
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-11316

**OMEGA HEALTHCARE
INVESTORS, INC.**

(Exact name of Registrant as specified in its charter)

Maryland
(State of incorporation)

38-3041398
(IRS Employer
Identification No.)

9690 Deereco Road, Suite 100, Timonium, MD 21093
(Address of principal executive offices)

(410) 427-1700
(Telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one:)

Large accelerated filer Accelerated filer Non-accelerated filer Small reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of April 25, 2008.

Common Stock, \$.10 par value
(Class) 69,205,465
(Number of shares)

OMEGA HEALTHCARE INVESTORS, INC.
FORM 10-Q
March 31, 2008

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PART I – FINANCIAL INFORMATION**Item 1 - Financial Statements**

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2008	December 31, 2007
	<u>(Unaudited)</u>	<u></u>
ASSETS		
Real estate properties		
Land and buildings	\$ 1,259,581	\$ 1,274,722
Less accumulated depreciation	(222,998)	(221,366)
Real estate properties – net	<u>1,036,583</u>	<u>1,053,356</u>
Mortgage notes receivable – net	<u>31,505</u>	<u>31,689</u>
	1,068,088	1,085,045
Other investments – net	<u>15,969</u>	<u>13,683</u>
	1,084,057	1,098,728
Assets held for sale – net	<u>16,746</u>	<u>2,870</u>
Total investments	1,100,803	1,101,598
Cash and cash equivalents	1,516	1,979
Restricted cash	3,754	2,104
Accounts receivable – net	65,297	64,992
Other assets	<u>12,357</u>	<u>11,614</u>
Total assets	<u>\$ 1,183,727</u>	<u>\$ 1,182,287</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Revolving line of credit	\$ 82,000	\$ 48,000
Unsecured borrowings – net	484,710	484,714
Other long-term borrowings	1,995	40,995
Accrued expenses and other liabilities	25,460	22,378
Income tax liabilities	<u>73</u>	<u>73</u>
Total liabilities	<u>594,238</u>	<u>596,160</u>
Stockholders' equity:		
Preferred stock	118,488	118,488
Common stock and additional paid-in-capital	841,303	832,736
Cumulative net earnings	379,374	362,140
Cumulative dividends paid	<u>(749,676)</u>	<u>(727,237)</u>
Total stockholders' equity	<u>589,489</u>	<u>586,127</u>
Total liabilities and stockholders' equity	<u>\$ 1,183,727</u>	<u>\$ 1,182,287</u>

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2008	2007
Revenues		
Rental income	\$ 38,013	\$ 40,832
Mortgage interest income	979	1,009
Other investment income – net	636	645
Miscellaneous	1,238	137
Total operating revenues	<u>40,866</u>	<u>42,623</u>
Expenses		
Depreciation and amortization	9,396	8,788
General and administrative	3,094	2,573
Impairment loss on real estate properties	1,514	—
Total operating expenses	<u>14,004</u>	<u>11,361</u>
Income before other income and expense	26,862	31,262
Other income (expense):		
Interest income	65	40
Interest expense	(9,685)	(11,844)
Interest – amortization of deferred financing costs	(500)	(459)
Total other expense	<u>(10,120)</u>	<u>(12,263)</u>
Income before gain on assets sold	16,742	18,999
Gain on assets sold – net	46	—
Income from continuing operations	16,788	18,999
Discontinued operations	446	1,660
Net income	17,234	20,659
Preferred stock dividends	(2,481)	(2,481)
Net income available to common shareholders	\$ 14,753	\$ 18,178
Income per common share:		
Basic:		
Income from continuing operations	\$ 0.21	\$ 0.27
Net income	\$ 0.21	\$ 0.30
Diluted:		
Income from continuing operations	\$ 0.21	\$ 0.27
Net income	\$ 0.21	\$ 0.30
Dividends declared and paid per common share	\$ 0.29	\$ 0.26
Weighted-average shares outstanding, basic	68,680	60,094
Weighted-average shares outstanding, diluted	68,747	60,118
Components of other comprehensive income:		
Net income	\$ 17,234	\$ 20,659
Total comprehensive income	<u>\$ 17,234</u>	<u>\$ 20,659</u>

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited (in thousands)

	Three Months Ended	
	March 31,	
	2008	2007
Operating activities		
Net income	\$ 17,234	\$ 20,659
Adjustment to reconcile net income to cash provided by operating activities:		
Depreciation and amortization (including amounts in discontinued operations)	9,396	8,799
Impairment loss on real estate properties (including amounts in discontinued operations)	1,514	—
Amortization of deferred financing costs	500	459
(Gains) losses on assets sold and equity securities – net	(477)	(1,597)
Restricted stock amortization expense	526	26
Income from accretion of marketable securities to redemption value	(52)	(52)
Other	(47)	(72)
Change in operating assets and liabilities:		
Accounts receivable	746	1,406
Straight-line rent	(1,869)	(7,257)
Lease inducement	818	758
Other assets	(1,276)	(1,371)
Other assets and liabilities	1,464	(412)
Net cash provided by operating activities	<u>28,477</u>	<u>21,346</u>
Cash flows from investing activities		
Acquisition of real estate	(5,200)	—
Placement of mortgage loans	—	(345)
Proceeds from sale of real estate investments	3,027	3,683
Capital improvements and funding of other investments	(5,334)	(1,568)
Proceeds from other investments	2,779	1,132
Investments in other investments	(5,004)	—
Collection of mortgage principal – net	222	184
Net cash (used in) provided by investing activities	<u>(9,510)</u>	<u>3,086</u>
Cash flows from financing activities		
Proceeds from credit facility borrowings	74,300	15,400
Payments on credit facility borrowings	(40,300)	(18,400)
Payments of other long-term borrowings	(39,000)	—
Prepayment of re-financing penalty	—	(591)
Receipts/(payments) from dividend reinvestment plan	10,096	—
Receipts/(payments) from exercised options and taxes on restricted stock – net	(2,087)	(809)
Dividends paid	(22,439)	(18,106)
Net cash used in financing activities	<u>(19,430)</u>	<u>(22,506)</u>
(Decrease) increase in cash and cash equivalents	(463)	1,926
Cash and cash equivalents at beginning of period	1,979	729
Cash and cash equivalents at end of period	<u>\$ 1,516</u>	<u>\$ 2,655</u>
Interest paid during the period, net of amounts capitalized	<u>\$ 7,437</u>	<u>\$ 8,609</u>

See notes to consolidated financial statements.

OMEGA HEALTHCARE INVESTORS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited
March 31, 2008

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Business Overview:

We have one reportable segment consisting of investments in real estate. Our business is to provide financing and capital to the long-term healthcare industry with a particular focus on skilled nursing facilities located in the United States. Our core portfolio consists of long-term lease and mortgage agreements. All of our leases are “triple-net” leases, which require the tenants to pay all property-related expenses. Our mortgage revenue derives from fixed-rate mortgage loans, which are secured by first mortgage liens on the underlying real estate and personal property of the mortgagor. Substantially all depreciation expenses reflected in the consolidated statements of operations relate to the ownership of our investment in real estate.

Basis of Presentation:

The accompanying unaudited consolidated financial statements for Omega Healthcare Investors, Inc. (“Omega” or the “Company”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission regarding interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles (“GAAP”) in the United States for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited consolidated financial statements should be read in conjunction with the financial statements and the footnotes thereto included in our latest Annual Report on Form 10-K.

Our consolidated financial statements include the accounts of Omega, all direct and indirect wholly owned subsidiaries and one variable interest entity (“VIE”) for which we are the primary beneficiary. All inter-company accounts and transactions have been eliminated in consolidation of the financial statements.

Reclassifications:

Certain amounts in the prior year have been reclassified to conform to the current year presentation and to reflect the results of discontinued operations. See Note 9 – Discontinued Operations for a discussion of discontinued operations. Such reclassifications have no effect on previously reported earnings or equity.

Accounts Receivables:

Accounts receivable includes: contractual receivables, straight-line rent receivables, lease inducements, net of an estimated provision for losses related to uncollectible and disputed accounts. Contractual receivables relate to the amounts currently owed to us under the terms of the lease agreement. Straight-line receivables relates to the difference between the rental revenue recognized on a straight-line basis and the amounts due to us contractually. Lease inducements result from value provided by us to the lessee at the inception of the lease and will be amortized as a reduction of rental revenue over the lease term. On a quarterly basis, we review the collection of our contractual payments and determine the appropriateness of our allowance for uncollectible contractual rents. In the case of a lease recognized on a straight-line basis, we generally provide an allowance for straight-line accounts receivable when certain conditions or indicators of adverse collectibility are present.

A summary of our net receivables by type is as follows:

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
	(in thousands)	
Contractual receivables	\$ 5,189	\$ 5,517
Straight-line receivables	36,405	34,537
Lease inducements	27,147	27,965
Allowance	(3,444)	(3,027)
Accounts receivable – net	<u>\$ 65,297</u>	<u>\$ 64,992</u>

We continuously evaluate the payment history and financial strength of our operators and have historically established allowance reserves for straight-line rent adjustments for operators that do not meet our requirements. We consider factors such as payment history, the operator's financial condition as well as current and future anticipated operating trends when evaluating whether to establish allowance reserves.

Implementation of New Accounting Pronouncement:

FAS 157 Evaluation

On January 1, 2008, we adopted Financial Accounting Standards Board, ("FASB"), Statement No. 157, *Fair Value Measurements* ("FAS No. 157"). This standard defines fair value, establishes a methodology for measuring fair value and expands the required disclosure for fair value measurements. FAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. This statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. The standard applies prospectively to new fair value measurements performed after the required effective dates, which are as follows: (i) on January 1, 2008, the standard applied to our measurements of the fair values of financial instruments and recurring fair value measurements of non-financial assets and liabilities; and (ii) on January 1, 2009, the standard will apply to all remaining fair value measurements, including non-recurring measurements of non-financial assets and liabilities such as measurement of potential impairments of goodwill, other intangible assets and other long-lived assets. It also will apply to fair value measurements of non-financial assets acquired and liabilities assumed in business combinations. On January 18, 2008, the FASB issued proposed FASB Staff Position ("FSP") FAS No. 157-c, *Measuring Liabilities under Statement 157*, which will modify the definition of fair value by requiring estimation of the proceeds that would be received if the entity were to issue the liability at the measurement date. We evaluated FAS No. 157 and determined that the adoption of the provisions FAS No. 157 effective on January 1, 2008 had no impact on our financial statements. We are currently evaluating the impact, if any, that the provisions of FAS No. 157 that apply on January 1, 2009 will have on our financial statements.

FAS 159 Evaluation

In February 2007, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure certain financial assets and liabilities at fair value, with the change in unrealized gains and losses on items for which the fair value option has been elected and reported in earnings. We adopted SFAS No. 159 on January 1, 2008. We evaluated SFAS No. 159 and did not elect the fair value accounting option for any of our eligible assets; therefore, the adoption of SFAS No. 159 had no impact on our financial statements.

Recent Accounting Pronouncement:

FAS 141(R) Evaluation

On December 4, 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), *Business Combinations* ("FAS 141(R)"). The new standard will significantly change the accounting for and reporting of business combination transactions. FAS 141(R) requires companies to recognize, with certain exception, 100 percent of the fair value of the assets acquired, liabilities assumed and non-controlling interest in acquisitions of less than a 100 percent controlling interest when the acquisition constitutes a change in control; measure acquirer shares issued as consideration for a business combination at fair value on the date of the acquisition; recognize contingent consideration arrangements at their acquisition date fair value, with subsequent change in fair value generally reflected in earnings; recognition of reacquisition loss and gain contingencies at their acquisition date fair value; capitalize in process research and development assets acquired; expense as incurred, acquisition related transaction costs; capitalize acquisition-related restructuring costs only if the criteria in Financial Accounting Standards Board No. 146, *Accounting for Costs associated with Exit or Disposal Activities* are met as of the date of the acquisition; and recognizing changes that result from a business combination transaction in an acquirer's existing income tax valuation allowance and tax uncertainty accruals as adjustment to income tax expense. FAS 141(R) is effective for fiscal years beginning after December 15, 2008 and early adoption is prohibited. We intend to adopt the standard on January 1, 2009. We are currently evaluating the impact, if any, FAS 141(R) will have on our financial statements.

NOTE 2 –PROPERTIES

In the ordinary course of our business activities, we periodically evaluate investment opportunities and extend credit to customers. We also regularly engage in lease and loan extensions and modifications. Additionally, we actively monitor and manage our investment portfolio with the objectives of improving credit quality and increasing investment returns. In connection with portfolio management, we may engage in various collection and foreclosure activities.

If we acquire real estate pursuant to a foreclosure, lease termination or bankruptcy proceeding and do not immediately re-lease or sell the properties to new operators, the assets will be included on the balance sheet as "foreclosed real estate properties," and the value of such assets is reported at the lower of cost or estimated fair value.

Leased Property

Our leased real estate properties, represented by 224 long-term care facilities and two rehabilitation hospitals at March 31, 2008, are leased under provisions of single leases and master leases with initial terms typically ranging from 5 to 15 years, plus renewal options. Substantially all of our leases contain provisions for specified annual increases over the rents of the prior year and are generally computed in one of three methods depending on specific provisions of each lease as follows: (i) a specific annual percentage increase over the prior year's rent, generally 2.5%; (ii) an increase based on the change in pre-determined formulas from year to year (i.e., such as increases in the Consumer Price Index ("CPI")); or (iii) specific dollar increases over prior years. Under the terms of the leases, the lessee is responsible for all maintenance, repairs, taxes and insurance on the leased properties.

During the first quarter of 2008, we purchased one skilled nursing facility ("SNF") for \$5.2 million from an unrelated third party and leased the facility to an existing tenant of ours. The facility was added to the tenant's existing master lease and will increase cash rent by \$0.5 million annually. The \$5.2 million acquisition price was allocated \$0.4 million to land, \$4.5 million to building and \$0.3 million to personal property.

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During the first quarter of 2008, we amended our master lease with an existing operator to allow for the construction of a new facility to replace an existing facility currently operated by the operator. Upon completion (estimated to be in mid-2009), annual cash rent will increase by approximately \$0.7 million. As a result of our plan to replace the existing facility, we recorded a \$1.5 million impairment loss on the existing facility during the first quarter of 2008 to record it at its estimated fair value.

On February 1, 2008, we amended our master lease with an existing operator and certain of its affiliates primarily to: i) consolidate three existing master leases into one master lease; ii) extend the lease term of the agreement through September 2017 for facilities acquired in August 2006; and iii) allow for the sale of two rehabilitation hospitals currently operated by the operator.

Since November 2007, affiliates of one of our operators/lessees, Haven Eldercare, LLC ("Haven"), has operated under Chapter 11 bankruptcy protection. In a motion filed with the bankruptcy court on April 17, 2008, Haven identified a third party stalking horse buyer of substantially all of Haven's assets. The motion attached a signed purchase agreement which reflects an acquisition price of \$105 million subject to certain adjustments and contingencies. The asset purchase agreement which is subject to bankruptcy court approval requires Haven to assume and assign the Omega master lease to the winning bidder at the upcoming auction. Based on the \$105 million purchase price, the motion states that the claims of all secured parties, together with all administration and priority claims, would be paid in-full and the unsecured creditors would receive the excess funds upon closing.

In January 2008, Haven entered into a debtors-in-possession financing agreement with us and one other financial institution, in which our participation is approximately \$5.0 million of a \$50 million total commitment. The agreement matures in June 2008 and yields an interest rate of prime plus 3%.

We have evaluated our current receivables as well as our other investments with Haven and do not believe that reserves for impairment of our investment or the collection of our contractual and straight-line receivables are warranted at March 31, 2008. At March 31, 2008, we had contractual receivables of approximately \$1.7 million and straight-line receivable of approximately \$2.2 million.

Assets Sold or Held for Sale

Assets Sold

- On January 31, 2008, we sold one SNF in California for approximately \$1.5 million resulting in a gain of approximately \$0.4 million, which was included in our gain/loss from discontinued operations. For additional information, see Note 9 – Discontinued Operations.
- On February 1, 2008, we sold a SNF in California for approximately \$1.5 million resulting in a gain of approximately \$46 thousand.

Held for Sale

At March 31, 2008, we had one SNF and two rehabilitation hospitals classified as held-for-sale with a net book value of approximately \$16.7 million.

Mortgage Notes Receivable

Mortgage notes receivable relate to nine (9) long-term care facilities. The mortgage notes are secured by first mortgage liens on the borrowers' underlying real estate and personal property. The mortgage notes receivable relate to facilities located in four (4) states, operated by five (5) independent healthcare operating companies. We monitor compliance with mortgages and when necessary have initiated collection, foreclosure and other proceedings with respect to certain outstanding loans. As of March 31, 2008, we had no foreclosed property, and none of our mortgages were in foreclosure proceedings.

Mortgage interest income is recognized as earned over the terms of the related mortgage notes. Allowances are provided against earned revenues from mortgage interest when collection of amounts due becomes questionable or when negotiations for restructurings of troubled operators lead to lower expectations regarding ultimate collection. When collection is uncertain, mortgage interest income on impaired mortgage loans is recognized as received after taking into account application of security deposits.

NOTE 3 – CONCENTRATION OF RISK

As of March 31, 2008, our portfolio of investments consisted of 235 healthcare facilities, located in 28 states and operated by 26 third-party operators. Our gross investment in these facilities, net of impairments and before reserve for uncollectible loans, totaled approximately \$1.3 billion at March 31, 2008, with approximately 98% of our real estate investments related to long-term care facilities. This portfolio is made up of 223 long-term healthcare facilities, fixed rate mortgages on nine long-term healthcare facilities and two rehabilitation hospitals and one long-term healthcare facility that are currently held for sale. At March 31, 2008, we also held miscellaneous investments of approximately \$16 million, consisting primarily of secured loans to third-party operators of our facilities.

At March 31, 2008, approximately 28% of our real estate investments were operated by two public companies: Sun Healthcare Group (“Sun”) (17%) and Advocat Inc. (“Advocat”) (11%). Our largest private company operators (by investment) were CommuniCare Health Services, Inc. (“CommuniCare”) (15%), Signature Holding II, LLC (11%), Haven Healthcare (9%), Guardian LTC Management, Inc. (7%), Nexion Health, Inc. (6%) and Essex Healthcare Corporation (6%) No other operator represents more than 5% of our investments. The three states in which we had our highest concentration of investments were Ohio (22%), Florida (13%) and Pennsylvania (8%) at March 31, 2008.

For the three-month period ended March 31, 2008, our revenues from operations totaled \$40.9 million, of which approximately \$8.1 million were from Sun (20%), \$5.3 million from CommuniCare (13%) and \$5.1 million from Advocat (12%). No other operator generated more than 10% of our revenues from operations for the three month period ended March 31, 2008.

Sun and Advocat are subject to the reporting requirements of the Security Exchange Commission (“SEC”) and are required to file with the SEC annual reports containing audited financial information and quarterly reports containing unaudited interim financial information. Sun and Advocat’s filings with the SEC can be found at the SEC’s website at www.sec.gov. We are providing this data for information purposes only, and you are encouraged to obtain Sun’s and Advocat’s publicly available filings from the SEC.

NOTE 4 –DIVIDENDS

Common Dividends

On April 16, 2008, the Board of Directors declared a common stock dividend of \$0.30 per share, an increase of \$0.01 per common share compared to the prior quarter, to be paid May 15, 2008 to common stockholders of record on April 30, 2008.

On January 17, 2008, the Board of Directors declared a common stock dividend of \$0.29 per share, an increase of \$0.01 per common share compared to the prior quarter. The common dividend was paid February 15, 2008 to common stockholders of record on January 31, 2008.

Series D Preferred Dividends

On April 16, 2008, the Board of Directors declared regular quarterly dividends for the 8.375% Series D cumulative redeemable preferred stock (the "Series D Preferred Stock") to preferred stockholders of record on April 30, 2008. The stockholders of record of the Series D Preferred Stock on April 30, 2008 will be paid dividends in the amount of \$0.52344 per preferred share on May 15, 2008. The liquidation preference for our Series D Preferred Stock is \$25.00 per share. Regular quarterly preferred dividends for the Series D Preferred Stock represent dividends for the period February 1, 2008 through April 30, 2008.

On January 17, 2008, the Board of Directors declared regular quarterly dividends of approximately \$0.52344 per preferred share on the Series D Preferred Stock that were paid February 15, 2008 to preferred stockholders of record on January 31, 2008.

NOTE 5 – TAXES

So long as we qualify as a real estate investment trust ("REIT") under the Internal Revenue Code, we generally will not be subject to Federal income taxes on the REIT taxable income that we distribute to stockholders, subject to certain exceptions. On a quarterly and annual basis we test our compliance within the REIT taxation rules to ensure that we were in compliance with the rules.

Subject to the limitation under the REIT asset test rules, we are permitted to own up to 100% of the stock of one or more taxable REIT subsidiary ("TRSs"). Currently, we have one TRS that is taxable as a corporation and that pays federal, state and local income tax on its net income at the applicable corporate rates. The TRS had a net operating loss carry-forward as of March 31, 2008 of \$1.1 million. The loss carry-forward was fully reserved with a valuation allowance due to uncertainties regarding realization.

NOTE 6 – STOCK-BASED COMPENSATION

The following is a summary of our stock based compensation expense for the three- month period ended March 31, 2008 and 2007, respectively:

	Three Months Ended March 31,	
	2008	2007
	(in thousands)	
Restricted stock expense	\$ 526	\$ 26

2007 Stock Awards

In May 2007, we granted 286,908 shares of restricted stock and 247,992 performance restricted stock units ("PRSU") to five executive officers under the 2004 Plan Stock Incentive Plan (the "2004 Plan").

Restricted Stock Award

The restricted stock award vests one-seventh on December 31, 2007 and two-sevenths on December 31, 2008, December 31, 2009, and December 31, 2010, respectively, subject to continued employment on the vesting date (as defined in the agreements filed with the SEC on May 8, 2007). As of March 31, 2008, 40,987 shares of restricted stock have vested under the restricted stock award.

Performance Restricted Stock Units

We awarded two types of PRSUs (annual and cliff vesting awards) to the five executives. One half of the PRSU awards vest annually in equal increments on December 31, 2008, December 31, 2009, and December 31, 2010, respectively. The other half of the PRSU awards cliff vest on December 31, 2010. Vesting on both types of awards requires achievement of total shareholder return (as defined in the agreements filed with the SEC on May 8, 2007).

The following table summarizes our total unrecognized compensation cost associated with the restricted stock awards and PRSUs awarded in May 2007 as of March 31, 2008:

	Shares/ Units	Grant Date Fair Value Per Unit/ Share	Total Compensation Cost	Weighted Average Period of Expense Recognition (in months)	Unrecognized Compensation Cost
		(in thousands, except share and per share amounts)			
Restricted stock	286,908	\$ 17.06	\$ 4,895	44	\$ 3,671
2008 Annual performance restricted stock units	41,332	8.78	363	20	163
2009 Annual performance restricted stock units	41,332	8.25	341	32	224
2010 Annual performance restricted stock units	41,332	8.14	336	44	252
3 year cliff vest performance restricted stock units	123,996	6.17	765	44	574
Total	<u>534,900</u>	<u>\$</u>	<u>6,700</u>	<u></u>	<u>\$ 4,884</u>

As of March 31, 2008, we had 27,664 stock options and 16,495 shares of restricted stock outstanding to directors. The stock options were fully vested as of January 1, 2007 and the restricted shares are scheduled to vest over the next three years. As of March 31, 2008, the unrecognized compensation cost associated with the directors is \$0.2 million.

NOTE 7 – FINANCING ACTIVITIES AND BORROWING ARRANGEMENTS**Bank Credit Agreements**

At March 31, 2008, we had \$82.0 million outstanding under our \$255 million revolving senior secured credit facility (the "Credit Facility") and \$2.1 million was utilized for the issuance of letters of credit, leaving availability of \$170.9 million. The \$82.0 million of outstanding borrowings had a blended interest rate of 4.0% at March 31, 2008.

Pursuant to Section 2.01 of the Credit Agreement, dated as of March 31, 2006 (the "Credit Agreement"), that governs our Credit Facility, we were permitted under certain circumstances to increase our available borrowing base under the Credit Agreement from \$200 million up to an aggregate of \$300 million. Effective February 22, 2007, we exercised our right to increase the available revolving commitment under Section 2.01 of the Credit Agreement from \$200 million to \$255 million and we consented to add additional properties to the borrowing base assets under the Credit Agreement.

Our long-term borrowings require us to meet certain property level financial covenants and corporate financial covenants, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. As of March 31, 2008, we were in compliance with all property level and corporate financial covenants.

Other Long-Term Borrowings

In January 2008, we purchased from General Electric Capital Corporation (“GE Capital”) a \$39.0 million mortgage loan on seven facilities operated by Haven Eldercare, LLC (“Haven”) due October 2012. Prior to the acquisition of this mortgage, we had a \$22.8 million second mortgage on these facilities. We now have a combined \$61.8 million mortgage on these facilities. We have an option to purchase these facilities that would allow us a fee simple interest in the facilities. If we exercise the purchase option, the seven facilities would be combined with an existing eight facility master lease agreement that we have with Haven. In conjunction with the above-noted mortgage and purchase option and the application of Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities*, (“FIN 46R”), we have historically and continue to consolidate the financial statements and real estate of the Haven entity into our financial statements. The impact of consolidating the Haven entity resulted in the following adjustments to our consolidated balance sheet as of March 31, 2008: (i) an increase in Land and buildings of \$61.8 million; (ii) an increase in accumulated depreciation of \$3.5 million; (iii) a decrease in Mortgage notes receivable – net of \$61.8 million; (iv) an increase in Accounts receivable – net of \$0.4 million; and (v) a reduction of \$3.1 million in Cumulative net earnings primarily due to increased depreciation expense. The impact of consolidating the Haven entity resulted in the following adjustments to our consolidated balance sheet as of December 31, 2007: (i) an increase in total gross investments of \$39.0 million; (ii) an increase in accumulated depreciation of \$3.1 million; (iii) an increase in Accounts receivable – net of \$0.4 million; (iv) an increase in Other long-term borrowings of \$39.0 million; and (v) a reduction of \$2.7 million in Cumulative net earnings primarily due to increased depreciation expense. Our results of operation reflect the impact of the consolidation of the Haven entity for the three-month periods ended March 31, 2008 and 2007, respectively.

NOTE 8 – LITIGATION

We are subject to various legal proceedings, claims and other actions arising out of the normal course of business. While any legal proceeding or claim has an element of uncertainty, management believes that the outcome of each lawsuit, claim or legal proceeding that is pending or threatened, or all of them combined, will not have a material adverse effect on our consolidated financial position or results of operations.

NOTE 9 – DISCONTINUED OPERATIONS

Statement of Financial Accounting Standards (“SFAS”) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires the presentation of the net operating results of facilities classified as discontinued operations for all periods presented.

The following table summarizes the results of operations of facilities sold or held-for-sale during the three months ended March 31, 2008 and 2007, respectively.

	Three Months Ended March 31,	
	2008	2007
	(in thousands)	
Revenues		
Rental income	\$ 15	\$ 77
Other income	—	—
Subtotal revenues	<u>15</u>	<u>77</u>
Expenses		
Depreciation and amortization	—	11
General and administrative	—	3
Subtotal expenses	<u>—</u>	<u>14</u>
Income before gain on sale of assets	15	63
Gain on assets sold – net	431	1,597
Discontinued operations	<u>\$ 446</u>	<u>\$ 1,660</u>

During the first quarter of 2008, discontinued operations includes revenue of \$15 thousand for one SNF located in California that was sold during the quarter for a gain of \$0.4 million. The first quarter 2007 discontinued operations revenue and expense includes revenue and expense from three facilities that have been sold, including revenue from the SNF sold during the first quarter of 2008.

During the first quarter of 2007, we sold four facilities, including two assisted living facilities (“ALFs”) in Indiana, one SNF in Illinois and one SNF in Arkansas, for a gain of approximately \$1.6 million.

NOTE 10 – EARNINGS PER SHARE

We calculate basic and diluted earnings per common share (“EPS”) in accordance with FAS No. 128, *Earnings Per Share*. The computation of basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the relevant period. Diluted EPS is computed using the treasury stock method, which is net income divided by the total weighted-average number of common outstanding shares plus the effect of dilutive common equivalent shares during the respective period. Dilutive common shares reflect the assumed issuance of additional common shares pursuant to certain of our share-based compensation plans, including stock options, restricted stock and performance restricted stock units.

The following tables set forth the computation of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2008	2007
	(in thousands, except per share amounts)	
Numerator:		
Income from continuing operations	\$ 16,788	\$ 18,999
Preferred stock dividends	(2,481)	(2,481)
Numerator for income available to common from continuing operations - basic and diluted	14,307	16,518
Discontinued operations	446	1,660
Numerator for net income available to common per share - basic and diluted	<u>\$ 14,753</u>	<u>\$ 18,178</u>
Denominator:		
Denominator for basic earnings per share	68,680	60,094
Effect of dilutive securities:		
Restricted stock and restricted stock units	56	—
Stock option incremental shares	11	24
Denominator for diluted earnings per share	<u>68,747</u>	<u>60,118</u>
Earnings per share - basic:		
Income available to common from continuing operations	0.21	0.27
Discontinued operations	—	0.03
Net income - basic	<u>0.21</u>	<u>0.30</u>
Earnings per share - diluted:		
Income available to common from continuing operations	0.21	0.27
Discontinued operations	—	0.03
Net income - diluted	<u>0.21</u>	<u>0.30</u>

NOTE 11 – SUBSEQUENT EVENT

On April 18, 2008, we completed approximately \$123 million of combined new investments with affiliates of CommuniCare Health Services (“CommuniCare”), an existing operator. Effective April 18, 2008, we purchased from several unrelated third parties seven (7) SNFs, one (1) assisted living facility and one (1) rehabilitation hospital, all located in Ohio, totaling 709 beds for a total investment of \$48 million. The facilities were added into our master lease with CommuniCare, increasing annualized cash rent under the master lease by approximately \$4.7 million, subject to annual escalators. The term of the CommuniCare master lease was extended to April 30, 2018, with two ten-year renewal options.

Also on April 18, 2008, and simultaneous with the amendment and extension of the master lease with CommuniCare, we entered into a first mortgage loan with CommuniCare in the amount of \$74.9 million. This mortgage loan matures on April 30, 2018 and carries an interest rate of 11% per year. CommuniCare used the proceeds of the mortgage loan to acquire seven (7) SNFs located in Maryland, totaling 965 beds from several unrelated third parties. The mortgage loan is secured by a lien on the seven (7) facilities. At the closing, \$4.9 million of loan proceeds were escrowed pending CommuniCare’s acquisition of an additional 90 bed SNF, also located in Maryland. We anticipate that CommuniCare will acquire this facility within eight months upon the satisfaction of certain contingencies, including the granting of a lien on such facility to secure the mortgage loan. If the additional facility is not acquired, CommuniCare will be obligated to re-pay the \$4.9 million of escrowed loan proceeds.

We used borrowings under our Credit Facility to fund this investment.

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements, and Other Factors Affecting Future Results

The following discussion should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this document. This document contains forward-looking statements within the meaning of the federal securities laws, including statements regarding potential financings and potential future changes in reimbursement. These statements relate to our expectations, beliefs, intentions, plans, objectives, goals, strategies, future events, performance and underlying assumptions and other statements other than statements of historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology including, but not limited to, terms such as "may," "will," "anticipates," "expects," "believes," "intends," "should" or comparable terms or the negative thereof. These statements are based on information available on the date of this filing and only speak as to the date hereof and no obligation to update such forward-looking statements should be assumed. Our actual results may differ materially from those reflected in the forward-looking statements contained herein as a result of a variety of factors, including, among other things:

- (i) those items discussed under "Risk Factors" in Item 1A to our annual report on Form 10-K for the year ended December 31, 2007;
- (ii) uncertainties relating to the business operations of the operators of our assets, including those relating to reimbursement by third-party payors, regulatory matters and occupancy levels;
- (iii) the ability of any operators in bankruptcy to reject unexpired lease obligations, modify the terms of our mortgages and impede our ability to collect unpaid rent or interest during the process of a bankruptcy proceeding and retain security deposits for the debtors' obligations;
- (iv) our ability to sell closed assets on a timely basis and on terms that allow us to realize the carrying value of these assets;
- (v) our ability to negotiate appropriate modifications to the terms of our credit facility;
- (vi) our ability to manage, re-lease or sell any owned and operated facilities;
- (vii) the availability and cost of capital;
- (viii) our ability to maintain our credit ratings;
- (ix) competition in the financing of healthcare facilities;
- (x) regulatory and other changes in the healthcare sector;
- (xi) the effect of economic and market conditions generally and, particularly, in the healthcare industry;
- (xii) changes in interest rates;
- (xiii) the amount and yield of any additional investments;
- (xiv) changes in tax laws and regulations affecting real estate investment trusts;
- (xv) our ability to maintain our status as a real estate investment trust; and
- (xvi) changes in the ratings of our debt and preferred securities.

Overview

Our portfolio of investments at March 31, 2008, consisted of 235 healthcare facilities, located in 28 states and operated by 26 third-party operators. Our gross investment in these facilities totaled approximately \$1.3 billion at March 31, 2008, with 98% of our real estate investments related to long-term healthcare facilities. This portfolio is made up of (i) 223 long-term healthcare facilities, (ii) fixed rate mortgages on nine long-term healthcare facilities and (iii) two rehabilitation hospitals and one long-term healthcare facility that are currently held for sale. At March 31, 2008, we also held other investments of approximately \$16 million, consisting primarily of secured loans to third-party operators of our facilities.

Taxation

We have elected to be taxed as a real estate investment trust ("REIT") , under Sections 856 through 860 of the Internal Revenue Code (the "Code"), beginning with our taxable year ended December 31, 1992. We believe that we have been organized and operated in such a manner as to qualify for taxation as a REIT. We intend to continue to operate in a manner that will maintain our qualification as a REIT, but no assurance can be given that we have operated or will be able to continue to operate in a manner so as to qualify or remain qualified as a REIT. Under the Code, we generally are not subject to federal income tax on taxable income distributed to stockholders if certain distribution, income, asset and stockholder tests are met, including a requirement that we must generally distribute at least 90% of our annual taxable income, excluding any net capital gain, to stockholders. If we fail to qualify as a REIT in any taxable year, we may be subject to federal income taxes on our taxable income for that year and for the four years following the year during which qualification is lost and/or penalties, unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to our stockholders.

Recent Developments Regarding Government Regulation

In 2007 and early 2008, the Center for Medicare and Medicaid Services ("CMS") issued a number of Medicaid rules that could have adverse impacts on the overall funds available for Medicaid programs to reimburse long-term care providers. Such rules include the following issues: intergovernmental transfers; coverage of rehabilitation services for people with disabilities; outreach and enrollment funded by Medicaid in schools; specialized transportation to schools for children covered by Medicaid; graduate medical education payments; outpatient hospital services; targeted case management services; state provider tax limits and appeals filed through the Department of Health and Human Services. The endurance of these regulations is unknown. Legislation to delay implementation of these charges was passed in the United States House of Representatives on April 23, 2008, and similar legislation has been introduced in the United States Senate. However, the legislation has not been enacted into law, if some or all of these regulations go into effect, the operators of our properties could potentially experience reductions in Medicaid funding.

CMS also has been involved with a number of initiatives aimed at the quality of nursing homes, which may impact our operators. For instance, in February 2008, CMS made publicly available on its website the names of all 136 nursing homes targeted in its Special Focus Facility program for underperforming nursing homes. CMS plans on updating the list on a quarterly basis. In the event any of our operators do not maintain the same or superior levels of quality care as their competitors, patients could choose alternate facilities, which could adversely impact our operators' revenues. In addition, the reporting of such information could lead to future reimbursement policies that reward or penalize facilities on the basis of the reported quality of care parameters.

In late 2005, CMS began soliciting public comments regarding a demonstration to examine pay-for-performance approaches in the nursing home setting that would offer financial incentives for facilities delivering high quality care. CMS anticipates that the demonstration will begin in 2008. Data collection began in the first market in March 2008 for the next phase of CMS' Post Acute Care Payment Reform Demonstration Program ("PAC-PRD"). Data collection is anticipated to begin in nine additional markets in April 2008. Information will be collected about Medicare beneficiaries' experiences in post-acute care settings. The purpose of the demonstration project, which was mandated by the Deficit Reduction Act of 2005, is to use the information obtained to guide future Medicare payment policy.

CMS issued a Final Rule on February 22, 2008 implementing several changes to Medicaid provider tax rules, which reduce states' options in adopting provider taxes. The rule could result in less taxes for providers but also less funding in states' Medicaid systems since it limits states' ability to fund the non-federal share of their Medicaid programs. The Final Rule reduces the maximum allowable health care-related taxes that states can impose on providers from 6 percent to 5.5 percent. It also clarifies and modifies standards related to certain Medicaid financing arrangements. It should be noted that some of the changes in the proposed rule are in direct response to a decision of the HHS Departmental Appeals Board in June of 2005 that reversed \$980 million in CMS disallowances in five states related to nursing home taxes.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and a summary of our significant accounting policies is included in Note 2 – Summary of Significant Accounting Policies to our annual report on Form 10-K for the year ended December 31, 2007. Our preparation of the financial statements requires us to make estimates and assumptions about future events that affect the amounts reported in our financial statements and accompanying footnotes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such difference may be material to the consolidated financial statements. We have described our most critical accounting policies in our 2007 annual report on Form 10-K in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations. The following discussion provides additional information about the effect on the consolidated financial statements of judgments and estimates related to our policy regarding uncertainty in income taxes.

Recent Accounting Pronouncement:

FAS 157 Evaluation

On January 1, 2008, we adopted Financial Accounting Standards Board, (“FASB”), Statement No. 157, *Fair Value Measurements* (“FAS No. 157”). This standard defines fair value, establishes a methodology for measuring fair value and expands the required disclosure for fair value measurements. FAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and states that a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. This statement applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements. The standard applies prospectively to new fair value measurements performed after the required effective dates, which are as follows: (i) on January 1, 2008, the standard applied to our measurements of the fair values of financial instruments and recurring fair value measurements of non-financial assets and liabilities; and (ii) on January 1, 2009, the standard will apply to all remaining fair value measurements, including non-recurring measurements of non-financial assets and liabilities such as measurement of potential impairments of goodwill, other intangible assets and other long-lived assets. It also will apply to fair value measurements of non-financial assets acquired and liabilities assumed in business combinations. On January 18, 2008, the FASB issued proposed FASB Staff Position (“FSP”) FAS No. 157-c, *Measuring Liabilities under Statement 157*, which will modify the definition of fair value by requiring estimation of the proceeds that would be received if the entity were to issue the liability at the measurement date. We evaluated FAS No. 157 and determined that the adoption of the provisions FAS No. 157 effective on January 1, 2008 had no impact on our financial statements. We are currently evaluating the impact, if any, that the provisions of FAS No. 157 that apply on January 1, 2009 will have on our financial statements.

FAS 159 Evaluation

In February 2007, the FASB issued Statement of Financial Accounting Standards (“SFAS”) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (“SFAS No. 159”). SFAS No. 159 permits entities to choose to measure certain financial assets and liabilities at fair value, with the change in unrealized gains and losses on items for which the fair value option has been elected reported in earnings. We adopted SFAS No. 159 on January 1, 2008. We evaluated SFAS No. 159 and did not elect the fair value accounting option for any of our eligible assets, therefore, the adoption of SFAS 159 had no impact on our financial statements.

On December 4, 2007, the Financial Accounting Standards Board issued Statement No. 141(R), *Business Combinations* ("FAS 141(R)"). The new standard will significantly change the accounting for and reporting of business combination transactions. FAS 141(R) requires companies to recognize, with certain exception, 100 percent of the fair value of the assets acquired, liabilities assumed and non-controlling interest in acquisitions of less than a 100 percent controlling interest when the acquisition constitutes a change in control; measure acquirer shares issued as consideration for a business combination at fair value on the date of the acquisition; recognize contingent consideration arrangements at their acquisition date fair value, with subsequent change in fair value generally reflected in earnings; recognition of reacquisition loss and gain contingencies at their acquisition date fair value; expense as incurred, acquisition related transaction costs. FAS 141(R) is effective for fiscal years beginning after December 15, 2008 and early adoption is prohibited. We intend to adopt the standard on January 1, 2009. We are currently evaluating the impact, if any, that FAS 141(R) will have on our financial statements.

Results of Operations

The following is our discussion of the consolidated results of operations, financial position and liquidity and capital resources, which should be read in conjunction with our unaudited consolidated financial statements and accompanying notes.

Three Months Ended March 31, 2008 and 2007

Operating Revenues

Our operating revenues for the three months ended March 31, 2008 totaled \$40.9 million, a decrease of \$1.8 million over the same period in 2007. The \$1.8 million decrease relates primarily to the reversal of approximately \$5.0 million of straight-line revenue reserves for Advocat Inc. in the first quarter of 2007, offset by (i) additional rental income due to the acquisition of five skilled nursing facility ("SNFs") in August 2007 for \$39.5 million, and one SNF in January 2008 for \$5.2 million and (ii) an amendment to an existing operator's lease that extended the terms of the lease agreement and increased the annual rent to a current market rate. In addition, during the first quarter of 2008, we recorded additional miscellaneous revenue for payments we received for past due rent from a former operator of \$0.7 million and late fees of approximately \$0.5 million.

Operating Expenses

Operating expenses for the three months ended March 31, 2008 totaled \$14.0 million, an increase of approximately \$2.6 million over the same period in 2007. The increase was primarily due to (i) a \$1.5 million impairment loss that was recorded to reduce the carrying value on one facility to its estimated fair value, (ii) a \$0.5 million increase in restricted stock expense and (iii) \$0.6 million related to additional depreciation expense associated with acquisitions of six SNFs, of which five were acquired in the third quarter of 2007 and one was acquired in the first quarter of 2008.

Other Income (Expense)

For the three months ended March 31, 2008, total other expenses were \$10.1 million, as compared to \$12.3 million for the same period in 2007, a decrease of \$2.2 million. The decrease was primarily due to lower average debt outstanding for the period combined with lower average LIBOR interest rates.

