties	Total
REVENUE:				
Resident fees	$ 3,482,644	$ 8,441,864	$ -	$11,924,508
Patient fees:				
Medicare	858,285	327,433	-	1,185,718
Private	1,696,175	1,584,061	-	3,280,236
Amortization of entrance fees	584,446	1,665,442	-	2,249,888
Interest and dividend income	37,561	18,106	-	55,667
Rental income	42,682	-	-	42,682
Gifts, bequests and grants, net	5,000	4,064	-	9,064
Unrealized gains (losses) on investments	-	-	14,901	14,901
Government grants	911,865	1,313,127	292,973	2,517,965
Realized gains on investments	-	-	173,664	173,664
Change in value of future service obligation	1,390,000	-	-	1,390,000
Miscellaneous	38,288	69,930	200	108,418
Net assets released from restrictions	7,300	20,638	-	27,938
TOTAL REVENUE	9,054,246	13,444,665	481,738	22,980,649
EXPENSES:				
Facility operations:				
Medical services	1,375,457	1,546,189	-	2,921,646
Food and food services	1,467,528	3,273,565	-	4,741,093
Administration	1,157,289	1,081,648	1,717	2,240,654
Marketing	343,532	611,363		954,895
Housekeeping	330,694	733,155	-	1,063,849
Utilities	398,814	807,453	-	1,206,267
Assisted living	406,898	1,083,619	-	1,490,517
Maintenance and operations	317,215	747,635	151	1,065,001
Medical care	245,714	151,141	-	396,855
Laundry	38,441	7,309	-	45,750
Activities	203,487	350,538	-	554,025
Social services	-	-	-	-
Property taxes and insurance	155,571	273,661	6,644	435,876
Total operating expenses before management and general allocation	6,440,640	10,667,276	8,512	17,116,428
Management and general allocation	449,157	764,780	-	1,213,937
Fundraising allocation	-	-	-	-
Total operating expenses	$ 6,889,797	$ 11,432,056	$ 8,512	$18,330,365

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT REVENUE WITHOUT DONOR RESTRICTIONS AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2020

	Forest Hill	Lake Park	Interest and Rental Properties	Total
Other expenses:				
Depreciation	$ 1,482,715	$ 1,102,819	$ 4,280	$ 2,589,814
Amortization of bond issuance costs	134,460	16,484	-	150,944
Interest	1,147,622	257,843	-	1,405,465
Bad debts	30,000	30,000	-	60,000
Total other expenses	2,794,797	1,407,146	4,280	4,206,223
TOTAL EXPENSES	9,684,594	12,839,202	12,792	22,536,588
INCREASE (DECREASE) IN NET ASSETS WITHOUR DONOR RESTRICTION	$ (630,348)	$ 605,463	$ 468,946	$ 444,061

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT REVENUE WITHOUT DONOR RESTRICTIONS AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2019

	Forest Hill	Lake Park	Interest and Rental Properties	Total
REVENUE:				
Resident fees	$ 3,382,929	$ 7,741,140	$ -	$ 11,124,069
Patient fees:				
Medicare	1,384,563	551,390	-	1,935,953
Private	1,896,318	1,773,243	-	3,669,561
Amortization of entrance fees	1,083,997	1,947,378	-	3,031,375
Interest and dividend income	71,922	41,758	113	113,793
Rental income	41,404	-	59,856	101,260
Gifts, bequests and grants, net	-	685	-	685
Unrealized gains (losses) on investments	-	-	(250,523)	(250,523)
Realized gains on investments	-	-	429,199	429,199
Change in value of future service obligation	(1,563,000)	-	-	(1,563,000)
Miscellaneous	37,366	90,155	-	127,521
Net assets released from restrictions	30,599	6,800	-	37,399
TOTAL REVENUE	6,366,098	12,152,549	238,645	18,757,292
EXPENSES:				
Facility operations:				
Medical services	1,343,858	1,556,998	-	2,900,856
Food and food services	1,427,539	3,265,607	-	4,693,146
Administration	1,006,215	953,900	3,023	1,963,138
Marketing	613,825	869,883	-	1,483,708
Housekeeping	344,915	694,025	-	1,038,940
Utilities	375,409	766,724	9,824	1,151,957
Assisted living	398,527	1,103,577	-	1,502,104
Maintenance and operations	284,632	703,229	6,239	994,100
Medical care	392,974	263,377	-	656,351
Laundry	41,533	7,494	-	49,027
Activities	219,964	349,871	-	569,835
Social services	-	10,590	-	10,590
Property taxes and insurance	130,687	232,182	8,377	371,246
Total operating expenses before management and general allocation	6,580,078	10,777,457	27,463	17,384,998
Management and general allocation	566,683	934,094	3,158	1,503,935
Fundraising allocation	-	-	-	-
Total operating expenses	$ 7,146,761	$ 11,711,551	$ 30,621	$ 18,888,933

See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF REVENUE WITHOUT DONOR RESTRICTIONS AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2019

	Forest Hill	Lake Park	Interest and Rental Properties	Total
Other expenses:				
Depreciation	$ 1,524,211	$ 1,103,505	$ 4,136	$ 2,631,852
Amortization of bond issuance costs	134,460	16,484	-	150,944
Interest	1,103,516	207,603	11	1,311,130
Bad debts	-	2,892	-	2,892
Total other expenses	2,762,187	1,330,484	4,147	4,096,818
TOTAL EXPENSES	9,908,948	13,042,035	34,768	22,985,751
INCREASE (DECREASE) NET ASSETS WITHOUT DONOR RESTRICTION	$ (3,542,850)	$ (889,486)	$ 203,877	$ (4,228,459)

See notes to financial statements.

CNMH's draft audited financial statements for the fiscal years ended June 30, 2020 and June 30, 2021 (including income statements and balance sheets).

CALIFORNIA-NEVADA METHODIST HOMES

(A California Not-For-Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2021 AND JUNE 30, 2020

DRAFT

RINA
Accountants & Advisors

CALIFORNIA-NEVADA METHODIST HOMES

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Independent Auditors' Report

Board of Trustees
California-Nevada Methodist Homes

We have audited the accompanying financial statements of California-Nevada Methodist Homes (a California not-for-profit corporation), which comprise the statements of financial position as of June 30, 2021 and June 30, 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California-Nevada Methodist Homes as of June 30, 2021 and June 30, 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information, Statements of Unrestricted Revenue and Expenses by Division, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 23 to the financial statements, the Company had filed for protection under Chapter 11.

Certified Public Accountants

San Francisco, California
TBD

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CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF FINANCIAL POSITION - JUNE 30, 2021

ASSETS	Without Donor Restriction	With Donor Restriction	Total
CURRENT:			
Cash and cash equivalents	$ 208,697	$ 66,400	$ 275,097
Investments, at fair value	144,051	-	144,051
Accounts receivable (pledged):			
Trade, net of $205,000 allowance for uncollectible accounts	1,165,646	-	1,165,646
Other	276,658	-	276,658
Accrued interest	6,150	-	6,150
Prepaid expenses	1,223,152	-	1,223,152
Bond reserve funds	1,485,879	-	1,485,879
TOTAL CURRENT ASSETS	4,510,233	66,400	4,576,633
PROPERTY AND EQUIPMENT, at cost, net encumbered	44,192,472	-	44,192,472
OTHER:			
Charitable remainder trust, at present value	15,367	-	15,367
	$ 48,718,072	$ 66,400	$ 48,784,472
LIABILITIES AND NET ASSETS			
CURRENT:			
Bond payable	$ 630,000	$ -	$ 630,000
HFCLIF Obligation	3,756,029	-	3,756,029
Accounts payable - trade	1,586,885	-	1,586,885
Accrued liabilities:			
Salaries and wages	270,204	-	270,204
Compensated absences	879,295	-	879,295
Accrued interest	755,625	-	755,625
Other		-	-
TOTAL CURRENT LIABILITIES	7,878,038	-	7,878,038
LONG-TERM:			
Entrance deposits	48,479	-	48,479
Accrued severance pay	138,428	-	138,428
Repayable entrance fees	19,415,386	-	19,415,386
Deferred revenue from entrance fees	11,082,875	-	11,082,875
Entrance fee refunds	520,220		520,220
Deferred compensation	91,749	-	91,749
Line of credit	-	-	-
Bonds payable net of debt financing fees of $2,541,050	29,722,112	-	29,722,112
Future service obligation	1,571,000	-	1,571,000
Other deposits payable		-	-
TOTAL LIABILITIES	70,468,287	-	70,468,287
NET ASSETS (DEFICIT)	(21,750,215)	66,400	(21,683,815)
	$ 48,718,072	$ 66,400	$ 48,784,472

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See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF FINANCIAL POSITION - JUNE 30, 2020