Income from continuing operations

Income from continuing operations for the three months ended March 31, 2008 was \$16.8 million compared to \$19.0 million for the same period in 2007. The decrease in income from continuing operations is the result of the factors described above.

Discontinued Operations

Discontinued operations relate to properties we disposed of or plan to dispose of and are currently classified as assets held for sale - net.

For the three months ended March 31, 2008, discontinued operations includes revenue of \$15 thousand for one SNF located in California that was sold during the quarter, generating a gain of \$0.4 million. The first quarter 2007 revenue and expense in discontinued operations include revenue and expense from three facilities that have been sold, including revenue from the SNF sold during the first quarter of 2008. In 2007, we recorded a gain of \$1.6 million for the sale of four facilities.

Funds From Operations

Our funds from operations available to common stockholders ("FFO"), for the three months ended March 31, 2008, was \$23.7 million, compared to \$25.4 million, for the same period in 2007.

We calculate and report FFO in accordance with the definition and interpretive guidelines issued by the National Association of Real Estate Investment Trusts ("NAREIT"), and consequently, FFO is defined as net income available to common stockholders, adjusted for the effects of asset dispositions and certain non-cash items, primarily depreciation and amortization. We believe that FFO is an important supplemental measure of our operating performance. Because the historical cost accounting convention used for real estate assets requires depreciation (except on land), such accounting presentation implies that the value of real estate assets diminishes predictably over time, while real estate values instead have historically risen or fallen with market conditions. The term FFO was designed by the real estate industry to address this issue. FFO herein is not necessarily comparable to FFO of other REITs that do not use the same definition or implementation guidelines or interpret the standards differently from us.

We use FFO as one of several criteria to measure operating performance of our business. We further believe that by excluding the effect of depreciation, amortization and gains or losses from sales of real estate, all of which are based on historical costs and which may be of limited relevance in evaluating current performance, FFO can facilitate comparisons of operating performance between periods. We offer this measure to assist the users of our financial statements in analyzing our financial performance; however, this is not a measure of financial performance under GAAP and should not be considered a measure of liquidity, an alternative to net income or an indicator of any other performance measure determined in accordance with GAAP. Investors and potential investors in our securities should not rely on this measure as a substitute for any GAAP measure, including net income.

The following table reconciles FFO to net income available to common stockholders, as determined under GAAP, for the three- months ended March 31, 2008 and 2007:

	Three Months Ended March 31,	
	2008	2007
	(in thousands)	
Net income available to common stockholders	\$ 14,753	\$ 18,178
Deduct gain from real estate dispositions	(477)	(1,597)
	<u>14,276</u>	<u>16,581</u>
Elimination of non-cash items included in net income:		
Depreciation and amortization	9,396	8,799
Funds from operations available to common stockholders	<u>\$ 23,672</u>	<u>\$ 25,380</u>

Portfolio and Recent Developments

Below is a brief description, by third-party operator, of our re-leasing, restructuring or new investment transactions that occurred during the three months ended March 31, 2008.

Alpha HealthCare Properties, LLC

On January 17, 2008, we purchased one SNF for \$5.2 million from an unrelated third party and leased the facility to Alpha Health Care Properties, LLC ("Alpha"), an existing tenant of ours. The facility was added to Alpha's existing master lease and provides for an additional \$0.5 million of cash rent annually.

Advocat Inc.

During the first quarter of 2008, we amended our master lease with Advocat Inc. ("Advocat") to allow for the construction of a new facility to replace an existing facility currently operated by Advocat. Upon completion (estimated to be in mid-2009), annual cash rent will increase by approximately \$0.7 million. As a result of our plan to replace the existing facility, we recorded a \$1.5 million impairment loss related to the existing facility during the first quarter of 2008 to record it at its estimated fair value.

Haven Eldercare, LLC

In January 2008, we purchased from General Electric Capital Corporation ("GE Capital") a \$39.0 million mortgage loan on seven facilities operated by Haven Eldercare, LLC ("Haven") due October 2012. Prior to the acquisition of this mortgage, we had a \$22.8 million second mortgage on these facilities. We now have a combined \$61.8 million mortgage on these facilities. We have an option to purchase these facilities that would allow us a fee simple interest in the facilities. If we exercise the purchase option, the seven facilities would be combined with an existing eight facility master lease agreement that we have with Haven. In conjunction with the above noted mortgage and purchase option and the application of Financial Accounting Standards Board Interpretation No. 46R, *Consolidation of Variable Interest Entities*, ("FIN 46R"), we have historically and continue to consolidate the financial statements and real estate of the Haven entity into our financial statements. The impact of consolidating the Haven entity resulted in the following adjustments to our consolidated balance sheet as of March 31, 2008: (i) an increase in Land and buildings of \$61.8 million; (ii) an increase in accumulated depreciation of \$3.5 million; (iii) a decrease in Mortgage notes receivable – net of \$61.8 million; (iv) an increase in Accounts receivable – net of \$0.4 million; and (v) a reduction of \$3.1 million in Cumulative net earnings primarily due to increased depreciation expense. The impact of consolidating the Haven entity resulted in the following adjustments to our consolidated balance sheet as of December 31, 2007: (i) an increase in total gross investments of \$39.0 million; (ii) an increase in accumulated depreciation of \$3.1 million; (iii) an increase in Accounts receivable – net of \$0.4 million; (iv) an increase in Other long-term borrowings of \$39.0 million; and (v) a reduction of \$2.7 million in Cumulative net earnings primarily due to increased depreciation expense. Our results of operation reflect the impact of the consolidation of the Haven entity for the three-month periods ended March 31, 2008 and 2007, respectively.

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Since November 2007, Haven has operated under Chapter 11 bankruptcy protection. In a motion filed with the bankruptcy court on April 17, 2008, Haven identified a third party stalking horse buyer of substantially all of Haven's assets. The motion attached a signed purchase agreement which reflects an acquisition price of \$105 million subject to certain adjustments and contingencies. The asset purchase agreement which is subject to bankruptcy court approval requires Haven to assume and assign the Omega master lease to the winning bidder at the upcoming auction. Based on the \$105 million purchase price, the motion states that the claims of all secured parties, together with all administration and priority claims, would be paid in-full and the unsecured creditors would receive the excess funds upon closing.

In January 2008, Haven entered into a debtors-in-possession financing agreement with us and one other financial institution, in which our participation is approximately \$5.0 million of a \$50 million total commitment. The agreement matures in June 2008 and yields an interest rate of prime plus 3%.

We have evaluated our current receivables as well as our other investments with Haven and do not believe that reserves for impairment of our investment or the collection of our contractual and straight-line receivables are warranted at March 31, 2008. At March 31, 2008, we had contractual receivables of approximately \$1.7 million and straight-line receivable of approximately \$2.2 million.

Sun Healthcare Group, Inc.

On February 1, 2008, we amended our master lease with Sun Healthcare Group, Inc. and certain of its affiliates ("Sun") primarily to: (i) consolidate three existing master leases into one master lease; (ii) extend the lease terms of the agreement through September 2017 for facilities acquired in August 2006; and (iii) allow for the sale of two rehabilitation hospitals currently operated by Sun.

Assets Sold

- On January 31, 2008, we sold one SNF in California for approximately \$1.5 million resulting in a gain of approximately \$0.4 million, which was included in our gain/loss from discontinued operations. For additional information, see Note 9 – Discontinued Operations.
- On February 1, 2008, we sold a SNF in California for approximately \$1.5 million resulting in a gain of approximately \$46 thousand.

Held for Sale

- At March 31, 2008, we had one SNF and two rehabilitation hospitals classified as held-for-sale with a net book value of approximately \$16.7 million.

Subsequent Event – CommuniCare Health Services

On April 18, 2008, we completed approximately \$123 million of combined new investments with affiliates of CommuniCare Health Services ("CommuniCare"), an existing operator. Effective April 18, 2008, we purchased from several unrelated third parties seven (7) SNFs, one (1) assisted living facility and one (1) rehabilitation hospital, all located in Ohio, totaling 709 beds for a total investment of \$48 million. The facilities were added into our master lease with CommuniCare, increasing annualized cash rent under the master lease by approximately \$4.7 million, subject to annual escalators. The term of the CommuniCare master lease was extended to April 30, 2018, with two ten-year renewal options.

Also on April 18, 2008, and simultaneous with the amendment and extension of the master lease with CommuniCare, we entered into a first mortgage loan with CommuniCare in the amount of \$74.9 million. This mortgage loan matures on April 30, 2018 and carries an interest rate of 11% per year. CommuniCare used the proceeds of the mortgage loan to acquire seven (7) SNFs located in Maryland, totaling 965 beds from several unrelated third parties. The mortgage loan is secured by a lien on the seven (7) facilities. At the closing, \$4.9 million of loan proceeds were escrowed pending CommuniCare's acquisition of an additional 90 bed SNF, also located in Maryland. We anticipate that CommuniCare will acquire this facility within eight months upon the satisfaction of certain contingencies, including the granting of a lien on such facility to secure the mortgage loan. If the additional facility is not acquired, CommuniCare will be obligated to re-pay the \$4.9 million of escrowed loan proceeds.

Liquidity and Capital Resources

At March 31, 2008, we had total assets of \$1.2 billion, stockholders' equity of \$589.5 million and debt of \$568.7 million, which represents approximately 49.1% of our total capitalization.

The following table shows the amounts due in connection with the contractual obligations described below as of March 31, 2008.

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(In thousands)				
Long-term debt (1)	\$ 568,995	\$ 435	\$ 82,960	\$ 600	\$ 485,000
Other long-term liabilities	232	232	-	-	-
Total	\$ 569,227	\$ 667	\$ 82,960	\$ 600	\$ 485,000

- (1) The \$569.0 million includes \$310 million aggregate principal amount of 7% Senior Notes due April 2014, \$175 million aggregate principal amount of 7% Senior Notes due January 2016, \$82.0 million in borrowings under the \$255 million revolving senior secured credit facility that matures in March 2010.

Financing Activities and Borrowing Arrangements

Bank Credit Agreements

At March 31, 2008, we had \$82.0 million outstanding under our \$255 million revolving senior secured credit facility (the "Credit Facility") and \$2.1 million was utilized for the issuance of letters of credit, leaving availability of \$170.9 million. The \$82.0 million of outstanding borrowings had a blended interest rate of 4.0% at March 31, 2008.

Pursuant to Section 2.01 of the Credit Agreement, dated as of March 31, 2006 (the "Credit Agreement"), that governs our Credit Facility, we were permitted under certain circumstances to increase our available borrowing base under the Credit Agreement from \$200 million up to an aggregate of \$300 million. Effective February 22, 2007, we exercised our right to increase the available revolving commitment under Section 2.01 of the Credit Agreement from \$200 million to \$255 million and we consented to add 18 of our properties to the borrowing base assets under the Credit Agreement.

Our long-term borrowings require us to meet certain property level financial covenants and corporate financial covenants, including prescribed leverage, fixed charge coverage, minimum net worth, limitations on additional indebtedness and limitations on dividend payouts. As of March 31, 2008, we were in compliance with all property level and corporate financial covenants.

Termination of Stockholder Rights Plan

On April 3, 2008, the board of directors approved the termination of our stockholder rights plan, commonly referred to as a "poison pill," which was originally scheduled to expire May 12, 2009. The agreement governing the stockholder rights plan was amended to accelerate the expiration date to April 3, 2008.

Dividends

In order to qualify as a REIT, we are required to distribute dividends (other than capital gain dividends) to our stockholders in an amount at least equal to (A) the sum of (i) 90% of our "REIT taxable income" (computed without regard to the dividends paid deduction and our net capital gain), and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of non-cash income. In addition, if we dispose of any built-in gain asset during a recognition period, we will be required to distribute at least 90% of the built-in gain (after tax), if any, recognized on the disposition of such asset. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration. In addition, such distributions are required to be made pro rata, with no preference to any share of stock as compared with other shares of the same class, and with no preference to one class of stock as compared with another class except to the extent that such class is entitled to such a preference. To the extent that we do not distribute all of our net capital gain or do distribute at least 90%, but less than 100% of our "REIT taxable income," as adjusted, we will be subject to tax thereon at regular ordinary and capital gain corporate tax rates. In addition, our credit facility has certain financial covenants that limit the distribution of dividends paid during a fiscal quarter to no more than 95% of our aggregate cumulative FFO as defined in the credit agreement, unless a greater distribution is required to maintain REIT status. The credit agreement defines FFO as net income (or loss) plus depreciation and amortization and shall be adjusted for charges related to: (i) restructuring our debt; (ii) redemption of preferred stock; (iii) litigation charges up to \$5.0 million; (iv) non-cash charges for accounts and notes receivable up to \$5.0 million; (v) non-cash compensation related expenses; (vi) non-cash impairment charges; and (vii) tax liabilities in an amount not to exceed \$8.0 million.

During the first quarter of 2008, we paid total dividends of \$22.4 million.

On April 16, 2008, the Board of Directors declared a common stock dividend of \$0.30 per share to be paid May 15, 2008 to common stockholders of record on April 30, 2008. On April 16, 2008, the Board of Directors also declared the regular quarterly dividends for our 8.375% Series D Cumulative Redeemable Preferred Stock to stockholders of record on April 30, 2008. The stockholders of record of the Series D Preferred Stock on April 30, 2008 will be paid dividends in the amount of \$0.52344 per preferred share on May 15, 2008. The liquidation preference for our Series D Preferred Stock is \$25.00 per share.

Liquidity

We believe our liquidity and various sources of available capital, including cash from operations, our existing availability under our Credit Facility and expected proceeds from mortgage payoffs are more than adequate to finance operations, meet recurring debt service requirements and fund future investments through the next twelve months.

We regularly review our liquidity needs, the adequacy of cash flow from operations, and other expected liquidity sources to meet these needs. We believe our principal short-term liquidity needs are to fund:

- normal recurring expenses;
- debt service payments;
- preferred stock dividends;
- common stock dividends; and
- growth through acquisitions of additional properties.

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The primary source of liquidity is our cash flows from operations. Operating cash flows have historically been determined by: (i) the number of facilities we lease or have mortgages on; (ii) rental and mortgage rates; (iii) our debt service obligations; and (iv) general and administrative expenses. The timing, source and amount of cash flows provided by financing activities and used in investing activities are sensitive to the capital markets environment, especially to changes in interest rates. Changes in the capital markets environment may impact the availability of cost-effective capital and affect our plans for acquisition and disposition activity.

Cash and cash equivalents totaled \$1.5 million as of March 31, 2008, a decrease of \$0.5 million as compared to the balance at December 31, 2007. The following is a discussion of changes in cash and cash equivalents due to operating, investing and financing activities, which are presented in our Consolidated Statements of Cash Flows.

Operating Activities – Net cash flow from operating activities generated \$28.5 million for the three months ended March 31, 2008, as compared to \$21.3 million for the same period in 2007, an increase of \$7.2 million.

Investing Activities – Net cash flow from investing activities was an outflow of \$9.5 million for the three months ended March 31, 2008, as compared to an inflow of \$3.1 million for the same period in 2007. The \$12.6 million change in investing activities relates primarily to i) the acquisition of one SNF for \$5.2 million in the first quarter of 2008; ii) the investment of \$5.3 million in capital improvements and renovation in 2008 compared to \$1.6 million in 2007; and iii) the investment in a debtor-in-possession note with one of our operators in the first quarter of 2008.

Financing Activities – Net cash flow from financing activities was an outflow of \$19.4 million for the three months ended March 31, 2008 as compared to an outflow of \$22.5 million for the same period in 2007. The decrease in cash outflow from financing activities of \$3.1 million was primarily a result of an increase in dividend reinvestment proceeds of \$10.1 million, offset by an increase in dividend payment of \$4.3 million. In addition, we paid down an additional \$2 million of debt in 2008 compared to 2007.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various market risks, including the potential loss arising from adverse changes in interest rates. We do not enter into derivatives or other financial instruments for trading or speculative purposes, but we seek to mitigate the effects of fluctuations in interest rates by matching the term of new investments with new long-term fixed rate borrowing to the extent possible.

There were no material changes in our market risk during the three months ended March 31, 2008. For additional information, refer to Item 7A as presented in our annual report on Form 10-K for the year ended December 31, 2007.

Item 4 – Controls and Procedures

Disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) are controls and other procedures that are designed to provide reasonable assurance that the information that we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In connection with the preparation of this Form 10-Q, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2008. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2008.

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this report identified in connection with the evaluation of our disclosure controls and procedures described above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION**Item 1 – Legal Proceedings**

See Note 8 – Litigation to the Consolidated Financial Statements in PART I, Item 1 hereto, which is hereby incorporated by reference in response to this item.

Item 1A – Risk Factors

We filed our Annual Report on Form 10-K for the year ended December 31, 2007 with the Securities and Exchange Commission on February 15, 2008, which sets forth our risk factors in Item 1A therein. We have not experienced any material changes from the risk factors previously described therein.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

Our shares of Common Stock are traded on the New York Stock Exchange under the symbol “OHI.” During the three months ended March 31, 2008, we purchased 131,895 shares of our common stock from employees to pay the withholding taxes associated with the vesting of restricted stock awarded to our employees.

<u>Period</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollars Amount) of Shares that May be Purchased Under these Plans or Programs</u>
January 1, 2008 through January 31, 2008	131,895	\$ 16.05	-	-
February 1, 2008 through February 29, 2008	-	-	-	-
March 1, 2008 through March 31, 2008	-	-	-	-
Total	131,895	\$ 16.05	-	-

(1) Represents shares purchased from employees to pay withholding taxes related to the vesting of restricted stock awarded to employees. These shares were not part of a publicly announced repurchase plan or program.

Item 6 – Exhibits

Exhibit No.	Description
4.1	Amendment No. 3 to Rights Agreement, dated as of April 3, 2008, to Rights Agreement dated as of May 12, 1999, as amended on May 11, 2000 and October 29, 2001, by and between Omega Healthcare Investors, Inc. and Computershare Trust Company, N.A. (as successor to First Chicago Trust Company). (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed April 3, 2008.)
10.1	Third Amendment and Consent to Credit Agreement, dated February 8, 2008, by and among OHI Asset, LLC, OHI Asset (ID), LLC, OHI Asset (LA), LLC, OHI Asset (TX), LLC, OHI Asset (CA), LLC, Delta Investors I, LLC, Delta Investors II, LLC, and Texas Lessor - Stonegate, LP, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.
10.2	Second Amended and Restated Master Lease Agreement dated as of February 1, 2008 and among Omega Healthcare Investors, Inc., certain of its subsidiaries as lessors, Sun Healthcare Group, Inc. and certain of its affiliates as lessees, amending and restating prior master leases with Sun Healthcare Group, its subsidiaries, and lessees and guarantors acquired by Sun Healthcare Group. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 3, 2008).
10.3	Second Consolidated Amended and Restated Master Lease dated as of April 19, 2008 by and among OHI Asset III (PA) Trust as lessor and certain affiliated entities of CommuniCare Health Services as lessees.
10.4	Loan Agreement dated as of April 19, 2008, by and among OHI Asset III (PA) Trust, as Lender, certain affiliated entities of CommuniCare Health Services as Borrowers, and certain affiliated entities of CommuniCare Health Services as Guarantors.
10.5	Fourth Amendment to Consolidated Amended and Restated Master Lease dated as of April 1, 2007, by and between Sterling Acquisition Corp. and Diversicare Leasing Corp.
10.6	Fifth Amendment to Consolidated Amended and Restated Master Lease dated as of August 10, 2007, by and between Sterling Acquisition Corp. and Diversicare Leasing Corp.
10.7	Sixth Amendment to Consolidated Amended and Restated Master Lease dated as of March 14, 2008, by and between Sterling Acquisition Corp. and Diversicare Leasing Corp.
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.
32.1	Section 1350 Certification of the Chief Executive Officer.
32.2	Section 1350 Certification of the Chief Financial Officer.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OMEGA HEALTHCARE INVESTORS, INC.
Registrant

Date: April 28, 2008 By: /S/ C. TAYLOR PICKETT
C. Taylor Pickett
Chief Executive Officer

Date: April 28, 2008 By: /S/ ROBERT O. STEPHENSON
Robert O. Stephenson
Chief Financial Officer

THIRD AMENDMENT AND CONSENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT AND CONSENT TO CREDIT AGREEMENT (this "Amendment"), dated as of February 8, 2008, is entered into by and among **OHI ASSET, LLC**, a Delaware limited liability company, **OHI ASSET (ID), LLC**, a Delaware limited liability company, **OHI ASSET (LA), LLC**, a Delaware limited liability company, **OHI ASSET (TX), LLC**, a Delaware limited liability company, **OHI ASSET (CA), LLC**, a Delaware limited liability company, **DELTA INVESTORS I, LLC**, a Maryland limited liability company, **DELTA INVESTORS II, LLC**, a Maryland limited liability company and **TEXAS LESSOR - STONEGATE, LP**, a Maryland limited partnership (each of the foregoing entities shall be hereinafter referred to individually as a "Borrower" and collectively as the "Borrowers"), the Lenders (as defined below) and **BANK OF AMERICA, N.A.**, as Administrative Agent (in such capacity, the "Administrative Agent"), Swing Line Lender and L/C Issuer.

RECITALS

WHEREAS, the Borrowers, the lenders from time to time party thereto (the "Lenders") and the Administrative Agent, are party to that certain Credit Agreement dated as of March 31, 2006, as amended by that certain First Amendment to Credit Agreement dated as of June 30, 2006, as amended by that certain Second Amendment, Waiver and Consent to Credit Agreement dated as of October 23, 2006 (as amended, restated, supplemented or otherwise modified from time to time, the "Existing Credit Agreement");

WHEREAS, the Borrowers and Omega Healthcare Investors, Inc. (the "Parent") have informed the Administrative Agent that Schedule 5.12 and Schedule 5.13 to the Existing Credit Agreement were incorrect as of the Closing Date with respect to the Facility Leases covering the Borrowing Base Assets known as the Idaho Falls Care Center and the Twin Falls Care Center (collectively, the "Peak Properties");

WHEREAS, the Borrowers and the Parent have also informed the Administrative Agent that the Parent is in the process of amending and restating the Amended and Restated Master Lease Agreement, made and entered into March 1, 2004 to be effective as of December 1, 2003 as amended by and among the Parent, Sun Healthcare Group, Inc. and its Affiliates ("Sun") and the respective lessor and lessee entities identified on the signature page thereto (the "Sun Master Lease") to, among other things, add approximately ten (10) additional properties indirectly owned by the Parent and currently leased by Sun (the "Additional Sun Properties") to the amended and restated Sun Master Lease (the "Amended and Restated Sun Lease");

WHEREAS, the Borrowers and the Parent have further informed the Administrative Agent that the Borrowers intend to (i) qualify approximately four (4) of the Additional Sun Properties (set forth in Part 3 of this Amendment) as Borrowing Base Assets under the Existing Credit Agreement (the "New Borrowing Base Assets") and (ii) thereafter, release two (2) existing Borrowing Base Properties known as SunHealth Robert H. Ballard Rehab Hospital and Continental Rehab Hospital currently subject to the Sun Master Lease (the "Rehab Properties") as Borrowing Base Properties;

WHEREAS, with respect to the Parent's desire to enter into the Amended and Restated Sun Lease, Section 7.08(b) provides that the "Borrowers shall not, without the prior written consent of the Required Lenders enter into any material amendment or modification ... any Material Contract", the Parent has requested that the Lenders consent to the amendment and modifications and otherwise approve the Amended and Restated Sun Lease (the "Sun Master Lease Modification");

WHEREAS, with respect to the Parent's desire to release the Rehab Properties, Section 7.12(a)(iii) provides that the "the appraised value of the Borrowing Base Assets released ... in any fiscal year pursuant to this Section 7.12, shall not exceed \$25,000,000 in the aggregate and the appraised value of the Borrowing Base Assets released ... during the entire term hereof shall not, in any case ... exceed \$75,000,000 in the aggregate" and as a result of the release of the SunBridge - Humble, Texas and SunBridge - Katy, Texas, Borrowing Base Properties on or about October, 2007, the Borrowers do not have the ability under Section 7.12(a)(iii) to also release the Rehab Properties, and as a result, the Borrowers have requested that (i) the Lenders consent to the additional release of the Rehab Properties, notwithstanding the limitation imposed by Section 7.12(a)(iii) (the "Rehab Properties Release") and (ii) amend Section 7.12(a)(iii) to amend the limitations imposed by such section;

WHEREAS, the Parent has requested, and the Lenders have agreed, to (i) consent to the Sun Master Lease Modification, (ii) consent to the Rehab Properties Release and (iii) amend certain provisions of the Existing Credit Agreement as set forth hereinbelow.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

PART 1

DEFINITIONS

SUBPART 1.1 Certain Definitions. Unless otherwise defined herein or the context otherwise requires, the following terms used in this Amendment, including its preamble and recitals, have the following meanings:

"Amended Credit Agreement" means the Existing Credit Agreement as amended hereby.

"Amendment No. 3 Effective Date" is defined in Subpart 5.1.

SUBPART 1.2 Other Definitions. Unless otherwise defined herein or the context otherwise requires, terms used in this Amendment, including its preamble and recitals, have the meanings provided in the Existing Credit Agreement.

PART 2

CONSENT TO SUN LEASE MODIFICATION AND REHAB PROPERTY RELEASE

In connection with the Sun Master Lease Modification, the Lenders hereby consent to and approve the Amended and Restated Sun Lease in the form attached hereto as Exhibit A.

Additionally, in connection with the Rehab Property Release, the Lenders hereby consent to the release of the Rehab Properties to the extent that the Borrowers shall comply with each of the other requirements set forth in Section 7.12, including, without limitation, delivery of the certificate(s) described in Section 7.12(a)(ii).

The consents set forth in this Part 2 are limited to the extent described herein and shall not be construed to be a consent to the modification of any other terms of the Existing Credit Agreement or of the other Credit Documents, except as required to implement the consents set forth in this Part 2.

PART 3

CONSENT TO ADDITIONAL BORROWING BASE ASSETS

The Borrowers have been working to qualify the following four (4) Real Property Assets (collectively, the "Additional Borrowing Base Assets") as Borrowing Base Assets under the Existing Credit Agreement:

No.	Property Name	Operator	Beds/Unit	Occupancy	Structure	City/State
1.	Falmouth Nursing & Rehab Center	Sun	120	84.20%	Lease	Falmouth, MA
2.	Mashpee Nursing & Rehab Center	Sun	98	89.8%	Lease	Mashpee, MA
3.	Wakefield Nursing & Rehab Center	Sun	149	69.8%	Lease	Wakefield, MA
4.	Westfield Nursing & Rehab Center	Sun	98	95.9%	Lease	Westfield, MA

Section 7.12(a)(i) of the Credit Agreement provides that the Borrowers may at any time include additional Real Property Assets as Borrowing Base Assets so long as: (a) such Real Property Assets satisfy the requirements set forth in the definition of Borrowing Base Assets (including without limitation, delivery of each of the Borrowing Base Asset Deliverables with respect thereto) and the (b) the Administrative Agent and the Required Lenders have approved such additional Real Property Assets as Borrowing Base Assets.

With respect to each of the Additional Borrowing Base Assets, the Administrative Agent and the Borrowers are in the process of receiving each of the items set forth in the definition of Borrowing Base Asset Deliverables. The Borrowers and the Administrative Agent anticipate the completion of these requirements by February 15, 2008 and the relevant Borrowing Base Asset Deliverables (such as appraisals, leases, financial information and environmental reports) with respect to the Additional Borrowing Base Assets will be posted to Intranlinks for Lender review as they are received.

For purposes of satisfying the consent requirements under the Credit Agreement, (including, without limitation, those consent requirements set forth in the definition of Borrowing Base Asset and in Section 7.12(a)(i)), effective as of the date upon which the Administrative Agent has satisfactorily received, reviewed and/or approved each of the items set forth in the definition of Borrowing Base Asset Deliverables and as otherwise required by applicable provisions of the Credit Agreement, the Lenders hereby consent to the inclusion of the Additional Borrowing Base Assets as Borrowing Base Assets under the Credit Agreement.

Notwithstanding the foregoing, with respect to the proposed Additional Borrowing Base Assets, since similar mortgages were filed in Massachusetts and legal opinions from local counsel were received in connection with the closing of the Credit Agreement on March 31, 2006 (and the title insurance to be received in connection with the Additional Borrowing Base Assets will insure that such mortgages are in a recordable form), the Lenders hereby consent to the waiver of the requirement in clause (a) of the definition of Borrowing Base Asset Deliverables which requires that the Lenders shall have received "a related legal opinion from special local counsel to the Borrowers opining as to the propriety of the form of such documents for recording in the applicable jurisdiction and such other matters as may be required by the Administrative Agent."

The consents set forth in this Part 3 are limited to the extent described herein and shall not be construed to be a consent to the modification of any other terms of the Existing Credit Agreement or of the other Credit Documents, except as required to implement the consents set forth in this Part 3.

PART 4

AMENDMENTS TO EXISTING CREDIT AGREEMENT

Effective on (and subject to the occurrence of) the Amendment No. 3 Effective Date, the Existing Credit Agreement is hereby amended in accordance with this Part 4.

SUBPART 4.1 Section 1.01 of the Existing Credit Agreement is hereby amended to add the following new definitions in appropriate alphabetical order:

"Rehab Properties" means those certain Borrowing Base Assets as of the Third Amendment Effective Date known as SunHealth Robert H. Ballard Rehab Hospital and Continental Rehab Hospital.

"Third Amendment" means the Third Amendment and Consent to Credit Agreement, dated as of February 8, 2008, among the Borrowers, the Lenders and the Administrative Agent.

"Third Amendment Effective Date" means February 1, 2008.

SUBPART 4.2 Section 7.12(a)(iii) of the Existing Credit Agreement is hereby amended in its entirety to read as follows:

(iii) Notwithstanding anything herein to the contrary, other than with respect to the Rehab Properties, following the Third Amendment Effective Date, the appraised value of the Borrowing Base Assets released (whether or not substituted therefore) in any fiscal year pursuant to this Section 7.12 shall not exceed \$40,000,000 in the aggregate and the appraised value of the Borrowing Base Assets released (whether or not substituted therefore) during the entire term hereof shall not, in any case (and regardless of whether the \$40,000,000/year limitation is met during any given year), exceed \$100,000,000 in the aggregate; provided that to the extent the fair market value of the Rehab Properties exceeds \$29,000,000 at the time of release, such excess amount shall be included in the limitation set forth in this Section 7.12(a)(iii).

SUBPART 4.3 Schedule 5.12, and Schedule 5.13 of the Existing Credit Agreement are hereby amended in their entireties to read as set forth on Schedule 5.12 and Schedule 5.13 attached hereto.

SUBPART 4.4 Schedule 10.02 of the Existing Credit Agreement is hereby amended to update the address of Borrowers' counsel to the following:

Dewey & LeBoeuf LLP
1301 Avenue of the Americas
New York, New York 10019
Attention: John R. Fallon, Jr., Esq.

PART 5

CONDITIONS TO EFFECTIVENESS

SUBPART 5.1 Amendment No. 3 Effective Date. This Amendment shall be and become effective as of February 1, 2008 (the "Amendment No. 3 Effective Date") when all of the conditions set forth in this Part 5 shall have been satisfied.

SUBPART 5.2 Execution of Counterparts of Amendment. The Administrative Agent shall have received counterparts of this Amendment, which collectively shall have been duly executed on behalf of (a) the Borrowers, (b) the Required Lenders and (c) the Administrative Agent.

SUBPART 5.3 Execution of Guarantor Consent. The Administrative Agent shall have received an acknowledgment and consent from each of the Guarantors.

SUBPART 5.4 Amended and Restated SUN SNDA. The Administrative Agent shall have received an Amended and Restated Subordination, Non-Disturbance and Attornment Agreement from SUN with respect to the Peak Properties and the Additional Borrowing Base Assets as required by Section 6.16 of the Existing Credit Agreement.

SUBPART 5.5 Execution of Borrower Joinder Agreement. The Administrative Agent shall have received an executed Borrower Joinder Agreement from OHIMA, Inc.

SUBPART 5.6 Other Items. The Administrative Agent shall have received such other documents, agreements or information which may be reasonably requested by the Administrative Agent.

PART 6 MISCELLANEOUS

SUBPART 6.1 Construction. This Amendment is a Credit Document executed pursuant to the Existing Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with the terms and provisions of the Amended Credit Agreement.

SUBPART 6.2 Representations and Warranties. Each Borrower hereby represents and warrants that it: (a) has the requisite corporate power and authority to execute, deliver and perform this Amendment, as applicable and (b) is duly authorized to, and has been authorized by all necessary corporate action, to execute, deliver and perform this Amendment, (c) after giving effect to this Amendment, the representations and warranties contained in Section 6 of the Amended Credit Agreement are true and correct in all material respects on and as of the date hereof upon giving effect to this Amendment as though made on and as of such date (except for those which expressly relate to an earlier date) and (d) no Default or Event of Default exists under the Existing Credit Agreement on and as of the date hereof upon giving effect to this Amendment.

SUBPART 6.3 Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or other electronic means shall be effective as delivery of a manually executed original counterpart of this Amendment.

SUBPART 6.4 Binding Effect. This Amendment, the Amended Credit Agreement and the other Credit Documents embody the entire agreement between the parties and supersede all prior agreements and understandings, if any, relating to the subject matter hereof. These Credit Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. Except as expressly modified and amended in this Amendment, all the terms, provisions and conditions of the Credit Documents shall remain unchanged and shall continue in full force and effect.

SUBPART 6.5 GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

SUBPART 6.6 Severability. If any provision of this Amendment is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

SUBPART 6.7 Affirmation. The Credit Documents (and all covenants, terms, conditions and agreements therein), shall remain in full force and effect, and are hereby ratified and confirmed in all respects by each Borrower. Each Borrower covenants and agrees to comply with all of the terms, covenants and conditions of the Existing Credit Agreement, as otherwise waived, consented to and amended hereby, notwithstanding any prior course of conduct, waivers, releases or other actions or inactions on Lenders' part which might otherwise constitute or be construed as a waiver of or amendment to such terms, covenants and conditions.

SUBPART 6.8 No Waiver. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided in this Amendment, operate as a waiver of any right, power or remedy of Lenders, nor constitute a waiver of any provision of any Credit Document or any other documents, instruments and agreements executed or delivered in connection with any of the foregoing. Except as otherwise provided for in this Amendment, nothing herein is intended or shall be construed as a waiver of any existing Defaults or Events of Default under the Credit Documents or any of Lenders' rights and remedies in respect of such Defaults or Events of Default.

SIGNATURE PAGES FOLLOW

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Third Amendment and Consent to Credit Agreement to be duly executed and delivered as of the date first above written.

BORROWERS:

OHI ASSET, LLC
OHI ASSET (ID), LLC
OHI ASSET (LA), LLC
OHI ASSET (TX), LLC
OHI ASSET (CA), LLC
DELTA INVESTORS I, LLC
DELTA INVESTORS II, LLC

By: Omega Healthcare Investors, Inc.,
the Sole Member of each such Company

By: /s/ Daniel J. Booth

Name: Daniel J. Booth

Title: Chief Operating Officer

TEXAS LESSOR - STONEGATE, LP

By: Texas Lessor – Stonegate GP, Inc.,
Its General Partner

By: /s/ Daniel J. Booth

Name: Daniel J. Booth

Title: Chief Operating Officer

LENDERS:

BANK OF AMERICA, N.A.,

as Administrative Agent

By: /s/ Gabriela Millhorn

Name: Gabriela Millhorn

Title: Senior Vice President

BANK OF AMERICA, N.A., as L/C Issuer, Swing Line Lender and as a Lender

By: /s/ Gabriela Millhorn

Name: Gabriela Millhorn

Title: Senior Vice President

UBS LOAN FINANCE LLC
as a Lender

By: /s/ Richard L. Tavrow

Name: Richard L. Tavrow

Title: Director

By: /s/ Mary E. Evans

Name: Mary E. Evans

Title: Associate Director

DEUTSCHE BANK TRUST COMPANY AMERICAS, as a Lender

By: /s/ Carin Keegan

Name: Carin Keegan

Title: Director

By: /s/ Evelyn Thierry

Name: Evelyn Thierry

Title: Vice President

GENERAL ELECTRIC CAPITAL CORPORATION,
as a Lender

By: /s/ Nicholas A. Aponte

Name: Nicholas A. Aponte

Title: Duly Authorized Signatory

LASALLE BANK, N.A.,
as a Lender

By: /s/ Gabriela Millhorn

Name: Gabriela Millhorn

Title: Senior vice President

CITICORP NORTH AMERICA, INC.,

as a Lender

By: /s/ Ricardo James

Name: Ricardo James

Title: Vice-President

CONSENT OF GUARANTORS

Each of the undersigned Guarantors, as a guarantor under the Guaranty, dated as of March 31, 2006, as amended (the "Guaranty"), hereby acknowledges and consents to the terms of the Third Amendment and Consent to Credit Agreement (the "Amendment") to which this Consent of Guarantors is attached, and agrees that the Amendment does not operate to reduce or discharge such Guarantor's obligations under the Guaranty or the other Credit Documents. Each Guarantor further confirms that the Guaranty remains in full force and effect after giving effect thereto and represents and warrants that there is no defense, counterclaim or offset of any type or nature under the Guaranty.

Dated as of February [], 2008

PARENT: OMEGA HEALTHCARE INVESTORS, INC.,
a Maryland Corporation

By: /s/ Daniel J. Booth

Name: Daniel J. Booth

Title: Chief Operating Officer

SUBSIDIARY GUARANTORS: ARIZONA LESSOR – INFANIA, INC.

BALDWIN HEALTH CENTER, INC.
BAYSIDE STREET II, INC.
CANTON HEALTH CARE LAND, INC.
COLORADO LESSOR – CONIFER, INC.
COPLEY HEALTH CENTER, INC.
DIXON HEALTH CARE CENTER, INC.
FLORIDA LESSOR – EMERALD, INC.
FLORIDA LESSOR – MEADOWVIEW, INC.
GEORGIA LESSOR – BONTERRA/
PARKVIEW, INC.
HANOVER HOUSE, INC.
HUTTON I LAND, INC.
HUTTON II LAND, INC.
HUTTON III LAND, INC.
INDIANA LESSOR – JEFFERSONVILLE, INC.
INDIANA LESSOR – WELLINGTON MANOR, INC.
LEATHERMAN PARTNERSHIP 89-1, INC.
LEATHERMAN PARTNERSHIP 89-2, INC.
LEATHERMAN PARTNERSHIP 90-1, INC.
LONG TERM CARE ASSOCIATES – TEXAS, INC.
MERIDIAN ARMS LAND, INC.
OHI (CONNECTICUT), INC.
OHI (FLORIDA), INC.
OHI (ILLINOIS), INC.
OHI (INDIANA), INC.
OHI (IOWA), INC.
OHIMA, INC.
ORANGE VILLAGE CARE CENTER, INC.
PAVILLION NORTH PARTNERS, INC.
PAVILLION NURSING CENTER NORTH, INC.
ST. MARY'S PROPERTIES, INC.
STERLING ACQUISITION CORP.
THE SUBURBAN PAVILION, INC.
TEXAS LESSOR – STONEGATE, LIMITED, INC.
TEXAS LESSOR – STONEGATE GP, INC.
WASHINGTON LESSOR - SILVERDALE, INC.

By: /s/ Daniel J. Booth

Name: Daniel J. Booth

Title: Chief Operating Officer

COLONIAL GARDENS, LLC
NRS VENTURES, L.L.C.

OHI ASSET (CO), LLC

OHI ASSET (CT) LENDER, LLC

OHI ASSET (FL), LLC

OHI ASSET (IL), LLC

OHI ASSET (OH), LLC

OHI ASSET (OH) LENDER, LLC

OHI ASSET (OH) NEW PHILADELPHIA, LLC

OHI ASSET (PA), LLC

OHI ASSET II (CA), LLC

OHI ASSET II (OH), LLC

OHI ASSET II (TX), LLC

OHI ASSET ESSEX (OH), LLC

WILCARE, LLC

By: Omega Healthcare Investors, Inc., as the Sole Member of each of the Companies

By: /s/ Daniel J. Booth

Name: Daniel J. Booth

Title: Chief Operating Officer

HOUSE OF HANOVER, LTD.

By: OHI Asset (OH), LLC, as the
Sole Member of the Company

By: Omega Healthcare Investors, Inc., as the Sole Member of the Company

By: /s/ Daniel J. Booth

Name: Daniel J. Booth

Title: Chief Operating Officer

PAVILLION NORTH, LLP

By: Pavillion Nursing Center North, Inc. as its
General Partner

By: /s/ Daniel J. Booth

Name: Daniel J. Booth

Title: Chief Operating Officer

OHI ASSET (PA) TRUST

OHI ASSET II (PA) TRUST

OHI ASSET III (PA) TRUST

By: OHI Asset (PA), LLC, as the
Sole Trustee of the Trusts

By: Omega Healthcare Investors, Inc., as the Sole Member

By: /s/ Daniel J. Booth

Name: Daniel J. Booth

Title: Chief Operating Officer

EXHIBIT A

AMENDED AND RESTATED SUN LEASE

SEE ATTACHED

REAL PROPERTY ASSET MATTERS

Part I – Borrowing Base Assets

SEE ATTACHED

Part II – Other Real Property Assets

NONE

Part III – Delinquent Tenants

NONE

Part IV – Facility Leases

SEE LIST ON SCHEDULE 5.13

Part V – Material Subleases

NONE

Collateral for the Bank of America Credit Facility

No. No.	Property Name	Operator	Beds/Unit	Omega's Structure	Address	City	State	Zip
The Ensign Group								
1.	1. Claremont Care Center	Ensign	99	Lease	219 East Foothill Boulevard	Pomona	CA	92767
2.	2. Arroyo Vista Nursing Center	Ensign	53	Lease	3022 45th Street	San Diego	CA	92105
3.	3. Vista Knoll Specialized Care Center	Ensign	119	Lease	2000 Westwood Road	Vista	CA	92083
Subtotal			271					
Nexion Health, Inc.								
4.	1. Patterson Healthcare Center	Nexion	131	Lease	910 Lia Street	Patterson	LA	70392
5.	2. Village Creek Rehabilitation and Nursing Center	Nexion	120	Lease	705 North Main Street	Lumberton	TX	77657
6.	3. Southwood Nursing and Rehabilitation Center	Nexion	160	Lease	200 Southwood Drive	Henderson	TX	75652
7.	4. Truman W. Smith Children's Care Center	Nexion	120	Lease	2200 West Upshur Avenue	Gladewater	TX	75647
8.	5. Claiborne Healthcare Center	Nexion	86	Lease	1536 Claiborne Avenue	Shreveport	LA	71103
9.	6. Gonzales Healthcare Center	Nexion	124	Lease	905 W. Cornerview Road	Gonzales	LA	70737
10.	7. New Iberia Manor South	Nexion	100	Lease	600 Bayard Street	New Iberia	LA	70560
11.	8. New Iberia Manor North	Nexion	121	Lease	1803 Jane Street	New Iberia	LA	70562
12.	9. Kaplan Healthcare Center	Nexion	120	Lease	1300 West 8th Street	Kaplan	LA	70548
13.	10. Lafayette Healthcare Center	Nexion	60	Lease	325 Bacque Crescent Drive	Lafayette	LA	70503
14.	11. Many Healthcare North	Nexion	128	Lease	120 Natchitoches Highway 6 East	Many	LA	71449
15.	12. Many Healthcare South	Nexion	60	Lease	255 Middle Creek Road	Many	LA	71449
16.	13. Marrero Healthcare Center	Nexion	134	Lease	5301 August Lane	Marrero	LA	70072
17.	14. Meadowview Healthcare Center	Nexion	230	Lease	400 Meadowview Drive	Minden	LA	71055
18.	15. Pierremont Healthcare Center	Nexion	196	Lease	725 Mitchell Lane	Shreveport	LA	71106
19.	16. Terrell Healthcare Center	Nexion	94	Lease	204 West Nash Street	Terrell	TX	75160
20.	17. Thibodaux Healthcare Center	Nexion	78	Lease	1300 LaFourche Drive	Thibodaux	LA	70301
21.	18. Vivian Healthcare Center	Nexion	100	Lease	912 S. Pecan Street	Vivian	LA	71082
22.	19. Midwestern Healthcare Center	Nexion	121	Lease	601 Midwestern Parkway	Wichita Falls	TX	76302
Subtotal			2,283					
StoneGate SNF Properties, LP								
23.	1. Colonial Pines Healthcare Center	Stonegate	107	Lease	1277 Farm Market Road	San Augustine	TX	75972
24.	2. Heritage Plaza Nursing Center	Stonegate	95	Lease	600 West 52nd Street	Texarkana	TX	75503
25.	3. Pine Grove Nursing Center	Stonegate	120	Lease	246 Haley Drive	Center	TX	75935
26.	4. Reunion Plaza Senior Care and Rehabilitation Center	Stonegate	102	Lease	1401 Hampton Road	Texarkana	TX	75503
27.	5. South Place Nursing Center	Stonegate	120	Lease	150 Gibson Road	Athens	TX	75751
28.	6. West Place Nursing Center	Stonegate	120	Lease	8579 State Highway 31	Athens	TX	75751
Subtotal			664					
Sun Healthcare Group								
29.	1. SunBridge Care and Rehabilitation of Alleghany	Sun	112	Lease	179 Combs Street	Sparta	NC	28675
30.	2. SunBridge Care and Rehabilitation for Circleville	Sun	100	Lease	1155 Atwater Avenue	Circleville	OH	43113
31.	3. SunBridge Care and Rehabilitation for Decatur	Sun	183	Lease	1350 14th Avenue SE	Decatur	AL	35601
32.	4. SunBridge Care and Rehabilitation for Dunbar	Sun	120	Lease	501 Caldwell Lane	Dunbar	WV	25064
33.	5. SunBridge at Merry Wood	Sun	124	Lease	280 Mount Hebron Road	Elmore	AL	36025
34.	6. SunBridge Care and Rehabilitation for Emmett	Sun	40	Lease	501 West Idaho Boulevard	Emmett	ID	83617
35.	7. SunBridge Care and Rehabilitation - Homestead	Sun	102	Lease	1900 East Main Street	Lancaster	OH	43130
36.	8. SunBridge Care and Rehabilitation for LaFollette	Sun	178	Lease	155 Davis Road	LaFollette	TN	37766
37.	9. Laurel Park	Sun	43	Lease	1425 West Laurel Avenue	Pomona	CA	91768
38.	10. SunBridge Care and Rehabilitation for Lexington	Sun	86	Lease	877 Hill Everhart Road	Lexington	NC	27295
39.	11. SunBridge Care and Rehabilitation for Marion	Sun	100	Lease	524 James Way	Marion	OH	43302
40.	12. SunBridge Care & Rehabilitation for Maynardville	Sun	77	Lease	215 Richardson Way	Maynardville	TN	37807
41.	13. Meadowbrook Manor	Sun	77	Lease	3951 East Boulevard	Los Angeles	CA	90066
42.	14. SunBridge Care and Rehabilitation for Milford	Sun	135	Lease	10 Veterans Memorial Drive	Milford	MA	01757
43.	15. SunBridge Care and Rehabilitation for Mount Olive	Sun	150	Lease	228 Smith Chapel Road	Mount Olive	NC	28365
44.	16. SunBridge Care and Rehabilitation for Muscle Shoals	Sun	90	Lease	200 Alabama Avenue	Muscle Shoals	AL	35661
45.	17. Olive Vista	Sun	120	Lease	2335 South Towne Avenue	Pomona	CA	91766
46.	18. SunBridge Care and Rehabilitation for Parkersburg	Sun	66	Lease	1716 Gihon Road	Parkersburg	WV	26101
47.	19. SunBridge Pine Lodge Care and Rehabilitation	Sun	120	Lease	405 Stanaford Road	Beckley	WV	25801
48.	20. SunBridge Care and Rehabilitation for Putnam	Sun	120	Lease	300 Seville Road	Hurricane	WV	25526
49.	21. SunBridge Care and Rehabilitation for Salem	Sun	112	Lease	146 Water Street	Salem	WV	26426
50.	22. Shandin Hills Behavior Therapy Center	Sun	78	Lease	4164 North 4th Avenue	San Bernardino	CA	92407
51.	23. SunBridge Care and Rehabilitation - Shoals	Sun	103	Lease	500 John Aldridge Drive	Tuscumbia	AL	35674
52.	24. Sierra Vista	Sun	116	Lease	3455 East Highland Avenue	Highland	CA	92346
53.	25. SunBridge Care and Rehabilitation for Siler City	Sun	160	Lease	900 West Dolphin Street	Siler City	NC	27344
54.	26. SunBridge Care and Rehabilitation for the Triad	Sun	199	Lease	707 North Elm Street	Highpoint	NC	27262
55.	27. SunBridge Care and Rehabilitation - Tuscumbia	Sun	109	Lease	813 Keller Lane	Tuscumbia	AL	35674
56.	28. Whittier Care and Rehabilitation	Sun	142	Lease	820 NW 95th Street	Seattle	WA	98117
57.	29. Falmouth Nursing & Rehab Center	Sun	120	Lease	359 Jones Road	Falmouth	MA	02540
58.	30. Mashpee Nursing & Rehab Center	Sun	98	Lease	161 Falmouth Road, Rte 128	Mashpee	MA	02649
59.	31. Wakefield Nursing & Rehab Center	Sun	149	Lease	1 Bathol Street	Wakefield	MA	01880
60.	32. Westfield Nursing & Rehab Center	Sun	98	Lease	60 East Silver Street	Westfield	MA	01085
61.	33. Idaho Falls Care Center	Sun	108	Lease	3111 Channing Way	Idaho Falls	ID	83404
62.	34. Twin Falls Care Center	Sun	116	Lease	674 Eastland Drive	Twin Falls	ID	83301
63.	35. Robert H. Ballard Rehabilitation Hospital	Sun	60	Lease	1760 West 16th Street	San Bernardino	CA	92411
64.	36. Continental Rehabilitation Hospital of San Diego	Sun	110	Lease	555 Washington Street	San Diego	CA	92103
Subtotal			4,021					
Grand Total			7,239					

MATERIAL CONTRACTS: CONTRACTS SUBJECT TO

ASSIGNMENT OF CLAIMS ACT

1. Second Amended and Restated Master Lease Agreement, entered into as of February 1, 2008, by and among (a) the lessor entities identified on the signature page thereto, as Lessor, (b) the lessee entities listed on the signature page thereto, as Lessee, (c) Omega Healthcare Investors, Inc., and (d) the guarantor entities identified on the signature page thereto, as guarantors.
 2. Master Lease, dated as of September 30, 2003, between OHI Asset (CA), LLC, as Lessor, and Permunitum LLC, as Lessee.
 3. Amended and Restated Master Lease, dated as of June 9, 2006, between OHI Asset (LA), LLC, as Lessor, and Nexion Health of OHI, Inc., as Lessee.
 4. Master Lease, dated as of November 1, 2001, between Bayside Street, Inc., as Lessor, and Stonegate SNF Properties, LP, as Lessee.
-

SECOND CONSOLIDATED AMENDED AND RESTATED MASTER LEASE
(with Lessee Option to Purchase and Maryland Option to Purchase)

MULTIPLE FACILITIES

OHI ASSET III (PA) TRUST

AND

OMG MSTR LSCO, LLC
OMG LS LEASING CO., LLC

AND JOINED IN BY

THE MARYLAND BORROWERS

DATED: April 18, 2008

FACILITIES:

Aristocrat Berea	Copley Health Center
Candlewood Park	Hanover House
Falling Water	Suburban Pavilion
Grande Pointe Health Care	Wexford House
Greenbrier RC	Advanced Specialty Rehab of Toledo
Greenbrier HC	Commons at Greenbrier
Ohio Extended Care Facility	Greenbrier Center (a/k/a Greenbrier North)
Pebble Creek	Greenbrier Rehabilitation Hospital
Pine Grove	Chardon Healthcare Center
Pine Valley Care Center	Northwestern Center
Wyant Woods	Columbus Center
Waterford Commons	Golden Years Healthcare Center
Crestwood Care Center	Oak Grove Center
Baldwin Health Center	Kent Care Center

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SECOND CONSOLIDATED AMENDED AND RESTATED MASTER LEASE
(with Lessee Option to Purchase and Maryland Option to Purchase)
Multiple Facilities

THIS SECOND CONSOLIDATED AMENDED AND RESTATED MASTER LEASE ("Lease") is executed and delivered as of this ___ day of April, 2008 and is entered into by OHI ASSET III (PA) TRUST, a Maryland business trust ("Lessor"), the successor by merger to OHI Asset II (OH), LLC, a Delaware limited liability company, and Ohio Lessor – Waterford & Crestwood, Inc., a Maryland corporation, the address of which is 9690 Deereco Road, Suite 100, Timonium, MD 21093, OMG MSTR LSCO, LLC, an Ohio limited liability company ("Lessee One"), the successor by merger to CSC MSTR LSCO, LLC, and OMG LS LEASING CO., LLC, an Ohio limited liability company ("Lessee Two", and collectively with Lessee One, "Lessee"), the address of which is 4700 Ashwood Drive, Suite 200, Cincinnati, OH 45241.

RECITALS

The circumstances underlying the execution and delivery of this Lease are as follows:

A. Capitalized terms used and not otherwise defined herein have the respective meanings given them in Article II below.

B. Lessor is the owner of the Leased Properties.

C. Lessor and Lessee One are parties to that certain Consolidated Amended and Restated Master Lease dated February 1, 2007 (as amended, the "Existing Lease").

D. In connection with the Existing Lease, the parties entered into the following agreements (collectively, the "Related Documents"):

- (1) The OHI Working Capital Loan Agreement; and
- (2) The OHI Working Capital Note.

E. Concurrently with the execution of this Lease, Lessor is entering into the Maryland Loan Agreement with the Maryland Borrowers and Maryland Parent Guarantors. As an inducement to, and a condition of, entering the Maryland Loan Agreement and this Lease, the Maryland Borrowers are joining the execution of this Lease for purposes of granting to Lessor the Maryland Option, on the terms and conditions of ARTICLE XXXIX below.

F. Lessor, Lessee One and Lessee Two desire to consolidate, amend and restate the Existing Lease as set forth in this Lease, with this Lease being the substitute and replacement for the Existing Lease.

NOW, THEREFORE, Lessor and Lessee agree to consolidate, amend and restate the Existing Lease in its entirety as follows:

ARTICLE I

1.1 Lease. Upon and subject to the terms and conditions set forth in this Lease, Lessor leases to Lessee, and Lessee leases from Lessor, the Leased Properties. The Leased Properties are leased subject to all covenants, conditions, restrictions, easements and other matters affecting the Leased Property, whether or not of record, including the Permitted Encumbrances and other matters which would be disclosed by an inspection or accurate survey of the Leased Properties.

1.1.1 Subleases. On the Commencement Date, with the approval of Lessor, the Leased Properties are subleased to the Sublessees pursuant to the Subleases. Lessee has assigned the Subleases to Lessor and each Sublessee has jointly and severally with the other Sublessee guaranteed the obligations of Lessee hereunder, and to secure its guaranty each Sublessee has granted Lessor a security interest in the Collateral with respect to the Facility subleased by it. Lessee shall not amend or modify the terms of any Sublease without the prior written consent of Lessor, which Lessor may in its sole discretion grant, withhold or condition. Each Sublessee under an Sublease has agreed in the Sublease that it assumes and agrees to be bound by and perform each and every obligation of the Lessee under this Lease; provided, however, that obligations of a Sublessee related to the operation, maintenance and repair of a Facility are assumed only with respect to the Facility being operated by such Sublessee. Lessee agrees that a default by a Sublessee under a Sublease shall be deemed a default by Lessee under this Lease which, if not cured within any applicable cure or grace period shall constitute an Event of Default and entitle Lessor to exercise any and all remedies provided by this Lease or by law. Any Notice given by Lessor to Lessee shall be deemed a Notice given to each Sublessee of a Leased Property.

1.1.2 Single, Indivisible Lease. Notwithstanding Lessor's approval of the Subleases of the Leased Properties, this Lease constitutes one indivisible lease of the Leased Properties and not separate leases governed by similar terms. The Leased Properties constitute one economic unit, and the Base Rent and all other provisions have been negotiated and agreed to based on a demise of all of the Leased Properties to Lessee as a single, composite, inseparable transaction and would have been substantially different had separate leases or a divisible lease been intended. Except as expressly provided in this Lease for specific, isolated purposes (and then only to the extent expressly otherwise stated), all provisions of this Lease apply equally and uniformly to all of the Leased Properties as one unit. An Event of Default with respect to any Leased Property is an Event of Default as to all of the Leased Properties. The parties intend that the provisions of this Lease shall at all times be construed, interpreted and applied so as to carry out their mutual objective to create an indivisible lease of all of the Leased Properties and, in particular but without limitation, that, for purposes of any assumption, rejection or assignment of this Lease under 11 U.S.C. 365, this is one indivisible and non-severable lease and executory contract dealing with one legal and economic unit and that this Lease must be assumed, rejected or assigned as a whole with respect to all (and only as to all) of the Leased Properties.

1.2 Term. The initial term of this Lease ("Initial Term") shall be November 7, 2003 through January 31, 2007.

1.3 Option to Renew. Lessee is hereby granted three (3) successive options to renew this Lease. The first option to renew has been exercised and is for the period of February 1, 2007 thru April 30, 2018. Two additional options to renew shall be for a period of ten (10) Lease Years each, for a maximum Term if such options are exercised of approximately thirty-four (34) Lease Years. Lessee's exercise of the second and third options to renew this Lease are subject to the following terms and conditions (which conditions may be waived by Lessor in its sole discretion):

(a) An option to renew is exercisable only by Notice to Lessor at least one hundred and eighty (180) days, and not more than three hundred sixty (360) days, prior to the expiration of the Initial Term (or prior to the expiration of the preceding Renewal Term, as the case may be);

(b) No Event of Default or Unmatured Event of Default shall have occurred and be continuing either at the time a renewal option is exercised or at the commencement of a Renewal Term;

(c) During a Renewal Term, all of the terms and conditions of this Lease shall remain in full force and effect;

(d) Lessee may exercise its options to renew with respect to all (and no fewer than all) of the Leased Properties; and

(e) Lessee may only exercise an option to renew if the Option to Extend (as defined in the Maryland Loan Agreement) for a corresponding period of years is also exercised such that the Maturity Date (as defined in the Maryland Loan Agreement) and the Expiration Date are the same date.

1.4 LTACH Facility. The renovation of the LTACH Facility shall be governed by the provisions of Exhibit H to this Lease.

ARTICLE II

2.1 Definitions. For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular; (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP as at the time applicable; (c) all references in this Lease to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Lease; and (d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision.

Actual Cost: means the actual cost of completing the Approved Improvements, excluding financing costs, which amount does not include any amounts paid to Lessee or any Affiliate of Lessee without the written consent of Lessor.

Acquired Facilities: means the CSC Acquired Facilities, the Emery Acquired Facilities, and the OHI THI Facilities.

Acquisition Agreements: means (i) the Stock Purchase Agreement dated as of June 10, 2005, (ii) the Agreement of Purchase and Sale dated December 16, 2006, (iii) the THI Acquisition Agreements, and (iv) all related documents, pursuant to which Lessor or an Affiliate of Lessor acquired the Facilities.

Additional Charges: All Impositions and other amounts, liabilities and obligations that Lessee assumes or agrees to pay under this Lease.

Affiliate: Any Person who, directly or indirectly, Controls or is Controlled by or is under common Control with another Person.

Agreement to Lease: means the Agreement to Enter into Amended and Restated Master Lease dated as of June 10, 2005 and the Agreement to Enter into Master Lease and Working Capital Loan among Lessor, Lessee, the Sublessees, the Guarantors, the Consultants, and the Managers.

AO: means OMG ASSET OWNERSHIP, LLC, an Ohio limited liability company.

Approval Threshold: One Hundred Thousand Dollars (\$100,000).

Approved Improvements: means (i) the Emery Improvements, (ii) the Escrow Improvements, and (iii) the Non-Escrow Improvements.

Assessment: Any governmental assessment on the Leased Properties or any part of any of them for public or private improvements or benefits, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term.

Assumed Indebtedness: Any indebtedness or other obligations expressly assumed in writing by Lessor and secured by a mortgage, deed of trust or other security agreement to which Lessor's title to the Leased Properties is subject.

Award: All compensation, sums or anything of value awarded, paid or received in connection with a Taking or Partial Taking.

Base Rent: During the Term, the Base Rent shall be as follows:

- (1) During the Initial Term, the Base Rent as set forth in the Existing Lease;

(2) For the period of date of this Lease thru December 31, 2018, Base Rent shall be the sum of the monthly amounts set forth on Exhibit G, and the LTACH Base Rent;

(3) For the Lease Year commencing January 1, 2019 and each succeeding Lease Year during the Term, the Base Rent for the previous Lease Year, plus an amount equal to (a) the Base Rent in the previous Lease Year multiplied by (b) the *lesser* of (i) two (2) times the change in CPI and (ii) two and one half percent (2.5%).

Subject to the provisions of Section 1.1.2, the Base Rent shall be allocated among the Facilities as set forth on attached Exhibit G.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which national banks in the City of New York, New York are authorized or obligated, by law or executive order, to close.

Capitalization Rate: Ten percent (10%).

Cash Flow to Rent Ratio: For any fiscal period, the ratio of (i) Lessee Cash Flow plus Cityview EBITDA, to (ii) Base Rent plus Cityview Debt Service.

Combined Cash Flow Coverage Ratio: For any fiscal period, the ratio of (i) Lessee Cash Flow plus Maryland Cash Flow plus City View EBITDA to (ii) Base Rent plus City View Debt Service plus Maryland Debt Service.

Citation: Any operational or physical plant deficiency set forth in writing with respect to a Facility by any governmental body or agency, or Medicare intermediary, having regulatory oversight over a Facility, Lessee, any Sublessee or Manager, with respect to which the scope and severity of the potential penalty for such deficiency is one or more of the following: loss of licensure, decertification of a Facility from participation in the Medicare and/or Medicaid programs, appointment of a temporary manager or denial of payment for new admissions which lasts for thirty (30) days or more.

Cityview Debt Service: means Debt Service (as defined in the Cityview Loan Agreement) for the Borrowers (as defined in the Cityview Loan Agreement).

Cityview EBITDA: means EBITDA (as defined in the Cityview Loan Agreement) for the Borrowers (as defined in the Cityview Loan Agreement).

Cityview Loan Agreement: The Loan Agreement dated November 1, 2004, as amended by a First Amendment to Loan Agreement dated as of March 1, 2005, an Assumption and Joinder Agreement and Second Amendment to Loan Agreement dated as of June 30, 2006, a Third Amendment to Loan Agreement dated as of February 1, 2007, and a Fourth Amendment to Loan Agreement dated as of the date of this Agreement, among City View Operator, City View Owner, and OMG RE HOLDINGS, LLC, an Ohio limited liability company, as borrowers, RESIDENT CARE CONSULTING, LLC, an Ohio limited liability company, and HEALTH CARE FACILITY MANAGEMENT, LLC, an Ohio limited liability company, as guarantors, and OHI ASSET (OH) LENDER, LLC, a Delaware limited liability company, as lender.

City View Operator: means City View Nursing & Rehab, LLC, an Ohio limited liability company.

City View Owner: means City View Cleveland NH Asset, LLC, an Ohio limited liability company.

Clean-Up: The investigation, removal, restoration, remediation and/or elimination of, or other response to, Contamination, in each case to the satisfaction of all governmental agencies having jurisdiction, in compliance with or as may be required by Environmental Laws.

Code: The Internal Revenue Code of 1986, as amended.

Combined Transaction Documents: means the "Loan Documents" as defined in the City View Loan Agreement, the "Loan Documents" as defined in the Maryland Loan Agreement, and the Transaction Documents.

Commencement Date: For the Waterford Facility and Crestwood Facility, November 7, 2003, for the Emery Acquired Facilities, June 28, 2005, for the CSC Acquired Facilities, December 16, 2005, for the LTACH Facility, the LTACH Closing Date, and for the OHI THI Facilities, April 19, 2008.

Condemnor: Any public or quasi-public authority, or private corporation or individual, having the power of condemnation.

Consulting Agreement: Any agreement pursuant to which financial services for a Facility is delegated by Lessee or Sublessee to any person not an employee of Lessee or a Sublessee, or to any other related or unrelated party.

Consultants: The Person to whom the financial services of a Facility is delegated pursuant to a Consulting Agreement. As of the date of this Lease, the Consultants are BELMORE CONSULTING CO., LLC, an Ohio limited liability company, WYANT CONSULTING CO., LLC, an Ohio limited liability company, BRECKSVILLE CONSULTING CO., LLC, an Ohio limited liability company, JARVIS CONSULTING CO., LLC, an Ohio limited liability company, KOLBE CONSULTING CO., LLC, an Ohio limited liability company, PEARL CONSULTING CO., LLC, an Ohio limited liability company, PEARL II CONSULTING CO., LLC, an Ohio limited liability company, PEARL III CONSULTING CO., LLC, an Ohio limited liability company, MERIT CONSULTING CO., LLC, an Ohio limited liability company, FALLING CONSULTING CO., LLC, an Ohio limited liability company, FRONT CONSULTING CO., LLC, an Ohio limited liability company, Midland Consulting Co., LLC, an Ohio limited liability company, Garden Consulting Co., LLC, an Ohio limited liability company, Skyline (PA) Consulting Co., LLC, an Ohio limited liability company, Heritage (Ohio) Consulting Co., LLC, an Ohio limited liability company, Avis (Ohio) Consulting Co., LLC, an Ohio limited liability company, Suburban (Ohio) Consulting Co., LLC, an Ohio limited liability company, Old Consulting Co., LLC, an Ohio limited liability company, and Resident Care Consulting, LLC, an Ohio limited liability company.

Construction Funds: The Net Proceeds and such additional funds as may be deposited with Lessor by Lessee pursuant to Section 14.6 for restoration or repair work pursuant to this Lease.

Contamination: The presence, Release or threatened Release of any Hazardous Substance at the Leased Properties in violation of any Environmental Law, or in a quantity that would give rise to any affirmative Clean-Up obligations under an Environmental Law, including, but not limited to, the existence of any injury or potential injury to public health, safety, natural resources or the environment associated therewith, or any other environmental condition at, in, about, under or migrating from or to the Leased Properties.

Control (and its corollaries “Controlled by” and “under common Control with”): Possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, through the ownership of voting securities, partnership interests or other equity interests.

CPI: The United States Department of Labor, Bureau of Labor Statistics Revised Consumer Price Index for All Urban Consumers (1982-84=100), U.S. City Average, All Items, or, if that index is not available at the time in question, the index designated by such Department as the successor to such index, and if there is no index so designated, an index for an area in the United States that most closely corresponds to the entire United States, published by such Department, or if none, by any other instrumentality of the United States.

Crestwood Facility: means the Facility commonly known as Crestwood Care Center, 225 W. Main Street, Shelby, Ohio 44875.

Cross Default and Cross Collateralization Agreement: means the Amended and Restated Cross Default and Cross Collateralization Agreement dated as of the date of this Lease by Lessee, Guarantors, Sublessees, Consultants, Managers, PARTNERS OF CITY VIEW, LLC, an Ohio limited liability company, and PARTNERS OF CITY VIEW REAL ESTATE, LLC, an Ohio limited liability company, and the Maryland Obligors, in favor of Lessor and OHI Asset (OH) Lender, LLC, a Delaware limited liability company.

CSC Acquired Facilities: means the Facilities commonly known as:

Facility Name	Street	City	State	Zip	County
Aristocrat Berea	255 Front Street	Berea	OH	44017	Cuyahoga
Candlewood Park	1835 Belmore Ave	Cleveland	OH	44112	Cuyahoga
Falling Water	18840 Falling Water	Strongsville	OH	44136	Cuyahoga
Grande Pointe Health Care	3 Merit Drive	Richmond Heights	OH	44143	Cuyahoga
Greenbrier	6455 Pearl Road	Parma Heights	OH	44130	Cuyahoga
Greenbrier HCC	6455 Pearl Road	Parma Heights	OH	44130	Cuyahoga
Ohio Extended Care Facility	3364 Kolbe Road	Lorain	OH	44053	Lorain
Pebble Creek	670 Jarvis Road	Akron	OH	44319	Summit
Pine Grove	5608 Pearl Road	Parma	OH	44129	Cuyahoga
Pine Valley Care Center	4360 Brecksville Road	Richfield	OH	44286	Summit
Wyant Woods	200 Wyant Road	Akron	OH	44313	Summit

Date of Taking: The date on which the Condemnor has the right to possession of the Leased Property that is the subject of the Taking or Partial Taking.

Distribution: Any payment or distribution of cash or any assets of Lessee to one or more holders of an equity interest in Lessee or to any Affiliate of Lessee, whether in the form of a dividend, a fee for management in excess of the fee required by the terms of a Management Agreement (but in any event not to exceed five percent (5%) of net revenues of the Facilities), a payment for services rendered, a reimbursement for expenditures or overhead incurred on behalf of Lessee or a payment on any debt required by this Lease to be subordinated to the rights of Lessor.

Emery Acquired Facilities: means the Facilities commonly known as Baldwin Health Center, 1717 Skyline Drive, Pittsburgh, PA 15227, Copley Health Center, 155 Heritage Woods Drive, Copley, OH 44321, Hanover House, 435 Avis Avenue NW, Massillon, OH 44646, Suburban Pavilion, 20265 Emery Road, Cleveland, OH 44128, and Wexford House, 9850 Old Perry Highway, Wexford, PA 15090.

Emery Improvements: means (i) the capital improvements to the Emery Acquired Facilities which (1) are shown as either "immediate" or recommended to be completed during the first two Lease Years in the Property Condition Reports for the Emery Acquired Facilities acquired by Lessor in connection with the Acquisition Agreements, which include, among other things, the replacements of the roofs at certain of the Emery Acquired Facilities, or (2) are approved in writing by Lessor, which approval shall not be unreasonably withheld, and (ii) the remediation of certain environmental conditions identified in the environmental reports acquired by Lessor in connection with the Acquisition Agreements, which include, among other things, the removal of one or more underground storage tanks.

Encumbrance: Any mortgage, deed of trust, lien, encumbrance or other matter affecting title to the Leased Properties, or any portion thereof or interest therein, securing any borrowing or other means of financing or refinancing.

Environmental Audit: A written certificate that (a) is in form and substance satisfactory to Lessor, (b) is from an environmental consulting or engineering firm acceptable to Lessor and (c) states that there is no Contamination on the Leased Properties and that the Leased Properties are otherwise in strict compliance with Environmental Laws.

Environmental Documents: Each and every (a) document received by Lessee or any Affiliate from, or submitted by Lessee or any Affiliate to, the United States Environmental Protection Agency and/or any other federal, state, county or municipal agency responsible for enforcing or implementing Environmental Laws with respect to the condition of the Leased Properties, or Lessee's operations at the Leased Properties; and (b) review, audit, report, or other analysis data pertaining to environmental conditions, including, but not limited to, the presence or absence of Contamination, at, in, under or with respect to the Leased Properties that have been prepared by, for or on behalf of Lessee.

Environmental Laws: All federal, state and local laws (including, without limitation, common law), statutes, codes, ordinances, regulations, rules, orders, permits or decrees now or at any time in effect and relating to (a) the introduction, emission, discharge or release of Hazardous Substances into the indoor or outdoor environment (including without limitation, air, surface water, groundwater, land or soil), (b) the manufacture, processing, distribution, use, treatment, storage, transportation or disposal of Hazardous Substances or (c) the Clean-Up of Contamination.

Escrow Improvements: means the capital improvements to the Facilities (i) in the amounts for each Facility set forth on the Improvements Schedule as being paid from the aggregate of \$3,000,000 to be escrowed with the Title Company pursuant to this Lease and the Maryland Loan Agreement, and (ii) approved in writing by Lessor.

Escrowed Capex Funds: means the funds escrowed with the Title Company pursuant to Section [9.3.3](#) in the amount set forth on the Improvements Schedule for the Leased Properties.

Event of Default: The occurrence of any of the following:

(a) Lessee fails to pay or cause to be paid the Rent when due and payable;

(b) Lessee, any Sublessee or any Guarantor, on a petition in bankruptcy filed against it, is adjudicated a bankrupt or has an order for relief thereunder entered against it, or a court of competent jurisdiction enters an order or decree appointing a receiver of Lessee, a Sublessee or any Guarantor or of the whole or substantially all of its property, or approving a petition filed against Lessee, a Sublessee or any Guarantor seeking reorganization or arrangement of Lessee, a Sublessee or such Guarantor under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree is not vacated or set aside or stayed within sixty (60) days from the date of the entry thereof, subject to the applicable provisions of the Bankruptcy Code (11 USC § 101 et. seq.) and to the provisions of Section 16.6 below;

(c) Lessee, a Sublessee or any Guarantor: (i) Admits in writing its inability to pay its debts generally as they become due; (ii) files a petition in bankruptcy or a petition to take advantage of any insolvency law; (iii) makes a general assignment for the benefit of its creditors; (iv) consents to the appointment of a receiver of itself or of the whole or any substantial part of its property; or (v) files a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, subject to the applicable provisions of the Bankruptcy Code (11 USC § 101 et. seq.) and to the provisions of Section 16.6 below;

(d) Lessee, a Sublessee or any Guarantor is liquidated or dissolved, or begins proceedings toward liquidation or dissolution, or has filed against it a petition or other proceeding to cause it to be liquidated or dissolved and the proceeding is not dismissed within thirty (30) days thereafter, or Lessee, a Sublessee or any Guarantor in any manner permits the sale or divestiture of all or substantially all of its assets;

(e) The estate or interest of Lessee or any Sublessee in the Leased Properties or any part thereof is levied upon or attached in any proceeding and the same is not vacated or discharged within thirty (30) days thereafter (unless Lessee is in the process of contesting such lien or attachment in good faith in accordance with Article XII hereof);

(f) Lessee ceases operation of any Facility for a period in excess of five (5) Business Days except upon prior Notice to, and with the express prior written consent of, Lessor (which consent Lessor may withhold in its absolute discretion), or as the unavoidable consequence of damage or destruction as a result of a casualty, or a Partial or total Taking;

(g) Any representation or warranty made by Lessee, a Sublessee, a Guarantor or any Affiliate of Lessee in the Lease, any Transaction Document or in any certificates delivered in connection with this Lease or the Transaction Documents proves to be untrue when made in any material respect, Lessor is materially and adversely affected thereby and Lessee, a Sublessee, a Guarantor or any Affiliate, as the case may be, fails within twenty (20) days after Notice from Lessor or Omega, as the case may be, to cure such condition by terminating such adverse effect and making Lessor or Omega, as the case may be, whole for any damage suffered therefrom, or, if with due diligence such cure cannot be effected within twenty (20) days, if Lessee, a Sublessee, a Guarantor or any Affiliate, as the case may be, has failed to commence to cure the same within the twenty (20) days or failed thereafter to proceed promptly and with due diligence to cure such condition and complete such cure prior to the time that such condition causes a default in any Facility Mortgage and prior to the time that the same results in civil or criminal penalties to Lessor, Lessee, a Sublessee, a Guarantor, any Affiliates of any of them or the Leased Properties;

(h) Lessee (or, if applicable, any Sublessee or Manager):

(i) has any license, permit, approval, certificate of need, certificate of reimbursement or other authorization necessary to operate any Facility as a provider of health care services in accordance with its Primary Intended Use suspended or revoked, or its right to so operate a Facility or to accept patients suspended for a period in excess of thirty (30) days, and Lessee fails to remedy any condition causing such revocation or suspension within any cure period allowed therefor by the applicable agency or authority or, if no such cure period is allowed or specified by the applicable agency or authority, Lessee fails to remedy the condition promptly and diligently following Lessee's receipt of notice of such condition and, in any event, prior to the final, nonappealable revocation or suspension of any such license, permit, approval, certificate of need, certificate of reimbursement, other authorization or right to operate the Facility in question or to accept patients at the Facility in question; or

(ii) receives a Citation with respect to a Facility and fails to cure the condition that is the subject of the Citation within the period of time required for such cure by the issuer of the Citation or, but in any event prior to the final, nonappealable revocation or suspension of any license, permit, approval, certificate of need, certificate of reimbursement or other authorization necessary to operate a Facility as a provider of health care services in accordance with its Primary Intended Use or to receive Medicare or Medicaid payments with respect to residents of any Facility, or prior to the appointment of a temporary manager, as the case may be; or

(iii) fails to give Lessor Notice that any event set forth in clauses (i) and (ii) above has occurred, as required pursuant to Section 23.1(h) below.

(i) A Transfer occurs without the prior written consent of Lessor;

(j) A default occurs under any Combined Transaction Document and such default is not cured within any applicable cure period provided in such Combined Transaction Document;

(k) A default occurs under any other material contract affecting any Facility, Lessee, or any Affiliate of Lessee;

(l) Intentionally omitted;

(m) Lessee breaches any of the financial covenants set forth in Article VIII hereof, the breach is capable of cure and the breach is not cured within a period of the shorter of (i) forty-five (45) days after the Notice thereof from Lessor, and (ii) twenty (20) days following the date of delivery of a certificate pursuant to Section 23.1(i) or 23.1(ii);

(n) Lessee or an Affiliate of Lessee defaults beyond any applicable grace period in the payment of any amount or the performance of any material act required of Lessee or such Affiliate by the terms of any other lease or other agreement between Lessee or such Affiliate and Lessor or any Affiliate of Lessor; or

(o) Lessee fails to observe or perform any other term, covenant or condition of this Lease or any other Transaction Document and the failure is not cured by Lessee within a period of thirty (30) days after Notice thereof from Lessor, unless the failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed an Event of Default if and for so long as Lessee proceeds promptly and with due diligence to cure the failure and completes the cure prior to the time that the same causes a Material Adverse Effect, a default in any Facility Mortgage and prior to the time that the same results in civil or criminal penalties to Lessor, Lessee, any Affiliates of either or to the Leased Properties.

Executive Officer: The President, the Chief Executive Officer, the Chief Operating Officer, and the Chief Financial Officer (or the holder of the responsibilities ordinarily held by such the persons holding such titles) of Lessee, Manager, Consultant or Guarantor.

Expiration Date: means April 30, 2018 if the second Renewal Option has not been exercised, or April 30, 2028, if the second Renewal Option has been exercised but not the third Renewal Option, or April 30, 2038, if the third Renewal Option has been exercised.

Facilit(y)(ies): Each health care facility on the Land, including the Leased Property associated with such Facility, and together, all such facilities on the Leased Properties.

Facility Mortgage: Any mortgage, deed of trust or other security agreement that with the express, prior, written consent of Lessor is a lien upon any or all of the Leased Properties, whether such lien secures an Assumed Indebtedness or another obligation or obligations.

Facility Mortgagee: The secured party to a Facility Mortgage, its successors and assigns, any servicer acting on behalf of a Facility Mortgagee with respect to a Facility Mortgage and, if any Facility Mortgage is deposited with a trust, then the trustee acting on behalf of the certificate holders of such trust.

Facility Trade Names: The name(s) under which the Facilities have done business during the Term. The Facility Trade Names in use by the Facilities on the Commencement Date are set forth on attached Exhibit A.

Fair Market Rent: The rent that, at the relevant time, a Facility would most probably command in the open market, under a lease on substantially the same terms and conditions as are set forth in this Lease with a lessee unrelated to Lessor having experience and a reputation in the health care industry and a credit standing reasonably equivalent to that of Lessee, and, if this Lease is guaranteed, with such lease being guaranteed by guarantors having a net worth at least equal to that of Guarantors, with evidence of such rent being the rent that is being asked and agreed to at such time under any leases of facilities comparable to such Facility being entered into at such time in which the lessees and lease guarantors meet the qualifications set forth in this sentence. Fair Market Rent shall be determined in accordance with the appraisal procedure set forth in Article XXXII or in such other manner as may be mutually acceptable to Lessor and Lessee.

Financial Statement:

(A) For each quarter during Lessee's fiscal year, on a consolidated basis for Lessee, (i) a statement of earnings for the current period and fiscal year to the end of such period, with a comparison to the corresponding figures for the corresponding period in the preceding fiscal year from the beginning of the fiscal year to the end of such period, and (ii) a balance sheet as of the end of the period, and after the first Lease Year, with a comparison to the corresponding figures for the corresponding period in the preceding fiscal year from the beginning of the fiscal year to the end of such period; and

(B) For each Lessee's and each Guarantor's fiscal year, a financial report on a consolidated basis, prepared and reviewed by an accounting firm or any other firm of independent certified public accountants reasonably acceptable to Lessor, containing such Person's balance sheet as of the end of that year, its related profit and loss, a statement of shareholder's equity for that year, a statement of cash flows for that year, any management letter prepared by the certified public accountants, such comments and financial details as customarily are included in reports of like character.

(C) For each of HCREH's and HCH's fiscal year, a financial report on a consolidated basis (for avoidance of doubt, HCREH will not be consolidated with HCH and HCH will not be consolidated with HCREH), prepared and reviewed by an accounting firm or any other firm of independent certified public accountants reasonably acceptable to Lender, containing, as applicable, HCREH's or HCH's balance sheet as of the end of that year, its related profit and loss, a statement of owner's equity for that year, a statement of cash flows for that year, any management letter prepared by the certified public accountants, such comments and financial details as customarily are included in reports of like character.

(D) Lessor may, at its own expense, cause any Financial Statement to be audited by a certified public accountant selected by Lessor and reasonably acceptable to Lessee. Lessor consents to the use of the firm of Mellott & Mellott, P.L.L. (Cincinnati, Ohio) to prepare such reports.

Fixtures: Collectively, all permanently affixed equipment, machinery, fixtures, and other items of real and/or personal property (excluding Lessor's Personal Property), including all components thereof, now and hereafter located in, on or used in connection with, and permanently affixed to or incorporated into the Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus (other than individual units), sprinkler systems and fire and theft protection equipment, built-in oxygen and vacuum systems, towers and other devices for the transmission of radio, television and other signals, all of which, to the greatest extent permitted by law, are hereby deemed by the parties hereto to constitute real estate, together with all replacements, modifications, alterations and additions thereto.

Force Majeure: An event or condition beyond the control of a Person, including without limitation a flood, earthquake, or other Act of God; a fire or other casualty resulting in a complete or partial destruction of the Facility in question; a war, revolution, riot, civil insurrection or commotion, terrorism, or vandalism; unusual governmental action, delay, restriction or regulation not reasonably to be expected; a contractor or supplier delay or failure in performance (not arising from a failure to pay any undisputed amount due), or a delay in the delivery of essential equipment or materials; bankruptcy or other insolvency of a contractor, subcontractor or construction manager (not an Affiliate of the party claiming Force Majeure); a strike, slowdown or other similar labor action; or any other similar event or condition beyond the reasonable control of the party claiming that Force Majeure is delaying or preventing such party from timely and fully performing its obligations under this Lease; provided that in any such event, the party claiming the existence of Force Majeure shall have given the other party Notice of such claim within fifteen (15) days after becoming aware thereof, and if the party claiming Force Majeure shall fail to give such Notice, then the event or condition shall not be considered Force Majeure for any period preceding the date such Notice shall be given. No lack of funds shall be construed as Force Majeure.

GAAP: Generally accepted accounting principles in effect at the time in question.

Ground Lease: Any lease of any of the Leased Properties pursuant to which Lessor is the lessee.

Ground Lessor: The lessor under any Ground Lease.

Guarantors: Resident Care Consulting Co., LLC, an Ohio limited liability company, Health Care Facility Management, LLC, an Ohio limited liability company, RE Holdings, AO, RE Leasing, and any other party who executes and delivers a guaranty of this Lease.

Guaranties: means each Lease Guaranty from a Guarantor and each Sublessee.

Hazardous Substance: Dangerous, toxic or hazardous material, substance, pollutant, contaminant, chemical, waste (including medical waste), including petroleum products, asbestos and PCBs defined, listed or described as such under any Environmental Law.

HCH: means Health Care Holdings, LLC, an Ohio limited liability company.

HCREH: means HC Real Estate Holdings, LLC, an Ohio limited liability company.