ASSETS	Without Donor Restriction	With Donor Restriction	Total
CURRENT:			
Cash and cash equivalents	$ 4,032,106	$ 26,920	$ 4,059,026
Investments, at fair value	103,679	-	103,679
Accounts and notes receivable (pledged):			
Trade, net of $45,000 allowance for uncollectible accounts	501,746	-	501,746
Other	196,691	-	196,691
Accrued interest	5,000	-	5,000
Prepaid expenses	408,860	-	408,860
Bond reserve funds	2,918,540	-	2,918,540
TOTAL CURRENT ASSETS	8,166,622	26,920	8,193,542
PROPERTY AND EQUIPMENT, at cost, net (encumbered)	46,012,913	-	46,012,913
OTHER:			
Charitable remainder trust, at present value	13,559	-	13,559
	$ 54,193,094	$ 26,920	$ 54,220,014
LIABILITIES AND NET ASSETS			
CURRENT:			
Bond payable	$ 610,000	$ -	$ 610,000
Accounts payable - trade	971,203	-	971,203
Accrued liabilities:			
Salaries and wages	217,092	-	217,092
Compensated absences	907,680	-	907,680
Accrued interest	767,826	-	767,826
Other	14,366	-	14,366
TOTAL CURRENT LIABILITIES	3,488,167	-	3,488,167
LONG-TERM:			
Entrance deposits	21,010	-	21,010
Accrued severance pay	159,911	-	159,911
Repayable entrance fees	20,535,427		20,535,427
Deferred revenue from entrance fees	13,172,882	-	13,172,882
Deferred compensation	106,886	-	106,886
Note Payable	2,999,120	-	2,999,120
Bonds payable net of debt financing fees of $2,993,882	30,482,187	-	30,482,187
Future service obligation	173,000	-	173,000
Other deposits payable	51,371	-	51,371
TOTAL LIABILITIES	71,189,961	-	71,189,961
NET ASSETS (DEFICIT)	(16,996,867)	26,920	(16,969,947)
	$ 54,193,094	$ 26,920	$ 54,220,014

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See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE:						
Resident fees	$ 11,814,003	$ -	$ 11,814,003	$ 11,924,508	$ -	$ 11,924,508
Patient fees	6,020,023	-	6,020,023	4,465,954	-	4,465,954
Amortization of entrance fees	2,796,988	-	2,796,988	2,249,888	-	2,249,888
Interest and dividend income	4,244	-	4,244	55,667	-	55,667
Rental income	43,797	-	43,797	42,682	-	42,682
Gifts, bequests and grants	-	42,788	42,788	10,000	17,558	27,558
Change in present value of charitable remainder trust	1,808	-	1,808	(936)	-	(936)
Unrealized gains (losses) on investments	43,828	-	43,828	14,901	-	14,901
Realized gains on sale of investments	9	-	9	173,664	-	173,664
Government grants	206,066	-	206,066	2,517,965	-	2,517,965
Change in value of future service obligation	(1,398,000)	-	(1,398,000)	1,390,000	-	1,390,000
Miscellaneous	121,010	-	121,010	108,418	-	108,418
Net assets released from restrictions:						
Satisfaction of program restrictions	3,308	(3,308)	-	27,938	(27,938)	-
TOTAL REVENUE	19,657,084	39,480	19,696,564	22,980,649	(10,380)	22,970,269
EXPENSES:						
Program services:						
Forest Hill Manor	10,844,693	-	10,844,693	9,235,437	-	9,235,437
Lake Park Retirement Residence	12,043,311	-	12,043,311	12,074,422	-	12,074,422
Rental properties	4,925	-	4,925	12,792	-	12,792
Total program services	22,892,929	-	22,892,929	21,322,651	-	21,322,651
Supporting services:						
Management and general	1,517,503	-	1,517,503	1,213,937	-	1,213,937
Fundraising	-	-	-	-	-	-
TOTAL EXPENSES	24,410,432	-	24,410,432	22,536,588	-	22,536,588
INCREASE (DECREASE) IN NET ASSETS	(4,753,348)	39,480	(4,713,868)	444,061	(10,380)	433,681
NET ASSETS, beginning of year	(16,996,867)	26,920	(16,969,947)	(17,440,928)	37,300	(17,403,628)
NET ASSETS, end of year	$ (21,750,215)	$ 66,400	$ (21,683,815)	$ (16,996,867)	$ 26,920	$ (16,969,947)

See notes to financial statements.

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CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF FUNCTIONAL EXPENSES - JUNE 30, 2021

	Program Services				Supporting Services		
	Forest Hill	Lake Park	Rental	Total	Management and General	Fundraising	Total Expenses
Program expenses:							
Salaries and Wages	$ 3,570,053	$ 4,584,526	$ -	$ 8,154,579	$ 439,937	$ -	$ 8,594,516
Employee Benefits	399,483	1,275,375	-	1,674,858	76,163	-	1,751,021
Payroll Taxes	303,175	412,608	-	715,783	35,225	-	751,008
Management Fees	1,122,298	1,364,357	-	2,486,655	610,955	-	3,097,610
Professional Fees	131,643	143,615	-	275,258	68,092	-	343,350
Other Fees	96,753	49,537	-	146,290	800	-	147,090
Advertising	212,356	184,405	-	396,761	-	-	396,761
Office Expense	118,857	86,442	-	205,299	7,716	-	213,015
Travel	240	6,813	-	7,053	-	-	7,053
Insurance	328,986	400,704	-	729,690	2,127	-	731,817
Housekeeping & Laundry	(673)	86,596	-	85,923	-	-	85,923
Medical Services	557,498	329,318	-	886,816	-	-	886,816
Auto Expense	6,215	12,699	-	18,914	-	-	18,914
Bank Fees	60	25	-	85	13,550	-	13,635
Board related expenses	-	-	-	-	160	-	160
Utilities	511,577	892,838	-	1,404,415	51,762	-	1,456,177
Supplies	63,423	17,460	-	80,883	-	-	80,883
Dues and Subs	9,948	2,079	-	12,027	759	-	12,786
Recruitment & Training	51,794	31,031	-	82,825	-	-	82,825
Equipment Rentals	90,294	33,423	-	123,717	2,914	-	126,631
Food Service	48,659	(84,151)	-	(35,492)	-	-	(35,492)
Lab Fees	17,141	5,488	-	22,629	-	-	22,629
License & Taxes	30,552	123,374	848	154,774	51,675	-	206,449
Maintenance & Operations	185,588	194,928	-	380,516	9,358	-	389,874
Other Purchased Svcs	188,828	203,629	-	392,457	143,271	-	535,728
Resident Outings	600	240	-	840	-	-	840
Security	11,290	270,500	-	281,790	1,481	-	283,271
Total program expenses	8,056,638	10,627,859	848	18,685,345	1,515,945	-	20,201,290
Other expenses:							
Depreciation	1,484,462	1,108,032	4,077	2,596,571	1,558	-	2,598,129
Amortization of bond issuance costs	134,460	16,484	-	150,944	-	-	150,944
Bad debt	41,113	45,496	-	86,609	-	-	86,609
Interest	1,128,020	245,440	-	1,373,460	-	-	1,373,460
Total other expenses	2,788,055	1,415,452	4,077	4,207,584	1,558	-	4,209,142
TOTAL EXPENSES	$ 10,844,693	$ 12,043,311	$ 4,925	$ 22,892,929	$ 1,517,503	$ -	$ 24,410,432

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See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF FUNCTIONAL EXPENSES - JUNE 30, 2020

	Program Services				Supporting Services		
	Forest Hill	Lake Park	Rental	Total	Management and General	Fundraising	Total Expenses
Program expenses:							
Salaries and Wages	$ 2,558,884	$ 4,729,307	$ -	$ 7,288,191	$ 579,341	$ -	$ 7,867,532
Employee Benefits	350,691	1,300,590	-	1,651,281	74,526	-	1,725,807
Payroll Taxes	247,471	396,044	-	643,515	48,593	-	692,108
Management Fees	998,641	1,210,294	-	2,208,935	63,780	-	2,272,715
Professional Fees	205,808	204,214	-	410,022	295,529	-	705,551
Other Fees	123,666	42,667	-	166,333	500	-	166,833
Advertising	342,572	176,283	-	518,855	-	-	518,855
Office Expense	99,766	107,541	-	207,307	47,001	-	254,308
Travel	1,967	3,148	-	5,115	1,720	-	6,835
Insurance	266,540	396,704	-	663,244	3,535	-	666,779
Housekeeping & Laundry	(3,380)	119,651	-	116,271	-	-	116,271
Medical Services	300,466	301,351	-	601,817	-	-	601,817
Auto Expense	4,613	11,150	-	15,763	-	-	15,763
Bank Fees	-	-	-	-	13,281	-	13,281
Board related expenses	-	-	-	-	2,467	-	2,467
Utilities	459,668	864,111	-	1,323,779	51,144	-	1,374,923
Supplies	49,108	23,999	-	73,107	-	-	73,107
Dues and Subs	12,142	7,970	-	20,112	-	-	20,112
Recruitment & Training	18,107	22,536	-	40,643	-	-	40,643
Equipment Rentals	20,346	30,972	-	51,318	1,256	-	52,574
Food Service	22,055	14,399	-	36,454	-	-	36,454
Lab Fees	6,414	5,151	-	11,565	-	-	11,565
License & Taxes	36,658	104,471	8,361	149,490	70	-	149,560
Maintenance & Operations	129,106	201,469	-	330,575	828	-	331,403
Other Purchased Svcs	211,037	156,294	-	367,331	21,862	-	389,193
Resident Outings	1,258	2,949	-	4,207	-	-	4,207
Security	7,036	264,011	151	271,198	1,588	-	272,786
Total program expenses	6,470,640	10,697,276	8,512	17,176,428	1,207,021	-	18,383,449
Other expenses:							
Depreciation	1,482,715	1,102,819	4,280	2,589,814	6,916	-	2,596,730
Amortization of bond issuance costs	134,460	16,484	-	150,944	-	-	150,944
Interest	1,147,622	257,843	-	1,405,465	-	-	1,405,465
Total other expenses	2,764,797	1,377,146	4,280	4,146,223	6,916	-	4,153,139
TOTAL EXPENSES	$ 9,235,437	$ 12,074,422	$ 12,792	$ 21,322,651	$ 1,213,937	$ -	$ 22,536,588

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See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2021		Year Ended June 30, 2020	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Increase (Decrease) in net assets		$ (4,713,868)		$ 433,681
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:				
Depreciation	$ 2,598,129		$ 2,596,729	
Amortization of bond issuance costs	150,944		150,944	
Amortization of bond premium	(281,019)		(295,516)	
Amortization of entrance fees	(2,796,988)		(2,249,888)	
Accrued interest payable	146,909		-	
Entrance fees received, net	107,160		3,257,291	
Realized (gain) loss on sale of investments	(9)		(173,664)	
Unrealized (gain) loss on investments	(43,828)		(14,901)	
Decrease (increase) in present value of charitable remainder trust	(1,808)		936	
Change in value of future service obligation	1,398,000		(1,390,000)	
Decrease (increase) in:				
Accounts and notes receivable - trade	(663,900)		(166,763)	
Other receivables	(79,967)		(60,317)	
Accrued interest receivable	(1,150)		1,114	
Prepaid expenses	(214,292)		(78,574)	
Increase (decrease) in:				
Accounts payable	615,682		(372,531)	
Accrued liabilities	(23,323)		(224,445)	
Deferred compensation	(15,137)		(3,243)	
Other deposits payable	(51,371)		-	
Entrance deposits	27,469	271,501	4,000	981,172
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		(4,442,367)		1,414,853
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment	(777,688)		(801,043)	
Proceeds from sale of investments	3,465		2,830,211	
(Increase) decrease in bond reserve funds	1,432,661		666,186	
NET CASH PROVIDED BY INVESTING ACTIVITIES		658,438		2,695,354
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from line of credit	-		550,000	
Payments on long term debt			(1,343,734)	
NET CASH USED BY FINANCING ACTIVITIES		-		(793,734)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(3,783,929)		3,316,473
CASH AND CASH EQUIVALENTS, beginning of year		4,059,026		742,553
CASH AND CASH EQUIVALENTS, end of year		$ 275,097		$ 4,059,026
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid during the year for interest		$ 1,654,478		$ 1,700,989
NON CASH FINANCING TRANSACTION				
Long term debt		$ (610,000)		
Note payable		(2,999,120)		
Accrued interest		(146,909)		
HFCLIF Obligation		$ 3,756,029		

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See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND JUNE 30, 2020

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

California-Nevada Methodist Homes (the Corporation) is a non-profit charitable corporation with a primary mission of enhancing the well-being of seniors for the remaining years of their lives through the creation and ethical administration of residential and health care facilities in which the independence, dignity, traditional values and individual rights of each person are held in high regard.

Financial statement presentation:

The Corporation reports information regarding its financial position and its activities according to the following net asset classifications: without donor restrictions (including board designated amounts) and with donor restrictions. Net assets with donor restrictions are reclassified to without donor restrictions upon satisfaction of the time or purpose restrictions.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, current support and net assets of the Corporation and changes therein are classified and reported according to their respective restriction or lack thereof.

See Note 16 for a summary of net assets with donor restrictions as of June 30, 2021 and 2020.

Cash and cash equivalents:

Cash and cash equivalents are considered to be short-term, highly liquid investments with original maturities of three months or less.

Accounts receivable:

Accounts receivable represent amounts billed but not yet collected. The Corporation provides an allowance for doubtful accounts based on management's evaluation of a current aging of the accounts. It is the corporation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Investments:

The Corporation reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

The Corporation invests in various investments. Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

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Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments (continued):

Professional accounting standards established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under professional accounting standards are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.
Level 2	Inputs to the valuation methodology include: • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data, by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Equity securities, debt securities, and U.S. government securities*:* Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Depreciation:

The Corporation computes depreciation on its property and equipment using the straight-line method of accounting over useful lives ranging from 3 to 50 years.

Depreciation is a non-cash adjustment to assets on the "Statement of Financial Position". As of June 30, 2021, cumulative depreciation is $47,209,435 (see Note 9).

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Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Amortization of deferred income - entrance fees:

The Entrance Fee and Continuing Care Agreements between the Corporation and the residents provide for the payment of an entrance fee. Entrance fees are used for general purposes, including support of operations, debt retirement and capital acquisitions. Repayable entrance fees are held on the balance sheet and not amortized. The amortizable fees are recognized as revenue on a straight-line method of accounting over the expected remaining life of the residents as recomputed actuarially at the end of each year. In the case of repayable entrance fee contracts, and upon the death of the resident, the unamortized amount of the entrance fee taken into income is reduced by the amount of the repayment embodied in the contract.

Deferred revenue from entrance fees is treated as a long-term liability on the "Statement of Financial Position". Only a portion of this deferred revenue, however, is subject to repayment provisions. As of June 30, 2021, the amount of deferred revenue not subject to repayment provisions is $11,082,875 (see Note 14).

Amortization of bond issuance cost:

Certain costs related to the bond issue have been capitalized and are being amortized using the straight-line method over the life of the bond. Debt issuance costs are presented as a direct reduction form the carrying amount of the debt liability. These costs are amortized to interest expense over the term of the respective bond outstanding.

Amortization of bond premium:

The premium on issuance of the bonds is being amortized to offset interest expense over the life of the bonds.

Income taxes:

The Corporation has received tax-exempt status under the Internal Revenue Code Section 501(c)(3) and under California Revenue Code Section 23701(d).

Reclassifications:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

Recent Accounting Pronouncements:

In February 2016, and as amended, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*, which requires lessees to record most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. ASU 2016-02 states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-to-use asset for the right to use the underlying asset for the lease term. The updated standard is effective for annual periods beginning after December 15, 2021 with early adoption permitted. The Corporation has not determined the potential effects of this ASU on its financial statements but does expect that it will result in an increase in its long-term assets and liabilities.

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Note 2. NATURE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents, investments and trade accounts receivable. Cash and cash equivalents were held in financial institutions in amounts exceeding the guaranteed amounts of the Federal Deposit Insurance Corporation. Trade accounts receivable are due from Medicare and private sources. Investments are held at brokerage firms in amounts which may exceed the guaranteed amount of the Securities Investor Protection Corporation.

Note 4. LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	June 30, 2021	June 30, 2020
Cash and cash equivalents	$ 208,697	$ 4,032,106
Investments	144,051	103,679
Accounts receivable	1,442,304	698,437
Total	$ 1,795,052	$ 4,834,222

Note 5. STATUTORY LIQUID ASSET RESERVE:

Effective Jan[illegible]005 the State of California Health and Safety Code Section 1792 requires the Corporation [illegible]erves to cover its annual long-term debt service and seventy-five days of net operating ex[illegible]ne Corporation is not required to segregate these reserves, and the reserves may be held as cash, investments or letters of credit. The Corporation's assets held by the Tax Exempt Bond Trustee, Union Bank, can be used to satisfy their debt service requirement while cash, investments, or letters of credit can satisfy the operating expense reserve. At June 30, 2021 and June 30, 2020, the Corporation had a required reserve of $_____ and $2,847,103, respectively, which were held as cash, cash equivalents and investments.

Note 6. INVESTMENTS:

Investments are stated at fair value. Fair value and cost as of June 30, 2021 and June 30, 2020 are summarized as follows:

	June 30, 2021		June 30, 2020	
Investment Type	Fair Value	Cost	Fair Value	Cost
Corporate equities	$ 143,079	$ 93,041	$ 102,707	$ 77,139
Debt securities	972	985	972	985
	$ 144,051	$ 94,026	$ 103,679	$ 78,124

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Note 7. FAIR VALUE MEASUREMENTS:

The following tables sets forth by level, the fair value hierarchy, the Corporation's assets at fair value as of June 30, 2021 and June 30, 2019:

Assets at Fair Value as of June 30, 2021

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate equities	$ 143,079	$ -	$ -	$ 143,079
Debt securities	972	-	-	972
Charitable remainder trust	-	-	15,367	15,367
	$ 144,051	$ -	$ 15,367	$ 159,418

Assets at Fair Value as of June 30, 2019

	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate equities	$ 102,707	$ -	$ -	$ 102,707
Debt securities	972	-	-	972
Charitable remainder trust	-	-	13,559	13,559
	$ 103,679	$ -	$ 13,559	$ 117,238

Level 3 Gains and Losses:

The following table sets forth a summary of changes in the fair value of the Corporation's level 3 assets for the years ended June 30, 2021 and June 30, 2019:

	June 30, 2021 Charitable Remainder Trust	June 30, 2020 Charitable Remainder Trust
Balance, beginning of year	$ 13,559	$ 14,495
Unrealized gains (losses) relating to instruments held at reporting date	1,808	(936)
Balance, end of year	$ 15,367	$ 13,559

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Note 8. BOND RESERVE FUNDS:

The bond reserve funds are held by a trustee in the following accounts:

	June 30, 2021	June 30, 2020
Interest fund	$ 755,628	$ 278,520
Bond reserve	100,038	2,237,462
Project	210	210
Principal	630,003	402,348
	$ 1,485,879	$ 2,918,540

The trustee has invested the funds in marketable certificates of deposit. These earnings will be accumulated and used to fund bond bi-annual interest payments. During the years ended June 30, 2021 and June 30, 2020, bond payments in the amount of $585,000 and $570,000, respectively, were made from the principal fund.