Impositions: Collectively, all taxes (excluding all income taxes, but including, without limitation, all capital stock and franchise taxes of Lessor and all ad valorem, sales and use, single business, gross receipts, business privilege, transaction privilege, rent or similar taxes to the extent the same are assessed against Lessor in whole or in part on the basis of the value of the Leased Properties, the privilege of doing business in the State or States or any political subdivision or subdivisions of the State or States, or any combination thereof), assessments (including Assessments), ground rents, water, sewer or other rents and charges, excises, tax levies, fees (including, without limitation, license, permit, inspection, authorization and similar fees), and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character that at any time prior to, during or in respect of the Term are assessed or imposed on or in respect of, or constitute a lien upon (a) Lessor or Lessor's interest in the Leased Properties; (b) the Leased Properties or any part thereof or any rent therefrom or any estate, right, title or interest therein; (c) any occupancy, operation, use or possession of, or sales from, or activity conducted on or in connection with the Leased Properties or the leasing or use of the Leased Properties or any part thereof; or (d) Rent, but excluding any transfer or other tax imposed with respect to the sale, exchange or other disposition by Lessor of the Leased Properties or any part thereof or the proceeds thereof (other than with respect to the transactions contemplated by the Acquisition Agreements).

Improvements Schedule: means Schedule 9.3 to this Lease.

Indebtedness: of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) obligations of such Person to purchase securities or other property arising out of or in connection with the sale of the same or substantially similar securities or property, (vi) leases that in accordance with GAAP are required to be capitalized for financial reporting purposes, and (vii) any other obligation for borrowed money or other financial accommodation which in accordance with GAAP would be shown as a liability on the consolidated balance sheet of such Person.

Indemnity Agreements: means the Indemnity and Guaranty Agreements from HCREH and HCH in favor of Lessor.

Initial Term: As defined in Section 1.2.

Insurance Requirements: All terms of any insurance policy required by this Lease and all requirements of the issuer of any such policy.

Intangible Assets: The amount of (a) unamortized debt discounts and expenses, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, organizational and developmental expenses, unamortized operating rights, unamortized licenses, unamortized leasehold rights, computer software development costs, start-up costs, pre-opening costs, prepaid pension costs and other intangible assets, including (a) any write-up resulting from a reversal of a reserve for bad debts or depreciation and any write-up resulting from a change in methods of accounting or inventory and (b) the amount of any investment in any Affiliate.

Investigation: Soil and chemical tests or any other environmental investigations, examinations or analyses.

Investments: of a Person means any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business on terms customary in the trade) or contribution of capital by such Person; stocks, bonds, mutual funds, partnership interests, notes, debentures or other securities owned by such Person; and structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person.

Judgment Date: The date on which a judgment is entered against Lessee that establishes, without the possibility of appeal, the amount of liquidated damages to which Lessor is entitled under this Lease.

Land: The real property described in attached Exhibits B-1 through B-17.

Lease: As defined in the Preamble.

Lease Rate: 9.875% multiplied by 1.025 (compounding) on May 1, 2009 and each May 1 thereafter. As illustration, on May 1, 2010, the Lease Rate would be 10.3749% (i.e., $(9.875\% \times 1.025) \times 1.025 = 10.3749\%$).

Lease Year: Each period from and including January 1 through December 31 during the Term of this Lease. If this Lease is terminated before the end of any Lease Year, the final Lease Year shall be January 1 through the date of termination.

Leased Improvements: Collectively, all buildings, structures, Fixtures and other improvements of every kind on the Land, including, but not limited to, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site), parking areas and roadways appurtenant to such buildings and structures.

Leased Property: The parcel of the Land on which a Facility is located, the Leased Improvements on such parcel of the Land, the Related Rights with respect to such parcel of the Land, and Lessor's Personal Property with respect to such Facility.

Leased Properties: All of the Land, Leased Improvements, Related Rights and Lessor's Personal Property.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, waivers, regulations, ordinances, judgments, decrees and injunctions affecting the Leased Properties or any portion thereof, Lessee's Personal Property or the construction, use or alteration of the Leased Properties (including but not limited to the Americans with Disabilities Act), whether enacted and in force before, after or on the Commencement Date, and including any that may (a) require repairs, modifications, alterations or additions in or to any portion or all of the Facilities, or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses and authorizations and regulations relating thereto, including, but not limited to, (i) those relating to existing health care licenses, (ii) those authorizing the current number of licensed beds and the level of services delivered from the Leased Properties and (iii) all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee) and in force at any time during the Term.

Lessee Cash Flow: For any period, an amount equal to (a) Net Income of Lessee arising solely from the operation of the Facilities for the applicable period; plus (b) the amounts deducted in computing Lessee's Net Income for the period for (i) depreciation, (ii) amortization, (iii) Base Rent, (iv) interest (including payments in the nature of interest under Capitalized Leases and interest on any Purchase Money Financing), (v) income taxes (or, if greater, income tax actually paid during the period) and (vi) actual management fees paid; less (c) an imputed management fee equal to 5% of net revenues.

Lessee: is defined in the introductory paragraph to this Agreement.

Lessee Closing: is defined in Section [38.5](#).

Lessee Closing Date: is defined in Section [38.5](#).

Lessee One: is defined in the introductory paragraph to this Agreement.

Lessee Option: is defined in Section [38.1](#).

Lessee Option Deposit: is defined in Section [38.3](#).

Lessee Option Facilities: means the Facilities commonly known as:

Northwestern Center
570 North Rocky River Drive
Berea OH 44017

Golden Years Healthcare Center
2125 Royce Street
Portsmouth OH 45662

Columbus Center
4301 Clime Road, North
Columbus OH 43228

Oak Grove Center
620 East Water Street
Deshler OH 43516

Lessee Option Period: is defined in Section [38.3](#).

Lessee Option Property: is defined in Section [38.2](#).

Lessee Purchase Price: is defined in Section [38.4](#).

Lessee's Certificate: A statement in writing in substantially the form of [Exhibit C](#) attached hereto (with such changes thereto as may reasonably be requested by the person relying on such certificate).

Lessee's Personal Property: Personal Property owned or leased by Lessee that is not included within the definition of the term "Lessor's Personal Property" but is used by Lessee in the operation of the Facilities, including Personal Property provided by Lessee in compliance with Section 6.3 hereof.

Lessee Title Commitments: is defined in Section [38.7](#).

Lessee Title Policies: is defined in Section [38.7](#).

Lessee Two: is defined in the introductory paragraph to this Agreement.

Lessor: is defined in the introductory paragraph to this Agreement.

Lessor's Future Rent Loss: An amount equal to the Rent that would have been payable by Lessee from and after the Judgment Date through the Expiration Date had the Lease not been terminated, plus such additional amount as may be necessary in order to compensate Lessor for all other damages that are proximately caused by, and in the ordinary course of things would be likely to result from, Lessee's failure to perform its obligations under this Lease.

Lessor's Interim Rent Loss: An amount equal to the Rent that would have been payable by Lessee from the Termination Date through the Judgment Date had the Lease not been terminated (including interest and late charges determined on the basis of the date or dates on which Lessor's Interim Rent Loss is actually paid by Lessee), plus such additional amount as may be necessary in order to compensate Lessor for all other damages that are proximately caused by, and in the ordinary course of things would be likely to result from, Lessee's failure to perform its obligations under this Lease.

Lessor's Monthly Rent Loss: For any month, an amount equal to the installment of Rent that would have been due in such month under the Lease if it had not been terminated, plus, if such amount is not paid on or before the day of the month on which such installment of Rent would have been due, the amount of interest and late charges thereon that also would have been due under the Lease, plus such additional amount as may be necessary in order to compensate Lessor for all other damages that are proximately caused by, and in the ordinary course of things would be likely to result from, Lessee's failure to perform its obligations under this Lease.

Lessor's Personal Property: All Personal Property and intangibles, if any, owned by Lessor and leased to Lessee on the Commencement Date, together with any and all replacements thereof, and all Personal Property that pursuant to the terms of the Lease becomes the property of Lessor during the Term. Notwithstanding any other provision of this Lease, Lessor's Personal Property shall not include goodwill nor shall it include any other intangible personal property that is severable from Lessor's "interests in real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto.

Letter of Credit Agreement: An agreement between Lessor and Lessee providing for a letter of credit to be delivered to Lessor as the Security Deposit.

Letter of Credit Facility: means a credit facility established for the sole purpose of providing the letters of credit constituting the Liquidity Reserve, the Security Deposit (as defined in the Master Lease), and the Liquidity Reserve (as defined in the City View Loan Agreement).

LTACH Base Rent: is defined in, and effective as set forth in, Exhibit H to this Lease.

LTACH Closing Date: means the Closing Date as defined in Exhibit H to this Lease.

LTACH Facility: means the long term acute care hospital to be located at 10 Garden Lake Parkway, Toledo, Ohio 43614.

LTACH Sublease: is defined Exhibit H to this Lease.

Management Agreement: Any agreement pursuant to which management of a Facility is delegated by Lessee to any person not an employee of Lessee or to any other related or unrelated party.

Manager: The Person to whom management of the operation of a Facility is delegated pursuant to a Management Agreement. As of the date of this Lease, the Managers are BELMORE MGT CO., LLC, an Ohio limited liability company, WYANT MGT CO., LLC, an Ohio limited liability company, BRECKSVILLE MGT CO., LLC, an Ohio limited liability company, JARVIS MGT CO., LLC, an Ohio limited liability company, KOLBE MGT CO., LLC, an Ohio limited liability company, PEARL (OHIO) MGT CO., LLC, an Ohio limited liability company, PEARL II MGT CO., LLC, an Ohio limited liability company, PEARL III MGT CO., LLC, an Ohio limited liability company, MERIT (OHIO) MGT CO., LLC, an Ohio limited liability company, FALLING MGT CO., LLC, an Ohio limited liability company, FRONT MGT CO., LLC, an Ohio limited liability company, Midland (Ohio) Management Co., LLC, an Ohio limited liability company, Garden Management Co., LLC, an Ohio limited liability company, Skyline (PA) Mgmt Co., LLC, an Ohio limited liability company, Heritage (Ohio) Mgmt Co., LLC, an Ohio limited liability company, Avis (Ohio) Mgmt Co., LLC, an Ohio limited liability company, Suburban (Ohio) Mgmt Co., LLC, an Ohio limited liability company, Old Mgmt Co., LLC, an Ohio limited liability company, Water Mgmt. Co., LLC, an Ohio limited liability company, South II Mgmt. Co., LLC, an Ohio limited liability company, South I Mgmt. Co., LLC, an Ohio limited liability company, South III Mgmt. Co., LLC, an Ohio limited liability company, Fairchild Mgmt. Co., LLC, an Ohio limited liability company, Rocky River Mgmt. Co., LLC, an Ohio limited liability company, Clime Mgmt. Co., LLC, an Ohio limited liability company, Royce Mgmt. Co., LLC, an Ohio limited liability company, and East Water Mgmt. Co., LLC.

Maryland Borrowers: means BEL PRE LEASING CO., LLC, an Ohio limited liability company, RIDGE (MD) LEASING CO., LLC, an Ohio limited liability company, MARLBORO LEASING CO., LLC, an Ohio limited liability company, FAYETTE LEASING CO., LLC, an Ohio limited liability company, LIBERTY LEASING CO., LLC, an Ohio limited liability company, HOWARD LEASING CO., LLC, an Ohio limited liability company, PALL MALL LEASING CO., LLC, an Ohio limited liability company, WASHINGTON (MD) LEASING CO., LLC, an Ohio limited liability company, SILVER SPRING NH ASSET, LLC, an Ohio limited liability company, ELLICOTT CITY NH ASSET, LLC, an Ohio limited liability company, FORESTVILLE NH ASSET, LLC, an Ohio limited liability company, BALTIMORE NH ASSET I, LLC, an Ohio limited liability company, BALTIMORE NH ASSET II, LLC, an Ohio limited liability company, GLEN BURNIE NH ASSET, LLC, an Ohio limited liability company, BALTIMORE NH ASSET III, LLC, an Ohio limited liability company, and EDGEWATER NH ASSET, LLC, an Ohio limited liability company.

Maryland Debt Service: means Debt Service (as defined in the Maryland Loan Agreement) for the Borrowers (as defined in the Maryland Loan Agreement).

Maryland Cash Flow: means Cash Flow (as defined in the Maryland Loan Agreement) for the Borrowers (as defined in the Maryland Loan Agreement).

Maryland Closing: as defined in Section [39.9](#).

Maryland Deeds of Trust: means the “Deeds of Trust” as defined in the Maryland Loan Agreement.

Maryland Facilities: means the “Facilities” as defined in the Maryland Loan Agreement.

Maryland Loan: means the “Loan” as defined in the Maryland Loan Agreement.

Maryland Loan Agreement: The Loan Agreement dated as of the date of this Lease from the Maryland Borrowers, as borrowers, Maryland Parent Guarantors, as parent guarantors, and Lessor, as lender.

Maryland Loan Documents: means the “Loan Documents” as defined in the Maryland Loan Agreement.

Maryland Obligors: means the Maryland Borrowers, Maryland Parent Guarantors, and all of their affiliates which have granted security or credit support for the obligations of the Maryland Borrowers under the Maryland Loan Documents.

Maryland Operators: means the “Operators” as defined in the Maryland Loan Agreement.

Maryland Option: as defined in Section [39.1](#).

Maryland Option Commencement Date: as defined in Section [39.2](#).

Maryland Option Notice: as defined in Section [39.5](#).

Maryland Option Period: as defined in Section [39.2](#).

Maryland Option Property: The land described in the Maryland Deeds of Trust, the buildings and fixtures thereon, all of the other improvements thereto, all strips, gores, riparian rights, air rights, mineral rights, easements, rights-of-way and other appurtenances thereto; all personal property, tangible and intangible, located on or used in connection with the Maryland Facilities, including, without limitation, (i) fixtures, equipment, machinery, and other tangible personal property, (ii) all surveys, maps, engineering reports, plans, drawings, specifications and other technical descriptions relating to the Maryland Facilities, (iii) all warranties, guarantees, rights, claims and causes of action, licenses and permits relating to the Maryland Facilities, and (iv) the rights, title and interests of Maryland Borrowers under all of the leases, licenses and occupancy agreements, written or oral, relating to the Maryland Facilities.

Maryland Parent Guarantors: means RE Holdings, RE Leasing, AO, HEALTH CARE FACILITY MANAGEMENT, LLC, an Ohio limited liability company, and RESIDENT CARE CONSULTING, LLC, an Ohio limited liability company.

Maryland Permitted Encumbrances: mean the "Permitted Encumbrances" as defined in the Maryland Deed of Trusts.

Maryland Title Commitments: as defined in Section 39.7(a).

Maryland Title Company: as defined in Section 39.7(a).

Maryland Title Insurance Policies: as defined in Section 39.7(a).

Material Adverse Effect: means any material adverse effect whatsoever upon (a) the validity, performance or enforceability of any Transaction Document, (b) the properties, contracts, business operations, profits or condition (financial or otherwise) of Lessee, a Sublessee or any Guarantor, or (c) the ability of Lessee, a Sublessee, any Guarantor or any of their Affiliates to fulfill its obligations under the Transaction Documents.

Maximum Principal Amount: means Thirty Five Million Dollars (\$35,000,000).

Net Income: For any period, Lessee's net income (or loss) for such period attributable to the operation of the Facilities, determined in accordance with GAAP; provided, however, that Lessee's Net Income shall not include any extraordinary gains (or losses) or nonrecurring gains (or losses).

Net Proceeds: All proceeds, net of any costs incurred by Lessor in obtaining such proceeds, payable under any policy of insurance required by Article XIII of this Lease (including any proceeds with respect to Lessee's Personal Property that Lessee is required or elects to restore or replace pursuant to Section 14.3) or paid by a Condemnor for a Taking or Partial Taking of a Leased Property.

Net Reletting Proceeds: Proceeds of the reletting of any portion of the Leased Property received by Lessor, net of Reletting Costs.

Non-Escrow Improvements: means the capital improvements to the Facilities other than Lessee Option Facilities approved in writing by Lessor.

Notice: A notice given in accordance with Article XXXI hereof.

Notice of Termination: A Notice from Lessor that it is terminating this Lease by reason of an Event of Default.

Off-Balance Sheet Liability: of a Person means (i) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (ii) any liability under any Sale and Leaseback Transaction which is not a Capitalized Lease, (iii) any liability under any so-called "synthetic lease" transaction entered into by such Person, or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person.

Officer's Certificate: A certificate signed by an Executive Officer.

OHI Facilities: means the Facilities, together with the skilled nursing facilities subject to liens in favor of Lessor and its Affiliates pursuant to the City View Loan Agreement and the Maryland Loan Agreement.

OHI THI Facilities: means the Facilities commonly known as:

Northwestern Center
570 North Rocky River Drive
Berea OH 44017

Oak Grove Center
620 East Water Street
Deshler OH 43516

Greenbriar Center (a/k/a Greenbriar North)
8064 South Avenue
Boardman OH 44512

Columbus Center
4301 Clime Road, North
Columbus OH 43228

Chardon Healthcare Center
620 Water Street
Chardon OH 44024

Greenbriar Rehabilitation Hospital
8064 South Avenue, Ste. One
Boardman OH 44512

Golden Years Healthcare Center
(P.O. Box 1148) 2125 Royce Street
Portsmouth OH 45662

Commons at Greenbriar
8060 South Avenue
Boardman OH 44512

Kent Care Center
1290 Fairchild Avenue
Kent OH 44240

OHI Working Capital Loan Agreement: means the Working Capital Loan Agreement dated as of November 7, 2003 between Lessee and certain of the Sublessees, as borrowers, and Lessor, as lender.

OHI Working Capital Note: means the Secured Working Capital Promissory Note dated as of November 7, 2003 in the state principal amount of \$1,000,000 from Lessee and certain of the Sublessees in favor of Lessor.

Omega: Omega Healthcare Investors, Inc., a Maryland corporation.

Objections: is defined in Section [38.7](#).

Other Permitted Indebtedness: means the Letter of Credit Facility and the indebtedness and contingent obligations listed on [Schedule 8.2.5](#), together with renewals, refinancings and replacements of such indebtedness and contingent obligations by indebtedness or contingent obligations of like kind and of equal or lesser amount of credit exposure.

Overdue Rate: The rate of twelve percent (12%).

Partial Taking: A taking of less than the entire fee of a Leased Property that either (a) does not render the Leased Property Unsuited for its Primary Use, or (b) renders a Leased Property Unsuited for its Primary Intended Use, but neither Lessor nor Lessee elects pursuant to Section 15.1 hereof to terminate this Lease.

Payment Date: Any due date for the payment of the installments of Base Rent or for the payment of Additional Charges or any other amount required to be paid by Lessee hereunder.

Permitted Encumbrances: Encumbrances listed on attached Exhibit D.

Permitted Investments: the Investments listed on Schedule 8.8.

Person: Any natural person, trust, partnership, corporation, joint venture, limited liability company or other legal entity.

Personal Property: All machinery, equipment, furniture, furnishings, movable walls or partitions, computers (and all associated software), trade fixtures and other tangible personal property (but excluding consumable inventory and supplies owned by Lessee) used in connection with the Leased Properties, together with all replacements and alterations thereof and additions thereto, except items, if any, included within the definition of Fixtures or Leased Improvements.

Pledge Agreement: The Pledge Agreements between Lessor, as creditor, and Lessee, certain of the Parent Guarantors, HCREH, and HCH, as pledgors.

Pre-Existing Hazardous Substances: means Hazardous Substances located on, under about or with respect to the Waterford Facility, the Crestwood Facility or an Emory Acquired Facility prior to the Commencement Date for such Facility.

Pre-Existing Environmental Conditions: means any Contamination or other environmental condition on, under, about or with respect to the Waterford Facility, the Crestwood Facility or an Emory Acquired Facility prior to the Commencement Date for such Facility.

Present Value: The value of future payments, determined by discounting each such payment at a rate equal to the yield on the specified date on securities issued by the United States Treasury (bills, notes and bonds) maturing on the date closest to December 31 in the year in which such future payment would have been due.

Primary Intended Use: Licensed skilled nursing facilities and, in the case of the LTACH Facility, long term acute care hospital.

Prime Rate: On any date, an interest rate equal to the prime rate published by the Wall Street Journal, but in no event greater than the maximum rate then permitted under applicable law. If the Wall Street Journal ceases to be in existence, or for any reason no longer publishes such prime rate, the Prime Rate shall be the rate announced as its prime rate by Fleet Bank or other financial institution that is the agent for the banks under Omega's revolving credit agreement, and if such bank no longer exists or does not announce a prime rate at such time, the Prime Rate shall be the rate of interest announced as its prime rate by a national bank selected by Lessor.

Proceeding: Any action, proposal or investigation by any agency or entity, or any complaint to such agency or entity.

Purchase Money Financing: Any financing provided by a Person to Lessee or a Sublessee in connection with the acquisition of Personal Property used in connection with the operation of a Facility, whether by way of installment sale or otherwise.

Qualified Capital Expenditures: Expenditures capitalized on the books of Lessee for alterations, renovations, repairs and replacements to the Facilities, including without limitation any of the following: Replacement of furniture, fixtures and equipment, including refrigerators, ranges, major appliances, bathroom fixtures, doors (exterior and interior), central air conditioning and heating systems (including cooling towers, water chilling units, furnaces, boilers and fuel storage tanks) and major replacement of siding; major roof replacements, including major replacements of gutters, downspouts, eaves and soffits; major repairs and replacements of plumbing and sanitary systems; overhaul of elevator systems; major repaving, resurfacing and sealcoating of sidewalks, parking lots and driveways; repainting of entire building exterior; but excluding major alterations, renovations, additions (consisting of expansions of any Facility, including construction of a new wing or a new story on any Facility), normal maintenance and repairs.

RE Holdings: means OMG RE Holdings, LLC, an Ohio limited liability company.

RE Leasing: means OMG RE LEASING CO., LLC, an Ohio limited liability company.

Regulatory Actions: Any claim, demand, notice, action or proceeding brought, threatened or initiated by any governmental authority in connection with any Environmental Law, including, without limitation, civil, criminal and administrative proceedings, whether or not the remedy sought is costs, damages, equitable remedies, penalties or expenses.

Related Rights: All easements, rights and appurtenances relating to the Land and the Leased Improvements.

Release: The intentional or unintentional spilling, leaking, dumping, pouring, emptying, seeping, disposing, discharging, emitting, depositing, injecting, leaching, escaping, abandoning, or any other release or threatened release, however defined, of any Hazardous Substance.

Reletting Costs: Expenses incurred by Lessor in connection with the reletting of the Leased Properties in whole or in part after an Event of Default, including without limitation attorneys' fees and expenses, brokerage fees and expenses, marketing expenses and the cost of repairs and renovations reasonably required for such reletting.

Renewal Term: A period for which the Term is renewed in accordance with Section 1.3.

Rent: Collectively, Base Rent and Additional Charges.

Replacement Cost: The actual replacement cost of the Leased Properties, including an increased cost of construction endorsement, less exclusions provided in the standard form of fire insurance policy. In all events Replacement Cost shall be an amount sufficient that neither Lessor nor Lessee is deemed to be a co-insurer of the Leased Property in question.

Sale and Leaseback Transaction: means any sale or other transfer of real or personal property by any Person with the intent to lease such property as lessee.

SEC: Securities and Exchange Commission.

Security Agreements: The Security Agreements between Lessor, as secured party, and Lessee, each Sublessee, each Manager, each Consultant, and each Guarantor, as debtors.

Security Deposit: As defined in [ARTICLE XXXVII](#) hereof.

Special Default: The occurrence of any of the following: (a) Lessee fails to pay or cause to be paid the Rent when due and payable; (b) Lessee or any of its Affiliates fails to pay when due any amount required to be paid pursuant to any of the other Transaction Documents; or (c) at any time, Lessee and the Sublessees on a consolidated basis fail to maintain a Cash Flow to Rent Ratio of 1.0 or more as determined quarterly on a cumulative basis for each calendar year.

Special Risk Insurance: The insurance that Lessee is required to maintain pursuant to Section 13.2.1 of this Lease.

State: The State in which the Leased Properties are located.

Subleases: The subleases dated as of the date of this Lease with the following subsidiaries of Lessee: (1) Midland Leasing Co, LLC, an Ohio limited liability company; (2) Garden Leasing Co, LLC, an Ohio limited liability company; (3) Skyline (PA) Leasing Co, LLC, an Ohio limited liability company; (4) Old Leasing Co, LLC, an Ohio limited liability company; (5) Emery Leasing Co., LLC, an Ohio limited liability company; (6) Avis Leasing Co., LLC, an Ohio limited liability company; (7) Heritage (Ohio) Leasing Co., LLC, an Ohio limited liability company; (8) WYANT LEASING CO., LLC, an Ohio limited liability company; (9) BRECKSVILLE LEASING CO., LLC, an Ohio limited liability company; (10) JARVIS LEASING CO., LLC, an Ohio limited liability company; (11) KOLBE LEASING CO., LLC, an Ohio limited liability company; (12) PEARL LEASING CO., LLC, an Ohio limited liability company; (13) PEARL II LEASING CO., LLC, an Ohio limited liability company; (14) PEARL III LEASING CO., LLC, an Ohio limited liability company; (15) MERIT LEASING CO., LLC, an Ohio limited liability company; (16) FALLING LEASING CO., LLC, an Ohio limited liability company; (17) FRONT LEASING CO., LLC, an Ohio limited liability company; (18) BELMORE LEASING CO., LLC, an Ohio limited liability company; (19) LTACH Facility Sublease; (20) Water Leasing Co., LLC, an Ohio limited liability company; (21) South II Leasing Co., LLC, an Ohio limited liability company; (22) South I Leasing Co., LLC, an Ohio limited liability company; (23) South III Leasing Co., LLC, an Ohio limited liability company; (24) Fairchild (MD) Leasing Co., LLC, an Ohio limited liability company; (25) Rocky River Leasing Co., LLC, an Ohio limited liability company; (26) Clime Leasing Co., LLC, an Ohio limited liability company; (27) Royce Leasing Co., LLC, an Ohio limited liability company; (28) East Water Leasing Co., LLC, an Ohio limited liability company, and such other Subleases expressly approved in writing by Lessor prior to execution by Lessee.

Sublessees: The sublessees under the Subleases.

Subordination Agreement: The Subordination Agreement from Lessee, the Sublessees, and Guarantor in favor of Lessor, the Subordination of Management Agreement from Lessee, the Sublessees, and Managers, and the Subordination of Financial Services Agreement from Lessee, the Sublessees and Consultants in favor of Lessor.

Subsidiary: of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of Lessee, a Sublessee, a Guarantor, HCH or HCREH.

Taken: Conveyed pursuant to a Taking or Partial Taking.

Taking: A taking or voluntary conveyance during the Term of all of a Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of any condemnation or other eminent domain proceeding affecting the Leased Property, whether or not the proceeding actually has been commenced.

Tangible Net Worth: At any date, the net worth of a Person as determined in conformity with GAAP, less Intangible Assets, as determined as of such date.

Tax Distributions: A distribution by Lessee to the equity owners of Lessee in an amount not in excess of the actual income tax liability of each such equity owner attributable to such equity owner's allocated share of the taxable income of Lessee.

Term: Collectively, the Initial Term plus the Renewal Term or Renewal Terms, if any.

Termination Date: The date on which a Notice of Termination is given.

THI Acquisition Agreements: means (i) that certain Purchase and Sale Agreement dated as of February 6, 2008 among OHI Acquisition Co. I, LLC, a Delaware limited liability company, and Trans Healthcare, Inc., a Delaware corporation, and certain of its Affiliates, as sellers, and (ii) that certain Purchase and Sale Agreement dated as of February 6, 2008 between OHI Acquisition Co. I, LLC, a Delaware limited liability company and Ventas Realty, Limited Partnership, a Delaware limited partnership.

Third Party Claims: Any claims, actions, demands or proceedings (other than Regulatory Actions) howsoever based (including without limitation those based on negligence, trespass, strict liability, nuisance, toxic tort or detriment to health welfare or property) due to Contamination, whether or not the remedy sought is costs, damages, penalties or expenses, brought by any person or entity other than a governmental agency.

Title Company: means First American Title Insurance Company.

Transaction Documents: means the following documents: this Lease, the Guaranties, the Letter of Credit Agreement, the Security Agreements, the Pledge Agreements, the Subordination Agreements, the OHI Working Capital Loan Agreement, the OHI Working Capital Note, the Cross Default and Cross Collateralization Agreement, the Agreement to Lease, Indemnity Agreements, and any security agreements, pledge agreements, letter of credit agreements, guarantees, notes or other documents which evidence, secure or otherwise relate to this Lease, the OHI Working Capital Loan Agreement, the Agreement to Lease or the transactions contemplated by this Lease, the Agreement to Lease, or the OHI Working Capital Loan Agreement; and any and all amendments, modifications, extensions and renewals of any of the foregoing documents.

Transfer: The (a) assignment, mortgaging or other encumbering of all or any part of Lessee's or any Sublessee's interest in this Lease or in the Leased Properties; (b) subletting of the whole or any part of any Leased Property (except to Sublessees pursuant to the Subleases); (c) entering into of any Management Agreement or Consulting Agreement or other arrangement under which any Facility is operated by or licensed to be operated by an entity other than Lessee or a Sublessee; (d) merger, consolidation or reorganization of a corporate Lessee, corporate Guarantor, corporate Sublessee or corporate Manager, or corporate Consultant, or the sale, issuance, transfer and/or redemption, cumulatively or in one transaction, of any voting stock by Lessee, any Guarantor, any Sublessee or Manager or Consultant or by Persons who are stockholders (whether beneficially or of record) of Lessee, any Guarantor, any Sublessee or Manager or Consultant, if such event or events result(s) in a change of Control of Lessee, any Guarantor, any Sublessee or Manager or Consultant; (e) sale, issuance, transfer or redemption, cumulatively or in one transaction, of any interest, or the termination of any interest (in each case, whether held directly or indirectly), in Lessee, any Guarantor, any Sublessee or Manager or Consultant, if Lessee, such Guarantor, such Sublessee or such Manager or such Consultant is a joint venture, partnership, limited liability company or other association and such sale, issuance, transfer, redemption or termination of interest results in a change of Control of such joint venture, partnership, limited liability company or other association; or (f) a change in the individuals holding the Executive Officer's position of Lessee, Guarantors, Consultants, Managers or Sublessees.

Transferee: An assignee, subtenant or other occupant of a Leased Property pursuant to a Transfer.

Unmatured Event of Default: means the occurrence of an event which upon its occurrence, or with the giving of notice, the passage of time, or both, would constitute an Event of Default.

Unsuitable for Its Primary Intended Use: A state or condition of a Facility such that by reason of a Partial Taking, the Facility cannot be operated on a commercially practicable basis for its Primary Intended Use, taking into account, among other relevant factors, the number of usable beds permitted by applicable law and regulation in the Facility after the Partial Taking, the square footage Taken and the estimated revenue impact of such Partial Taking.

Waterford Facility: means Waterford Commons, 955 Garden Lake Parkway, Toledo, Ohio 43614.

ARTICLE III

3.1 Base Rent: Monthly Installments. In addition to all other payments to be made by Lessee under this Lease, Lessee shall pay Lessor the Base Rent in lawful money of the United States of America which is legal tender for the payment of public and private debts, Lessee shall pay the Base Rent in advance. Base Rent shall be paid in equal, consecutive monthly installments, each of which shall be in an amount equal to one-twelfth (1/12) of the Base Rent payable for the Lease Year in which such installment is payable; provided, however, that if the Commencement Date is not the first day of the month, then the first month's payment of Base Rent shall be prorated based upon the number of days in the month from and after the Commencement Date. Thereafter, installments of Base Rent shall be payable on the fifteenth (15th) day of each calendar month. Base Rent shall be paid to Lessor, or to such other Person as Lessor from time to time may designate by Notice to Lessee, by wire transfer of immediately available federal funds to the bank account designated in writing by Lessor. If Lessor directs Lessee to pay any Base Rent or Additional Charges to any Person other than Lessor, Lessee shall send to Lessor, simultaneously with payment of the Base Rent or Additional Charges, a copy of the transmittal letter or invoice and check evidencing such, or such other evidence of payment as Lessor requires.

3.2 Additional Charges. In addition to the Base Rent, Lessee also will pay as and when due all Additional Charges.

3.3 Late Charge: Interest. If any Rent payable to Lessor is not paid when due, Lessee shall pay Lessor on demand, as an Additional Charge, a late charge equal to the greater of (a) five percent (5%) of the amount not paid when due and (b) any and all charges, expenses, fees or penalties imposed on Lessor by a Facility Mortgagee for late payment, and, in addition, if such Rent (including the late charge) is not paid within thirty (30) days of the date on which such Rent was due, interest thereon at the Overdue Rate from the date when due until such Rent (including the late charge and interest) is paid in full.

3.4 Net Lease.

3.4.1 The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the Rent payable to Lessor under this Lease throughout the Term.

3.4.2 If Lessor commences any proceedings for non-payment of Rent, Lessee will not interpose any counterclaim or cross complaint or similar pleading of any nature or description in such proceedings unless Lessee would lose or waive such claim by the failure to assert it, but Lessee does not waive any rights to assert such claim in a separate action brought by Lessee. The covenants to pay Rent are independent covenants, and Lessee shall have no right to hold back, offset or fail to pay any Rent because of any alleged default by Lessor or for any other reason.

3.5 Payments In The Event of a Rent Adjustment.

3.5.1 Upon the adjustment, pursuant to Section (A)(4) or Section (B) of the definition of the term "Base Rent," in the Base Rent payable pursuant to this Lease with respect to any Lease Year, the adjustment shall be effective as of the first payment of Base Rent due in the Lease Year as to which such adjustment pertains. Because it may not be possible to determine the adjusted Base Rent prior to the effective date of such adjustment, Lessee shall continue to pay the Base Rent at the rate in effect prior to the adjustment until Lessor gives Lessee Notice of its determination of the adjusted Base Rent. Upon such determination, the Base Rent shall be adjusted retroactively as of the effective date of such adjustment On or before the second (2nd) payment date for Base Rent following receipt by Lessee of Lessor's Notice of the adjustment, Lessee shall make an additional payment of Base Rent in such amount as will bring the Base Rent, as adjusted, current on or before such second (2nd) payment date, and thereafter Lessee shall pay the adjusted Base Rent in correspondingly adjusted monthly installments until the Base Rent is next adjusted or reset as required under this Lease.

3.5.2 This Section 3.5 shall survive the expiration or earlier termination of this Lease with respect to any adjustment or reset that is not known or fully paid as of the date of expiration or earlier termination of this Lease.

ARTICLE IV

4.1 Payment of Impositions. Subject to Section 12.1 and Section 12.2, Lessee will pay all Impositions before any fine, penalty, interest or cost is added for non-payment, and will promptly, upon request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Subject to Section 12.2, if at the option of the taxpayer any Imposition may be paid in installments, Lessee may pay the same in the required installments provided it also pays any and all interest due thereon as and when due.

Lessee shall prepare and file as and when required all tax returns and reports required by governmental authorities with respect to all Impositions. Lessor and Lessee shall each, upon request, provide the other with such data, including without limitation cost and depreciation records, as is maintained by the party to whom the request is made as is necessary to prepare any required returns and reports.

Lessee shall be entitled to receive and retain any refund from a taxing authority in respect of an Imposition paid by Lessee if at the time of the refund no Event of Default has occurred, but if an Event of Default has occurred at the time of the refund, Lessee shall not be entitled to receive or retain such refund, and if and when received by Lessor such refund shall be applied as provided in Article XVI.

Lessee may, upon Notice to and with the consent of Lessor (which consent shall not be withheld unreasonably), at Lessee's sole cost and expense, protest, appeal or institute such other proceedings as Lessee deems appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall cooperate with Lessee in such protest, appeal or other action. Lessee shall reimburse Lessor for Lessor's direct costs of cooperating with Lessee for such protest, appeal or other action.

4.2 Adjustment of Impositions. Impositions imposed in respect of the tax fiscal period during which the Term ends shall be adjusted and prorated between Lessor and Lessee, whether or not imposed before or after the expiration or earlier termination of the Term, and Lessee's obligation to pay its prorated share thereof shall survive the expiration or earlier termination of the Term.

4.3 Utility Charges. Lessee will pay or cause to be paid when due all charges for electricity, power, gas, oil, water and other utilities imposed upon the Leased Properties or upon Lessor or Lessee with respect to the Leased Properties.

4.4 Insurance Premiums. Lessee shall pay or cause to be paid when due all premiums for the insurance coverage required to be maintained pursuant to Article XIII during the Term. Lessee shall deposit with Lessor the premiums for such insurance in accordance with the provisions of Section 12.2 of this Lease.

ARTICLE V

5.1 No Termination, Abatement, etc. Lessee shall not take any action without the consent of Lessor and any Facility Mortgagee to modify, surrender or terminate this Lease, and shall not seek or be entitled to any abatement, deduction, deferment or reduction of Rent, or setoff against Rent. The respective obligations of Lessor and Lessee shall not be affected by reason of (a) any damage to, or destruction of, the Leased Properties or any portion thereof from whatever cause or any Taking or Partial Taking of the Leased Properties, except as expressly set forth herein; (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Properties, or any portion thereof, or the interference with such use by any Person or by reason of eviction by paramount title; (c) any claim that Lessee has or might have against Lessor or by reason of any default or breach of any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties; (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceedings affecting Lessor or any assignee or transferee of Lessor; or (e) any other cause, whether similar or dissimilar to any of the foregoing, other than a discharge of Lessee from any such obligations as a matter of law. Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, that now or hereafter may be conferred upon it by law to (a) modify, surrender or terminate this Lease or quit or surrender the Leased Properties or any portion thereof, or (b) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder.

ARTICLE VI

6.1 Ownership of the Leased Properties. Lessee acknowledges that the Leased Properties are the property of Lessor and that Lessee has only the right to the possession and use of the Leased Properties upon the terms and conditions of this Lease. Lessee will not (a) file any income tax return or other associated documents, (b) file any other document with or submit any document to any governmental body or authority, (c) enter into any written contractual arrangement with any Person or (d) release any financial statements of Lessee, in any case that take any position other than that throughout the Term Lessor is the owner of the Leased Properties for federal, state and local income tax purposes and this Lease is a "true lease," and an "operating lease" and not a "capital lease."

6.2 Lessor's Personal Property. Lessee shall, during the entire Term, maintain all of Lessor's Personal Property in good order, condition and repair as shall be necessary in order to operate the Facilities for the Primary Intended Use in compliance with all applicable licensure and certification requirements, all applicable Legal Requirements and Insurance Requirements, and customary industry practice for the Primary Intended Use. If any of Lessor's Personal Property requires replacement in order to comply with the foregoing, Lessee shall replace it with similar property of the same or better quality at Lessee's sole cost and expense, and it shall become Lessor's Personal Property without payment of additional consideration at the expiration or earlier termination of the Lease. Lessee shall not permit or suffer Lessor's Personal Property to be subject to any lien, charge, encumbrance, financing statement, contract of sale, equipment lessor's interest or the like, except for any purchase money security interest or equipment lessor's interest expressly approved in advance, in writing, by Lessor. At the expiration or earlier termination of this Lease, all of Lessor's Personal Property shall be surrendered to Lessor with the Leased Properties at or before the time of the surrender of the Leased Property in at least as good a condition as at the Commencement Date (or, as to replacements, in at least as good a condition as when placed in service at the Facilities) except for ordinary wear and tear.

6.3 Lessee's Personal Property. Lessee shall provide and maintain during the Term such Personal Property, in addition to Lessor's Personal Property, as shall be necessary and appropriate in order to operate the Facilities for the Primary Intended Use in compliance with all licensure and certification requirements, in compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. Without the prior written consent of Lessor, except as permitted under Section 8.2.7, Lessee shall not permit or suffer Lessee's Personal Property to be subject to any lien, charge, encumbrance, financing statement or contract of sale or the like. Upon the expiration of the Term or the earlier termination of this Lease, without the payment of any additional consideration by Lessor, Lessee shall be deemed to have sold, assigned, transferred and conveyed to Lessor all of Lessee's right, title and interest in and to any of Lessee's Personal Property that, in Lessor's reasonable judgment, is integral to the Primary Intended Use of the Facilities (or if some other use thereof has been approved by Lessor as required herein, such other use as is then being made by Lessee) and, as provided in Section 33.1 hereof, Lessor shall have the option to purchase any of Lessee's Personal Property that is not then integral to such use. Without Lessor's prior written consent, Lessee shall not remove Lessee's Personal Property that is in use at the expiration or earlier termination of the Term from the Leased Properties until such option to purchase has expired or been waived in writing by Lessor. Any of Lessee's Personal Property that is not integral to the use of the Facilities being made by Lessee and is not purchased by Lessor pursuant to Section 33.1 may be removed by Lessee upon the expiration or earlier termination of this Lease, and, if not removed within twenty (20) days following the expiration or earlier termination of this Lease, shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without giving notice thereof to Lessee and without any payment to Lessee or any obligation to account therefor. Lessee shall reimburse Lessor for any and all expense incurred by Lessor in disposing of any of Lessee's Personal Property that Lessee may remove but within such twenty (20) day period fails to remove, and shall either at its own expense restore the Leased Properties to the condition required by Section 9.1.5, including repair of all damage to the Leased Properties caused by the removal of any of Lessee's Personal Property, or reimburse Lessor for any and all expense incurred by Lessor for such restoration and repair.

6.4 Grant of Security Interest in Lessee's Personal Property and Accounts. Lessee has concurrently granted to Lessor a security interest in the Collateral as defined in the Security Agreement, which includes, without limitation, the Personal Property as defined herein and Lessee's and Sublessee's Accounts as defined in the Security Agreement. If Lessee and/or the Sublessees obtain, concurrently with or after the Commencement Date, a working capital line of credit (the "Working Capital Loan") from a third-party working capital lender that requires that, in order to secure the working capital line of credit, Lessee and/or the Sublessees must grant to the working capital lender a first priority security interest in the accounts receivable from the Facilities accruing during the Term, if applicable, *then* such lien shall be permitted under this Lease and Lessor will subordinate its security interest in the accounts receivable and related collateral from the Facilities accruing during the Term, *provided in each case that*:

(a) The working capital lender executes and delivers to Lessor an intercreditor agreement in form and substance reasonably satisfactory to Lessor; and

(b) The lien of Lessor in accounts receivable and related collateral from each Facility shall be subordinated to the lien of the working capital lender therein only to the extent of amounts advanced from time to time by the working capital lender to Lessee and/or the Sublessees with respect to the Facilities and only in the maximum principal amount of the Maximum Principal Amount, plus interest, penalties and other charges under the loan documents with respect to principal amounts advanced; and

(c) The Working Capital Loan is not secured by any collateral other than accounts receivable and related collateral, which Lessor agrees may secure the Working Capital Loan; and

(d) No Event of Default has occurred and is continuing at the time of such request and entry into an intercreditor agreement.