Note 9. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30:

	June 30, 2021	June 30, 2020
Land	$ 834,624	$ 834,624
Land improvements	349,957	337,637
Buildings and improvements	83,972,619	83,423,577
Furniture and equipment	6,211,656	6,013,108
Construction in progress	33,051	15,273
Totals	91,401,907	90,624,219
Less accumulated depreciation	(47,209,435)	(44,611,306)
Property and equipment, net	$ 44,192,472	$ 46,012,913

The balances of accumulated depreciation by category are as follows:

	June 30, 2021	June 30, 2020
Land improvements	$ 248,529	$ 236,271
Buildings and improvements	42,147,513	39,796,871
Furniture and equipment	4,813,393	4,578,161
Totals	$ 47,209,435	$ 44,611,303

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Note 10. CHARITABLE TRUSTS:

The Corporation has been named as a beneficiary of a Charitable Remainder Trust. The income beneficiaries of the Trust are entitled to a payment each year calculated at 6% of the fair market value of the trust assets as of the first day of each taxable year of the trust.

The Trusts are stated at the present value of the projected balance of the Trusts at termination, net of the amounts due to the income beneficiaries over the term of the Trusts. Changes in the calculated net present value are reported in the statement of activities annually.

The key assumptions used in net present value calculations for the Trusts are as follows:

	June 30, 2021	June 30, 2020
Present value	$ 15,367	$ 13,559
Trust assets at fair value	$ 21,183	$ 18,831
Projected term of the trusts based on actuarial tables	9.5 years	9.5 years
Projected growth rate net of payments to income beneficiaries	0.00 %	0.00 %
Risk-free discount rate	3.40 %	3.40 %

Note 11. LINE OF CREDIT:

The Corporation execute[illegible]3,525,000 revolving line of credit with a bank that was paid off and closed in May 2021. T[illegible]es' rate on the line was the prime rate plus .25% (currently 3.25%). The balance outstanding [illegible] revolving line of credit was $- and $2,449,120 as of June 30, 2021 and June 30, 2020, respectiv[illegible]

Note 12. HFCLIF OBLIGATION:

The Health Facility Construction Loan Insurance Fund paid off the line of credit to City National Bank and made t[illegible]ly 1, 2021 principal and interest payments that were due on the Series 2015 Bonds. The loan accrues 10% interest and the total due at June 30, 2021 was $3,756,028. The balance is due on [illegible]mand.

Note 13. TAX EXEMPT BOND PAYABLE:

The construction of the new buildings at Forest Hill and a portion of the costs incurred in the expansion of the Lake Park skilled nursing unit were financed by the Corporation through the issuance of tax-exempt California Health Facilities Financing Authority Insured Revenue Bonds (California-Nevada Methodist Homes), Series 2006 (the " 2006 Bonds"), in the aggregate principal amount of $42,280,000. The Office of Statewide Health Planning and Development of the State of California insures the principal and interest payments on the Bonds. Union Bank of California serves as the trustee.

October 1, 2015, the 2006 Bonds were refinanced by the Corporation through the issuance of tax-exempt California Health Facilities Financing Authority Insured Revenue Bonds (California-Nevada Methodist Homes), Series 2015 (the "Bonds"), in the aggregate principal amount of $32,920,000. The Office of Statewide Health Planning and Development of the State of California insures the principal and interest payments on the Bonds. Wilmington Trust serves as the trustee.

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Note 13. TAX EXEMPT BOND PAYABLE (Continued):

The Bonds are secured by the property, accounts receivable and equipment of the Corporation. The Bonds have a final maturity date of 2045 but were subject to mandatory redemptions beginning in 2016.

The Serial Bonds for the years 2019 - 2026 will be repaid by the Corporation making twelve monthly payments each year to the Trustee. The payments will be equal to the sum of two future interest payments (January 1 and July 1) and the one annual redemption payment (July 1). The Corporation received a waiver on making these payments for the months of April, May and June. On July 1, 2020 the trustee was directed to withdraw the annual payment from the debt service reserve account.

The Term Bonds due in 2030, 2035 and 2045 have sinking fund requirements that start in 2027. The payments each year will begin with $850,000 in 2027 to $2 million in 2045.

For all bonds, according to the indenture requirements, the monthly payments made by the Corporation, as calculated and administered by the trustee include both interest and principal amounts. Thus, at the time of each bond redemption, all principal due will have been accumulated and no additional principal payment will be required.

The Corporation is required to maintain a debt service fund equal to approximately one year's debt service with the trustee, which was met at June 30, 2020. This was not met at June 30, 2021.

The Corporation is required to meet certain covenants. The Corporation expects to receive a waiver for these covenants as measured on June 30, 2021.

The stated fixed interest rate of the Bonds varies from 2.0% to 5.0%. The bonds were issued at a premium of $4,238,125 which is being amortized over the life of the bonds.

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Note 13. TAX EXEMPT BOND PAYABLE (Continued):

Bond maturity dates are as follows:

Maturity Date	Amount	Type of Bonds
July 1, 2021	$ 630,000	Serial
July 1, 2022	665,000	Serial
July 1, 2023	700,000	Serial
July 1, 2024	735,000	Serial
July 1, 2025	770,000	Serial
July 1, 2026	810,000	Serial
2030	3,655,000	Term
2035	5,700,000	Term
2045	16,560,000	Term
Subtotal	30,225,000	
Less unamortized debt issuance costs	(2,541,050)	
Bond payable less debt issuance costs	27,683,950	
Premium on bond payable	2,668,162	
Total	$ 30,352,112	

Note 14. DEFERRED REVENUE FROM ENTRANCE FEES:

The Corporation has several different types of contracts. Type A entrance fee agreements provide for the right of each resident to terminate the agreement and be entitled to a refund of the original fee less 1.5% of the original fee for each month of residency. Type B entrance fee agreements provide for the right of each resident to terminate the agreement and be entitled to a refund of the original fee less 2.78% of the original fee for each month of residency. For guaranteed repayment contracts the repayment is 50% of the original fee. At June 30, 2021 and June 30, 2020, unamortized entrance fees (deferred revenue) were $11,082,875 and $13,172,882, respectively. At June 30, 2021 and June 30, 2020 refundable entrance fees were $19,415,386 and $20,535,427, respectively.

Note 15. SELECTIVE MANAGEMENT COMPENSATION PLAN:

The Corporation has agreements with certain key employees. The agreements are designed to provide benefits to be paid to these employees in installments upon retirement or, in the event of their death, to a designated beneficiary. Accordingly, the Corporation has accrued deferred compensation of $91,749 and $110,129 at June 30, 2021 and June 30, 2020.

Note 16. FUTURE SERVICE OBLIGATION:

Professional accounting standards require the Corporation to record a liability recognizing an obligation to provide future services and the use of the facilities to all current residents if the net present value of future net cash out-flows, adjusted for certain noncash items, exceeds the present value of future net cash in-flows. At June 30, 2021 and June 30, 2020 the estimated future service obligation was $1,571,000 and $173,000, respectively. Future Service Obligation is calculated by Continuing Care Actuaries. The interest rate used to discount the liability was 5.5% in both 2021 and 2020.

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Note 17. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisted of the following for the year ended June 30, 2021:

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Forest Hill:				
Service enhancement	$ 1,046	$ -	$ -	$ 1,046
Resident support	18,108	-	3,308	14,800
Facility undesignated	-	17,788		17,788
Capital improvement	5,261	-	-	5,261
Total Forest Hill	24,415	17,788	3,308	38,895
Lake Park:				
Service enhancement	2,505	25,000	-	27,505
Capital improvement	-	-	-	-
Facility undesignated	-	-	-	-
Total Lake Park	2,505	25,000	-	27,505
Total net assets with donor restrictions	$ 26,920	$ 42,788	$ 3,308	$ 66,400

Net assets with donor restrictions consisted of the following for the year ended June 30, 2020:

	Beginning Balance	Contributions	Released from Restriction	Ending Balance
Forest Hill:				
Service enhancement	$ 1,046	$ -	$ -	$ 1,046
Resident support	6,600	12,000	10,750	7,850
Facility undesignated	2,482	17,367	19,849	-
Capital improvement	5,261	-	-	5,261
Total Forest Hill	15,389	29,367	30,599	14,157
Lake Park:				
Service enhancement	5,569	20,369	2,795	23,143
Capital improvement	2,330	-	2,330	-
Facility undesignated	1,675	-	1,675	-
Total Lake Park	9,574	20,369	6,800	23,143
Total net assets with donor restrictions	$ 24,963	$ 49,736	$ 37,399	$ 37,300

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Note 18. GOVERNMENT GRANTS:

On April 22, 2020, the Corporation received loan proceeds in the amount of $1,939,965 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness may be reduced if the borrower terminates employees or reduces salaries during the 24-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Corporation has used the proceeds for purposes consistent with the PPP. As of June 30, 2020, the Corporation's qualifying expenses exceeded the loan amount and the grant is being recognized as government grant income in accompanying financial statements. The Corporation received forgiveness on May 10, 2021.

During the year ended June 30, 2021 and June 30, 2020, the Corporation received HHS Stimulus proceeds in the amount of $206,066 and $578,000, respectively, under the Provider Relief Fund, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The funds were expended on eligible expenses.

Note 19. MULTI-EMPLOYER RETIREMENT PLAN:

The Corporation contributes to a multi-employer defined benefit union pension plan that covers all Lake Park employees under collective bargaining agreements. In accordance with the plans, the Corporation makes monthly contributions based on employee hours worked. For the years ended June 30, 2021 and June 30, 2020, the Corporation contributed to the union pensions in the amount of $313,201 and $236,850, respectively. Management is not able to determine whether or not there is any unfunded union pension liability at June 30, 2021 as information relating to the plan's funded status each year is not available at the date the financial statements are available to be issued. Balances will vary depending on market conditions. The Corporation has made all required payments during the year. The risks of participating in this multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Corporation chooses to stop participating in its multi-employer plan, the Corporation may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Corporation's participation in this plan for the annual period ended June 30, 2021, is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and three digit plan number. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available is for the plan's year end at December 31, 2020.

The zone status is based on information that the Corporation received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for

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Note 19. MULTI-EMPLOYER RETIREMENT PLAN (Continued):

which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date(s) of the collective-bargaining agreements to which the plan is subject.

The Corporation's contributions do not represent more than 5 percent of total contributions to the plan.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2019	FIP/RP Status Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
SEIU National Industry Pension Fund	52-6148540	Red/Critical	Yes	Yes	7/31/2020

Note 20. INTEREST EXPENSE:

Interest expense consists of the following at June 30:

	2021	2020
Bond interest	$ 1,511,250	$ 1,535,650
Amortized bond premium	(281,019)	(295,516)
Credit line interest	138,293	158,274
Short term note	4,935	7,064
Total	$ 1,373,459	$ 1,405,472

Note 21. CONTINGENCIES:

The Corpora aware of certain asserted and unasserted legal claims that arise in the normal course of busin le the outcome cannot be determined at this time, it is management's opinion that the potential liability, if any, from all actions will not have a material adverse effect on the Corporation's financial position.

Note 22. GOING CONCERN:

On March 16, 2021, the Company filed for protection under Chapter 11 of the U.S. Bankruptcy Code. The Company is currently in the process of being marketed for sale. The Company has engaged the services of a nationally-recognized investment banking firm to assist in the sale process. It is Management's opinion that the Company will be successfully sold through this process.

Note 23. COVID-19 IMPACT:

As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact revenue and operating results. While the disruption is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

Note 24. SUBSEQUENT EVENT:

Management has evaluated events through TBD, the date which the financial statements were available for issue.

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CALIFORNIA-NEVADA METHODIST HOMES

SUPPLEMENTAL INFORMATION

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CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT REVENUE WITHOUT DONOR RESTRICTIONS AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2021

	Forest Hill	Lake Park	Interest and Rental Properties	Total
REVENUE:				
Resident fees	$ 3,289,416	$ 8,524,587	$ -	$ 11,814,003
Patient fees:				
Medicare	1,776,896	613,747	-	2,390,643
Private	1,884,505	1,744,875	-	3,629,380
Amortization of entrance fees	908,561	1,914,896	-	2,823,457
Interest and dividend income	1,723	2,565	(44)	4,244
Rental income	43,797	-	-	43,797
Gifts, bequests and grants, net	-	1,808	-	1,808
Unrealized gains (losses) on investments	-	-	43,828	43,828
Government grants	105,767	100,299	0	206,066
Realized gains on investments	-	-	9	9
Change in value of future service obligation	(1,398,000)	-	-	(1,398,000)
Miscellaneous	47,612	73,386	12	121,010
Net assets released from restrictions	3,308	-	-	3,308
TOTAL REVENUE	6,663,585	12,976,163	43,805	19,683,553
EXPENSES:				
Facility operations:				
Medical services	1,986,192	1,535,144	-	3,521,336
Food and food services	1,679,600	3,309,989	-	4,989,589
Administration	1,364,936	1,210,801	848	2,576,585
Marketing	378,035	379,608		757,643
Housekeeping	342,353	635,244	-	977,597
Utilities	435,905	820,692	-	1,256,597
Assisted living	634,958	1,063,114	-	1,698,072
Maintenance and operations	362,519	726,820	-	1,089,339
Medical care	429,928	247,936	-	677,864
Laundry	52,227	6,200	-	58,427
Activities	202,304	351,517	-	553,821
Social services	-	467	-	467
Property taxes and insurance	187,681	340,327	-	528,008
Total operating expenses before management and general allocation	8,056,638	10,627,859	848	18,685,345
Management and general allocation	561,476	956,027	-	1,517,503
Fundraising allocation	-	-	-	-
Total operating expenses	$ 8,618,114	$ 11,583,886	$ 848	$ 20,202,848

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See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT REVENUE WITHOUT DONOR RESTRICTIONS AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2021

	Forest Hill	Lake Park	Interest and Rental Properties	Total
Other expenses:				
Depreciation	$ 1,484,462	$ 1,108,032	$ 4,077	$ 2,596,571
Amortization of bond issuance costs	134,460	16,484	-	150,944
Interest	1,128,020	245,440	-	1,373,460
Bad debts	41,113	45,496	-	86,609
Total other expenses	2,788,055	1,415,452	4,077	4,207,584
TOTAL EXPENSES	11,406,169	12,999,338	4,925	24,410,432
INCREASE (DECREASE) IN NET ASSETS WITHOUR DONOR RESTRICTION	$ (4,742,584)	$ (24,111)	$ 39,816	$ (4,726,879)

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See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT REVENUE WITHOUT DONOR RESTRICTIONS AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2020

	Forest Hill	Lake Park	Interest and Rental Properties	Total
REVENUE:				
Resident fees	$ 3,482,644	$ 8,441,864	$ -	$ 11,924,508
Patient fees:				
Medicare	858,285	327,433	-	1,185,718
Private	1,696,175	1,584,061	-	3,280,236
Amortization of entrance fees	584,446	1,665,442	-	2,249,888
Interest and dividend income	37,561	18,106	0	55,667
Rental income	42,682	-	-	42,682
Gifts, bequests and grants, net	5,000	4,064	-	9,064
Unrealized gains (losses) on investments	-	-	(250,523)	(250,523)
Realized gains on investments	-	-	429,199	429,199
Change in value of future service obligation	1,390,000	-	-	1,390,000
Miscellaneous	38,288	90,155	200	128,643
Net assets released from restrictions	30,599	6,800	-	37,399
TOTAL REVENUE	8,165,680	12,137,925	178,876	20,482,481
EXPENSES:				
Facility operations:				
Medical services	1,375,457	1,546,189	-	2,921,646
Food and food services	1,467,528	3,273,565	-	4,741,093
Administration	1,006,215	(200,838)	1,717	807,094
Marketing	343,532	611,363	-	954,895
Housekeeping	330,694	733,155	-	1,063,849
Utilities	398,814	807,453	-	1,206,267
Assisted living	406,898	1,083,619	-	1,490,517
Maintenance and operations	317,215	747,635	151	1,065,001
Medical care	245,714	151,141	-	396,855
Laundry	38,441	7,309	-	45,750
Activities	203,487	350,538	-	554,025
Social services	-	-	-	-
Property taxes and insurance	155,571	273,661	6,644	435,876
Total operating expenses before management and general allocation	6,289,566	9,384,790	8,512	15,682,868
Management and general allocation	566,683	934,094	3,158	1,503,935
Fundraising allocation	-	-	-	-
Total operating expenses	$ 6,856,249	$ 10,318,884	$ 11,670	$ 17,186,803

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See notes to financial statements.

CALIFORNIA-NEVADA METHODIST HOMES

STATEMENT OF REVENUE WITHOUT DONOR RESTRICTIONS AND EXPENSES BY DIVISION

YEAR ENDED JUNE 30, 2020

	Forest Hill	Lake Park	Interest and Rental Properties	Total
Other expenses:				
Depreciation	$ 1,482,715	$ 1,102,819	$ 4,280	$ 2,589,814
Amortization of bond issuance costs	134,460	16,484	-	150,944
Interest	1,147,622	257,843	-	1,405,465
Bad debts	30,000	30,000	-	60,000
Total other expenses	2,794,797	1,407,146	4,280	4,206,223
TOTAL EXPENSES	9,651,046	11,726,030	15,950	21,393,026
INCREASE (DECREASE) NET ASSETS WITHOUT DONOR RESTRICTION	$ (1,485,366)	$ 411,895	$ 162,926	$ (910,545)

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See notes to financial statements.