ARTICLE VII

7.1 Condition of the Leased Properties. Lessee acknowledges that it has inspected and otherwise has knowledge of the condition of the Leased Properties prior to the execution and delivery of this Lease and has found the same to be in good order and repair and satisfactory for its purposes hereunder. Lessee is leasing the Leased Properties "as is" in their condition on the Commencement Date. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Properties. LESSOR MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF ANY LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. Lessee further acknowledges that throughout the Term Lessee is solely responsible for the condition of the Leased Properties.

7.2 Use of the Leased Properties. Throughout the Term Lessee shall use the Leased Properties continuously for the Primary Intended Use and uses incidental thereto. Lessee shall not use the Leased Properties or any portion thereof for any other use without the prior written consent of Lessor. No use shall be made or permitted to be made of, or allowed in, the Leased Properties, and no acts shall be done, which will cause the cancellation of, or be prohibited by, any insurance policy covering the Leased Properties or any part thereof, nor shall the Leased Properties or Lessee's Personal Property be used for any unlawful purpose. Lessee shall not commit or suffer to be committed any waste on the Leased Properties, or cause or permit any nuisance thereon, or suffer or permit the Leased Properties or any portion thereof, or Lessee's Personal Property, to be used in such a manner as (a) might reasonably tend to impair Lessor's (or Lessee's, as the case may be) title thereto or to any portion thereof, or (b) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of the Leased Properties or any portion thereof.

7.3 Certain Environmental Matters.

(a) Prohibition Against Use of Hazardous Substances. Lessee shall not permit, conduct or allow the generation, introduction, presence, maintenance, use, receipt, acceptance, treatment, manufacture, production, installation, management, storage, disposal or release of any Hazardous Substance on the Leased Properties, except for those types and quantities of Hazardous Substances necessary for and ordinarily associated with the conduct of Lessee's business and used in full compliance with all Environmental Laws.

(b) Notice of Environmental Claims, Actions or Contaminations. Lessee shall notify Lessor, in writing, immediately upon learning of any existing, pending or threatened: (i) investigation, inquiry, claim or action by any governmental authority in connection with any Environmental Laws, (ii) Third Party Claims, (iii) Regulatory Actions, and/or (iv) Contamination of any portion of the Leased Properties

(c) Costs of Remedial Actions with Respect to Environmental Matters. If any investigation and/or Clean-Up of any Hazardous Substance or other environmental condition on, under, about or with respect to a Leased Property is required by any Environmental Law (other than Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions), Lessee shall complete, at its own expense, such investigation and/or Clean-Up or cause any other Person who may be legally responsible to complete such investigation and/or Clean-Up.

(d) Delivery of Environmental Documents. Lessee shall deliver to Lessor complete copies of any and all Environmental Documents that may now be in, or at any time hereafter come into, the possession of Lessee.

(e) Environmental Audit. At Lessee's expense, Lessee shall, upon and within thirty (30) days of a written request therefor from Lessor or any Facility Mortgagee, deliver an Environmental Audit to Lessor and the Facility Mortgagee, if any. All tests and samplings shall be conducted using generally accepted and scientifically valid technology and methodologies. Lessee shall give the engineer or environmental consultant conducting the Environmental Audit reasonable and complete access to the Leased Properties and to all records in the possession of Lessee that may indicate the presence (whether current or past) of a Release or threatened Release of any Hazardous Substances on, in, under, about and adjacent to any Leased Property. Lessee also shall provide the engineer or environmental consultant full access to and the opportunity to interview such persons as may be employed in connection with the Leased Properties as the engineer or consultant deems appropriate. However, neither Lessor nor any Facility Mortgagee shall be entitled to request an Environmental Audit from Lessee unless (i) after the Commencement Date there have been changes, modifications or additions to Environmental Laws as applied to or affecting any of the Leased Properties; (ii) Lessor has a reasonable belief that there has been a significant change in the condition of any of the Leased Properties; or (iii) there are fewer than six (6) months remaining in the Term. If the Environmental Audit discloses the presence of Contamination or any noncompliance with Environmental Laws, Lessee shall immediately perform all of Lessee's obligations under this Lease with respect to such Hazardous Substances or noncompliance.

(f) Entry onto Leased Properties for Environmental Matters. If Lessee fails to provide an Environmental Audit as and when required by Subparagraph (e) above, in addition to Lessor's other remedies Lessee shall permit Lessor and any Facility Mortgagee from time to time, by its employees, agents, contractors or representatives, to enter upon the Leased Properties for the purpose of conducting such Investigations as Lessor may desire, the expense of which shall be paid or reimbursed promptly by Lessee as an Additional Charge. Lessor, any Facility Mortgagee exercising such right of entry and the employees, agents, contractors, consultants and/or representatives thereof, shall conduct any such Investigation in a manner that does not unreasonably interfere with Lessee's use of and operations on the Leased Properties (however, reasonable temporary interference with such use and operations is permissible if the investigation cannot otherwise be reasonably and inexpensively conducted). Other than in an emergency, Lessor and any Facility Mortgagee exercising such right of entry shall provide Lessee with prior notice before entering any of the Leased Properties to conduct such Investigation, and shall provide copies of any reports or results to Lessee, and Lessee shall cooperate fully in such Investigation.

(g) Environmental Matters Upon Termination of the Lease or Expiration of Term. Upon the expiration or earlier termination of the Term, Lessee shall cause the Leased Properties to be delivered free of any and all Regulatory Actions and Third Party Claims and otherwise in compliance with all Environmental Laws with respect thereto, and in a manner and condition that is reasonably required to ensure that the then present use, operation, leasing, development, construction, alteration, refinancing or sale of the Leased Property shall not be restricted by any environmental condition existing as of the date of such expiration or earlier termination of the Term; provided, that Lessee shall not be required to take any of the foregoing actions with respect to Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions.

(h) Compliance with Environmental Laws. Lessee shall comply with, and cause its agents, servants and employees to comply with, and shall use reasonable efforts to cause each occupant and user of any of the Leased Properties, and the agents, servants and employees of such occupants and users to comply with, each and every Environmental Law applicable to Lessee, the Leased Properties and each such occupant or user with respect to the Leased Properties. Specifically, but without limitation:

(i) Maintenance of Licenses and Permits. Lessee shall obtain and maintain (and Lessee shall use reasonable efforts to cause each tenant, occupant and user to obtain and maintain) all permits, certificates, licenses and other consents and approvals required by any applicable Environmental Law from time to time with respect to Lessee, each and every part of the Leased Properties and/or the conduct of any business at a Facility or related thereto;

(ii) Contamination. Lessee shall not cause, suffer or permit any Contamination (other than Pre-Existing Environmental Conditions);

(iii) Clean-Up. If a Contamination occurs (other than one arising solely out of Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions), Lessee promptly shall Clean-Up and remove any Hazardous Substance or cause the Clean-Up and the removal of any Hazardous Substance and in any such case such Clean-Up and removal of the Hazardous Substance shall be effected to Lessor's reasonable satisfaction and in any event in strict compliance with applicable Environmental Laws;

(iv) Discharge of Lien. Within twenty (20) days of the date any lien is imposed against the Leased Properties or any part thereof under any Environmental Law (other than a lien arising solely out of Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions), Lessee shall cause such lien to be discharged (by payment, by bond or otherwise to Lessor's absolute satisfaction);

(v) Notification of Lessor. Within three (3) Business Days after receipt by Lessee of Notice or discovery by Lessee of any fact or circumstance that might result in a breach or violation of any covenant or agreement, Lessee shall give Lessor Notice of such fact or circumstance; and

(vi) Requests, Orders and Notices. Within three (3) Business Days after receipt of any request, order or other notice relating to the Leased Properties under any Environmental Law, Lessee shall forward a copy thereof to Lessor.

(i) Environmental Related Remedies. In the event of a breach by Lessee beyond any applicable notice and/or grace period of its covenants with respect to environmental matters, Lessor may, in its sole discretion, do any one or more of the following (the exercise of one right or remedy hereunder not precluding the simultaneous or subsequent exercise of any other right or remedy hereunder):

(i) Cause a Clean-Up. Cause the Clean-Up of any Hazardous Substance or other environmental condition on or under the Leased Properties, or both (except to the extent such Clean-Up relates to Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions), at Lessee's cost and expense; or

(ii) Payment of Regulatory Damages. Pay on behalf of Lessee any damages, costs, fines or penalties imposed on Lessee or Lessor as a result of any Regulatory Actions; or

(iii) Payments to Discharge Liens. On behalf of Lessee, make any payment or perform any other act or cause any act to be performed that will prevent a lien in favor of any federal, state or local governmental authority from attaching to the Leased Properties or that will cause the discharge of any lien then attached to the Leased Properties; or

(iv) Payment of Third Party Damages. Pay, on behalf of Lessee, any damages, cost, fines or penalties imposed on Lessee as a result of any Third Party Claims; or

(v) Demand of Payment. Demand that Lessee make immediate payment of all of the costs of such Clean-Up and/or exercise of the remedies set forth in this Section 7.2 incurred by Lessor and not paid by Lessee as of the date of such demand.

(j) Environmental Indemnification. Lessee shall and does hereby indemnify, and shall defend and hold harmless, Lessor, each Facility Mortgagee and the principals, officers, directors, agents and employees of Lessor and each Facility Mortgagee, from each and every incurred and potential claim, cause of action, damage, demand, obligation, fine, laboratory fee, liability, loss, penalty, imposition settlement, levy, lien removal, litigation, judgment, proceeding, disbursement, expense and/or cost (including without limitation the cost of each and every Clean-Up), however defined and of whatever kind or nature, known or unknown, foreseeable or unforeseeable, contingent, incidental, consequential or otherwise (including, but not limited to, attorneys' fees, consultants' fees, experts' fees and related expenses, capital, operating and maintenance costs, incurred in connection with (i) any Investigation or monitoring of site conditions, and (ii) any Clean-Up required or performed by any federal, state or local governmental entity or performed by any other entity or person because of the presence of any Hazardous Substance, Release, threatened Release or any Contamination on, in, under or about any of the Leased Properties) that may be asserted against, imposed on, suffered or incurred by, each and every indemnitee arising out of or in any way related to, or allegedly arising out of or due to any environmental matter (except to the extent it arises out of Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions) including, but not limited to, any one or more of the following:

(i) Release Damage or Liability. The presence of Contamination in, on, at, under or near a Leased Property or migrating to a Leased Property from another location;

(ii) Injuries. All injuries to health or safety (including wrongful death), or to the environment, by reason of environmental matters relating to the condition of or activities past or present on, at, in or under a Leased Property, other than with respect to or resulting solely from Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions;

(iii) Violations of Law. All violations, and alleged violations, of any Environmental Law relating to a Leased Property or any activity on, in, at or under a Leased Property, other than with respect to or resulting solely from Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions;

(iv) Misrepresentation. All material misrepresentations relating to environmental matters in any documents or materials furnished by Lessee to Lessor and/or its representatives in connection with the Lease;

(v) Event of Default. Each and every Event of Default relating to environmental matters;

(vi) Lawsuits. Any and all lawsuits brought or threatened, settlements reached and governmental orders relating to any Hazardous Substances at, on, in or under a Leased Property, and all demands of governmental authorities, and all policies and requirements of Lessor's, based upon or in any way related to any Hazardous Substances at, on, in or under a Leased Property, other than with respect to or resulting solely from Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions; and

(vii) Presence of Liens. All liens imposed upon any of the Leased Properties in favor of any governmental entity or any person as a result of the presence, disposal, release or threat of release of Hazardous Substances at, on, in, from or under a Leased Property.

(k) Rights Cumulative and Survival. The rights granted Lessor under this Section are in addition to and not in limitation of any other rights or remedies available to Lessor under this Lease or allowed at law or in equity or rights of indemnification provided to Lessor in any agreement pursuant to which Lessor purchased any of the Leased Property. The payment and indemnification obligations set forth in this Section 7.3 shall survive the expiration or earlier termination of the Term.

(l) Exculpation. Notwithstanding anything to the contrary in this Lease, Lessee shall not be liable for any costs, loss, liability, damage or expense arising from or in connection with the Clean-Up of any Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions.

ARTICLE VIII

8.1 Compliance with Legal and Insurance Requirements. In its use, maintenance, operation and any alteration of the Leased Properties, Lessee, at its expense, promptly will (a) comply with all Legal Requirements and Insurance Requirements, whether or not compliance with them requires structural changes in any of the Leased Improvements (which structural changes shall be subject to Lessor's prior written approval, which Lessor shall not unreasonably withhold or delay) or interferes with or prevents the use and enjoyment of the Leased Properties, and (b) procure, maintain and comply with all licenses, certificates of need, provider agreements and other authorizations required for the use of the Leased Properties and Lessee's Personal Property for the Primary Intended Use, and for the proper erection, installation, operation and maintenance of the Leased Properties or any part thereof. The judgment of any court of competent jurisdiction, or the admission of Lessee in any action or proceeding against Lessee, whether or not Lessor is a party thereto, that Lessee has violated any such Legal Requirements or Insurance Requirements shall be conclusive of that fact as between Lessor and Lessee.

8.2 Certain Covenants.

8.2.1 Tangible Net Worth. At all times during the Term, Lessee One and RE Holdings shall maintain a Tangible Net Worth of at least Three Million Dollars (\$3,000,000), and if at any time Lessee One's or RE Holdings' Tangible Net Worth is less than such amount, within thirty (30) days Lessee shall cause the equity holders of Lessee One or RE Holdings, as applicable, to contribute to Lessee sufficient equity capital in the form of cash to cause Lessee One's and RE Holdings' Tangible Net Worth to exceed such amount. For purposes of this Section, Tangible Net Worth includes the amount of any cash Security Deposit.

8.2.2 Cash Flow to Rent Ratio. Lessee, the City View Operator and City View Owner on a consolidated basis (but excluding from such calculation the Net Income and Base Rent attributable to the OHI THI Facilities until July 1, 2009) shall maintain a Cash Flow to Rent Ratio as determined quarterly on a cumulative basis for the preceding four (4) calendar quarters during the Term of 1.25 or more. As illustration of the foregoing, the calculation of Cash Flow to Rent Ratio shall (i) at the end of the current quarter and the first through fourth quarters thereafter (which tests the period from date of this Lease thru June 30, 2009), exclude the Net Income and Base Rent attributable to the OHI THI Facilities, and (ii) at the end of the fifth quarter (which tests the second thru fifth quarters after the date of this Lease, i.e., October 1, 2008 thru September 30, 2009), exclude the Net Income and Base Rent attributable to the OHI THI Facilities prior to July 1, 2009, but include the period of July 1, 2009 thru September 30, 2009 for the OHI THI Facilities.

8.2.3 Combined Cash Flow to Rent Ratio. Commencing with the quarter ending September 30, 2009, Lessee, the City View Borrowers and the Maryland Borrowers on a consolidated basis shall maintain a Combined Cash Flow to Rent Ratio as determined quarterly on a cumulative basis for the preceding four (4) calendar quarters during the Term of 1.25 or more. As illustration of the foregoing, the calculation of Combined Cash Flow to Rent Ratio shall at the end of the fifth quarter (which tests the second thru fifth quarters after the date of this Lease, i.e., October 1, 2008 thru September 30, 2009) exclude the Net Income and Base attributable to the OHI THI Facilities prior to July 1, 2009, but include the period of July 1, 2009 thru September 30, 2009 for the OHI THI Facilities. For purposes of clarification, this Section applies to RE Holdings and its subsidiaries, and Lessee One, and its subsidiaries.

8.2.4 Limitation of Distributions. At any time during the Term, none of Lessee or any Guarantor shall make any Distributions to the holders of its equity securities or any Affiliate if, as of the date of such Distribution or upon giving effect to such Distribution, (a) an Event of Default has occurred and is continuing or (b) an Unmatured Event of Default has occurred and is continuing; provided, however, that so long as, as of the date of such Distribution or upon giving effect to such Distribution, no Special Default has occurred and is continuing, Lessee may make Tax Distributions.

8.2.5 Indebtedness. None of Lessee, any Sublessee, HCREH, HCH and RE Holdings will create, incur or suffer to exist any Indebtedness, except:

- (i) The equipment financing permitted under Section [8.2.7](#);
- (ii) The Working Capital Loan permitted under Section [6.4](#); and
- (iii) The Other Permitted Indebtedness.

8.2.6 Guarantees Prohibited. Except for guaranties of the Indebtedness permitted under Section [8.2.5](#) and guaranties and assumption of obligations in favor of Lessor and its Affiliates, neither Lessee nor any Sublessee shall guarantee any Indebtedness of any Affiliate or other third party. Except for guaranties of Other Permitted Indebtedness and guaranties and assumption of obligations in favor of Lessor and its Affiliates, none of HCREH, HCH or any Guarantor shall guarantee any Indebtedness of any Affiliate or other third party.

8.2.7 Equipment Financing. The annual aggregate amount of principal, interest and lease payments due from Lessee on any equipment financing at any Facility shall not exceed an amount equal to Fifty Thousand Dollars (\$50,000) per Facility.

8.2.8 Loans from Affiliates. Neither Lessee nor any Sublessee shall borrow money from any Affiliate unless the obligations of Lessee or such Sublessee and the rights of its Affiliates with respect to any such loan are subordinated to the rights of Lessor pursuant to a written subordination agreement in form and substance acceptable to Lessor.

8.3 Minimum Qualified Capital Expenditures. Each Lease Year Lessee shall expend with respect to each Facility at least Three Hundred Dollars (\$300) per-licensed-bed for Qualified Capital Expenditures to improve the Facilities, which amount shall be increased each Lease Year, beginning with the second Lease Year, by the lesser of (i) the proportionate to increases in the CPI (expressed as a percentage) or (ii) two and one half percent (2.5%).

8.4 Management Agreements and Consulting Agreements. Neither Lessee nor any Sublessee shall enter into or terminate any Management Agreement or Consulting Agreement without the prior written consent of Lessor and any Facility Mortgagee as to the identity of the Manager or Consultant, as applicable, and the terms of such agreement, and shall not amend, modify, or otherwise change the terms of any Management Agreement or Consulting Agreement without the prior written consent of Lessor and, in addition, as to any amendment, modification or other change that directly or indirectly increases the compensation of the Manager or Consultant or allows a change in the identity of the Manager or Consultant, without the consent of any Facility Mortgagee, which consent Lessor and such Facility Mortgagee may withhold in its or their sole discretion, and in no event without the execution by Lessee, Manager or Consultant and Lessor of an agreement, in form and substance satisfactory to Lessor and any Facility Mortgagee, pursuant to which Manager's or Consultant's right to receive its management or consulting fee is subordinated to the obligation of Lessee to pay the Rent as and when required under this Lease. Notwithstanding the foregoing, Lessee or any Sublessee may enter into a Management Agreement or Consulting Agreement with an Affiliate of Lessee without the written consent of Lessor provided that: (1) such Management Agreement or Consulting Agreement is subordinated to the rights of Lessor as provided for in this Section; and (2) Lessee provides Lessor prior Notice of the entry into such Management Agreement or Consulting Agreement and a copy of such agreement; provided, however, that if such entity ceases to be an Affiliate of Lessee, then Lessee must acquire Lessor's written consent to such Management Agreement or Consulting Agreement (which consent may then be withheld in Lessor's sole discretion).

8.5 Other Facilities. Except for the City View Nursing and Rehabilitation Center, 6606 Carnegie Avenue, Cleveland, Ohio 44103, neither Lessee nor any Affiliate shall own, operate or manage any nursing home, rest home, assisted living facility, subacute facility, retirement center or similar health care facility within (i) one half mile radius of the Waterford Facility and the LTACH Facility, (ii) ten (10) mile radius of the Crestwood Facility, and (iii) within a two (2) mile radius of any of the other Facilities.

8.6 No Other Business. Lessee and the Sublessees only (but not any of their Affiliates) shall not engage in any business other than the operation of the Facilities.

8.7 Existence; No Fundamental Change. Lessee, the Sublessees, HCREH, HCH, AO, RE Leasing and RE Holdings shall preserve and maintain their legal existence and such of their rights, licenses and privileges as are material to their business and operations; and qualify and remain qualified to do business in each jurisdiction in which such qualification is material to their business and operations or the ownership of their properties. Except with the prior written approval of Lessor, which may be withheld in Lessor's sole and absolute discretion, none of Lessee, the Sublessees, HCREH, HCH, AO, RE Leasing and RE Holdings will fundamentally change the nature of its business, enter into any amalgamation, merger, consolidation, reorganization or recapitalization, or reclassify its capital stock or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, assign, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or substantially all of its business, property or assets, whether now owned or hereafter acquired, or acquire by purchase or otherwise all or substantially all the business, property or assets, of any Person or any shares of stock or other equity securities of any Person.

8.8 No Investments. Without the prior written consent of Lessor, except for the Permitted Investments, none of Lessee, Sublessees, HCREH, HCH, AO, RE Leasing and RE Holdings will, or will they permit any Subsidiary to, make or suffer to exist any Investments (including without limitation, loans and advances to, and other Investments in, Subsidiaries), or commitments therefor, or to create any Subsidiary or to become or remain a partner in any partnership or joint venture, or to make any Acquisition of any Person.

8.9 Off-Balance Sheet Liabilities. Without the prior written consent of Lessor, Lessee, Sublessees, HCREH, HCH, AO, RE Leasing and RE Holdings will not, nor will any of them permit any Subsidiary to, enter into or suffer to exist any (i) Sale and Leaseback Transaction or (ii) any other transaction pursuant to which it incurs or has incurred Off-Balance Sheet Liabilities.

8.10 Bank Accounts. Lessee and the Sublessees shall maintain separate bank accounts from any other Person. None of Lessee and the Sublessees shall permit its or their assets, including cash, cash equivalents, and the cash proceeds arising out of the operation of the Facilities, to be commingled with the assets of any Person (other than Lessee and the Sublessees); provided, however, that the personal allowance accounts of the residents of the Facilities need not be maintained separately and may be commingled so long as Lessee and the Sublessees maintain adequate written records with respect to such personal allowance accounts.

8.11 Liens. Subject to the provisions of Section [12.1](#) relating to permitted contests, Lessee, the Sublessees, HCREH, HCH, AO, RE Leasing and RE Holdings, shall not directly or indirectly create or allow to remain, and shall promptly discharge at their expense, any lien, encumbrance, attachment, title retention agreement or claim upon any assets of Lessee, the Sublessees, HCREH, HCH, AO, RE Leasing and RE Holdings, excluding, however, (a) the liens and security interests in favor of Lessor and its Affiliates, (b) intentionally omitted, (c) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (i) the same are not yet payable, or (ii) such liens are in the process of being contested as permitted by Section [12.1](#), (e) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that any such liens are in the process of being contested as permitted by Section [12.1](#), (f) liens permitted under Section [6.4](#) of this Agreement, and (g) liens or security interests in assets (not including assets subject to the lien of the Pledge Agreements) of HCREH, HCH and RE Holdings which secure Other Permitted Indebtedness.

ARTICLE IX

9.1 Maintenance and Repair.

9.1.1 Lessee, at its expense, will keep the Leased Properties, and all appurtenant landscaping, private roadways, sidewalks and curbs that are under Lessee's control and Lessee's Personal Property in good order and repair, whether or not the need for such repairs arises out of Lessee's use, any prior use, the elements or the age of the Leased Property or any portion thereof, or any cause whatsoever except the act or negligence of Lessor, and with reasonable promptness shall make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen, or arising by reason of a condition existing prior to the Commencement Date (concealed or otherwise). Lessee shall maintain, operate and otherwise manage the Leased Properties at all times on a basis and in a manner consistent with the standards of competing facilities of comparable age in the market areas served by the Leased Properties. All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work or the property to be repaired shall be replaced. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Properties or any parts thereof for the Primary Intended Use.

9.1.2 Lessor shall not under any circumstances be required to maintain, build or rebuild any improvements on the Leased Properties (or any private roadways, sidewalks or curbs appurtenant thereto), or to make any repairs, replacements, alterations, restorations or renewals of any nature or description to the Leased Properties, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or upon any adjoining property, whether to provide lateral or other support or abate a nuisance, or otherwise, or to make any expenditure whatsoever with respect thereto, in connection with this Lease. Lessee hereby waives, to the extent permitted by law, the right to make repairs at the expense of Lessor pursuant to any law in effect at the time of the execution of this Lease or hereafter enacted.

9.1.3 Nothing contained in this Lease shall be construed as (a) constituting the consent or request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialmen or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to any Leased Property or any part thereof, or (b) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Properties or any portion thereof. Lessor shall have the right to give, record and post, as appropriate, notices of non-responsibility under any mechanics' and construction lien laws now or hereafter existing.

9.1.4 Lessee promptly shall replace any of the Leased Improvements or Lessor's Personal Property that becomes worn out, obsolete or unusable or unavailable for the purpose for which intended. All replacements shall have a value and utility at least equal to that of the items replaced and shall become part of the Leased Properties immediately upon their acquisition by Lessee. Upon Lessor's request, Lessee promptly shall execute and deliver to Lessor a bill of sale or other instrument establishing Lessor's lien-free ownership of such replacements. Lessee promptly shall repair all damage to a Leased Property incurred in the course of such replacement.

9.1.5 Lessee will, upon the expiration or earlier termination of the Term, vacate and surrender the Leased Properties to Lessor in the condition in which they were originally received from Lessor, in good operating condition, ordinary wear and tear excepted, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease.

9.2 Encroachments, Restrictions, etc. If, at any time, any of the Leased Improvements are alleged to encroach upon any property, street or right of way adjacent to a Leased Property, or to violate any restrictive covenant, or to impair the rights of others under any easement or right of way, Lessee promptly shall settle such allegations or take such other lawful action as may be necessary in order to be able to continue the use of a Leased Property for the Primary Intended Use substantially in the manner and to the extent such Leased Property was being used at the time of the assertion of such violation, impairment or encroachment; provided, however, that no such action shall violate any other provision of this Lease, and any alteration of a Leased Property must be made in conformity with the applicable requirements of Article X. Lessee shall not have any claim against Lessor or offset against any of Lessee's obligations under this Lease with respect to any such violation, impairment or encroachment.

9.3 Lessor funding of Approved Improvements.

9.3.1 Prior to the date of this Lease, Lessee has completed each Emory Improvement and Lessor has reimbursed Lessee to the extent required on the Existing Lease for each Emory Improvement.

9.3.2 At any time prior to December 31, 2009, upon written certification from Lessee to Lessor that a Non-Escrow Improvement has been completed, *in whole or in part*, and upon compliance with the procedures set forth in Section 9.3.4 below, so long as no Event of Default has occurred and is continuing, Lessor shall reimburse Lessee an amount equal to the Actual Cost of such Non-Escrow Improvement; provided, however, that Lessor's aggregate obligation to reimburse Lessee with respect to all Non-Escrow Improvements shall not exceed Two Million Dollars (\$2,000,000) in the aggregate. Any amounts so paid to Lessee by Lessor shall be used solely to pay the costs of the Non-Escrow Improvements for which payment is being made.

9.3.3 At Closing, Lessor shall escrow with the Title Company the Escrowed Capex Funds pursuant to an escrow agreement in form and substance acceptable to Lessor and Lessee. After the date of this Lease, Lessee shall propose the specific Escrow Improvements for Lessor's approval, which approval shall not be unreasonably withheld, conditioned or delayed. After receipt of approval as to any specific Escrow Improvement, Lessee shall promptly undertake, and complete each such Escrow Improvement on or before December 31, 2009. Upon written certification from Lessee to Lender that an Escrow Improvement has been completed, in whole or in part, and upon compliance with the procedures set forth in Section 9.3.4, so long as no Event of Default or Unmatured Event of Default has occurred and is continuing, Lessee may withdraw an amount of Escrowed Capex Funds equal to the amount agreed for such improvement. Any amounts so paid to Lessee shall be used first to pay the costs of the Escrow Improvements. To the extent the actual cost of all Escrow Improvement exceeds the amount of Escrowed Capex Funds, then Lessee shall pay such cost itself.

9.3.4 Funds to be disbursed by Lessor or from escrow for Approved Improvements shall be disbursed in accordance with the following procedures:

- (1) Lessee may not request reimbursement more than once per month;
- (2) With each request for reimbursement, Lessee shall deliver a certification from an officer of Lessee that (A) no Event of Default exists, and (B) no event has occurred or condition exists that with the giving of notice or the passage of time, or both, would constitute an Event of Default;
- (3) Lessee may not request reimbursement for less than Twenty Five Thousand (\$25,000); provided, however, that if all Approved Improvements are completed and the amount remaining to be reimbursed is less than Twenty Five Thousand (\$25,000) then Lessee may request such lesser amount;
- (4) The Approved Improvements shall be done pursuant to plans and specifications and a cost statement approved by Lessor;
- (5) After the first disbursement to Lessee, sworn statements and lien waivers in an amount at least equal to the amount of funds previously paid to Lessee (or lien subordination agreements pursuant to Ohio law) or such other adequate evidence of payment shall be delivered to Lessor from all contractors, subcontractors and material suppliers covering all labor and materials invoiced prior to the date of the previous disbursement;
- (6) Lessee shall deliver to Lessor such other evidence as Lessor reasonably may request, from time to time during the course of the work on the Approved Improvements, of compliance with the approved plans and specifications, of the cost of work and of the total amount needed to complete the Approved Improvements, and showing that there are no liens against the Leased Properties arising in connection with the work with respect to which the cost statement delivered to, and approved by, Lessor does not provide for their payment; and

(7) The funds may be disbursed by Lessor or the Escrow Agent to Lessee or to the persons entitled to receive payment thereof from Lessee.

ARTICLE X

10.1 Construction of Alterations and Additions to the Leased Properties.

10.1.1 Lessee shall not (a) make or permit to be made any structural alterations, improvements or additions of or to the Leased Properties or any part thereof, or (b) materially alter the plumbing, HVAC or electrical systems thereon or (c) make any other alterations, improvements or additions the cost of which exceeds (i) One Hundred Thousand (\$100,000.00) Dollars per alteration, improvement or addition, or (ii) One Hundred Thousand (\$100,000.00) Dollars at a given Facility in any Lease Year, unless and until Lessee has (x) caused complete plans and specifications therefor to have been prepared and submitted to Lessor at least thirty (30) days before the planned start of construction thereof, (y) obtained Lessor's written approval thereof and the approval of any Facility Mortgagee and (z), if required to do so by Lessor, provided Lessor with reasonable assurance of the payment of the cost of any such alterations, improvements or additions, in the form of a bond, letter of credit, cash deposit or adequate evidence of financing for the alteration, improvement or addition. If Lessor requires a deposit, Lessor shall retain and disburse the amount deposited in the same manner as is provided for insurance proceeds in Section 14.6. If the deposit is reasonably determined by Lessor at any time to be insufficient for the completion of the alteration, improvement or addition, Lessee immediately shall increase the deposit to the amount reasonably required by Lessor. Lessee shall be responsible for the completion of such improvements in accordance with the plans and specifications approved by Lessor, and promptly shall correct any failure with respect thereto.

10.1.2 Alterations and improvements not falling within the categories described in the first sentence of Section 10.1.1 may be made by Lessee without the prior approval of Lessor, but Lessee shall give Lessor at least thirty (30) days prior written Notice of any such alterations and improvements.

10.1.3 All alterations, improvements and additions shall (a) be constructed in a first class, workmanlike, manner, in compliance with all Insurance Requirements and Legal Requirements, (b) be in keeping with the character of the Leased Properties and the area in which the Leased Property in question is located and (c) be designed and constructed so that the value of the Leased Properties will not be diminished and the Primary Intended Use of the Leased Properties will not be changed. All improvements, alterations and additions immediately shall become a part of the Leased Properties.

10.1.4 Lessee shall have no claim against Lessor at any time in respect of the cost or value of any improvement, alteration or addition. There shall be no adjustment in the Rent by reason of any such improvement, alteration or addition. With Lessor's consent, expenditures made by Lessee pursuant to this Article X may be included as capital expenditures for purposes of inclusion in the capital expenditures budget for the Facilities and for measuring compliance with the obligations of Lessee set forth in Section 8.3 of this Lease.

10.1.5 In connection with any alteration that involves the removal, demolition or disturbance of any asbestos-containing material, Lessee shall cause to be prepared at its expense a full asbestos assessment applicable to such alteration and shall carry out such asbestos monitoring and maintenance program as reasonably shall be required thereafter in light of the results of such assessment.

ARTICLE XI

11.1 Liens. Without the consent of Lessor or as expressly permitted elsewhere herein, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Properties, and any attachment, levy, claim or encumbrance in respect of the Rent, except for (a) Permitted Encumbrances, (b) liens of mechanics, laborers, materialmen, suppliers or vendors for sums not yet due, and (c) liens created by the malfeasance or negligence of Lessor.

ARTICLE XII

12.1 Permitted Contests. Lessee, on its own or on Lessor's behalf (or in Lessor's name), but at Lessee's sole cost and expense, shall have the right to contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount or validity of any real or personal property assessment, Imposition, Legal Requirement or Insurance Requirement, or any lien, attachment, levy, encumbrance, charge or claim or any encroachment or restriction burdening the Leased Property, provided: (a) prior Notice of such contest is given to Lessor; (b) the Leased Properties would not be in any danger of being sold, forfeited or attached as a result of such contest, and there is no risk to Lessor of a loss of or interruption in the payment of Rent; (c) in the case of an unpaid Imposition or other lien, attachment, levy, encumbrance, charge or claim, collection thereof is suspended during the pendency of such contest; (d) in the case of a contest of a Legal Requirement, compliance may legally be delayed pending such contest and pending such contest no license, permit, approval, certificate of need, certificate of reimbursement or other authorization necessary to operate any Facility as a provider of health care services in accordance with its Primary Intended Use may be irrevocably suspended or revoked, or its right to so operate a Facility or to accept patients irrevocably suspended. Upon request of Lessor, after the occurrence of an Event of Default or Unmatured Event of Default, and while it continues, Lessee shall deposit funds or assure Lessor in some other manner reasonably satisfactory to Lessor that the amount to be paid by Lessee that is the subject of a contested Imposition, Legal Requirement, Insurance Requirement or Claim, together with interest and penalties, if any, thereon, and any and all costs for which Lessee is responsible will be paid if and when required upon the conclusion of such contest. Lessee shall defend, indemnify and save harmless Lessor from all costs or expenses arising out of or in connection with any such contest, including but not limited to attorneys' fees. If at any time Lessor reasonably determines that payment of any Imposition or other lien, attachment, levy, encumbrance, charge or claim, or compliance with any Legal or Insurance Requirement being contested by Lessee is necessary in order to prevent loss of any of the Leased Properties or Rent or civil or criminal penalties or other damage (including revocation or suspension of any license, permit, approval, certificate of need, certificate of reimbursement or other authorization necessary to operate any Facility as a provider of health care services in accordance with its Primary Intended Use or suspension of any right to accept patients), upon such prior Notice to Lessee as is reasonable in the circumstances Lessor may pay such amount, require Lessee to comply with such Legal or Insurance Requirement or take such other action as it may deem necessary to prevent such loss or damage. If reasonably necessary, upon Lessee's written request, Lessor, at Lessee's expense, shall cooperate with Lessee in a permitted contest, provided Lessee upon demand makes arrangements satisfactory to Lessor to assure the reimbursement of any and all Lessor's costs incurred in cooperating with Lessee in such contest.

12.2 Lessor's Requirement for Deposits. After an Event of Default or Unmatured Event of Default and while it continues, Lessee shall deposit with Lessor monthly, at the time of its payments of Base Rent, a pro rata portion of the amounts required to comply with Insurance Requirements, Impositions, Legal Requirements and Lessee's obligations under Section 8.3 of this Lease, and when such obligations become due, Lessor shall pay them (to the extent of the deposit) upon Notice from Lessee requesting such payment. If sufficient funds have not been deposited to cover the amount of the obligations due at least thirty (30) days in advance of the due date, Lessee immediately shall deposit the same with Lessor upon Notice from Lessor. Lessor shall not be obligated to segregate such deposited funds from its other funds or to pay Lessee any interest on any deposit held by Lessor. Upon an Event of Default, any of the funds remaining on deposit may be applied under this Lease in any manner and in such priority as Lessor may determine in its sole discretion.

ARTICLE XIII

13.1 General Insurance Requirements. Lessee shall keep the Leased Properties, and all property located in or on the Leased Properties, including Lessor's Personal Property and Lessee's Personal Property, insured with insurance meeting the following requirements: (a) all insurance shall be written by companies authorized to do insurance business in the applicable States and having a rating classification of not less than A- and a financial size category of "Class X", according to the then most recent issue of Best's Key Rating Guide; (b) all policies must name Lessor as an additional insured, and name as an additional insured any Facility Mortgagee by way of a standard form of mortgagee's loss payable endorsement in use in the applicable States and in accordance with any such other requirements as may be established by such Facility Mortgagee. However, if requested by Lessor and available on a commercially reasonable basis, all public liability and property damage insurance shall contain a provision that Lessor, although named as an insured, nevertheless shall be entitled to recovery for loss, damage or injury to Lessor, its servants, agents and employees by reason of the negligence of Lessee or Lessor; (c) losses must be payable to Lessor or Lessee as provided in Article XIV, and loss adjustments shall require the written consent of Lessor, any Facility Mortgagee and, provided it is not then in default, Lessee, which consent shall not be unreasonably withheld by either Lessor or Lessee; (d) each insurer must agree that it will give Lessor and any Facility Mortgagee at least sixty (60) days' written Notice before its policy shall be altered, allowed to expire or canceled; (e) the amount of any deductible or retention must be approved by Lessor prior to the issuance of any policy; and (f) the form of all policies shall be approved by Lessor, whose approval shall not unreasonably be withheld, and by any Facility Mortgagee.

13.2 Risks to be Insured. The policies covering the Leased Properties and Lessee's Personal Property shall insure against the following risks:

13.2.1 Loss or damage by fire, vandalism and malicious mischief, earthquake, extended coverage perils commonly known as "Special Risk," and all physical loss perils normally included in such Special Risk insurance, including but not limited to sprinkler leakage, in an amount not less than one hundred percent (100%) of Replacement Cost (provided that Lessor shall have the right from time to time, but no more frequently than once in any period of three (3) consecutive Lease Years, to have Replacement Cost reasonably redetermined by the fire insurance company then carrying the largest amount of fire insurance on the Leased Properties (Lessee hereby agreeing to pay the fee, if any, for such insurer), which determination shall be final and binding on the parties hereto, and upon such determination Lessee immediately shall increase, but not decrease, the amount of the insurance carried pursuant to this Section 13.2.1 to the amount so determined, subject to the approval of any Facility Mortgagee;

13.2.2 Broad form comprehensive boiler and machinery insurance on a blanket repair and replace basis, with limits for each accident in an amount not less than one hundred percent (100%) of Replacement Cost;

13.2.3 Loss of rental under a rental value insurance policy covering risk of loss during reconstruction necessitated by the occurrence of any of the hazards described in Sections 13.2.1 or 13.2.2 (but in no event for a period less than twelve (12) months) in an amount sufficient to prevent Lessor and Lessee from becoming a co-insurer;

13.2.4 Claims for bodily injury (including resulting death), personal injury or property damage under a policy of commercial general public liability insurance with a combined single limit per occurrence in respect of bodily injury and death and property damage of One Million Dollars (\$1,000,000), and an aggregate limitation of Seven Million Dollars (\$7,000,000), which insurance shall insure Lessee's contractual liability to Lessor under the indemnity provisions of this Lease and, if written on a "claims-made" basis, Lessee also shall provide continuous liability coverage for claims arising during the Term either by obtaining an endorsement providing for an extended reporting period reasonably acceptable to Lessor in the event such policy is canceled or not renewed for any reason whatsoever, or by obtaining "tail" insurance coverage converting the policies to "occurrence" basis policies providing coverage for a period of at least three (3) years beyond the expiration of the Term;

13.2.5 Claims arising out of malpractice in an amount not less than One Million Dollars (\$1,000,000) for each person and for each occurrence, and with an aggregate limitation of Five Million Five Hundred Thousand Dollars (\$5,500,000), and, if written on a "claims-made" basis, Lessee also shall provide continuous liability coverage for claims arising during the Term either by obtaining an endorsement providing for an extended reporting period reasonably acceptable to Lessor in the event such policy is canceled or not renewed for any reason whatsoever, or by obtaining "tail" insurance coverage converting the policies to "occurrence" basis policies providing coverage for a period of at least three (3) years beyond the expiration of the Term;

13.2.6 Flood (with respect to any portions of the Leased Properties located in whole or in part within a designated flood plain area) and such other hazards and in such amounts as may be customary for comparable properties in the area;

13.2.7 During such time as Lessee is constructing any improvements, (a) worker's compensation insurance and employers' liability insurance covering all persons employed in connection with the improvements in statutory limits, (b) a completed operations endorsement to the commercial general liability and property damage insurance policies referred to above, (c) builder's risk insurance, completed value form, covering all physical loss, in an amount satisfactory to Lessor, and (d) such other insurance, in such amounts, as Lessor deems necessary to protect Lessor's interest in the Leased Properties from any act or omission of Lessee's contractors or subcontractors, and certificates of insurance evidencing such coverage, in form satisfactory to Lessor, shall be presented to Lessor prior to the commencement of construction of such improvements;

13.2.8 Primary automobile liability insurance with limits of One Million Dollars (\$1,000,000.00) per occurrence each for owned and non-owned and hired vehicles;

13.2.9 Loss or damage commonly covered by blanket crime insurance including dishonesty, loss of money orders or paper currency and depositor's forgery, with a limit of not less than Five Hundred Thousand Dollars (\$500,000.00).