CNMH Statement of Financial Position, dated February 28, 2022

California Nevada Methodist Post
Statement of Financial Position
As of Monday, February 28, 2022

	Unrestricted Funds	Temporarily Restricted Funds	Total
ASSETS			
CURRENT:			
Cash and cash equivalents	**$730,520**	**$25,947**	**$756,467**
Investments, at fair value	**11**	**0**	**11)**
Accounts Receivable NET	**735,937**	**0**	**735,937**
Other	**313,736**	**0**	**313,736**
Accrued interest	**6,153**	**0**	**6,153**
Prepaid Insurance & Other	**156,673**	**0**	**156,673**
Prepaid Utilities Deposits 21-40363	**121,269**	**0**	**121,269**
Prepaid Professional Fees 21-40363	**55,531**	**0**	**55,531**
Prepaid Legal Fees 21-40363	**231,061**	**0**	**231,061**
Bond trustee held funds	**100,294**	**0**	**100,294**
Set Aside Entrance Fees	**1,435,727**	**0**	**1,435,727**
TOTAL CURRENT ASSETS	**3,886,889**	**25,947**	**3,912,836**
Property, Plant, & Equipment, at cost, net	**43,030,435**	**0**	**43,030,435**
OTHER:			
Charitable remainder annuity trust, at present value	**10,495**	**0**	**10,495**
TOTAL ASSETS	**46,927,819**	**25,947**	**46,953,765**
LIABILITIES			
CURRENT:			
Accounts Payable - Trade	**321,471**	**0**	**321,471**
Accounts Payable - Trade - Pre-Petition	**683,605**	**0**	**683,605**
Other Payable	**507,518**	**0**	**507,518**
Other Payable-Deferred FICA	**366,072**	**0**	**366,072**
Note Payable-Insurance	**50**	**0**	**50**
Bond Payable-Current	**443,333**	**0**	**443,333**
Accrued Liabilities:			
Salaries and wages	**268,245**	**0**	**268,245**
Compensated absences	**955,248**	**0**	**955,248**
Interest Payable on Debt	**246,625**	**0**	**246,625**
Other	**24,618**	**0**	**24,618**
TOTAL CURRENT LIABILITIES	**3,816,785**	**0**	**3,816,785**
LONG-TERM:			
Accrued severance pay	**138,720**	**0**	**138,720**
Entrance Deposits, net of refunds	**1,390,943**	**0**	**1,390,943**
Deferred revenue from entrance subscriptions	**28,768,750**	**0**	**28,768,750**
Deferred compensation	**85,261**	**0**	**85,261**
Bond Payable-OSHPD	**4,766,143**	**0**	**4,766,143**
Line of Credit-B.H. PROPERTIES	**3,500,000**	**0**	**3,500,000**
Bonds Payable	**29,204,874**	**0**	**29,204,874**
Future Service Obligation	**1,571,000**	**0**	**1,571,000**
TOTAL LIABILITIES	**73,242,476**	**0**	**73,242,476**
NET ASSETS	**26,314,657**	**25,947**	**26,288,710)**
TOTAL LIABILITIES AND NET ASSETS	**46,927,819**	**25,947**	**46,953,765**

California Nevada Methodist Post
Statement of Activities
Monday, February 28, 2022 Fiscal Year to Date
(Fiscal Year Begins July 1

	Unrestricted Funds	Temporarily Restricted Funds	Total
REVENUE:			
Gifts, bequests and grants	$872	$16,483	$15,611
Monthly Care fees	8,232,381		8,232,381
Outside Resident fees	3,992,239		3,992,239
Amortization of entrance subscriptions	1,729,511		1,729,511
Interest income	42		42
Rental Income	26,091		26,091
Gain (loss) on sale of investments	10,895)		10,895)
Miscellaneous	127,209		127,209
Net assets released from restrictions:			
Satisfaction of program restrictions	53,936	56,936	3,000
TOTAL REVENUE	**14,149,642**	**40,453**	**14,109,189**
EXPENSES:			
Program services:			
Forest Hill	8,347,826		8,347,826
Lake Park	7,773,469		7,773,469
Rental Properties	2,712		2,712
Total program services	**16,124,007**		**16,124,007**
Supporting Services:			
Management and general	2,667,702		2,667,702
TOTAL OPERATING EXPENSES	**18,791,709**		**18,791,709**
TOTAL EXPENSES	**18,791,709**		**18,791,709**
NET INCREASE IN NET ASSETS	4,642,068)	40,453)	(4,682,520)
NET ASSETS, beginning of period	**21,672,589)**	**66,399**	**21,606,190)**
NET ASSETS, end of period	**26,314,657)**	**25,947**	**(26,288,710**

California Nevada Methodist Post
Statement of Cash Flows
Monday, February 28, 2022 Fiscal Year to Date
(Fiscal Year Begins July 1)

	Year to Date
CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	($4,682,520)
Net cash provided by operating activities:	
Depreciation	1,739,794
Amortization of entrance subscriptions	(1,729,511)
Amortization of Issuance costs/Bond premiums	100,629
Decrease (increase) in:	
Accounts and notes receivable - trade	385,062
Other receivable	8,442
Accrued interest	(2)
Prepaid expenses	711,150
Increase (decrease) in:	
Accounts Payable	(18,171)
Accounts Payable - Pre Petition	15,612
Other Payables	(23,944)
Insurance Payable-Chubb	(53,355)
Accrued liabilities	384,805
Deferred compensation	(20,852)
Entrance Fees (net)	1,368,933
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**(1,813,928)**
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(577,757)
Unrealized loss (gain) on investments	10,895
Net purchases and sales of investments	133,156
Net purchases and sales of Trustee held investments	1,385,586
Net purchases and sales of Escrowed Entrance Fees	(1,377,933)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**(426,053)**
CASH FLOWS FROM FINANCING ACTIVITIES:	
Increase (decrease) Note Payable Insurance	(93,144)
Increase (decrease) Note Payable B.H. PROPERTIES	3,500,000
Increase (decrease) in LT Debt - Bonds	(617,868)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	**2,788,989**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**549,007**
CASH AND CASH EQUIVALENTS, beginning of period	**207,460**
CASH AND CASH EQUIVALENTS, end of period	**756,467**

CNMH's fixed asset schedules, prepared January 31, 2022.

California Nevada Methodist Post
Statement of Functional Expenses
For the Eight Months Ending Monday, February 28, 2022

	PROGRAM SERVICES				SUPPORTING SERVICES		
	FOREST HILL	LAKE PARK	RENTAL PROPERTIES	TOTAL	MANAGEMENT & GENERAL	FUNDRAISING	TOTAL EXPENSES
PROGRAM EXPENSES							
Medical Services	$1,672,321	$953,748		$2,626,069			$2,626,069
Food Service	1,316,337	2,153,699		3,470,036			3,470,036
Administration	926,199	709,453		1,635,652	2,631,417		4,267,069
Marketing	282,670	231,817		514,487			514,487
Housekeeping	287,096	425,656		712,752			712,752
Utilities	303,741	557,171		860,912	21,208		882,120
Assisted Living	672,182	704,286		1,376,468			1,376,468
Maintenance and Operations	298,572	428,892		727,464	6,615		734,079
Medical Care-Ancillary	354,347	74,824		429,171			429,171
Laundry	1,299	1,440		2,739			2,739
Activities	186,161	262,108		448,269			448,269
Property Taxes & insurance	136,201	253,304		389,505	7,877		397,382
Depreciation	992,670	743,828	2,712	1,739,210	584		1,739,794
Bond Interest	697,626	114,340		811,966			811,966
Bond Issuance Costs	89,640	10,989		100,629			100,629
Other Operating Interest	135,120	135,120		270,240			270,240
Bad Debt	(4,356	12,794		8,438			8,438
TOTAL FUNCTIONAL EXPENSES	**8,347,826**	**7,773,469**	**2,712**	**16,124,007**	**2,667,701**		**18,791,708**

SFE
3/29/2022

Fixed Assets Inventory List by Class - Summary

Ranges:

Asset ID:	First to Last		
Description:	First to Last		
Asset Type:	First to Last	Cost Basis:	First to Last
Structure ID:	First to Last	Accum Depr:	First to Last
Class ID:	BLDGIMP10-FH to BLDGS50-PG	Net Book:	First to Last
Location ID:	First to Last	Amort Code:	First to Last
Property Type:	First to Last	Pl in Svc Date:	First to 1/31/2022
Quantity:	First to Last	Acquire Date:	First to Last

Sorted By: Class ID

Class ID	Description	Number of Assets	Quantity	Cost Basis	Accum Depr	Net Book
BLDGIMP10-FH	Building Imp 10yrs - FH	146	146	$4,049,563.91	$3,101,331.19	$948,232.72
BLDGIMP10-JK	Building Imp 10yrs - JK	53	53	$240,946.91	$233,519.17	$7,427.74
BLDGIMP10-LP	Building Imp 10yrs - LP	269	269	$9,207,887.34	$6,640,196.39	$2,567,690.95
BLDGIMP20-FH	Building Imp 20yrs - FH	45	45	$3,368,367.76	$2,563,763.99	$804,603.77
BLDGIMP20-JK	Building Imp 20yrs - JK	1	1	$41,092.31	$20,723.34	$20,368.97
BLDGIMP20-LP	Building Imp 20yrs - LP	73	73	$7,356,479.14	$4,564,653.96	$2,791,825.18
BLDGIMP30-FH	Building Imp 30yrs - FH	7	7	$670,521.18	$265,991.79	$404,529.39
BLDGIMP30-JK	Building Imp 30yrs - JK	1	1	$18,544.98	$10,256.69	$8,288.29
BLDGIMP30-LP	Building Imp 30yrs - LP	18	18	$2,383,917.09	$1,297,269.63	$1,086,647.46
BLDGS10-JK	Buildings 10yrs - JK	1	1	$4,265.00	$4,265.00	$0.00
BLDGS30-FH	Buildings 30yrs - FH	5	5	$596,546.24	$596,546.24	$0.00
BLDGS30-JK	Buildings 30yrs - JK	1	1	$134,360.00	$134,360.00	$0.00
BLDGS30-LP	Buildings 30yrs - LP	15	15	$4,302,729.75	$2,529,396.54	$1,773,333.21
BLDGS40-FH	Buildings 40 years FH	20	20	$44,429,304.36	$14,375,562.90	$30,053,741.46
BLDGS50-LP	Buildings 50yrs - LP	3	3	$7,196,402.62	$7,196,402.62	$0.00
		658	658	$84,000,928.59	$43,534,239.45	$40,466,689.14

Fixed Assets Inventory List by Class - Summary

Ranges:

Asset ID:	First to Last		
Description:	First to Last		
Asset Type:	First to Last	Cost Basis:	First to Last
Structure ID:	First to Last	Accum Depr:	First to Last
Class ID:	COMPEQP5-CP to COMPEQP5-PG	Net Book:	First to Last
Location ID:	First to Last	Amort Code:	First to Last
Property Type:	First to Last	Pl in Svc Date:	First to 1/31/2022
Quantity:	First to Last	Acquire Date:	First to Last

Sorted By: Class ID

Class ID	Description	Number of Assets	Quantity	Cost Basis	Accum Depr	Net Book
COMPEQP5-CP	Computer Equip 5yrs - CP	54	54	$278,128.51	$275,213.64	$2,914.87
COMPEQP5-FH	Computer Equip 5yrs - FH	53	53	$139,180.40	$99,997.44	$39,182.96
COMPEQP5-LP	Computer Equip 5yrs - LP	52	52	$123,170.11	$90,119.44	$33,050.67
		159	159	$540,479.02	$465,330.52	$75,148.50

Fixed Assets Inventory List by Class - Summary

Ranges:

Asset ID:	First to Last		
Description:	First to Last		
Asset Type:	First to Last	Cost Basis:	First to Last
Structure ID:	First to Last	Accum Depr:	First to Last
Class ID:	FXDEQP10-CP to FXDEQP20-PG	Net Book:	First to Last
Location ID:	First to Last	Amort Code:	First to Last
Property Type:	First to Last	Pl in Svc Date:	First to 1/31/2022
Quantity:	First to Last	Acquire Date:	First to Last

Sorted By: Class ID

Class ID	Description	Number of Assets	Quantity	Cost Basis	Accum Depr	Net Book
FXDEQP10-CP	Fixed Equip 10yrs - CP	3	3	$5,447.82	$5,447.82	$0.00
FXDEQP10-FH	Fixed Equip 10yrs - FH	53	53	$165,952.44	$146,442.35	$19,510.09
FXDEQP10-JK	Fixed Equip 10yrs - JK	4	4	$14,191.24	$13,647.58	$543.66
FXDEQP10-LP	Fixed Equip 10yrs - LP	136	136	$1,058,960.44	$840,240.00	$218,720.44
FXDEQP20-FH	Fixed Equip 20yrs - FH	6	6	$113,295.87	$76,017.86	$37,278.01
FXDEQP20-LP	Fixed Equip 20yrs - LP	1	1	$229,349.73	$69,793.94	$159,555.79
		203	203	$1,587,197.54	$1,151,589.55	$435,607.99

Fixed Assets Inventory List by Class - Summary

Ranges:

Asset ID:	First to Last		
Description:	First to Last		
Asset Type:	First to Last	Cost Basis:	First to Last
Structure ID:	First to Last	Accum Depr:	First to Last
Class ID:	LAND-FH to LANDIMP5-LP	Net Book:	First to Last
Location ID:	First to Last	Amort Code:	First to Last
Property Type:	First to Last	Pl in Svc Date:	First to 1/31/2022
Quantity:	First to Last	Acquire Date:	First to Last

Sorted By: Class ID

Class ID	Description	Number of Assets	Quantity	Cost Basis	Accum Depr	Net Book
LAND-FH	Land - FH	1	1	$15,479.32	$0.00	$15,479.32
LAND-JK	Land - JK	1	1	$202,940.00	$0.00	$202,940.00
LAND-LP	Land - LP	1	1	$616,204.55	$0.00	$616,204.55
LANDIMP15-FH	Land Improvements 15yrs - FH	12	12	$168,988.21	$83,099.91	$85,888.30
LANDIMP15-JK	Land Improvements 15yrs - JK	6	6	$48,601.14	$48,601.14	$0.00
LANDIMP15-LP	Land Improvements 15yrs - LP	12	12	$120,860.38	$108,509.55	$12,350.83
LANDIMP5-LP	Land Improvements 5yrs - LP	2	2	$15,987.50	$15,987.50	$0.00
		35	35	$1,189,061.10	$256,198.10	$932,863.00

Fixed Assets Inventory List by Class - Summary

Ranges:

Asset ID:	001554-1 to 001576-1		
Description:	2005 Starcraft Starquest to 2005 Starcraft Starquest Bus		
Asset Type:	First to Last	Cost Basis:	First to Last
Structure ID:	First to Last	Accum Depr:	First to Last
Class ID:	First to Last	Net Book:	First to Last
Location ID:	First to Last	Amort Code:	First to Last
Property Type:	First to Last	Pl in Svc Date:	First to 1/31/2022
Quantity:	First to Last	Acquire Date:	First to Last

Sorted By: Class ID

Class ID	Description	Number of Assets	Quantity	Cost Basis	Accum Depr	Net Book
MAJME10-FH	Maj Mov Equip 10yrs - FH	3	3	$48,649.13	$48,649.13	$0.00
		3	3	$48,649.13	$48,649.13	$0.00

Fixed Assets Inventory List by Class - Summary

Ranges:

Asset ID:	First to Last		
Description:	First to Last		
Asset Type:	First to Last	Cost Basis:	First to Last
Structure ID:	First to Last	Accum Depr:	First to Last
Class ID:	MAJME10-CP to MAJME10-PG	Net Book:	First to Last
Location ID:	First to Last	Amort Code:	First to Last
Property Type:	First to Last	Pl in Svc Date:	First to 1/31/2022
Quantity:	First to Last	Acquire Date:	First to Last

Sorted By: Class ID

Class ID	Description	Number of Assets	Quantity	Cost Basis	Accum Depr	Net Book
MAJME10-CP	Maj Mov Equip 10yrs - CP	5	5	$12,294.24	$12,294.24	$0.00
MAJME10-FH	Maj Mov Equip 10yrs - FH	55	55	$374,236.14	$350,933.70	$23,302.44
MAJME10-LP	Maj Mov Equip 10yrs - LP	109	117	$854,857.72	$753,282.63	$101,575.09
		169	177	$1,241,388.10	$1,116,510.57	$124,877.53

Fixed Assets Inventory List by Class - Summary

Ranges:

Asset ID:	000944-1 to 000945-1		
Description:	First to Last		
Asset Type:	First to Last	Cost Basis:	First to Last
Structure ID:	First to Last	Accum Depr:	First to Last
Class ID:	First to Last	Net Book:	First to Last
Location ID:	First to Last	Amort Code:	First to Last
Property Type:	First to Last	Pl in Svc Date:	First to 1/31/2022
Quantity:	First to Last	Acquire Date:	First to Last

Sorted By: Class ID

Class ID	Description	Number of Assets	Quantity	Cost Basis	Accum Depr	Net Book
MAJME10-LP	Maj Mov Equip 10yrs - LP	2	2	$50,512.35	$50,512.35	$0.00
		2	2	$50,512.35	$50,512.35	$0.00

Fixed Assets Inventory List by Class - Summary

Ranges:

Asset ID:	First to Last		
Description:	2012 Starcraft Xpress Paratransit to 2012 Starcraft Xpress Paratransit		
Asset Type:	First to Last	Cost Basis:	First to Last
Structure ID:	First to Last	Accum Depr:	First to Last
Class ID:	First to Last	Net Book:	First to Last
Location ID:	First to Last	Amort Code:	First to Last
Property Type:	First to Last	Pl in Svc Date:	First to 1/31/2022
Quantity:	First to Last	Acquire Date:	First to Last