13.3 Payment of Premiums; Copies of Policies; Certificates. Subject to Section 12.2 of this Lease, Lessee shall pay when due all of the premiums for the insurance required by this Lease, and shall deliver to Lessor and to any Facility Mortgagee requesting such evidence, certificates of insurance in form satisfactory to Lessor and such Facility Mortgagee. Copies of the policies of insurance required by this Lease shall be delivered to Lessor within sixty (60) days of their effective date and certificates thereof shall be delivered to Lessor on or before their effective date (and, with respect to any renewal policy prior to the expiration of the existing policy), and in the event of the failure of Lessee either to carry the required insurance or pay the premiums therefor, or to deliver copies of policies or certificates to Lessor as required, Lessor shall be entitled, but shall have no obligation, to obtain such insurance and pay the premiums therefor when due, in which event Lessee shall repay to Lessor the premiums upon written demand therefor as Additional Charges.

13.4 Umbrella Policies. If Lessee chooses to carry umbrella liability coverage to obtain the limits of liability required under this Lease, the umbrella policies must provide coverage in the same manner as the primary commercial general liability policy and must contain no exclusions in addition to, or limitations materially different than, those of the primary policy.

13.5 Additional Insurance. In addition to the insurance described above, Lessee shall maintain such insurance as may be required from time to time by any Facility Mortgagee and shall at all times comply with all Legal Requirements with respect to worker's compensation insurance coverage.

13.6 No Liability; Waiver of Subrogation. Lessor shall have no liability to Lessee, and, provided Lessee provides the insurance required of it by this Lease, Lessee shall have no liability to Lessor, regardless of the cause, for any loss or expense resulting from or in connection with damage to or the destruction or other loss of any Leased Property or Lessee's Personal Property, and neither party will have any right or claim against the other for any such loss or expense by way of subrogation. Each insurance policy carried by either party covering any of the Leased Properties and Lessee's Personal Property, including without limitation, contents, fire and casualty insurance, shall contain an express waiver of any right of subrogation on the part of the insurer against the other party. Lessee shall pay any additional costs or charges for obtaining such waiver.

13.7 Increase in Limits. If an independent study prepared by a third party with a knowledge of the long term care insurance industry in the State of Ohio or Pennsylvania which is reasonably acceptable to Lessor and Lessee determines that the limits of the personal injury or property damage - public liability insurance in such state then being carried are insufficient, and that such increased coverages are available in the marketplace at commercially reasonable rates, then upon Notice from Lessor, Lessee shall cause such limits to be increased to the level specified in such Notice until further increase pursuant to the provisions of this Section. Any such independent study shall be paid for by Lessor.

13.8 Blanket Policy. Any insurance required by this Lease may be provided by so-called blanket policies of insurance carried by Lessee; provided, however, that the coverage afforded Lessor thereby may not be less than or materially different from that which would be provided by separate policies meeting the requirements of this Lease, and provided further that such policies meet the requirements of all Facility Mortgages.

13.9 No Separate Insurance.

13.9.1 Lessee shall not, on its own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required by this Lease, to be furnished by, or that may reasonably be required to be furnished by, Lessee, or increase the amount of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lessor and all Facility Mortgagees, are named therein as additional insureds, and losses are payable thereunder in the same manner as losses are payable under this Lease.

13.9.2 Nothing herein shall prohibit Lessee, upon Notice to Lessor, from (a) securing insurance required to be carried hereby with higher limits of liability than required in this Lease, or (b) securing insurance against risks not required to be insured pursuant to this Lease, and as to such insurance, Lessor and any Facility Mortgagee need not be included therein as additional insureds, nor must losses thereunder be payable in the same manner as losses are payable under this Lease, except to the extent required to avoid a default under a Facility Mortgage or any other encumbrance.

13.10 Captive Insurance. Lessor consents to Lessee insuring the coverages required by Sections [13.2.4](#) and [13.2.5](#) through a "segregated cell" captive under common control with Lessee, which may not meet the AmBest rating requirement set forth in Section [13.1](#), provided that (a) such captive will be licensed in any state in which such captive does business to the extent required by law, (b) the organization and capitalization of such captive is reasonably acceptable to Lessor, and (c) the insurance coverages otherwise comply with this Article. If at any time Lessee is providing the coverages required by Sections [13.2.4](#) and [13.2.5](#) through a captive insurance company, Lessor shall be entitled (but not required) to appoint one member to the advisory board of such captive insurance company.

ARTICLE XIV

14.1 Insurance Proceeds. Net Proceeds shall be paid to Lessor and held, disbursed or retained by Lessor as provided herein. If the Net Proceeds are less than the Approval Threshold, and no Event of Default has occurred and is continuing, Lessor shall pay the Net Proceeds to Lessee promptly upon Lessee's completion of the restoration of the damaged or destroyed Leased Property. If the Net Proceeds equal or exceed the Approval Threshold, and no Event of Default has occurred and is continuing, the Net Proceeds shall be made available for restoration or repair as provided in Section 14.6. Within fifteen (15) days of the receipt of the Net Proceeds of Special Risk Insurance, Lessor and Lessee shall agree as to the portion thereof, if any, attributable to the Lessee's Personal Property that Lessee is not required and does not elect to restore or replace, and if they cannot agree they shall submit the matter to arbitration pursuant to Article XXXV hereof, and the portion of the proceeds of such Special Risk Insurance agreed or determined by arbitration to be attributable to the Lessee's Personal Property that Lessee is not required and does not elect to restore or replace shall be paid to Lessee.

14.2 Restoration in the Event of Damage or Destruction. If all or any portion of a Leased Property is damaged by fire or other casualty, Lessee shall: (a) give Lessor Notice of such damage or destruction within five (5) Business Days of the occurrence thereof; (b) within thirty (30) Business Days of the occurrence commence the restoration of such Leased Property; and (c) thereafter proceed diligently to complete such restoration as quickly as reasonably possible, but in any event within one hundred eighty (180) days of the occurrence, to the end that the Leased Property is in substantially the same (or better) condition as the Leased Property was in immediately prior to the damage or destruction. Regardless of the anticipated cost thereof, if the restoration of a Leased Property requires any modification of structural elements, prior to commencing such modification Lessee shall obtain Lessor's written approval of the plans and specifications therefor.

14.3 Restoration of Lessee's Property. If Lessee is required to restore a Leased Property, Lessee also concurrently shall restore any of Lessee's Personal Property that is integral to the Primary Intended Use of such Leased Property at the time of the damage or destruction.

14.4 No Abatement of Rent. There shall be no abatement of Rent by reason of any damage to or the partial or total destruction of any Leased Property.

14.5 Waiver. Except as provided elsewhere in this Lease, Lessee hereby waives any statutory or common law rights of termination that may arise by reason of any damage to or destruction of a Leased Property.

14.6 Disbursement of Insurance Proceeds Equal to or Greater Than The Approval Threshold. If Lessee restores or repairs a Leased Property pursuant to this Article XIV, and if the Net Proceeds equal or exceed the Approval Threshold, the restoration or repair and disbursement of funds to Lessee shall be in accordance with the following procedures:

(a) The restoration or repair work shall be done pursuant to plans and specifications approved by Lessor and a certified construction cost statement, to be obtained by Lessee from a contractor reasonably acceptable to Lessor, showing the total cost of the restoration or repair; to the extent the cost exceeds the Net Proceeds, Lessee shall deposit with Lessor the amount of the excess cost, and Lessor shall disburse the funds so deposited in payment of the costs of restoration or repair before any disbursement of Net Proceeds.

(b) Construction Funds shall be made available, subject to a ten percent (10%) holdback, to Lessee upon request, but no more frequently than monthly, as the restoration and repair work progresses pursuant to certificates, in form and substance reasonably acceptable to Lessor, of an architect selected by Lessee and reasonably acceptable to Lessor (such architect to be, in the reasonable judgment of Lessor, highly qualified in the design and construction of the type of facility being repaired).

(c) After the first disbursement to Lessee, sworn statements and lien waivers in an amount at least equal to the amount of Construction Funds previously paid to Lessee shall be delivered to Lessor from all contractors, subcontractors and material suppliers covering all labor and materials furnished through the date of the previous disbursement.

(d) Lessee shall deliver to Lessor such other evidence as Lessor reasonably may request, from time to time during the course of the restoration and repair, as to the progress of the work, compliance with the approved plans and specifications, the cost of restoration and repair and the total amount needed to complete the restoration and repair, and showing that there are no liens against the Leased Property arising in connection with the restoration and repair and that the cost of the restoration and repair at least equals the total amount of Construction Funds then disbursed to Lessee hereunder.

(e) If the Construction Funds are at any time determined by Lessor to be inadequate for payment in full of all labor and materials for the restoration and repair, Lessee immediately shall pay the amount of the deficiency to Lessor to be held and disbursed as Construction Funds prior to the disbursement of any other Construction Funds then held by Lessor.

(f) The Construction Funds may be disbursed by Lessor to Lessee or to the persons entitled to receive payment thereof from Lessee, and such disbursement in either case may be made directly or through a third party escrow agent, such as, but not limited to, a title insurance company, or its agent, all as Lessor may determine in its sole discretion. Provided Lessee is not in default hereunder, any excess Construction Funds shall be paid to Lessee upon completion of the restoration or repair.

(g) If Lessee at any time fails to perform promptly and fully the conditions and covenants set forth in subparagraphs (a) through (f) above, and the failure is not corrected within ten (10) days of written Notice thereof, or if during the restoration or repair an Event of Default occurs, Lessor may, at its option, immediately cease making any further payments to Lessee for the restoration and repair.

(h) Lessor may reimburse itself out of the Construction Funds for its reasonable expenses incurred in administering the Construction Funds and inspecting the restoration and repair work, including without limitation attorneys' and other professional fees and escrow fees and expenses.

14.7 Net Proceeds Paid to Facility Mortgagee. Notwithstanding anything in this Lease to the contrary, if any Facility Mortgagee is entitled to any Net Proceeds or any portion thereof under the terms of any Facility Mortgage, the Net Proceeds shall be applied, held and/or disbursed in accordance with the terms of the Facility Mortgage. Lessor shall make commercially reasonable efforts to cause the Net Proceeds to be applied to the restoration of the Leased Property.

ARTICLE XV

15.1 Total Taking or Other Taking with Leased Property Rendered Unsuited for Its Primary Intended Use. If title to the fee of the whole of a Leased Property is Taken, this Lease shall cease and terminate as to the Leased Property Taken as of the Date of Taking by the Condemnor, and Rent shall be apportioned as of the termination date. If title to the fee of less than the whole of a Leased Property is Taken, but such Leased Property is rendered Unsuited for Its Primary Intended Use as a result of the Partial Taking, each of Lessee and Lessor shall have the option, which shall be exercisable by written Notice to the other at any time prior to the first to occur of the taking of possession by, or the date of vesting of title in, the Condemnor, to terminate this Lease with respect to such Leased Property as of the date so determined, in which event this Lease shall so cease and terminate with respect to that Leased Property as of the earlier of the date specified in the Notice or the date on which possession is taken by the Condemnor. If this Lease is so terminated as to a Leased Property, Rent shall be apportioned as of the termination date.

15.2 Allocation of Award. The total Award made with respect to all or any portion of a Leased Property or for loss of Rent, or for loss of business, shall be solely the property of and payable to Lessor or, if so provided in a Facility Mortgage, to the Facility Mortgagee. Nothing contained in this lease will be deemed to create any additional interest in Lessee, or entitle Lessee to any payment based on the value of the unexpired term or so-called "bonus value" to Lessee of this Lease. Any Award made for the taking of Lessee's Personal Property or for removal and relocation expenses of Lessee in any such proceedings, shall be payable to Lessee. In any proceedings with respect to an Award, each of Lessor and Lessee shall seek its own Award in conformity herewith, at its own expense. Notwithstanding the foregoing, Lessee may pursue a claim for loss of its business, provided that under the laws of the State, such claim will not diminish the Award to Lessor.

15.3 Partial Taking. In the event of a Partial Taking, Lessee, at its own cost and expense, shall, within sixty (60) days of the first to occur of the taking of possession by, or the date of vesting of title in, the Condemnor, commence the restoration of the affected Leased Property to a complete architectural unit of the same general character and condition (as nearly as may be possible under the circumstances) as existed immediately prior to the Partial Taking, and complete such restoration with all reasonable dispatch, but in any event within one hundred eighty (180) days of the date on which such Notice is given. Lessor shall contribute to the cost of restoration only such portion of the Award as is made therefor. As long as no Event of Default has occurred and is continuing, if such portion of the Award is in an amount less than the Approval Threshold, Lessor shall pay the same to Lessee upon completion of such restoration. As long as no Event of Default has occurred and is continuing, if such portion of the Award is in an amount equal to or greater than the Approval Threshold, Lessor shall make such portion of the Award available to Lessee in the manner provided in Section 14.6 with respect to Net Proceeds in excess of the Approval Threshold. Notwithstanding anything to the contrary in this Lease, if the Fair Market Rent of the affected Leased Property is reduced by reason of the Partial Taking, from and after the date on which possession is taken by the Condemnor the annualized Base Rent shall be reduced by an amount determined by dividing the portion of the Award made to Lessor expressly for such reduction in Fair Market Rent by the Capitalization Rate.

15.4 Temporary Taking. If there is a Partial Taking of possession or the use of all or part of a Leased Property, but the fee of such Leased Property is not Taken in whole or in part, until such Partial Taking of possession or use continues for more than six (6) months, all the provisions of this Lease shall remain in full force and effect and the entire amount of any Award made for such Partial Taking shall be paid to Lessee provided there is then no Event of Default. Upon the termination of any such period of temporary use or occupancy, Lessee at its sole cost and expense shall restore the affected Leased Property, as nearly as may be reasonably possible, to the condition existing immediately prior to such Partial Taking. If any such Partial Taking continues for longer than six (6) months, and fifty percent (50%) or more of the patient capacity of the affected Facility is thereby rendered Unsuitable for Its Primary Use, this Lease shall cease and terminate as to the affected Leased Property only as of the last day of the sixth (6th) month, but if less than fifty percent (50%) of the patient capacity of such Facility is thereby rendered Unsuitable for Its Primary Use, each of Lessee and Lessor shall have the option, which shall be exercisable by giving written Notice to the other at least sixty (60) days prior written Notice to the other, at any time prior to the end of the temporary Partial Taking, to terminate this Lease as to the affected Leased Property of the date set forth in such Notice, and Lessee shall be entitled to any Award made for the period of such temporary Partial Taking prior to the date of termination of the Lease. Rent shall not abate during the period of any temporary Partial Taking.

15.5 Awards Paid to Facility Mortgagee. Notwithstanding anything herein to the contrary, if any Facility Mortgagee is entitled to any Award or any portion thereof under the terms of any Facility Mortgage, such Award shall be applied, held and/or disbursed in accordance with the terms of the Facility Mortgage. If the Facility Mortgagee elects to apply the Award to the indebtedness secured by the Facility Mortgage and the Award represents an Award for Partial Taking as described in Section 15.3 above, Lessee shall restore the affected Facility as nearly as possible under the circumstances to a complete architectural unit of the same general character and condition as that of the Facility existing immediately prior to such Taking. In any such restoration, Lessee shall receive full credit for any portion of any award retained by Lessor and the Facility Mortgagee.

ARTICLE XVI

16.1 Lessor's Rights Upon an Event of Default. If an Event of Default occurs and while it continues, Lessor may terminate this Lease by giving Lessee a Notice of Termination, and in such event the Term shall end and all rights of Lessee under this Lease shall cease on the Termination Date. The Notice of Termination shall be in lieu of and not in addition to any notice required by the laws of any State as a condition to bringing an action for possession of the Leased Premises or to recover damages under this Lease. In addition to Lessor's right to terminate this Lease, Lessor shall have all other rights set forth in this Lease and all remedies available at law and in equity.

Lessee shall, to the extent permitted by law, pay as Additional Charges all costs and expenses incurred by or on behalf of Lessor, including, without limitation, reasonable attorneys' fees and expenses (whether or not litigation is commenced, and if litigation is commenced, including fees and expenses incurred in appeals and post-judgment proceedings) as a result of any default of Lessee hereunder.

No Event of Default (other than a failure to make payment of money) shall be deemed to exist if and for so long as Lessee is unable to prevent such Event of Default because of Force Majeure, provided that, upon the cessation of the Force Majeure, Lessee immediately shall proceed to remedy the action or condition giving rise to the Event of Default within the applicable cure period as extended by the Force Majeure.

16.2 Certain Remedies. If an Event of Default occurs, whether or not this Lease has been terminated pursuant to Section 16.1, if required to do so by Lessor Lessee immediately shall surrender the Leased Properties to Lessor in the condition required by Section 9.1.5 and quit the same, and Lessor may enter upon and repossess the Leased Properties by reasonable force, summary proceedings, ejectment or otherwise, and may remove Lessee and all other persons and any and all personal properties from the Leased Properties, subject to rights of any residents or patients and to any Legal Requirements. In addition to all other remedies set forth or referred to in this Article XVI, Lessor shall have the right to suspend any Management Agreement as to one or more or all Facilities and to retain a manager of the affected Facility or all Facilities at the expense of Lessee, such manager to serve for such term and at such compensation as Lessor reasonably determines is necessary under the circumstances.

16.3 Damages. None of (a) the termination of this Lease pursuant to Section 16.1, (b) the repossession of the Leased Properties, (c) the failure of Lessor to relet the Leased Properties, (d) the reletting of all or any portion thereof, or (v) the failure of Lessor to collect or receive any rentals due upon such any reletting, shall relieve Lessee of its liability and obligations hereunder, all of which shall survive any such termination, repossession or reletting. If this Lease is terminated by Lessor, Lessee immediately shall pay to Lessor all Rent due and payable with respect to the Leased Properties to and including the Termination Date, including without limitation all interest and late charges payable under Section 3.3 hereof with respect to any late payment of such Rent. Lessee also shall pay to Lessor, as liquidated damages, at Lessor's option, either:

(A) The sum of:

(i) Lessor's Interim Rent Loss, minus Net Reletting Proceeds for such period, and minus the portion of Lessor's Interim Rent Loss, if any, that Lessee proves reasonably could have been mitigated by Lessor, plus

(ii) the Present Value on the Judgment Date of Lessor's Future Rent Loss, assuming the CPI were to increase two and one half (2.5) percentage points per Lease Year from the Judgment Date through the Expiration Date, minus the Present Value on the Termination Date of the portion of Lessor's Future Rent Loss that Lessee proves reasonably could be mitigated by Lessor;

or

(B) Each month between the Termination Date and the Expiration Date, Lessor's Monthly Rent Loss, minus the Net Reletting Proceeds for such month, and minus the portion, if any, of Lessor's Monthly Rent Loss that Lessee proves reasonably could have been avoided. Any suit brought to recover liquidated damages payable under this subsection (B) shall not prejudice Lessor's right to collect liquidated damages for subsequent months in a similar proceeding.

16.4 Waiver. If this Lease is terminated pursuant to Section 16.1, Lessee waives, to the extent permitted by applicable law, (a) any right of reentry, repossession or redesignation, (b) any right to a trial by jury in the event of summary proceedings to enforce the remedies set forth in this Article XVI, and (c) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt. Acceptance of Rent at any time does not prejudice or remove any right of Lessor as to any right or remedy. No course of conduct shall be held to bar Lessor from literal enforcement of the terms of this Lease.

16.5 Application of Funds. Any payments received by Lessor under any of the provisions of this Lease during the existence or continuance of any Event of Default shall be applied to Lessee's obligations in the order that Lessor determines in its sole discretion or as may be prescribed by law.

16.6 Bankruptcy.

(a) None of Lessee's interest in this Lease, any estate hereby created in Lessee's interest or any interest herein or therein shall pass to any trustee or receiver or assignee for the benefit of creditors or otherwise by operation of law, except as specifically may be provided pursuant to the Bankruptcy Code (11 USC § 101 et. seq.), as the same may be amended from time to time.

(b) Rights and Obligations Under the Bankruptcy Code.

(i) Upon filing of a petition by or against Lessee under the Bankruptcy Code, Lessee, as debtor and as debtor-in-possession, and any trustee who may be appointed with respect to the assets of or estate in bankruptcy of Lessee, agree to pay monthly in advance, on the first day of each month, as reasonable compensation for the use and occupancy of the Leased Premises, an amount equal to all Rent due pursuant to this Lease.

(ii) Included within and in addition to any other conditions or obligations imposed upon Lessee or its successor in the event of the assumption and/or assignment of the Lease are the following: (A) the cure of any monetary defaults and reimbursement of pecuniary loss within not more than thirty (30) days of the assumption and/or assignment; (B) the deposit of an additional amount equal to not less than three (3) months' Base Rent, which amount is agreed to be a necessary and appropriate deposit to secure the future performance under the Lease of Lessee or its assignee; (C) the continued use of the Leased Premises for the Primary Intended Use; and (D) the prior written consent of any Facility Mortgagee.

ARTICLE XVII

17.1 Lessor's Right to Cure Lessee's Default. If Lessee fails to make any payment or perform any act required to be made or performed under this Lease, and fails to cure the same within any grace or cure period applicable thereto, upon such Notice as may be expressly required herein (or, if Lessor reasonably determines that the giving of Notice would risk loss to the Leased Properties or cause damage to Lessor, upon such Notice as is practical under the circumstances), and without waiving or releasing any obligation of Lessee, Lessor may make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Properties for such purpose and take all such action thereon as, in Lessor's sole opinion, may be necessary or appropriate. No such entry shall be deemed an eviction of Lessee. All amounts so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) so incurred, together with the late charge and interest provided for in Section 3.3 thereon, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

17.2 Lessee's Affiliates Right to Cure. If Lessee fails to perform any acts or obligation required to be made or performed under this Lease, and fails to cure the same within any applicable grace period set forth in this Lease, then Lessor shall grant to Guarantor or any Guarantor Affiliate the right to cure such failure by Lessee under this Lease and, at Guarantor's option, become a substitute Lessee pursuant to Section [22.1](#).

ARTICLE XVIII

18.1 Holding Over. If Lessee remains in possession of all or any of the Leased Properties after the expiration of the Term or earlier termination of this Lease, such possession shall be as a month-to-month tenant, and throughout the period of such possession Lessee shall pay as Rent for each month one and one half (1.5) times the sum of: (a) one-twelfth (1/12th) of the Base Rent payable during the Lease Year in which such expiration or termination occurs, plus (b) all Additional Charges accruing during the month, plus (c) any and all other sums payable by Lessee pursuant to this Lease. During such period of month-to-month tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by applicable law to month-to-month tenancies, to continue its occupancy and use of the Leased Properties until the month-to-month tenancy is terminated. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

18.2 Indemnity. If Lessee fails to surrender the Leased Properties in a timely manner and in accordance with the provisions of Section 9.1.5 upon the expiration or termination of this Lease, in addition to any other liabilities to Lessor accruing therefrom, Lessee shall defend, indemnify and hold Lessor, its principals, officers, directors, agents and employees harmless from loss or liability resulting from such failure, including, without limiting the generality of the foregoing, loss of rental with respect to any new lease in which the rental payable thereunder exceeds the Rent paid by Lessee pursuant to this Lease during Lessee's hold-over and any claims by any proposed new tenant founded on such failure. The provisions of this Section 18.2 shall survive the expiration or earlier termination of the Term.

ARTICLE XIX

19.1 Subordination. This Lease is subject and subordinate to any Facility Mortgage and to any Ground Lease, to all advances made or hereafter to be made thereunder and to all renewals, modifications, consolidations, replacements and extensions thereof and substitutions therefore. This clause shall be self-operative and no further instrument of subordination need be required by any Facility Mortgagee or Ground Lessor; provided, however, that Lessor or any Facility Mortgagee may elect to make this Lease superior to a Facility Mortgage at any time by Notice to Lessee. As to any Facility Mortgage or Ground Lease to which this Lease is subordinate, Lessor shall provide Lessee with a "non-disturbance agreement" reasonably acceptable to Lessee and such Facility Mortgagee or Ground Lessor providing that, if such Facility Mortgagee acquires the Leased Properties by way of foreclosure or deed in lieu of foreclosure, or if the Ground Lease is terminated, such Facility Mortgagee or Ground Lessor will not disturb Lessee's possession under this Lease and will recognize Lessee's rights hereunder if and for so long as no Event of Default has occurred under this Lease and is continuing. Lessee agrees that it shall not withhold or delay its consent unreasonably to any amendment of this Lease reasonably required by a Facility Mortgagee or Ground Lessor, and Lessee shall be deemed to have withheld or delayed its consent unreasonably if Lessee has received the non-disturbance agreement provided for above and the requested amendment does not materially (a) alter the economic terms of this Lease, (b) diminish the rights of Lessee under this Lease or (c) increase the obligations of Lessee under this Lease.

19.2 Attornment. If a Facility Mortgagee or Ground Lessor enforces the remedies provided for by law or by a Facility Mortgage or Ground Lease, Lessee shall, at the option of the party succeeding to the interest of Lessor as a result of such enforcement or as a result of a deed or delivery of possession of the Leased Properties in lieu of such enforcement, attorn to such successor and recognize such successor as Lessor under this Lease; provided, however, that such successor in interest shall not (a) be bound by any payment of Rent for more than one (1) month in advance, except for any such advance payments as may be expressly required by this Lease; (b) be bound by any modification of this Lease made without the written consent of the Facility Mortgagee or Ground Lessor or successor in interest; (c) be liable for any act or omission of Lessor; or (d) be subject to any offset or defense arising prior to the date such successor in interest acquired title to the Leased Properties or, in the case of a Ground Lessor, the date on which the Ground Lessor recovered or was given possession of the Leased Properties. Upon request, Lessee shall execute and deliver an instrument or instruments confirming the attornment provided for herein.

19.3 Lessee's Certificate. Lessee shall, upon not less than ten (10) days prior Notice from Lessor, execute, acknowledge and deliver to Lessor Lessee's Certificate containing then-current facts. It is intended that any Lessee's Certificate delivered pursuant hereto may be relied upon by Lessor, any prospective tenant or purchaser of the Leased Properties, any mortgagee or prospective mortgagee and any other party who reasonably may rely on such statement. Lessee's failure to deliver the Lessee's Certificate within such time shall constitute an Event of Default. In addition, if Lessee fails to deliver the Lessee's Certificate within the ten (10) day period referred to above, Lessee hereby authorizes Lessor to execute and deliver a certificate to the effect (if true) that Lessee represents and warrants that (a) this Lease is in full force and effect without modification, and (b) Lessor is not in breach or default of any of its obligations under this Lease.

19.4 Notice and Cure. If a Facility Mortgagee acquires title to one or more of the Leased Properties by way of foreclosure or deed in lieu of foreclosure, then commencing on the date the Facility Mortgagee acquires title, the Facility Mortgagee shall have thirty (30) days within which to cure any default by Lessor under this Lease existing on such date. If the defaults by Lessor are cured during such period, then this Lease shall remain in full force and effect and Lessee shall have no right to terminate this Lease so long as the Facility Mortgagee performs all of the Lessor's subsequent obligations under this Lease. The foregoing rights to cure a Lessor default shall be exercisable in the sole discretion of the Facility Mortgagee, and, the Facility Mortgagee shall have no obligation to cure any default by Lessor.

ARTICLE XX

20.1 Risk of Loss. During the Term, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Properties in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than those caused by Lessor and those claiming from, through or under Lessor) is assumed by Lessee, and, in the absence of gross negligence, willful misconduct or material breach of this Lease by Lessor, Lessor in no event shall be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent.

ARTICLE XXI

21.1 Indemnification. Notwithstanding the existence of any insurance or self-insurance provided for in Article XIII, and without regard to the policy limits of any such insurance or self-insurance, Lessee shall protect, indemnify, save harmless and defend Lessor and any Facility Mortgagee, and the principals, officers, directors and agents and employees of Lessor and of any Facility Mortgagee, from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) (collectively, "Losses"), to the extent permitted by law, imposed upon or incurred by or asserted against Lessor or any Facility Mortgagee by reason of: (a) any accident, injury to or death of persons or loss of or damage to property occurring on or about the Leased Properties or adjoining sidewalks, including without limitation any claims of malpractice; (b) any use, misuse, non-use, condition, maintenance or repair by Lessee of the Leased Properties; (c) the failure to pay any Impositions; (d) any failure on the part of Lessee to perform or comply with any of the terms of this Lease; (e) the management and operation of the Facilities from and after November 1, 1999 in the case of the CSC Acquired Facilities, and, in the case of the Waterford Facility, the Crestwood Facility, and the Emory Acquired Facilities, the Commencement Date; (f) the management and operation of the OHI THI Facilities whether before or after the Commencement Date for such Facilities; and (g) the nonperformance of any contractual obligation, express or implied, assumed or undertaken by Lessee or any party in privity with Lessee with respect to the Leased Properties or any business or other activity carried on with respect to the Leased Properties during the Term or thereafter during any time in which Lessee or any such other party is in possession of the Leased Properties or thereafter to the extent that any conduct by Lessee or any such person (or failure of such conduct thereby if the same should have been undertaken during such time of possession and leads to such damage or loss) causes such loss or claim. Any amounts that become payable by Lessee under this Section shall be paid within ten (10) days after liability therefor on the part of Lessee is determined by litigation or otherwise, and, if not timely paid, shall bear interest (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. Nothing herein shall be construed as indemnifying either Lessor or any Facility Mortgagee against its own grossly negligent acts or omissions or willful misconduct. At the request and expense of Lessee, Lessor agrees to use commercially reasonable efforts to pursue any claim it may have against the sellers under the Acquisition Agreements the successful pursuit of which may result, directly or indirectly, in a financial benefit to Lessee. At the request and expense of Lessor, Lessee agrees to use commercially reasonable efforts to assist Lessor in pursuing any claim it may have against the sellers under the Acquisition Agreements.

21.2 Survival of Indemnification. Lessee's liability under this Article shall survive the expiration or any earlier termination of this Lease.

ARTICLE XXII

22.1 General Prohibition against Transfers. Lessee acknowledges that a significant inducement to Lessor to enter into this Lease with Lessee on the terms set forth herein is the combination of financial strength, experience, skill and reputation possessed by Lessee, the Executive Officers of Lessee, Guarantors, the Consultants and the Managers on the date of this Lease, together with Lessee's assurance that, except as otherwise set forth in this Section, Lessor shall have the unrestricted right to approve or disapprove any proposed Transfer. Therefore, there shall be no Transfer except as specifically permitted by this Lease or consented to in advance by Lessor in writing. Lessee agrees that Lessor shall have the right to withhold its consent to any proposed Transfer on the basis of Lessor's judgment as to the effect the proposed Transfer may have on the Facilities and the future performance of the obligations of the Lessee under this Lease, whether or not Lessee agrees with such judgment. Any attempted Transfer that is not specifically permitted by this Lease or consented to by Lessor in advance in writing shall be null and void and of no force and effect whatsoever. In the event of a Transfer, Lessor may collect Rent and other charges from the Transferee and apply the amounts collected to the Rent and other charges herein reserved, but no Transfer or collection of Rent and other charges shall be deemed to be a waiver of Lessor's rights to enforce Lessee's covenants or an acceptance of the Transferee as Lessee, or a release of the Lessee named herein from the performance of its covenants. Notwithstanding any Transfer, Lessee shall remain fully liable for the performance of all terms, covenants and provisions of this Lease. Any violation of this Lease by any Transferee shall be deemed to be a violation of this Lease by Lessee. Notwithstanding the foregoing, the following transfers are permitted and will not require the consent of Lessor and are permitted under this Lease:

(a) a Transfer to an Affiliate of Lessee provided that: (a) such transferee assumes all obligations under this Lease in writing and grants (and its equity owners grant) equivalent (in both assets covered and priority of lien) security interests in the assets and equity of such transferee concurrently with such Transfer; and (b) each of the other Transaction Documents are ratified and affirmed by the applicable Lessee Affiliates as being in full force and effect after giving effect to the proposed Transfer;

(b) a Transfer upon the death of any equity owner of Lessee to his or her spouse, children, parents, heirs, lineal descendants or relatives through marriage or otherwise (or to any one or more of them);

(c) the transfer, by gift or sale for estate planning purposes, by an equity owner of Lessee of all or any portion of his or her equity interest in Lessee to (i) his or her spouse, children, parents or other heirs (or to any one or more of them) upon such equity owner's death, or (ii) a revocable grantor trust of which such equity owner is the sole trustee and settlor, (iii) a "Mallinckrodt" trust, (iv) any trust where such equity owner or his or her spouse is the beneficiary during his or her lifetime, or either of their descendants or some combination thereof are the beneficiaries of such trust after such equity owner's death, (v) a trust where such equity owner is the trustee of such trust, (vi) a trust where the trust assets will revert back to such equity owner, (vii) a trust where such equity owner, as permitted by the trust document, may regain ownership of the assets in such trust, (viii) a trust where the ownership of such trust may be transferred to such equity owner or his or her spouse (or widow) or either of their descendants, (ix) to a trust where such ownership in the trust may be transferred into a corporation or limited liability company of which such trust is a controlling owner of such entity, (x) a corporation or limited liability company of which a person set forth above is a controlling owner of such entity, shall be deemed a permitted Transfer under this Agreement, or (xi) to a "defective grantor trust"; provided, however, that Lessee shall provide Lessor with Notice of such Transfer and such information about such Transfer as Lessor may reasonably request; and

(d) the appointment of a new Executive Officer provided that such new Executive Officer:

(i) either:

(1) has previously held for a period of at least two years a similar position with a comparably sized (or larger) operator of skilled nursing facilities which operator has a good reputation in the industry, or has reasonably comparable experience in the health care industry; or

(2) has worked previously as an employee of Borrower, Guarantor, Manager or Financial Services Provider in a capacity such that a promotion to an Executive Officer position would be reasonably consistent with the career experiences and within the abilities of the individual; and

(ii) has not, or was not affiliated with any entity which (1) failed to perform in full its obligations under a lease, loan agreement or other credit extension with Omega or any of its Affiliates, or (2) had a license, permit or certificate of need rescinded or revoked and not reinstated.

22.2 Subordination and Attornment. Lessee shall insert in any sublease permitted by Lessor provisions to the effect that (a) such sublease is subject and subordinate to all of the terms and provisions of this Lease and to the rights of Lessor hereunder, (b) if this Lease terminates before the expiration of such sublease, the sublessee thereunder will, at Lessor's option, attorn to Lessor and waive any right the sublessee may have to terminate the sublease or to surrender possession thereunder, as a result of the termination of this Lease, and (c) if the sublessee receives a written Notice from Lessor or Lessor's assignee, if any, stating that Lessee is in default under this Lease, the sublessee thereafter shall be obligated to pay all rentals accruing under the sublease directly to the party giving such Notice, or as such party may direct, and such payments shall be credited against the amounts owing by Lessee under this Lease.

22.3 Sublease Limitation. Anything contained in this Lease to the contrary notwithstanding, even if a sublease of a Leased Property is permitted, Lessee shall not sublet such Leased Property on any basis such that the rental to be paid by the sublessee thereunder would be based, in whole or in part, on either (a) the income or profits derived by the business activities of the sublessee, or (b) any other formula such that any portion of the sublease rental received by Lessor would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto. The parties agree that this Section shall not be deemed waived or modified by implication, but may be waived or modified only by an instrument in writing explicitly referring to this Section by number. direct, and such payments shall be credited against the amounts owing by Lessee under this Lease.

ARTICLE XXIII

23.1 Financial Statements and Other Reports and Materials Required by Lessor. Lessee shall furnish to Lessor, in paper form and by electronic means satisfactory to Lessor:

(a) Within one hundred twenty (120) days after the end of each of Lessee's fiscal years: (i) Lessee's Financial Statements; (ii) separate financial statements for each of the Facilities that are prepared in accordance with GAAP, except for principles of consolidation; (iii) a variance report comparing actual items of income and expenses to such items as budgeted, together with an explanation of the reason or reasons for each variance of more than five percent (5%); and (iv) an Officer's Certificate stating that Lessee is not in default in the performance or observance of any of the terms of this Lease, or if Lessee is in default, specifying all such defaults, the nature thereof, and the steps being taken to remedy the same;

(b) within one hundred twenty (120) days after the end of the fiscal year for each of RE Holdings, HCREH and HCH, a copy of that Person's Financial Statements, in each case certified by an executive officer of the pertinent Person;

(c) Within thirty five (35) days after the end of each of Lessee's quarters, quarterly consolidated Financial Statements of Lessee, together with an Officer's Certificate stating that (i) Lessee is not in default of any covenant set forth in Section 8 of this Lease, or if Lessee is in default, specifying all such defaults, the nature thereof, and the steps being taken to remedy the same; (ii) each Facility that participates in the Medicare program is in compliance with the terms of its Medicare provider agreement and in good standing with the Medicare program; (iii) each Facility that participates in the Medicaid program is in compliance with the terms of its Medicaid provider agreement and in good standing with the Medicaid program; and (iv) the then-current number of licensed and operating beds at each Facility;

(d) Within thirty (30) days after the end of each month, monthly financial reports for each Facility, including detailed statements of income and expense;

(e) Within fifteen (15) days of filing a copy of each cost report filed with a governmental agency for any Facility;

(f) Within fifteen (15) days of Lessee's or Manager's receipt thereof, copies of Medicare and Medicaid Rate Letters and correspondence;

(g) Within fifteen (15) days after they are required to be filed with the SEC, copies of any annual or quarterly report and of information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) that Lessee or Manager is required to file with the SEC pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934;

(h) Within thirty (30) days of Lessee's or Manager's receipt thereof, copies of surveys performed by the appropriate governmental agencies for licensing or certification purposes, including, without limitation, annual surveys, revisits and complaint surveys, copies of any plans of correction and all related correspondence;

(i) Immediate Notice to Lessor of any action, proposal or investigation by any agency or entity, or complaint to such agency or entity, known to Lessee, the result of which could be to (i) modify in a way adverse to Lessee or revoke or suspend or terminate, or fail to renew or fully continue in effect, any license or certificate or operating authority pursuant to which Lessee carries on any part of the Primary Intended Use of the Facilities, or (ii) suspend, terminate, adversely modify, or fail to renew or fully continue in effect any cost reimbursement or cost sharing program by any state or federal governmental agency, including but not limited to Medicaid or Medicare or any successor or substitute therefor, or seek return of or reimbursement for any funds previously advanced or paid pursuant to any such program, or (iii) impose any bed hold, limitation on patient admission or similar restriction on any Leased Property, or (iv) prosecute any party with respect to the operation of any activity on the Facilities or enjoin any party or seek any civil penalty in excess of One Thousand Dollars (\$1,000.00) in respect thereof;

(j) As soon as it is prepared in each Lease Year, but not later than the last day of the second (2nd) month in each Lease Year (i) a capital and operating budget for the Facilities for that Lease Year, which budget shall be subject to Lessor's reasonable approval; and (ii) a marketing plan for that Lease Year;

(k) With reasonable promptness, such other information respecting the financial condition and affairs of Lessee and the Facilities as Lessor reasonably may request from time to time, including, without limitation, any such other information as may be available to the administration of the Leased Properties;

(l) Upon Lessor's request from time to time, such additional information and unaudited quarterly financial information concerning the Leased Properties and Lessee as Lessor may require for its on-going filings with the Securities and Exchange Commission, under both the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, including, but not limited to, 10-Q Quarterly Reports, 10-K Annual Reports and registration statements to be filed by Lessor during the Term of this Lease; and

(m) At least fifteen (15) Business Days after the expiration of each license and permit required for the operation of the Facilities for the Primary Intended Use, evidence satisfactory to Lessor that such license or permit has been unconditionally renewed by the issuer thereof.

23.2 Public Offering Information. Lessee specifically agrees that Lessor may include financial information and information concerning the operation of the Facilities that does not violate the confidentiality of the facility-patient relationship and the physician-patient privilege under applicable laws, in offering memoranda or prospectus, or similar publications in connection with syndications or public offerings of Lessor's securities or interests, and any other reporting requirements under applicable Federal and State Laws, including those of any successor to Lessor. Lessee agrees to provide such other reasonable information necessary with respect to Lessee and the Leased Properties to facilitate a public offering or to satisfy SEC or regulatory disclosure requirements. Upon request of Lessor, Lessee shall notify Lessor of any necessary corrections to information Lessor proposes to publish within a reasonable period of time (not to exceed three (3) days) after being informed thereof by Lessor.

ARTICLE XXIV

24.1 Lessor's Right to Inspect. Lessee shall permit Lessor and its authorized representatives to inspect the Leased Properties and Lessee's books and records pertaining thereto during normal business hours upon twenty-four hours Notice.

ARTICLE XXV

25.1 No Waiver. No failure by Lessor to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach hereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of any such term. No waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVI

26.1 Remedies Cumulative. To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy, and the exercise or beginning of the exercise by Lessor of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor of any or all of such other rights, powers and remedies.

ARTICLE XXVII

27.1 Acceptance of Surrender. No surrender to Lessor of this Lease or of the Leased Properties or any part thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Lessor, and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender.

ARTICLE XXVIII

28.1 No Merger of Title. There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person, firm, corporation or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate, and (b) the fee estate in the Leased Properties.

28.2 No Partnership. Nothing contained in this Lease will be deemed or construed to create a partnership or joint venture between Lessor and Lessee or to cause either party to be responsible in any way for the debts or obligations of the other or any other party, it being the intention of the parties that the only relationship hereunder is that of Lessor and Lessee.

ARTICLE XXIX

29.1 Conveyance by Lessor. If Lessor or any successor owner of the Leased Properties conveys the Leased Properties other than as security for a debt, Lessor or such successor owner, as the case may be, shall be released from all future liabilities and obligations of Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer, and all such future liabilities and obligations shall be binding upon the new owner.

ARTICLE XXX

30.1 Quiet Enjoyment. So long as Lessee pays all Rent as it becomes due and complies with all of the terms of this Lease and performs its obligations hereunder, Lessee shall peaceably and quietly have, hold and enjoy the Leased Properties for the Term, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and encumbrances of record as of the date hereof or hereafter provided for in this Lease or consented to by Lessee. Except as otherwise provided in this Lease, no failure by Lessor to comply with the foregoing covenant will give Lessee any right to cancel or terminate this Lease or abate, reduce or make a deduction from or offset against the Rent or any other sum payable under this Lease, or to fail to perform any other obligation of Lessee. Lessee shall, however, have the right, by separate and independent action, to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Section.