Sorted By: Class ID

Class ID	Description	Number of Assets	Quantity	Cost Basis	Accum Depr	Net Book
MAJME10-LP	Maj Mov Equip 10yrs - LP	1	1	$51,006.00	$51,006.00	$0.00
		1	1	$51,006.00	$51,006.00	$0.00

Fixed Assets Inventory List by Class - Summary

Ranges:

Asset ID:	002403-1 to 002403-1		
Description:	First to Last		
Asset Type:	First to Last	Cost Basis:	First to Last
Structure ID:	First to Last	Accum Depr:	First to Last
Class ID:	First to Last	Net Book:	First to Last
Location ID:	First to Last	Amort Code:	First to Last
Property Type:	First to Last	Pl in Svc Date:	First to 1/31/2022
Quantity:	First to Last	Acquire Date:	First to Last

Sorted By: Class ID

Class ID	Description	Number of Assets	Quantity	Cost Basis	Accum Depr	Net Book
MAJME10-LP	Maj Mov Equip 10yrs - LP	1	1	$25,364.10	$8,151.54	$17,212.56
		1	1	$25,364.10	$8,151.54	$17,212.56

Asset Description-Van for FH and LP

Description	Location ID	Qty	Asset ID	Cost Basis	Accum Depr
2005 Ford Econoline/Starcraft	PAC GROVE, CA		001565-1	$48,649.13	$48,649.13
2012 Ford Starcraft Xpress Paratransi	OAKLAND, CA		002172-1	$51,006.00	$51,006.00
2002 Ford Champion 15 Passenger	OAKLAND, CA		000944-1	$50,512.35	$50,512.35
2018 Dodge Grand Caravan	OAKLAND, CA		002403-1	$25,364.10	$8,151.54
				$175,531.58	$158,319.02

Net Book
$0.00
$0.00
$0.00
$17,212.56
$17,212.56

2005 Ford	001565-1	$40,257.50
	001576-1	4091.63
	001554-1	4300.00
		$48,649.13

Fixed Assets Inventory List by Class - Summary

Ranges:

Asset ID:	First to Last		
Description:	First to Last		
Asset Type:	First to Last	Cost Basis:	First to Last
Structure ID:	First to Last	Accum Depr:	First to Last
Class ID:	OFFEQP10-CP to OFFEQP5-PG	Net Book:	First to Last
Location ID:	First to Last	Amort Code:	First to Last
Property Type:	First to Last	Pl in Svc Date:	First to 1/31/2022
Quantity:	First to Last	Acquire Date:	First to Last

Sorted By: Class ID

Class ID	Description	Number of Assets	Quantity	Cost Basis	Accum Depr	Net Book
OFFEQP10-CP	Office Equip 10yrs - CP	16	16	$253,309.71	$253,309.71	$0.00
OFFEQP10-FH	Office Equip 10yrs - FH	5	5	$21,893.21	$18,786.26	$3,106.95
OFFEQP10-LP	Office Equip 10yrs - LP	4	4	$19,700.08	$14,050.94	$5,649.14
OFFEQP5-CP	Office Equip 5yrs - CP	33	33	$162,737.32	$161,925.12	$812.20
OFFEQP5-FH	Office Equip 5yrs - FH	13	13	$75,277.46	$75,277.46	$0.00
OFFEQP5-LP	Office Equip 5yrs - LP	9	9	$34,052.74	$26,204.71	$7,848.03
		80	80	$566,970.52	$549,554.20	$17,416.32

Fixed Assets Inventory List by Class - Summary

Ranges:

Asset ID:	First to Last		
Description:	First to Last		
Asset Type:	First to Last	Cost Basis:	First to Last
Structure ID:	First to Last	Accum Depr:	First to Last
Class ID:	FURN10-CP to FURN5-LP	Net Book:	First to Last
Location ID:	First to Last	Amort Code:	First to Last
Property Type:	First to Last	Pl in Svc Date:	First to 1/31/2022
Quantity:	First to Last	Acquire Date:	First to Last

Sorted By: Class ID

Class ID	Description	Number of Assets	Quantity	Cost Basis	Accum Depr	Net Book
FURN10-CP	Furnishings 10yrs - CP	14	14	$16,419.78	$16,419.78	$0.00
FURN10-FH	Furnishings 10yrs - FH	121	121	$893,862.79	$650,219.75	$243,643.04
FURN10-JK	Furnishings 10yrs - JK	1	1	$825.00	$825.00	$0.00
FURN10-LP	Furnishings 10yrs - LP	41	41	$1,339,067.53	$923,927.95	$415,139.58
FURN3-FH	Furnishings 3 Years-FH	3	3	$17,876.33	$15,791.38	$2,084.95
FURN5-LP	Furnishings 5yrs - LP	15	15	$70,144.05	$70,144.05	$0.00
		195	195	$2,338,195.48	$1,677,327.91	$660,867.57

SECTION 999.5(d)(11)(G)

(G) Any requests for opinions to the Internal Revenue Service for rulings attendant to this transaction and any Internal Revenue Service responses thereto.

No parties to the transaction requested opinions from the Internal Revenue Service for rulings attendant to this transaction.

SECTION 999.5(d)(11)(H)

(H) Pro forma post-transaction balance sheet for the surviving or successor corporation.

Please see the attached pro forma post-transaction balance sheets for Buyers.

Lake Merritt Senior Living LLC
BALANCE SHEET
Table 3

Fiscal Year Ending 12/31	**2022 (1)**	**2023**	**2024**	**2025**	**2026**	**2027**
ASSETS						
Cash	$ 2,335,000	$ 2,498,450	$ 2,673,342	$ 2,860,475	$ 3,060,709	$ 3,274,958
Accounts Receivable	$ 425,000	$ 437,750	$ 450,883	$ 464,409	$ 478,341	$ 492,691
Net Property, Plant, Equipment	$ 18,000,000	$ 17,100,000	$ 16,245,000	$ 15,432,750	$ 14,661,113	$ 13,928,057
Other Assets	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000	$ 100,000
TOTAL ASSETS	**$ 20,860,000**	**$ 20,136,200**	**$ 19,469,224**	**$ 18,857,634**	**$ 18,300,162**	**$ 17,795,707**
LIABILITIES						
Accts. Payable/Accr. Exp.	$ 300,000	$ 450,000	$ 463,500	$ 477,405	$ 491,727	$ 506,479
Other Liabilities	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000
Debt	$ 11,700,000	$ 11,349,000	$ 11,008,530	$ 10,678,274	$ 10,357,926	$ 10,047,188
TOTAL LIABILITIES	**$ 12,200,000**	**$ 11,999,000**	**$ 11,672,030**	**$ 11,355,679**	**$ 11,049,653**	**$ 10,753,667**
NET EQUITY	**$ 8,660,000**	**$ 8,137,200**	**$ 7,797,194**	**$ 7,501,955**	**$ 7,250,509**	**$ 7,042,040**
TOTAL LIABILITIES/S.EQUITY	**$ 20,860,000**	**$ 20,136,200**	**$ 19,469,224**	**$ 18,857,634**	**$ 18,300,162**	**$ 17,795,707**

(1) Assumes ownership transfer effective October 1, 2022

Pacific Grove Senior Living LLC
BALANCE SHEET
Table 3

Fiscal Year Ending 12/31	**2022 (1)**	**2023**	**2024**	**2025**	**2026**	**2027**
ASSETS						
Cash	$ 2,125,000	$ 2,273,750	$ 2,432,913	$ 2,603,216	$ 2,785,442	$ 2,980,422
Accounts Receivable	$ 385,000	$ 396,550	$ 408,447	$ 420,700	$ 433,321	$ 446,321
Net Property, Plant, Equipment	$ 16,000,000	$ 15,200,000	$ 14,440,000	$ 13,718,000	$ 13,032,100	$ 12,380,495
Other Assets	$ 90,000	$ 90,000	$ 90,000	$ 90,000	$ 90,000	$ 90,000
TOTAL ASSETS	**$ 18,600,000**	**$ 17,960,300**	**$ 17,371,359**	**$ 16,831,916**	**$ 16,340,862**	**$ 15,897,238**
LIABILITIES						
Accts. Payable/Accr. Exp.	$ 250,000	$ 375,000	$ 386,250	$ 397,838	$ 409,773	$ 422,066
Other Liabilities	$ 175,000	$ 175,000	$ 175,000	$ 175,000	$ 175,000	$ 175,000
Debt	$ 10,400,000	$ 10,088,000	$ 9,785,360	$ 9,491,799	$ 9,207,045	$ 8,930,834
TOTAL LIABILITIES	**$ 10,825,000**	**$ 10,638,000**	**$ 10,346,610**	**$ 10,064,637**	**$ 9,791,818**	**$ 9,527,900**
NET EQUITY	**$ 7,775,000**	**$ 7,322,300**	**$ 7,024,749**	**$ 6,767,280**	**$ 6,549,045**	**$ 6,369,338**
TOTAL LIABILITIES/S.EQUITY	**$ 18,600,000**	**$ 17,960,300**	**$ 17,371,359**	**$ 16,831,916**	**$ 16,340,862**	**$ 15,897,238**

(1) Assumes ownership transfer effective October 1, 2022