ARTICLE XXXI

31.1 Notices. Any notice, request or other communication to be given by any party hereunder shall be in writing and shall be sent by registered or certified mail, postage prepaid, or by hand delivery or facsimile transmission to the following address:

To Lessee or
Maryland Borrowers:

CommuniCare Family of Companies
4700 Ashwood Drive, Suite 200
Cincinnati, OH 45241
Attn: Stephen L. Rosedale
Telephone No.: (513) 489 - 7100
Facsimile No.: (513) 489-7199

With copy to
(which shall not
constitute notice):

Benesch, Friedlander, Coplan & Aronoff LLP
2300 BP Tower
200 Public Square
Cleveland, OH 44114-2378
Attn: Harry M. Brown
Phone: (216) 363-4606
Fax: (216) 363-4588

To Lessor:

OHI ASSET III (PA) TRUST
c/o Omega Healthcare Investors, Inc.
9690 Deereco Road, Suite 100
Timonium, MD 21093
Attn.: Daniel J. Booth
Telephone No.: (410) 427-1700
Facsimile No.: (410) 427-8800

And with copy to
(which shall not
constitute notice):

Doran Derwent, PLLC
125 Ottawa Ave., N.W., Suite 420
Grand Rapids, Michigan 49503
Attn: Mark E. Derwent
Telephone No.: (616) 451-8690
Facsimile No.: (616) 451-8697

or to such other address as either party may hereafter designate. Notice shall be deemed to have been given on the date of delivery if such delivery is made on a Business Day, or if not, on the first Business Day after delivery. If delivery is refused, Notice shall be deemed to have been given on the date delivery was first attempted. Notice sent by facsimile transmission shall be deemed given upon confirmation that such Notice was received at the number specified above or in a Notice to the sender. If Lessee has vacated the Leased Properties, Lessor's Notice may be posted on the door of a Leased Property.

ARTICLE XXXII

32.1 Fair Market Rent. If it becomes necessary to determine Fair Market Rent for any purpose under this Lease, the party required or permitted to give Notice of such required determination shall include in the Notice the name of a person selected to act as appraiser on its behalf. Within ten (10) days after such Notice, the party receiving such Notice shall give Notice to the other party of its selection of a person to act as appraiser on its behalf. The appraisers thus appointed, each of whom must be a member of the Appraisal Institute (or any successor organization thereto) and experienced in appraising facilities used for purposes similar to the Primary Intended Use of the Facilities, shall, within forty-five (45) days after the date of the Notice appointing the first appraiser, proceed to appraise the Leased Property or Leased Properties, as the case may be, to determine the Fair Market Rent thereof as of the relevant date (giving effect to the impact, if any, of inflation between the date of their decision and the relevant date); provided, however, that if only one appraiser has been so appointed, or if two appraisers have been so appointed but only one such appraiser has made such determination within fifty (50) days after the date of the Notice appointing the first appraiser, then the determination of such appraiser shall be final and binding upon the parties. To the extent consistent with sound appraisal practice at the time of any such appraisal, such appraisal shall be made on a basis consistent with the basis on which the Leased Property or Leased Properties were appraised for purposes of determining its fair market value at the time of Lessor's acquisition thereof. If two appraisers have been appointed and have made their determinations within the respective requisite periods set forth above, and if the difference between the amounts so determined does not exceed ten percent (10%) of the lesser of such amounts, then the Fair Market Rent shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined exceeds ten percent (10%) of the lesser of such amounts, then such two appraisers shall within twenty (20) days appoint a third appraiser. If no such appraiser is appointed within such twenty (20) days or within ninety (90) days of the date of the Notice appointing the first appraiser, whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have such appointment made by such court. Any appraiser appointed by the original appraisers or by such court shall be instructed to determine the Fair Market Rent within forty-five (45) days after appointment of such appraiser. The determination of the appraiser which differs most in terms of dollar amount from the determinations of the other two appraisers shall be excluded, and the average of the remaining two determinations shall be final and binding upon Lessor and Lessee as the Fair Market Rent of the Leased Property or Leased Properties, as the case may be. If the Fair Market Rent is being determined for more than one year, the Fair Market Rent may include such annual increases, if any, as the appraisers determine to be in accordance with the terms of this Lease.

ARTICLE XXXIII

33.1 Lessor's Option to Purchase Lessee's Personal Property. At the expiration or termination of this Lease, at Lessor's option Lessee shall be deemed to have sold, assigned, transferred and conveyed all of Lessee's Personal Property not integral to the Primary Intended Use, or such portion thereof as may be designated by Lessor in its exercise of its option, to Lessor pursuant to Section 6.3 hereof for an amount equal to the fair market value of such Personal Property as determined pursuant to an appraisal, subject to, and with appropriate credits for, any obligations owing from Lessee to Lessor and for the then outstanding balances owing on all equipment leases, conditional sale contracts and any other encumbrances to which such Personal Property is subject. Lessor's option shall be exercised by Notice to Lessee no more than one hundred eighty (180) days, nor less than ninety (90) days, before the expiration of the Initial Term or, if the Term is renewed as provided herein, before the expiration of the last Renewal Term, unless this Lease is terminated prior to its expiration date by reason of an Event of Default, in which event Lessor's option shall be exercised not more than ninety (90) days after the Termination Date. If Lessee does not receive Lessor's Notice exercising its option before the expiration of the relevant time period, Lessee shall give Lessor Notice thereof, and Lessor's option shall continue in full force and effect for a period of thirty (30) days after such Notice from Lessee. If Lessor exercises its option, Lessee shall, in exchange for Lessor's payment of the purchase price, deliver the purchased Lessee's Personal Property to Lessor, together with a bill of sale and such other documents as Lessor reasonably may request in order to carry out the purchase, and the purchase shall be closed by such delivery and such payment on the date set by Lessor in its Notice of exercise.

33.2 Facility Trade Names. If this Lease is terminated pursuant to Section 16.1 or Lessor exercises its option to purchase Lessee's Personal Property pursuant to Section 34.1, Lessee shall be deemed to have assigned to Lessor the exclusive right to use the Facility Trade Names (except for the names "CommuniCare", any variants thereof, and any trade name which is commonly used as part of a long term marketing program among multiple facilities by Affiliates of Lessee) in perpetuity in the markets in which the Facilities are located, and Lessee shall not after any such termination use the Facility Trade Names in any business that competes with the Facilities.

33.3 Transfer of Operational Control of the Facilities.

33.3.1 Lessee acknowledges and agrees that, subject to applicable law, the certificates of need and licenses necessary to operate the Leased Properties for the Primary Intended Use are appurtenant to the Leased Properties, both during and following the expiration or earlier termination of the Term. If the certificates of need or licenses to operate the Leased Properties for the Primary Intended Use are issued to Lessee, the Sublessees or the Manager, Lessee agrees that it will cooperate with Lessor to turn over to Lessor or its designee, upon the expiration or earlier termination of the Term, all of Lessee's rights in connection with the certificate of need and/or licenses.

33.3.2 Upon the expiration or earlier termination of the Term, Lessee shall cooperate fully in transferring operational control of the Facilities to Lessor or Lessor's nominee and shall use its best efforts to cause the business conducted at the Facilities to continue without interruption. To that end, pending completion of the transfer of the operational control of the Facilities to Lessor or its nominee:

(a) Lessee will not terminate the employment of any employees without just cause, or change any salaries; provided, however, that without the advance written consent of Lessor Lessee may grant pre-announced wage increases of which Lessor has knowledge, increases required by written employment agreements and normal raises to non-officers at regular review dates; and Lessee will not hire any additional employees except in good faith in the ordinary course of business; and

(b) Lessee will provide all necessary information requested by Lessor or its nominee for the preparation and filing of any and all necessary applications or notifications of any federal or state governmental authority having jurisdiction over a change in the operational control of the Facilities, and any other information reasonably required to effect an orderly transfer of the Facilities, and Lessee will use its best efforts to cause all operating health care licenses to be transferred to Lessor or to Lessor's nominee; and

(c) Lessee, Lessor and any new operator will enter into an operations transfer agreement substantially in the form of Exhibit E to this Lease.

33.4 Intangibles and Personal Property. Notwithstanding any other provision of this Lease, but subject to Section 6.4 relating to the security interest in favor of Lessor, Lessor's Personal Property shall not include goodwill nor shall it include any other intangible personal property that is severable from Lessor's "interests in real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto.

ARTICLE XXXIV

34.1 Arbitration. Except with respect to the payment of Rent under this Lease, the determination of Fair Market Rent (which shall be determined solely in accordance with Section 32.1), and any proceedings to recover possession of one or more of the Leased Properties, if any controversy arises between the parties hereto as to any of the provisions of this Lease or the performance thereof, and if the parties are unable to settle the controversy by agreement or as otherwise provided herein, the controversy shall be decided by arbitration. The arbitration shall be conducted by three arbitrators selected in accordance with the rules and procedures of the American Arbitration Association. The decision of the arbitrators shall be final and binding, and judgment may be entered thereon in any court of competent jurisdiction. The decision shall set forth in writing the basis for the decision. In rendering the decision and award, the arbitrators shall not add to, subtract from or otherwise modify the provisions of this Lease. The expense of the arbitration shall be divided between Lessor and Lessee unless otherwise specified in the award. Each party in interest shall pay the fees and expenses of its own counsel. The arbitration shall be conducted in Cleveland, Ohio. In any arbitration, the parties shall be entitled to conduct discovery in the same manner as permitted under Federal Rules of Civil Procedure 26 through 37, as amended. No provision in this Article shall limit the right of any party to this Agreement to obtain provisional or ancillary remedies from a court of competent jurisdiction before, after or during the pendency of any arbitration, and the exercise of such remedies does not constitute a waiver of the right of either party to arbitration.

ARTICLE XXXV

35.1 Commissions. Lessee represents and warrants to Lessor that no real estate commission, finder's fee or the like is due and owing to any person in connection with this Lease. Lessee agrees to save, indemnify and hold Lessor harmless from and against any and all claims, liabilities or obligations for brokerage, finder's fees or the like in connection with this Lease or the transactions contemplated hereby, asserted by any person on the basis of any statement or act alleged to have been made or taken by Lessee.

ARTICLE XXXVI

36.1 Memorandum or Short Form of Lease. Lessor and Lessee shall, promptly upon the request of either, enter into a Memorandum or Short Form of this Lease, substantially in the form of attached Exhibit F, with such modifications as may be appropriate under the laws and customs of the States and in the customary form suitable for recording under the laws of each of the States. Lessee shall pay all costs and expenses of recording such memorandum or short form of this Lease.

ARTICLE XXXVII

37.1 Security Deposit. Pursuant to the Existing Lease, Lessee has delivered to Lessor a security deposit in the amount of Four Million Six Hundred Fifteen Thousand Dollars (\$4,615,000) in the form of one or more absolute, unconditional site draft letters of credit for a term of one (1) year (renewable automatically) issued by an "A" rated financial institution ("Security Deposit"), which Lessor shall hold as security for the full and faithful performance by Lessee of each and every term, provision, covenant and condition of this Lease in accordance with, and subject to, the terms and conditions of the Letter of Credit Agreement. Concurrently with Lessee's execution of this Lease, Lessee shall increase the Security Deposit by One Million One Hundred Thousand Dollars (\$1,100,000), such that the Security Deposit shall equal Five Million Seven Hundred Fifteen Thousand Dollars (\$5,715,000). On the September 1, 2008, Lessee shall increase the Security Deposit by One Million One Hundred Thousand Dollars (\$1,100,000), such that the Security Deposit shall equal Six Million Eight Hundred Fifteen Thousand Dollars (\$6,815,000). On the April 1, 2009, Lessee shall increase the Security Deposit by One Million One Hundred Thousand Dollars (\$1,100,000), such that the Security Deposit shall equal Seven Million Nine Hundred Fifteen Thousand Dollars (\$7,915,000). If at any time the Security Deposit is in the form of cash, it shall be deposited by Lessor into an interest-bearing account and the account will be identified as consisting of the Security Deposit under this Lease, and the interest shall be added to and become part of the Security Deposit. The Security Deposit shall not be considered an advance payment of Rent (or of any other sum payable to Lessee under this Lease) or a measure of Lessor's damages in case of a default by Lessee. The Security Deposit shall not be considered a trust fund, and Lessee expressly acknowledges and agrees that Lessor is not acting as a trustee or in any fiduciary capacity in controlling or using the Security Deposit. Lessor shall have no obligation to maintain the Security Deposit separate and apart from Lessor's general and/or other funds. The Security Deposit, less any portion thereof applied as provided in the Letter of Credit Agreement or Section 37.2, shall be returned to Lessee within sixty (60) days following the expiration of the Term.

37.2 Application of Security Deposit. If Lessee defaults in respect of any of the terms, provisions, covenants and conditions of this Lease or of any agreement or instrument with which this Lease is cross-defaulted), including, but not limited to, payment of any Rent and other sums of money payable by Lessee, Lessor may, but shall not be required to, in addition to and not in lieu of any other rights and remedies available to Lessor, apply all or any part of the Security Deposit to the payment of any sum in default, or any other sum that Lessor may expend or be required to expend by reason of Lessee's default, including but not limited to, any damages or deficiency in reletting the Leased Properties,. Whenever, and as often as, Lessor has applied any portion of the Security Deposit to cure Lessee's default hereunder or under any agreement with which this Lease is cross-defaulted, Lessee shall, within ten (10) days after Notice from Lessor, deliver a new letter of credit meeting the requirements of the Letter of Credit Agreement to Lessor (or, at Lessor's option, deposit additional money with Lessor) sufficient to restore the Security Deposit to the full amount then required to be deposited with Lessor pursuant to Section 37.1 above, and Lessee's failure to do so shall constitute an Event of Default without any further Notice.

37.3 Transfer of Security Deposit. If Lessor transfers its interest under this Lease, Lessor shall assign the Security Deposit to the new lessor and thereafter Lessor shall have no further liability for the return of the Security Deposit, and Lessee agrees to look solely to the new lessor for the return of the Security Deposit. The provisions of the preceding sentence shall apply to every transfer or assignment of Lessor's interest under this Lease. Lessee agrees that it will not assign or encumber or attempt to assign or encumber the Security Deposit and that Lessor, its successors and assigns may return the Security Deposit to the last Lessee in possession at the last address for which Notice has given by such Lessee and that Lessor thereafter shall be relieved of any liability therefor, regardless of one or more assignments of this Lease or any such actual or attempted assignment or encumbrances of the Security Deposit.

37.4 Security Deposit under Maryland Loan Agreement. In connection with the Maryland Loan, the Maryland Borrowers are obligated pursuant to the Maryland Loan Agreement to deliver to Lessor, as lender under the Maryland Loan Agreement, the "Security Deposit". Lessee, the Maryland Borrowers and Lessor agree that the Security Deposit under this Lease and the "Security Deposit" under the Maryland Loan Agreement are the same deposit (i.e., there are not separate security deposits under each agreement).

ARTICLE XXXVIII

38.1 Lessee Option to Purchase Certain Facilities. In consideration of the execution of this Lease, subject to the terms and conditions set forth below, Lessor hereby grants to Lessee the option (the "Lessee Option") to buy the Lessee Option Property (as that term is defined below) in accordance with, and subject to the terms and conditions of, this Article. The Lessee Option may be exercised only with respect to all of the Lessee Option Property, and may not be exercised in part or with respect to less than all the Lessee Option Property.

38.2 Option Property. The "Lessee Option Property" means all of Lessor's right, title and interest in the Lessee Option Facilities, excluding the following items:

(a) all tradenames and trademarks related to the corporate name of Lessor and related tradenames and trademarks;

(b) cash, general intangibles (other than (i) permits, licenses, approvals, certificates of need, and authorizations issued, granted or given for the benefit of the Facilities by or under the authority of any federal, state or local governmental or quasi-governmental agency, authority, official or tribunal that may be assigned without cost or consent and (ii) rights to payments, reimbursements, or refunds from the United States, any State, any insurer, municipality, public utility or other agency, individual or entity, including without limitation, real estate and personal property tax refunds, payments, reimbursements and deposits with respect to the Lessee Option Facilities, each to the extent that such rights to payments, reimbursements, refunds or deposits relate to expenses paid or services rendered by Lessee, a Sublessee or Manager during the Term), accounts, accounts receivable, deposits (including, without limitation, bank and demand deposit accounts), insurance policies, and contract rights of Lessor, other than any accounts, accounts receivable, deposits, policies or rights relating to expenses paid or services rendered by Lessee, a Sublessee or Manager during the Term;

(c) books, records and financial statements of Lessor;

(d) rights to payments, reimbursements or refunds from the United States of America, any State, or municipality relating to income taxes paid by Lessor and not reimbursed by Lessee;

(e) all permits, licenses, approvals and authorizations issued, granted or given by or under the authority of any federal, state or local governmental or quasi-governmental agency, authority, official or tribunal which are not assignable, for which consent to assignment is not obtained, or for which an assignment will cause Lessor to incur costs (unless Lessee agrees to bear such costs on Lessor's behalf); and

(f) actions, suits, claims, rights and choses in action, instruments, promissory notes, and documents owned by Lessor;

(g) Any of property that is located at, or used in connection with, any Facilities other than the Lessee Option Facilities; and

(h) Any Personal Property in which Seller has no interest, including all Personal Property owned by the Existing Lessee or Existing Operators or by any patient or tenant of the Facilities.

38.3 Exercise of Option. During the Term, Lessee may exercise the Option only during (the "Lessee Option Period") the period beginning on May 1, 2015 and ending on April 30, 2016; provided, however, that Lessee may not exercise the Lessee Option at any time when an Event of Default or Unmatured Event of Default has occurred and is continuing. Lessee shall exercise the Lessee Option by delivering Notice thereof to Lessor during the Lessee Option Period, together with a non-refundable deposit in the amount of equal to Nine Hundred Fifty Thousand Dollars (\$950,000) (the "Lessee Option Deposit"). The Lessee Option Deposit shall be deemed to be fully earned by Lessor upon Lessor's receipt thereof, and shall only be returned to Lessee under certain circumstances as more particularly set forth below.

38.4 Option Price. If Lessee exercises its option to purchase the Lessee Option Property as set forth in this Lease, the purchase price for the Lessee Option Property (the "Lessee Purchase Price") to be paid by Lessee shall be equal to the *greater* of (i) the Minimum Purchase Price (listed below), and (ii) the Allocated Purchase Price (listed below) plus 50% of the amount, if any, that (A) the Fair Market Value of the Lessee Option Facilities on the date of exercise of the option exceeds (B) the Allocated Purchase Price.

<u>Facility</u>	<u>Allocated Purchase Price</u>	<u>Minimum Purchase Price</u>
Northwestern Center	\$ 5,328,350.46	\$ 6,333,734.29
Columbus Center	\$ 5,375,043.01	\$ 6,389,237.05
Golden Years Healthcare Center	\$ 3,249,706.84	\$ 3,862,880.23
Oak Grove Center	\$ 2,334,560.33	\$ 2,775,058.61
Total	<u>\$ 16,287,660.65</u>	<u>\$ 19,360,910</u>

The Lessee Purchase Price shall be payable by Lessee in immediately available funds at closing. The Lessee Option Deposit shall be applied against the Lessee Purchase Price at closing. Lessee shall also pay the cost of any revenue or transfer stamps required to be affixed to the deeds, and all reasonable expenses, disbursements and reasonable attorneys' fees incurred by Lessor in the sale transaction.

38.5 Closing. The consummation of the transaction contemplated by the Lessee Option (the "Lessee Closing") shall occur within ninety (90) days of the exercise of the Lessee Option, or such other date mutually as is acceptable to Lessor and Lessee (the "Lessee Closing Date"). The Lessee Closing shall take place at the offices of the title company issuing the Lessee Title Policies, or at such other place as is mutually acceptable to Lessor and Lessee. Notwithstanding anything in this Lease to the contrary, the obligation of Lessor to consummate the Lessee Option and convey the Lessee Option Property is conditioned upon (i) the receipt at the Lessee Closing of the Seventh Year Release Payment (as defined in the Maryland Loan Agreement) and (ii) no Event of Default or Unmatured Event of Default existing as of the Lessee Closing Date.

38.6 Amendment to this Lease. Effective as of the Lessee Closing, the Lessee Option Property is deleted from the real and personal property leased by Lessee from Lessor pursuant to this Lease (including from the definitions of Land, Lessor's Personal Property, the Facilities, and the Leased Properties), the annual Base Rent will be reduced to the amounts set forth on Exhibit L, and the Security Deposit will be reduced by Four Hundred Thousand Dollars (\$400,000).

38.7 Conveyance(s); State of Title; Title Insurance. On the Lessee Closing Date, Lessor shall, upon receipt from Lessee of the Lessee Purchase Price, together with full payment of any unpaid Rent due and payable with respect to any period (prorated on a per diem basis, if appropriate) ending on or before the Closing Date, deliver to Lessee: (1) deeds conveying the Land underlying the Lessee Option Facilities and warranting only that Lessor has committed no act by which the Land has been encumbered except as set forth in instruments recorded in the real estate records of the applicable recording office, and (2) a bill of sale for that portion of the Lessee Option Property that is personal property, which bill of sale shall be delivered without warranty or recourse of any kind. The deed, assignment and bill of sale shall in any event be subject to the following:

- (a) All real estate taxes, assessments, water charges, requirements of municipal or other governmental authorities, or other covenants, agreements, matters or things which are the obligation of Lessee to pay, comply with, conform to or discharge under the provisions of this Lease;
- (b) All liens, encumbrances, violations, charges or conditions that are due to any act or omission of Lessee or any of its Affiliates;
- (c) The Permitted Encumbrances for the Lessee Option Facilities; and
- (d) Such other exceptions to title set forth in the Lessee Title Policies.

Within fourteen (14) days after the exercise of the Lessee Option by Lessee, Lessee shall order title commitments (the "Lessee Title Commitments") for the real estate portion of the Lessee Option Property. If, within ten (10) days of the receipt of the Lessee Title Commitments, Lessee determines that the matters listed in the Lessee Title Commitments are not acceptable to Lessee, then Lessee shall provide Lessor with a written list of Lessee's objection to title (the "Objections"); provided, however, that Lessee shall have no right to object to any of the matters listed in paragraphs (a), (b) and (c) above. If Lessor is unable or unwilling to eliminate one or more of the Objections, then Lessee may either (1) proceed to close and, by doing so, waive any such Objections that Lessor is unable or unwilling to eliminate; or (2) terminate the Lessee Option by written notice to Lessor, in which case Lessee shall be entitled to a return of the Lessee Option Deposit; provided, however, that Lessor shall be obligated to remove any financial encumbrances voluntarily placed on the Lessee Option Property by Lessor. At closing, Lessor shall deliver to Lessee standard owner's policies of title insurance (the "Lessee Title Policies") with respect to the real estate in the amount of the Purchase Price. The cost of the Lessee Title Policies and any endorsements to it shall be paid by Lessee.

38.8 Lessee Acknowledgment. LESSEE ACKNOWLEDGES AND AGREES THAT, EXCEPT AS SPECIFICALLY PROVIDED IN THIS ARTICLE, LESSOR HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, OF, AS TO, CONCERNING OR WITH RESPECT TO: (I) VALUE; (II) THE INCOME TO BE DERIVED FROM THE LESSEE OPTION PROPERTY; (III) THE SUITABILITY OF THE LESSEE OPTION PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH LESSEE MAY CONDUCT THEREON, INCLUDING THE POSSIBILITIES FOR FUTURE DEVELOPMENT; (IV) THE HABITABILITY, MERCHANTABILITY, MARKETABILITY, PROFITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE LESSEE OPTION PROPERTY; (V) THE MANNER, QUALITY, STATE OF REPAIR OR LACK OF REPAIR OF THE LESSEE OPTION PROPERTY; (VI) THE NATURE, QUALITY OR CONDITION OF THE LESSEE OPTION PROPERTY, INCLUDING, WITHOUT LIMITATION, THE WATER, SOIL AND GEOLOGY; (VII) THE COMPLIANCE OF OR BY THE LESSEE OPTION PROPERTY OR THEIR OPERATION WITH ANY LAWS, RULES, ORDINANCES OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY OR BODY; (VIII) THE MANNER OR QUALITY OF THE CONSTRUCTION OR MATERIALS, IF ANY, INCORPORATED INTO THE PROPERTY; (IX) COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION, POLLUTION OR LAND USE LAWS, RULES, REGULATION, ORDERS OR REQUIREMENTS, INCLUDING BUT NOT LIMITED TO, TITLE III OF THE AMERICANS WITH DISABILITIES ACT OF 1990, THE FEDERAL WATER POLLUTION CONTROL ACT, THE FEDERAL RESOURCE CONSERVATION AND RECOVERY ACT, THE U. S. ENVIRONMENTAL PROTECTION AGENCY REGULATIONS AT 40 C. F. R., PART 261, THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED, THE RESOURCE CONSERVATION AND RECOVERY ACT OF 1976, THE CLEAN WATER ACT, THE SAFE DRINKING WATER ACT, THE HAZARDOUS MATERIALS TRANSPORTATION ACT, THE TOXIC SUBSTANCE CONTROL ACT, AND REGULATIONS PROMULGATED UNDER ANY OF THE FOREGOING; (X) THE PRESENCE OR ABSENCE OF HAZARDOUS MATERIALS AT, ON, UNDER, OR ADJACENT TO THE LESSEE OPTION PROPERTY; (XI) THE CONTENT,

COMPLETENESS OR ACCURACY OF THE DUE DILIGENCE MATERIALS OR PRELIMINARY REPORT REGARDING TITLE; (XII) THE CONFORMITY OF THE IMPROVEMENTS TO ANY PLANS OR SPECIFICATIONS FOR THE LESSEE OPTION PROPERTY, INCLUDING ANY PLANS AND SPECIFICATIONS THAT MAY HAVE BEEN OR MAY BE PROVIDED TO LESSEE; (XIII) THE CONFORMITY OF THE LESSEE OPTION PROPERTY TO PAST, CURRENT OR FUTURE APPLICABLE ZONING OR BUILDING REQUIREMENTS; (XIV) DEFICIENCY OF ANY UNDERSHORING; (XV) DEFICIENCY OF ANY DRAINAGE; (XVI) THE EXISTENCE OF VESTED LAND USE, ZONING OR BUILDING ENTITLEMENTS AFFECTING THE LESSEE OPTION PROPERTY; OR (XVII) WITH RESPECT TO ANY OTHER MATTER. LESSEE FURTHER ACKNOWLEDGES AND AGREES THAT HAVING BEEN GIVEN THE OPPORTUNITY TO OCCUPY AND INSPECT THE LESSEE OPTION PROPERTY AND REVIEW INFORMATION AND DOCUMENTATION AFFECTING IT, LESSEE IS RELYING SOLELY ON ITS OWN INVESTIGATION OF THE LESSEE OPTION PROPERTY AND REVIEW OF SUCH INFORMATION AND DOCUMENTATION, AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY LESSOR. LESSEE FURTHER ACKNOWLEDGES AND AGREES THAT ANY INFORMATION MADE AVAILABLE TO LESSEE OR PROVIDED OR TO BE PROVIDED BY OR ON BEHALF OF LESSOR WITH RESPECT TO THE LESSEE OPTION PROPERTY WAS OBTAINED FROM A VARIETY OF SOURCES AND THAT LESSOR HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. LESSOR IS NOT LIABLE OR BOUND IN ANY MANNER BY ANY ORAL OR WRITTEN STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE LESSEE OPTION PROPERTY, OR THE OPERATION THEREOF, FURNISHED BY ANY REAL ESTATE BROKER, AGENT, EMPLOYEE, SERVANT OR OTHER PERSON. LESSEE FURTHER ACKNOWLEDGES AND AGREES THAT TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE SALE OF THE LESSEE OPTION PROPERTY AND AS PROVIDED FOR HEREIN IS MADE ON AN "AS IS" CONDITION AND BASIS WITH ALL FAULTS, AND THAT LESSOR HAS NO OBLIGATIONS TO MAKE REPAIRS, REPLACEMENTS OR IMPROVEMENTS EXCEPT AS MAY OTHERWISE BE EXPRESSLY STATED HEREIN. LESSEE REPRESENTS, WARRANTS AND COVENANTS TO LESSOR THAT, EXCEPT FOR LESSOR'S EXPRESS REPRESENTATIONS AND WARRANTIES SPECIFIED IN THIS AGREEMENT AND IN THE INSTRUMENTS TO BE DELIVERED AT CLOSING, LESSEE IS RELYING SOLELY UPON LESSEE'S OWN INVESTIGATIONS.

38.9 Default: Remedies. In the event that either party hereunder fails to perform their respective duties or obligations under this Article, the other party shall give Notice thereof and, if the non-performing Party fails to remedy such default within a ten (10) day period, the performing party's remedies shall be as follows: (i) Lessor's sole and exclusive remedy shall be to retain the Lessee Option Deposit as full liquidated damages, and not as a penalty, the parties hereby acknowledging Lessor's actual damages will be difficult, if not impossible, to calculate under the circumstances, and Lessor hereby waiving and releasing any right to pursue any other remedy hereunder, at law, in equity or otherwise, including without limitation the remedies of specific performance and damages, and (ii) Lessee's sole and exclusive remedies shall be (a) receive a return of the Lessee Option Deposit or (b) to pursue an action for specific performance and to recover its reasonable costs and expenses in pursuing such remedy, and Lessee hereby waiving and releasing any right to pursue any other remedy hereunder, at law, in equity or otherwise, including without limitation the remedy of damages. In no event will any default hereunder result in the termination of the Lease.

38.10 Assignments. Lessee shall have no right to assign the Lessee Option, or any interest therein, without Lessor's consent, which may be withheld in Lessor's sole discretion; provided, however, that Lessee may assign the Lessee Option at the Lessee Closing to an Affiliate of Lessee.

38.11 Limited Release. Concurrently with the Lessee Closing, the ownership of the applicable Sublessees which are the licensed operators of the Lessee Option Facilities will be transferred such that HCREH and/or HCH no longer own or control such Sublessees. Upon such transfer, Lessor will release such Sublessees from their obligations with respect to their guaranty of the Master Lease and the Maryland Acquisition Loan and will cause such Sublessees to be released from their guaranty of the City View Loan.

ARTICLE XXXIX

39.1 Maryland Option to Purchase. In consideration of the entry by Lessor into this Lease and the Maryland Loan Agreement, the sufficiency of which is acknowledged by Lessee and the Maryland Borrowers, Maryland Borrowers hereby grant to Lessor an option (the "Maryland Option"), pursuant to which Lessor shall have the exclusive right to purchase the Maryland Option Property on the terms and conditions set forth in this Agreement.

39.2 Option Period. The "Maryland Option Period" refers to the period that begins on the Maryland Option Commencement Date, as that term is defined below, and ends at 5:00 p.m. (all references to time mean the time in Maryland on the pertinent date) on the *later* of (i) the Maturity Date (as defined in the Maryland Loan Agreement), or (ii) the date all of the Maryland Borrowers' (as identified in the Maryland Loan Agreement) obligations under the Maryland Loan Agreement and related documents are fully paid and satisfied. The first to occur of the following is the "Maryland Option Commencement Date":

(i) The date which is one hundred eighty (180) days prior to the Maturity Date;

(j) The date of the first Event of Default under this Lease, the Maryland Loan Agreement, the City View Loan Agreement or any of the Combined Transaction Documents.

39.3 Option Price. The purchase price for the Maryland Option Property will be the outstanding principal balance of the Maryland Loan as of the Maryland Closing (the "Maryland Option Price"). The Maryland Option Price shall be paid at closing in the form of credit against the outstanding balance of the Maryland Loan. Maryland Borrowers will be responsible to pay at closing any other outstanding indebtedness secured by any Maryland Option Property, including, without limitation, any unpaid principal, interest, fees and other charges on the Maryland Loan.

39.4 If Lease Still in Effect. If Lessor exercises the Maryland Option, and if, as of the Maryland Closing, this Lease remains in full force and effect, at the Maryland Closing, then, at the election of Lessor:

(a) Lessee shall be obligated to enter into an amendment to this Lease to (1) include the Maryland Option Facilities as "OHI THI Facilities" and "Facilities", and (2) increase the annual Base Rent under the Lease by an amount equal to the Maryland Option Price multiplied by the Lease Rate in effect as of the Maryland Closing;

(b) Lessee shall be obligated to sublease the Facilities to the Maryland Operators (or such other sublessees as are approved by Lessor in its sole discretion);

(c) the Maryland Operators shall be obligated to become parties as guarantors, debtors or pledgors or otherwise under all the documents that secure this Lease in the same capacity as the other Sublessees;

(d) the Guarantors shall be obligated to affirm their Guaranties;

(e) RE Leasing, as the equity owner of the Maryland Operators, shall pledge its equity ownership in the Maryland Operators to secure this Lease;

(f) RE Holdings, as the equity owner of RE Leasing, shall pledge its equity ownership in RE Leasing to secure this Lease; and

(g) Lessee, the Maryland Operators, the Guarantors, the Sublessees, and their Affiliates shall ratify and affirm all of the Transaction Documents.

39.5 Option Exercise. The Maryland Option may be exercised by Lessor at any time during the Option Period by furnishing notice of such exercise in writing to Maryland Borrowers (an "Maryland Option Notice").

39.6 Closing Costs, Taxes and Assessments. The Maryland Borrowers shall pay all costs and expenses of Maryland Borrowers and Lessor in connection with the purchase of the Maryland Facilities pursuant to the Maryland Option, including, but not limited to, all transfer taxes, recording fees, title insurance policy premiums, the costs of any surveys, environmental reports, or appraisals Lessor elects to obtain, and the reasonable legal fees and expenses of Maryland Borrower and Lessor. Maryland Borrowers shall be responsible to pay, at closing, without proration, all real and personal property taxes and assessments levied against the Maryland Option Property or any part thereof.

39.7 Title Insurance; etc.

(a) Maryland Borrowers shall deliver title to the Maryland Option Property free of all liens, claims and encumbrances, except for Maryland Permitted Encumbrances. Maryland Borrowers shall deliver to Lessor, within 30 days after Maryland Borrowers' receipt of a Maryland Option Notice, a commitment for an ALTA Owner's Title Policies for the real property issued by a title company licensed to do business in the state where the Maryland Option Property is located (the "Maryland Title Company") in the amount of the Maryland Option Price and bearing a date later than the date of the Maryland Option Notice, with standard commercial endorsements, including, coverage over general exceptions, and deletions of survey exceptions (the "Maryland Title Commitments"). Copies of all documents and other items listed in the Maryland Title Commitment as encumbrances or exceptions shall be delivered to Lessor with the Maryland Title Commitment. Maryland Borrowers shall pay the premium for the title insurance policy or policies (the "Maryland Title Insurance Policies") issued pursuant to the Maryland Title Commitments.

(b) Maryland Borrowers shall, within 45 business days after Maryland Borrowers' receipt of a Maryland Option Notice deliver to Lessor an ALTA staked boundary survey of each facility comprising the Maryland Option Property, certified to Lessor and the Maryland Title Company.

(c) Maryland Borrowers shall deliver to Lessor, within 20 days after Maryland Borrowers' receipt of a Maryland Option Notice, Uniform Commercial Code liens searches (county and state) with respect to each of the Maryland Borrowers.

(d) During the period that begins on Maryland Borrowers' receipt of a Maryland Option Notice and ends at closing, Lessor shall have the right to conduct all reasonable inspections, investigations, appraisals, surveys and tests on the Maryland Option Property as Lessor may elect to conduct in order to satisfy itself as to the suitability of the physical conditions and characteristics of the Maryland Option Property. To that end, Lessor and its agents and/or representatives shall have the right to enter upon the real property and the buildings located thereon upon reasonable notice at all reasonable times for the purposes of inspecting the same, examining all books and records of the business conducted thereon and making such soil tests, surveys, environmental studies or tests, feasibility studies, architectural and engineering studies, surface water and ground water sampling, wetlands audit and such other tests and investigations as Lessor deems appropriate.

(e) If for any reason Lessor is not satisfied with the results of its investigations, Lessor may, without releasing any of Maryland Borrowers' obligations under the Maryland Loan Agreement or related documents, revoke its election to exercise the Maryland Option by giving written notice of revocation to Maryland Borrowers at any time prior to closing.

(f) The Maryland Borrowers acknowledge and agree that to the extent any outstanding indebtedness of the Maryland Borrowers under the Maryland Loan Agreement and related loan documents is not paid in full upon consummation of the transactions contemplated by this Article, (i) the Maryland Borrowers shall remain fully liable for such obligations under Maryland Loan Agreement and related loan documents and (ii) the Maryland Loan Agreement and the related loan documents shall continue to be secured by any collateral covered by the Combined Transaction Documents and not acquired by Maryland Borrower (or its designee) pursuant to this Article.

39.8 Conveyance to Lessor. At closing, Maryland Borrowers shall convey the Maryland Option Property to Lessor by warranty deeds, subject only to the Maryland Permitted Encumbrances, and by bill of sale and assignment warranting that Maryland Borrowers own the personal property free and clear of all liens and claims. Maryland Borrowers agree to execute any other documents or instruments requested by Lessor or the Maryland Title Company to effect the conveyances or close the transactions contemplated by this Agreement. Unless Lessor has made its election pursuant to Section 39.4 for Lessee to lease the Maryland Facilities pursuant to this Lease, the Maryland Operators shall execute and deliver to the new operators one or more operations transfer agreements substantially in the form of Exhibit E to this Lease at the Maryland Closing.

39.9 Closing. The consummation of the transaction contemplated by this Agreement (the "Maryland Closing") shall occur on a date mutually acceptable to Maryland Borrowers and Lessor, but in any event on a date not more than ninety (90) days after the date Lessor exercises the Maryland Option. In the event the Closing is to take place on a date after the scheduled Maturity Date, then, unless otherwise agreed in writing by Lender, the Maturity Date shall be extended until the *earlier* of (i) the Closing Date, (ii) the date Lessor terminates its exercise of the Maryland Option, or (iii) the date which is ninety (90) days after the original Maturity Date. The Closing shall take place at the offices of the Maryland Title Company, or at such other place as is mutually acceptable to Maryland Borrowers and Lessor, and either party may deliver any documents or instruments necessary to effect the Closing to the Maryland Title Company via Federal Express or other overnight courier in a timely manner.

39.10 Breach by Maryland Borrowers. If any of the Maryland Borrowers breach any of their obligations under this Agreement, Lessor shall have, in addition to all other remedies available at law or in equity, the following remedies: (a) Lessor may compel specific performance of this Article in all respects and recover all damages incurred by Lessor as a result of such breach, or (c) Lessor may terminate the Maryland Option Notice (but not the Maryland Option itself, which shall remain in full force and effect) and recover all damages incurred by Lessor as result of such breach.

39.11 Notices. Notices to Maryland Borrowers shall be in manner and to the addresses set forth in Section 31.1.

39.12 Recording. Maryland Borrowers shall, upon Lessor's request, execute and deliver a memorandum evidencing the Maryland Option, which memorandum shall be in recordable form and otherwise in form and substance acceptable to Lessor.

39.13 Assignment. No Maryland Borrower may assign or transfer its interest under this Article without Lessor's prior written consent, which Lessor may withhold in its sole discretion. Lessor may assign or transfer its interest under this Article to any person, firm or entity whatsoever; provided that (a) Lessor shall promptly notify Lessee in writing of the name and address of such transferee, (b) the transferee shall assume and agree to observe and perform all of Lessor's obligations under this Article, and (c) the Lessor has assigned, and transferee has assumed, all of Lessor's right, title, interests and obligations in and to the Maryland Loan. Upon an assignment by Lessor, Lessor shall be relieved of its obligations under this Article.

ARTICLE XL

40.1 Miscellaneous.

40.1.1 Survival. Choice of law. Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to the date of expiration or termination of this Lease shall survive such expiration or termination. If any term or provision of this Lease or any application thereof is held invalid or unenforceable, the remainder of this Lease and any other application of such term or provisions shall not be affected thereby. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor, any Facility Mortgagee and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of the state of Ohio, except as to matters which, under applicable procedural conflicts of laws rules require the application of laws of another State.

LESSEE CONSENTS TO IN PERSONAM JURISDICTION BEFORE THE STATE AND FEDERAL COURTS OF THE STATES OF MARYLAND, OHIO, AND PENNSYLVANIA AND AGREES THAT ALL DISPUTES CONCERNING THIS AGREEMENT BE HEARD IN THE STATE AND FEDERAL COURTS LOCATED IN THE STATES OF MARYLAND OR EACH STATE IN WHICH A FACILITY IS LOCATED. LESSEE AGREES THAT SERVICE OF PROCESS MAY BE EFFECTED UPON IT UNDER ANY METHOD PERMISSIBLE UNDER THE LAWS OF THE STATES OF MARYLAND, OHIO, AND PENNSYLVANIA AND IRREVOCABLY WAIVES ANY OBJECTION TO VENUE IN THE STATE AND FEDERAL COURTS OF THE STATES OF MARYLAND, OHIO, OR PENNSYLVANIA.

40.1.2 Limitation on Recovery. Lessee specifically agrees to look solely to Lessor's interest in the Leased Properties for recovery of any judgment from Lessor, it being specifically agreed that no constituent shareholder, officer or director of Lessor shall ever be personally liable for any such judgment or for the payment of any monetary obligation to Lessee. Furthermore, Lessor (original or successor) shall never be liable to Lessee for any indirect or consequential damages suffered by Lessee from whatever cause.

40.1.3 Waivers. Lessee waives any defense by reason of any disability of Lessee, and waives any other defense based on the termination of Lessee's (including Lessee's successor's) liability from any cause.

40.1.4 Consents. Whenever the consent or approval of Lessor is required hereunder, Lessor may in its sole discretion and without reason withhold that consent or approval unless otherwise specifically provided.

40.1.5 Counterparts. This Lease may be executed in separate counterparts, each of which shall be considered an original when each party has executed and delivered to the other one or more copies of this Lease.

40.1.6 Options Personal. The renewal options granted to Lessee in this Lease are granted solely to Lessee and are not assignable or transferable except in connection with a Transfer permitted in Article XXII.

40.1.7 Rights Cumulative. Except as provided herein to the contrary, the respective rights and remedies of the parties specified in this Lease shall be cumulative and in addition to any rights and remedies not specified in this Lease.

40.1.8 Entire Agreement. There are no oral or written agreements or representations between the parties hereto affecting this Lease. This Lease supersedes and cancels any and all previous negotiations, arrangements, representations, brochures, agreements and understandings, if any, between Lessor and Lessee.

40.1.9 Amendments in Writing. No provision of this Lease may be amended except by an agreement in writing signed by Lessor, any Facility Mortgagee and Lessee.

40.1.10 Lessee to Pay Reasonable Expenses. Lessee shall pay or reimburse Lessor for all reasonable out-of-pocket costs and expenses incurred by Lessor in connection with or relating in any way to the administration of this Lease, including without limitation, search costs, audit fees, appraisal fees, attorneys' fees, and other costs paid or incurred by Lessor in the analysis, administration and enforcement of this Lease and the other Transaction Documents, the protection and defense of the rights of Lessor in and to the Leased Properties, the Collateral and the other Transaction Documents, or as otherwise referred to in this Lease or in the other Transaction Documents, and all costs and expenses relating to extensions, amendments, waivers, or consents requested by Lessee, pursuant to this Lease or any other Transaction Document or any agreements with other parties or termination of this Lease (collectively, "Reasonable Expenses"); provided, however that shall Lessee not be liable for payment or reimbursement of Reasonable Expenses incurred in connection with the initial documentation and closing of the THI Acquisition Agreements and this Lease to the extent such expenses are included in the amount funded by Lessor in connection with the acquisition of the OHI THI Facilities used in the calculation of the Base Rent. All such Reasonable Expenses shall be due on demand; provided, however, that so long as no Event of Default has occurred hereunder, Reasonable Expenses incurred after the date of this Lease which are unrelated to the closing on the Acquired Facilities shall be paid on or before the earlier of (i) 30 days following written notice thereof to Lessee or (ii) the date of expiration or earlier termination of this Lease. Any Reasonable Expenses not paid when due shall bear interest at the Overdue Rate. Notwithstanding the foregoing, unless Lessor has a reasonable basis to conclude that the value of one or more of the Facilities has diminished in any material respect, Lessee shall not be obligated to pay: (i) any appraisal fees incurred in connection with Lessor's financing activities or corporate compliance requirements, or (ii) for more than one appraisal per Facility during any four year period.

40.1.11 Severability. If any provision of this Lease or the application of such provision to any person, entity or circumstance is found invalid or unenforceable by a court of competent jurisdiction, such determination shall not affect the other provisions of this Lease and all other provisions of this Lease shall be deemed valid and enforceable.

40.1.12 Time of the Essence. Except for the delivery of possession of the Facilities to Lessee, time is of the essence with respect to all provisions of this Lease of which time is an element.

40.1.13 Joint and Several Liability. Each of Lessee One and Lessee Two are jointly and several liable for obligations of Lessee under this Lease.

SIGNATURE PAGES FOLLOW

LIST OF EXHIBITS TO LEASE

Exhibits A –	Facility Trade Names
Exhibits B-1 through B-25 –	Description of Land
Exhibit C –	Form of Lessee's Certificate
Exhibit D –	Permitted Encumbrances
Exhibit E - -	Form of Operations Transfer Agreement
Exhibit F - -	Form of Memorandum and Short Form of Lease
Exhibit G - -	Allocation of Base Rent
Exhibit I - -	Base Rent after Lessee Option Exercise
Schedule 8.2.5 - -	Other Permitted Indebtedness
Schedule 8.8 - -	Permitted Investments
Schedule 9.3 - -	Improvements Schedule

EXHIBIT A

FACILITY TRADE NAMES

Aristocrat Berea
Candlewood Park
Falling Water
Grande Pointe Health Care
Greenbrier RC
Greenbrier HC
Ohio Extended Care Facility
Pebble Creek
Pine Grove
Pine Valley Care Center
Wyant Woods
Waterford Commons
Crestwood Care Center
Baldwin Health Center

Copley Health Center
Hanover House
Suburban Pavilion
Wexford House
Advanced Specialty Rehab of Toledo
Commons at Greenbrier
Greenbrier Center (a/k/a Greenbrier North)
Greenbrier Rehabilitation Hospital
Chardon Healthcare Center
Northwestern Center
Columbus Center
Golden Years Healthcare Center
Oak Grove Center
Kent Care Center

Exhibits B1 – B26 Legal description of the real property for the following properties:

B-1 Grande Pointe

B-2 Aristocrat Berea

B-3 Aristocrat South – 6455 Pearl

B-4 Aristocrat South – 6457 Pearl

B-5 Candlewood Park

B-6 Falling Water

B-7 Pine Grove

B-8 Wyant Woods

B-9 Pine Valley

B-10 Pebble Creek

B-11 Ohio Extended Care

B-12 Crestwood Care Center

B-13 Waterford Commons

B-14 Wexford House/Pavillion North Limited

B-15 Baldwin Health Center

B-16 Copley Health Center, Inc.

B-17 Sururban Pavilion, Inc.

B-18 House of Hanover, LTD.

B-19 LTACH Facility

B-20 Northwestern Center

B-21 Columbus Center

B-22 Golden Years Healthcare Center

B-23 Oak Grove Center

B-24 Chardon Healthcare Center

B-25 Commons at Greenbriar; Greenbriar Center (a/k/a Greenbriar North); Greenbriar Rehabilitation Hospital

B-26 Kent Care Center

EXHIBIT C

FORM OF LESSEE'S CERTIFICATE

The undersigned _____ ("Lessee") under that certain Lease (the "Lease") dated _____, 20____ and made with, a _____ ("Lessor"), hereby certifies:

1. That it is Lessee under the Lease; that attached hereto as Exhibit "A" is a true and correct copy of the Lease; that the Lease is now in full force and effect and has not been amended, modified or assigned except as disclosed or included in Exhibit "A"; and that the Lease constitutes the entire agreement between Lessor and Lessee.
2. That there exist no defenses or offsets to enforcement of the Lease; that there are, as of the date hereof, no breaches or uncured defaults on the part of Lessee or Lessor thereunder; and that Lessee has no notice or knowledge of any prior assignment, hypothecation, subletting or other transfer of Lessor's interest in the Lease.
3. That the Base Rent for the first Lease Year under this Lease is \$ _____. All Rent which is due has been paid, and there are no unpaid Additional Charges owing by Lessee under the Lease as of the date hereof. No Base Rent or other items (including without limitation security deposit and any impound account or funds) have been paid by Lessee in advance under the Lease except for the security deposit held by Lessor [in the form of an irrevocable letter of credit] in the amount of \$ _____ and the monthly installment of Base Rent that became due on _____.
4. That Lessee has no claim against Lessor for any security deposit, impound account or prepaid Rent except as provided in paragraph 3 of this Certificate.
5. That there are no actions, whether voluntary or otherwise, pending against the undersigned under the bankruptcy laws of the United States or any state thereof, nor has Lessee nor, to the best of Lessee's knowledge has Lessor begun any action, or given or received any notice for the purpose of termination of the Lease.
6. That there are, as of the date hereof, no breaches or uncured defaults on the part of Lessee under any other agreement executed in connection with the Lease.
7. This Certificate has been requested by Lessor pursuant to Section 19.3 of this Lease and for the benefit of _____ ("Relying Party"). The Relying Party is entitled to rely on the statements of Lessee contained in this certificate.
8. All capitalized terms used herein and not defined herein shall have the meanings for such terms set forth in the Lease.

Dated: _____, 20__

LESSEE:

By:

Exhibit D Permitted Encumbrances (Permitted Exceptions) for the following properties:

- Aristocrat Berea
- Aristocrat South – 6455 Pearl
- Aristocrat South – 6457 Pearl
- Candlewood Park
- Falling Water
- Grande Pointe
- Ohio Extended Care
- Pebble Creek
- Pine Grove
- Pine Valley
- Wyant Woods
- Crestwood Care Center
- Waterford Commons
- Copley Health Care Center
- House of Hanover
- Suburban Pavillion
- Baldwin Health Center
- Pavillion North/Wexford House
- LTACH Facility
- Northwestern Center
- Columbus Center
- Golden Years Healthcare Center
- Oak Grove Center
- Chardon Healthcare Center
- Commons at Greenbriar; Greenbriar Center (a/k/a Greenbriar North); Greenbriar Rehabilitation Hospital
- Kent Care Center

EXHIBIT E

FORM OF OPERATIONS TRANSFER AGREEMENT

An Operations Transfer Agreement substantially in the form of the MASTER LEASE AMENDMENT, SUBLEASE TERMINATION AND OPERATIONS TRANSFER AGREEMENT made and entered into as of November 7, 2003, among OMEGA HEALTHCARE INVESTORS, INC., a Maryland corporation, CLAREMONT HEALTH CARE HOLDINGS, INC., a Delaware corporation, IHS ACQUISITION NO. 123, INC., a Delaware corporation, INTEGRATED HEALTH OF WATERFORD COMMONS, INC., a Pennsylvania corporation, OMG MSTR LSCO, LLC, an Ohio limited liability company, MIDLAND LEASING CO., LLC, an Ohio limited liability company, and GARDEN LEASING CO., LLC, an Ohio limited liability company.

EXHIBIT F

MEMORANDUM OR SHORT FORM OF LEASE

THIS INSTRUMENT PREPARED BY:

Mark E. Derwent
Doran Derwent PLLC
125 Ottawa Ave., N.W., Suite 420
Grand Rapids, Michigan 49503
Telephone: 616.233.9640

THIS LEASE, made and entered into as of _____, 20____, by and between _____, having its principal office at 9690 Deereco Road, Suite 100, Timonium, MD 21093, as Lessor, and _____ Inc., a _____, having its principal office at _____, as Lessee with respect to the real property identified in Exhibit(s) "_____" attached hereto and located in _____.

WITNESSETH:

1. For and in consideration of the rents reserved and the other covenants contained in that certain Lease made by and between the parties hereto and dated the date hereof ("Lease"), Lessor has and does hereby lease to Lessee, and Lessee has and does hereby take and rent from Lessor, all of Lessor's rights and interest in and to the parcel of real property described in Exhibit(s) "_____" and all fixtures and improvements thereto, and certain personal and other property as set forth in the Lease.

2. The Initial Term of the Lease is approximately _____ (_____) years, commencing _____, 200____ and ending on _____, 200____.

3. As more particularly provided in the Lease, Lessee may elect to renew the original term for ____ (____) ____ (____) year optional renewal periods for a maximum term, if exercised, of _____ (____) years after the Commencement Date.

4. This instrument is executed and recorded for the purpose of giving notice of Lessee's interest in the property covered by the Lease and giving notice of the existence of the Lease, to which reference is made for a full statement of the terms and conditions thereof. The respective addresses of the parties hereto are:

Lessee:

Attn:

Lessor:

Attn:

IN WITNESS WHEREOF, the parties have caused this instrument to be executed by their duly authorized [officer or officers] and [general partners] [managing partners], as applicable, all as of the day and date first above written.

LESSOR:

_____,
a

By:

Name:

Title:

LESSEE:

a

Name:

Title:

STATE OF MARYLAND)
) SS
COUNTY)
OF _____

This instrument was acknowledged before me on the ____ day of _____, 200__, by _____, the _____ of _____, a _____, on behalf of said _____.

Notary Public

STATE OF MARYLAND)
) SS
COUNTY)
OF _____)

This instrument was acknowledged before me on the ____ day of _____, 200__, by _____, the
_____ of _____, a _____, on behalf of said _____.

Notary Public

EXHIBIT G

MONTHLY BASE RENT

Month	Total
4/1/2008	1,945,380.03
5/1/2008	1,945,380.03
6/1/2008	1,945,380.03
7/1/2008	1,945,380.03
8/1/2008	1,945,380.03
9/1/2008	1,945,380.03
10/1/2008	1,945,380.03
11/1/2008	1,959,145.40
12/1/2008	1,984,426.07
1/1/2009	1,984,463.73
2/1/2009	1,984,463.73
3/1/2009	1,984,463.73
4/1/2009	1,984,463.73
5/1/2009	1,994,320.97
6/1/2009	1,994,320.97
7/1/2009	1,994,320.97
8/1/2009	1,994,320.97
9/1/2009	1,994,320.97
10/1/2009	1,994,320.97
11/1/2009	2,008,430.47
12/1/2009	2,034,343.15
1/1/2010	2,034,381.76
2/1/2010	2,034,381.76
3/1/2010	2,034,381.76
4/1/2010	2,034,381.76
5/1/2010	2,044,485.43
6/1/2010	2,044,485.43
7/1/2010	2,044,485.43
8/1/2010	2,044,485.43
9/1/2010	2,044,485.43
10/1/2010	2,044,485.43
11/1/2010	2,058,947.66
12/1/2010	2,085,508.16
1/1/2011	2,085,547.74
2/1/2011	2,085,547.74

*Rent for April, 2008 to be pro-rated based upon the date of this Lease

Month	Total
3/1/2011	\$ 2,085,547.74
4/1/2011	2,085,547.74
5/1/2011	2,095,904.00
6/1/2011	2,095,904.00
7/1/2011	2,095,904.00
8/1/2011	2,095,904.00
9/1/2011	2,095,904.00
10/1/2011	2,095,904.00
11/1/2011	2,110,727.78
12/1/2011	2,137,952.29
1/1/2012	2,137,992.86
2/1/2012	2,137,992.86
3/1/2012	2,137,992.86
4/1/2012	2,137,992.86
5/1/2012	2,148,608.03
6/1/2012	2,148,608.03
7/1/2012	2,148,608.03
8/1/2012	2,148,608.03
9/1/2012	2,148,608.03
10/1/2012	2,148,608.03
11/1/2012	2,163,802.49
12/1/2012	2,191,707.62
1/1/2013	2,191,749.19
2/1/2013	2,191,749.19
3/1/2013	2,191,749.19
4/1/2013	2,191,749.19
5/1/2013	2,202,629.74
6/1/2013	2,202,629.74
7/1/2013	2,202,629.74
8/1/2013	2,202,629.74
9/1/2013	2,202,629.74
10/1/2013	2,202,629.74
11/1/2013	2,217,897.55
12/1/2013	2,246,500.30
1/1/2014	2,246,542.92

Month	Total
2/1/2014	\$ 2,246,542.92
3/1/2014	2,246,542.92
4/1/2014	2,246,542.92
5/1/2014	2,257,695.48
6/1/2014	2,257,695.48
7/1/2014	2,257,695.48
8/1/2014	2,257,695.48
9/1/2014	2,257,695.48
10/1/2014	2,257,695.48
11/1/2014	2,273,344.99
12/1/2014	2,302,662.81
1/1/2015	2,302,706.50
2/1/2015	2,302,706.50
3/1/2015	2,302,706.50
4/1/2015	2,302,706.50
5/1/2015	2,314,137.87
6/1/2015	2,314,137.87
7/1/2015	2,314,137.87
8/1/2015	2,314,137.87
9/1/2015	2,314,137.87
10/1/2015	2,314,137.87
11/1/2015	2,330,178.61
12/1/2015	2,360,229.38
1/1/2016	2,360,274.16
2/1/2016	2,360,274.16
3/1/2016	2,360,274.16
4/1/2016	2,360,274.16
5/1/2016	2,371,991.32
6/1/2016	2,371,991.32
7/1/2016	2,371,991.32
8/1/2016	2,371,991.32
9/1/2016	2,371,991.32
10/1/2016	2,371,991.32
11/1/2016	2,388,433.08
12/1/2016	2,419,235.11

Month	Total
1/1/2017	\$ 2,419,281.00
2/1/2017	2,419,281.00
3/1/2017	2,419,281.00
4/1/2017	2,419,281.00
5/1/2017	2,431,291.10
6/1/2017	2,431,291.10
7/1/2017	2,431,291.10
8/1/2017	2,431,291.10
9/1/2017	2,431,291.10
10/1/2017	2,431,291.10
11/1/2017	2,448,143.91
12/1/2017	2,479,716.00
1/1/2018	2,479,763.04
2/1/2018	2,479,763.04
3/1/2018	2,479,763.04
4/1/2018	2,479,763.04
5/1/2018	2,492,073.38
6/1/2018	2,492,073.38
7/1/2018	2,492,073.38
8/1/2018	2,492,073.38
9/1/2018	2,492,073.38
10/1/2018	2,492,073.38
11/1/2018	2,509,347.51
12/1/2018	2,541,708.89

ALLOCATION OF BASE RENT BEFORE THI

CSC Facilities	Allocation of Base Rent as of December 16, 2005	
Aristocrat Berea Nursing Home	\$	1,260,450
Aristocrat Berea Resp. Care	\$	160,304
Candlewood Park	\$	1,089,670
Falling Water	\$	1,228,901
Grande Pointe	\$	1,271,420
Greenbriar	\$	1,327,185
Greenbriar Res Care	\$	323,079
Ohio Extended Care	\$	1,290,111
Pebble Creek	\$	1,330,017
Pine Grove	\$	166,967
Pine Valley	\$	749,831
Wyant Woods	\$	1,352,066
	\$	<u>11,550,000</u>
<hr/>		
Emery Facilities	Allocation of Base Rent as of June 24, 2005	
Baldwin Health Center	\$	703,800
Copley Health Center	\$	981,940
Hanover House	\$	1,351,940
Suburban Pavilion	\$	1,406,940
Wexford House	\$	676,200
	\$	<u>5,120,820</u>
<hr/>		
Balance to Waterford & Crestwood Care		

EXHIBIT H

LTACH FACILITY – RENOVATION

1. Definitions. All capitalized terms not defined in this Exhibit H shall have the meaning given to them in the Lease. For purposes of this Exhibit H, the following terms shall have the respective meanings given them below:

“Base Rent Commencement Date” shall be the earlier of (i) the ninth (9th) full month after the In Service Date or (ii) November 1, 2008.

“Closing Date” means the date that Lessor acquires the LTACH Facility, or the date Lessor is entitled to possession of the LTACH Facility under a lease.

“Construction Budgets” means the detailed budget for the construction of the LTACH Facility attached as Schedule 1, which sets forth Lessee’s good faith estimate of the Project Costs on an itemized basis and designates each item by amount, whether such item constitutes an item of Hard Costs or Soft Costs and the amount of proceeds, if any, of the Maximum Funded Amount allocable to each item of Hard Costs and Soft Costs.

“Developer’s Fees” means the fees and commissions, including Developer’s Overhead, payable to Lessee or any Affiliate of Lessee for services rendered in connection with the development, construction management or leasing of the LTACH Facility, as set forth on the Construction Budget.

“Developer’s Overhead” means costs incurred by Lessee and set forth on the Construction Budget for developer’s overhead and profit.

“Event of Force Majeure” is any event or condition, not existing as of the Closing Date, not reasonably foreseeable as of such date and not reasonably within the control of Lessee, that prevents in whole or in material part the performance by Lessee of its obligations under this Exhibit or that renders the performance of such obligations so difficult as to make such performance commercially unreasonable. Without limiting the foregoing, Events of Force Majeure shall include acts of state, riots, war, prolonged shortage of energy supplies, epidemics, fire, flood, hurricane, typhoon, earthquake, or explosion.

“Financing Costs Maximum” means Nine Hundred Sixty Four Thousand Five Hundred Thirty One (\$964,531).

“Funded Amount” means the amount actually expended for completion of the LTACH Facility as of a given date.

“Hard Costs” means costs paid to renovate and complete the LTACH Facility, including without limitation, demolition costs, site preparation costs, contractor’s fees, and costs of labor and material paid or necessarily incurred by Lessee in connection with the renovation of the LTACH Facility, but excluding Developer’s Fees, Developer’s Overhead and Contractor’s Overhead, and the contingency reserve, if any, set forth on the Construction Budget.

"In Service Date" shall be the date of completion of construction and licensing of the LTACH Facility for its intended use as a long term acute care hospital.

"LTACH Base Rent" means the Base Rent shall be:

(1) During the first Lease Year (i.e., the Lease Year in which the Closing Date occurs), the Monthly LTAC Base Rent;

(2) For the second Lease Year, the product of (A) twelve (12) times the Monthly LTACH Base Rent as of the last month (including in such calculation of Monthly LTACH Base Rent any amounts advanced during such last month) of the first Lease Year, multiplied by (i) one hundred percent (100%) plus (ii) the *lesser* of (a) two (2) times the increase in the CPI (expressed as a percentage) and (b) two and one half percent (2.5%) (the "Second Year Base Amount"), plus (B) the Monthly LTAC Base Rent payable during the second Lease Year; and

(3) For the third Lease Year, the product of (A) the Second Year Base Amount plus twelve (12) times the Monthly LTACH Base Rent as of the last month (including in such calculation of Monthly LTACH Base Rent any amounts advanced during such last month) of the second Lease Year multiplied by (i) one hundred percent (100%) plus (ii) the *lesser* of (a) two (2) times the increase in the CPI (expressed as a percentage) and (b) two and one half percent (2.5%); and

(4) For each succeeding Lease Year in the Term, the LTACH Base Rent for the previous Lease Year, multiplied by (i) one hundred percent (100%) plus (ii) the *lesser* of (a) two (2) times the increase in the CPI (expressed as a percentage) and (b) two and one half percent (2.5%).

"Maximum Funded Amount" means Nine Million Four Hundred Thirty Five Thousand One Hundred Thirty One Dollars (\$9,435,131).

"Monthly LTAC Base Rent" means an amount equal to (i) the Actual Funded Amount as of the first day of the applicable month during the applicable Lease Year *multiplied by* (ii) 0.0083333.

"Plans and Specifications" means the written plans and specification for the renovation of the LTACH Facility previously submitted by Lessee and approved by Lessor, as such plans and specifications may be amended as set forth in this Exhibit.

"Project Costs" means all Hard Costs, Soft Costs, Developer's Fees, Contractor's Overhead and other costs and fees associated with the construction of the Construction Facilities.

"Soft Costs" means premiums for title, casualty and other insurance required by Lessor under the LTACH Purchase Agreement or this Lease; the cost of recording and filing the closing documents under the LTACH Purchase Agreement and any tax levied upon such filing; real estate taxes and other assessments that Lessee is obligated to pay; fees and disbursements of the Lessor's attorneys, architects and engineers, appraisers, environmental engineers and surveyors; architectural design and monitoring fees; permit fees; marketing expenses; leasing and sales commissions; property management fees; and interest (including any reserve for interest set forth on the Construction Budgets), fees and miscellaneous transaction closing costs and charges payable by Lessee to Lessor as they become due and payable.

"Target Completion Date" means April 30, 2008.

"Title Company" means a title company selected by Lessor and reasonably acceptable to Lessee.

2. LTACH Base Rent. Commencing as of the Base Rent Commencement Date, Lessee shall pay the LTACH Base Rent pursuant to the terms and conditions of Article III of the Lease. Notwithstanding anything in this Exhibit to the contrary, Lessor shall have no obligation to make further advances of the Funded Amount on or after the Base Rent Commencement Date.

3. Accrual of Financing Costs. During the period from the Closing Date until the Base Rent Commencement Date, financing costs on the Funded Amount shall be capitalized monthly at the rate of eleven percent (11%) per annum. In the month such financing costs accrues, such financing costs shall be deemed to have been advanced as part of the Funded Amount for all purposes under this Exhibit; provided, however that to the extent that such interest in the aggregate exceeds the Financing Costs Maximum, then Lessee shall pay such amount monthly on the fifteenth day of the month and such amount shall not be deemed to be have been advanced as part of the Funded Amount. Any amounts payable under this Section shall constitute "Rent" under this Lease.

4. Sublease. Lessee shall initially sublease the LTACH Facility to an entity which is acceptable to Lessor in its reasonable discretion (" LTACH Sublessee"); provided, however, that Lessee must at all times own at least 87% of all outstanding equity interests in the LTACH Sublessee. After the initial sublease of the LTACH Facility, all future subleases of the LTACH Facility shall constitute Transfers and be subject to the provisions of this Lease. The LTACH Sublessee shall guaranty this Lease and provide the same collateral to secure this Lease as are provided by all other Sublessees under this Lease. The form of sublease between Lessee and the LTACH Sublessee (the "LTACH Sublease") shall be subject to Lessor's reasonable approval; provided that the LTACH Sublease shall (a) provide that Base Rent shall be at least equal to the LTACH Base Rent and (b) have covenants, terms and conditions substantially the same as this Lease. All equity owners of the LTACH Sublessee (other than Lessee) shall (i) pledge their interests in the Sublessee to secure the LTACH Sublease, and (ii) subordinate any management, consulting or other agreements between the LTACH Sublessee and such equity owners (or any of their affiliates) to the LTACH Sublease, this Lease and the other Transaction Documents. Lessee shall pledge its interest in the LTACH Sublessee to secure its obligations under this Lease and the other Transaction Documents. The LTACH Sublease shall be terminable at the option of Lessor at any time that an Event of Default under this Lease exists.

5. Regulatory Approvals. Lessee will be required to, or to cause Sublessee to, apply for, and to diligently pursue at its own expense, all licenses and regulatory approvals to operate the LTACH Facility as a long term acute care hospital (the "Licenses"). Lessee represents and warrants that it knows of no facts or circumstances that would make it unlikely that the Licenses will be issued.

6. Renovation of the LTACH Facility.

(a) Commencement and Completion of Renovations. Lessee shall commence substantial on-site development of the LTACH Facility within sixty (60) days of the Closing Date and, subject to a temporary suspension of performance pursuant to Section 16 below, will continue diligently to complete the LTACH Facility on or before the Target Completion Date (or as soon thereafter as reasonably possible) and will supply such moneys and perform such duties as may be necessary in connection therewith. The LTACH Facility will be complete for purposes of this Section only at such time as (i) all improvements to the LTACH Facility called for in the Plans and Specifications have been installed or completed in a manner satisfactory to Lessor and (ii) the local public authority has issued a final certificate of occupancy for the LTACH Facility subject only to such conditions as may be acceptable to Lessor.

(b) Lessor's Architect. Lessor may retain the services of architects and engineers, including architects and engineers employed by Lessor (the "Lessor's Architect"), to act as Lessor's agent in reviewing the Plans and Specifications and the progress of construction and in making such certifications and performing such other tasks and duties as Lessor deems appropriate. Lessee will pay all reasonable fees, costs and expenses of the Lessor's Architect within ten (10) days after demand by Lessor.

(c) Plans and Specifications. Lessee represents and warrants that (i) it has delivered to Lessor accurate and complete copies of the Plans and Specifications and all other contract documents requested by Lessor, including all modifications thereof; and (ii) the Plans and Specifications and construction pursuant thereto and the use of the LTACH Facility contemplated thereby comply and will comply with all applicable governmental laws and regulations and requirements, zoning and subdivision ordinances, and standards and regulations of all governmental bodies exercising jurisdiction over the LTACH Facility, including health care licensing, environmental protection, energy, equal employment regulations and appropriate supervising boards of fire underwriters and similar agencies. Lessee agrees to provide to Lessor a certification of Lessee's architect to such effect as well as the approvals of any governmental body or agency exercising jurisdiction of the LTACH Facility. Lessor acknowledges its approval of the Plans and Specifications. Except as provided below, Lessee will not make, or cause or permit to be made, any change to the Plans and Specifications unless a request for the change has been submitted in writing to Lessor and approved in writing by the construction manager or general contractor, as the case may be, any tenants whose approval is required, Lessor and such other parties as Lessor may require. Lessor's approval may be subject to such terms and conditions as Lessor reasonably may prescribe. Under no circumstances will any failure by Lessor to respond to a request for approval of a change in the Plans and Specifications be deemed to constitute approval of the request. Lessee will deliver promptly to Lessor copies of all bulletins, addenda, change orders and modifications to the Plans and Specifications. Lessor has the right at all times to require strict compliance with the original Plans and Specifications, but Lessee may effect changes in the Plans and Specifications from time to time, without first obtaining Lessor's approval, if (i) the changes do not impair the structural integrity, design concept or architectural appearance of the LTACH Facility or change the useable area of the LTACH Facility in any way, (ii) the changes will not result in a default in any other obligation to any other party or authority and (iii) the changes will not result in a net increase or decrease in the total Project Costs of ONE HUNDRED THOUSAND DOLLARS (\$100,000) Dollars or more in the aggregate for all changes. Notwithstanding the foregoing, to the extent that the cost to complete the LTACH Facility exceeds the Maximum Funded Amount (whether or not as a result of any such changes in the Plans and Specifications), Lessee will be responsible for payment of the excess.

(d) Character of Construction. All construction will be in accordance with the Plans and Specifications, of sound materials, in good and workmanlike manner, free and clear of all liens, claims and encumbrances (other than the liens and security interests securing the obligations of the Lessee under this Lease), and in compliance with all laws, ordinances, regulations and restrictions affecting the LTACH Facility and all requirements of all governmental authorities having jurisdiction over the LTACH Facility and of the appropriate board of fire underwriters or other similar body, if any, and any applicable health care authority related to the Licenses. Lessee will furnish Lessor with evidence of such compliance as Lessor requires from time to time.

(e) Construction Contract and Architectural/Engineering Agreement.

(i) A list of the construction manager(s) or general contractor(s), as the case may be, and the architect and/or engineer, and the contracts under which each is retained in connection with the LTACH Facility is attached as Schedule 6(e)(i). Any change to the construction manager(s) or general contractor(s), as the case may be, and the architect and/or engineer in connection with the LTACH Facility must be approved by Lessor in writing. Upon request of Lessor, Lessee will promptly furnish to Lessor executed copies of the construction management agreement or general contract(s) between Lessee and the construction manager or general contractor(s) covering all work to be done in connection with the LTACH Facility and executed copies of all subcontracts between the construction manager or general contractor(s) and all of their subcontractors and suppliers. Upon request of Lessor, Lessee will promptly furnish to Lessor any amendments or modifications (including change orders) to any of the foregoing. Lessee will not modify or amend or permit to be modified or amended (including by way of change order) any construction management agreement, construction contract or construction subcontract without Lessor's prior written approval; provided, however, that Lessor's prior approval need not be obtained with respect to any change order that results from a change in the Plans and Specifications with respect to which Lessor's consent is not required pursuant to Section 6(c) above. Upon request of Lessor, Lessee will also furnish to Lessor an executed copy of the architectural and/or engineering agreement between Lessee and the architect and/or engineer with respect to the LTACH Facility.

(ii) Lessee will perform its obligations under the contracts described in subparagraph (i) above, and will use reasonable best efforts to cause each other party to such contracts to perform its obligations under such contracts.

(iii) Lessee will enforce or cause to be enforced the prompt performance of the contracts described in subparagraph (i) above and will allow Lessor to take advantage of all rights and benefits of such contracts. In addition, Lessee hereby assigns to Lessor all warranties given to Lessee under the contracts described in subparagraph (i) above.

(f) Records and Reports. Lessee will keep accurate and complete books and records relating to the construction of the LTACH Facility, and Lessor will have access thereto during usual business hours upon 24 hours advance notice. Lessee will furnish or cause to be furnished to Lessor from time to time, promptly upon request, (i) copies and lists of all paid and unpaid bills for labor and materials with respect to the LTACH Facility, (ii) Construction Budgets and revisions thereof showing the estimated cost of the LTACH Facility and the source of the funds required at any given time to complete and pay for the same, (iii) receipted bills or other evidence of payment with respect to the cost of the LTACH Facility, and (iv) such reports as to other matters relating to the LTACH Facility as Lessor may request. This paragraph will supplement any similar provision in this Lease.

(g) Access. Notwithstanding anything to the contrary contained in this Lease, Lessee will, and will cause the LTACH Sublessee to, permit Lessor's representatives to have access to the LTACH Facility at all reasonable times and to conduct such investigations and inspections thereof as Lessor shall determine necessary, including without limitation in connection with inspecting the LTACH Facility and all work done, labor performed and materials furnished in connection with the construction thereof. Lessee will, and will cause the LTACH Sublessee to, cooperate and cause the construction manager or general contractor, as the case may be, to cooperate with Lessor and its representatives and agents during such inspections. Notwithstanding the foregoing, Lessee will, and will cause the LTACH Sublessee to, be responsible for making inspections as to the LTACH Facility during the course of construction and will determine to their own satisfaction that the work done or materials supplied by the contractors and subcontractors has been properly supplied or done in accordance with applicable contracts. All inspections that may be performed by Lessor and its agents will be exclusively for the benefit of Lessor and will impose no obligation whatever upon Lessor for the benefit of any person. Lessee will, and will cause the LTACH Sublessee to, hold Lessor harmless from, and Lessor will have no liability or obligation of any kind to Lessee, the LTACH Sublessee or creditors of any of them in connection with, any defective, improper or inadequate workmanship or materials brought in or related to the LTACH Facility, or any construction lien arising as a result of such workmanship or materials. No inspection by Lessor will create any obligation on Lessor or relieve Lessee or the LTACH Sublessee of any obligation.

(h) Damage by Fire or Other Casualty. If the LTACH Facility is partially or totally damaged or destroyed by fire or other casualty or taken under the power of eminent domain, proceeds of such event will be applied as provided in this Lease.

(i) Payment of Costs. Lessee will pay when due all obligations incurred by Lessee, or the LTACH Sublessee for the LTACH Facility, including any cost for restoration.

7. Disbursements of Funded Amount. Upon satisfaction of the conditions set forth in subparagraphs (a) and (b) below, Lessor will disburse from time to time (but no more frequently than once per month) to Lessee advances of the Funded Amount, subject to the limitations set forth in Section 8 below. Lessor may, in its sole discretion, elect not to advance up to ten percent (10%) of each advance Request (the "Retainage"). The Retainage shall be disbursed as part of the final payment of the Funded Amount. The Retainage shall not accrue financing costs under Section 3 and shall not constitute part of the Funded Amount for purposes of calculation of LTACH Base Rent until such time as it is disbursed.

(a) Lessor has received:

(i) a request for disbursement, in the form of AIA 706 (the "Request"), executed by an executive officer of Lessee and setting forth, among other things, the portion of the Funded Amount that Lessee then is requesting be disbursed, the amount that Lessee in good faith believes to be the cost to complete construction (after disbursement of the portion of the Funded Amount then being requested), a detailed breakdown of the costs and expenses incurred in the construction of the LTACH Facility to the date of Request, a detailed cost breakdown of the percentage of completion of the construction of the LTACH Facility (including both Hard Costs and Soft Costs) to the date of the Request, the amounts then due and unpaid with respect to such construction, such other information or documentation as may be required by the Title Company and the date upon which the disbursement is desired, provided that the date of the payment must not be less than seven (7) Business Days after the date upon which the Lessor receives the Request and the other items set forth in clauses (ii) through (vi) below;

(ii) A certification from Lessee that, as of the date of the Request, no Event of Default exists under this Agreement or any of the Transaction Documents, all representations and warranties set forth in this Agreement and all of the other Transaction Documents are accurate and complete, and there are no actions, suits or proceedings pending, or to the knowledge of the person making the certification, threatened or involving (or that could involve) Lessee, the LTACH Sublessee or all or any part of the Facilities and that could impair the Facilities or the ability of Lessee and the Sublessees to perform under this Lease or any of the other Transaction Documents;

(iii) Certificates of Lessee's architect and/or engineer, Lessor's Architect, if any, and Lessee, certified to Lessor and Lessee and certifying that (a) the Request is correct and, to the best of its knowledge, all work on the LTACH Facility up to the date thereof has been done in substantial compliance with the Plans and Specifications therefor; (b) to the date thereof, there has been no material deviation from the budgeted cost of the LTACH Facility or construction progress schedule, except as authorized by Lessee and approved by Lessor; and (c) the undisbursed portion of the Funded Amount will be sufficient to meet all known costs to complete the work covered by the Plans and Specifications, after giving effect to all amounts previously disbursed, plus the amount then requested; and

(iv) Evidence that Lessee have delivered the items described in (i) – (iii) above to Lessor.

(b) Upon the request of Lessor, the Title Company is prepared, without condition, to issue to Lessor a date-down endorsement, dated as of the date of the disbursement, insuring Lessor's title to the LTACH Facility subject to no other exceptions than are set forth on the Title Policies delivered to Lessor at closing.

8. Limitation on Disbursements. In no event will Lessor pay amounts in excess of (i) the amounts actually paid out by Lessee for services or materials incorporated into the LTACH Facility; or (ii) the Maximum Funded Amount.

9. Sufficiency of Funded Amount. Lessor shall be entitled to not make a disbursement, or to make a disbursement in an amount less than the amount requested, if Lessor is not satisfied in its sole discretion that following the requested disbursement the undisbursed proceeds of the Funded Amount budgeted for the construction of the LTACH Facility will be at least equal to the sum of 110% of the estimated Project Costs to complete the LTACH Facility in accordance with the Plans and Specifications (including all costs incurred in connection with changes in the Plans and Specifications). If at any time it appears to Lessor that the undisbursed balance of the Funded Amount is less than the amount required by this Section, Lessor may give written notice to Lessee specifying the amount of the deficiency and Lessee immediately will deposit with Lessor the amount of the deficiency, which will be expended first in the same manner as the Funded Amount before any further payment of the Funded Amount will be made by Lessor. Lessor may reasonably determine the cost of construction of the LTACH Facility and Lessee will be obligated to pay any sums so determined in excess of the Funded Amount prior to any payment under this Exhibit.

10. Payments to Contractor, Subcontractors and Suppliers. In order to induce the Title Company to insure Lessor's title to the LTACH Facility without exception for the construction or mechanics' liens, Lessor may make payments either through the Title Company or directly to any contractor, subcontractor or supplier furnishing labor or materials to the LTACH Facility.

11. Lessor's Right to Cure. If Lessee fails to perform any of Lessee's undertakings set forth in this Agreement or in any other Transaction Document, Lessor may, but will not be required to, perform the same, and Lessee will reimburse Lessor any amounts expended by Lessor in so doing.

12. Application of Advances. Lessee will apply each payment of Funded Amount against amounts due and payable for construction of the LTACH Facility or obligations in connection therewith as set forth in each Request. Nothing contained in this Agreement will impose upon Lessor any obligation to see to the proper application of the advances by Lessee or any other party.

13. Construction or Other Liens. In the event any construction or other lien or encumbrance is filed or attached against the LTACH Facility or any part thereof without the prior written consent of Lessor, Lessor may, at its option and without regard to the priority of such construction or other lien or encumbrance, and without regard to any defenses that Lessee may have with respect to the lien or encumbrance, pay the same, and Lessee will reimburse all amounts expended by Lessor for such purpose within ten (10) days of written notice thereof.

14. Conditions to Final Payment. Lessor shall be entitled to withhold the final payment of the Funded Amount (including any Retainage) unless and until all of the following conditions have been fulfilled to Lessor's satisfaction:

(a) All conditions for all previous disbursements have been, and, as of the date of the final disbursement continue to be, fulfilled.

(b) Lessor have received, at least seven (7) Business Days prior to the final payment, the following items, all of which Lessee agree to obtain and submit to Lessor at Lessee' sole expense:

(i) A final "as built" survey prepared and certified in accordance with the Survey Requirements;

(ii) Certificates of Lessee' architect and/or engineer, Lessor's Architect, if any, and Lessee certified to both Lessor and Lessee and certifying that (a) to the best of its knowledge, the LTACH Facility are complete in accordance with the Plans and Specifications therefor; (b) to the date thereof, there has been no material deviation from the budgeted cost of the LTACH Facility or construction progress schedule, except as authorized by Lessee and approved by Lessor; and (c) the amount of the final payment will be sufficient to meet all known costs to complete the work covered by the Plans and Specifications; and

(iii) A final, unconditional certificate of occupancy for the LTACH Facility.

15. Guaranty of Completion. Subject to a temporary suspension of performance pursuant to Section [16](#), but regardless of whether the cost thereof exceeds the amount of the Funded Amount, Lessee will diligently and continuously carry out or cause to be carried out the construction of the LTACH Facility so as to insure the completion of construction of the LTACH Facility, the opening of the LTACH Facility and the acquisition of all Licenses for the LTACH Facility, all by the applicable Target Completion Date. Regardless of whether the cost thereof exceeds the amount of the Funded Amount, Lessee will be responsible for payment of all costs of completing, opening and licensing the LTACH Facility, including the payment of all costs in excess of the Construction Budgets. Lessee promptly will correct any structural defects in the LTACH Facility or any departure from the Plans and Specifications not previously approved by Lessor. The approval or absence of disapproval by Lessor of any payment of Funded Amount shall not constitute a waiver of Lessor's right to require compliance with this Section.

16. Force Majeure. Upon the occurrence and during the continuance of an Event of Force Majeure and the giving of written notice thereof to Lessor, Lessee shall be temporarily released without any liability on their part from the performance of their obligations to renovate the LTACH Facility under this Exhibit, except for the obligation to pay any amounts due and owing thereunder, but only to the extent and only for the period that their performance of each such obligation is prevented by the Event of Force Majeure. Such notice shall include a description of the nature of the Event of Force Majeure, and its cause and possible consequences. Lessee shall promptly notify Lessor of the termination of such event. Upon the request of Lessor, Lessee shall provide confirmation of the existence of the circumstances constituting an Event of Force Majeure. Such evidence may consist of a statement of an appropriate governmental department or agency where available, or a statement describing in detail the facts claimed to constitute an Event of Force Majeure. During the period that the performance by Lessee has been suspended by reason of an Event of Force Majeure, Lessor may likewise suspend the performance of all or part of its obligations under this Exhibit to the extent that such suspension is commercially reasonable and, notwithstanding anything in this Agreement to the contrary, Lessor shall have no obligation to make disbursements of the Funded Amount.

17. Expenses of Lessor. Lessee shall pay (or reimburse Lessor) for all costs incurred by Lessor in connection with the renovations of the LTACH Facility and this Exhibit H, including, but not limited to, Lessor's legal counsel and due diligence costs, title insurance, survey, appraisal, UCC searches and filing fees, environmental and building assessments, consulting fees and brokers' fees, if any.

End of Exhibit H

EXHIBIT I

Month	Total Monthly Base Rent before THI	THI Rent	Total
5/1/2015	1,845,451.36	309,765.71	2,155,217.07
6/1/2015	1,845,451.36	309,765.71	2,155,217.07
7/1/2015	1,845,451.36	309,765.71	2,155,217.07
8/1/2015	1,845,451.36	309,765.71	2,155,217.07
9/1/2015	1,845,451.36	309,765.71	2,155,217.07
10/1/2015	1,845,451.36	309,765.71	2,155,217.07
11/1/2015	1,861,492.10	309,765.71	2,171,257.81
12/1/2015	1,891,542.87	309,765.71	2,201,308.58
1/1/2016	1,891,587.65	309,765.71	2,201,353.35
2/1/2016	1,891,587.65	309,765.71	2,201,353.35
3/1/2016	1,891,587.65	309,765.71	2,201,353.35
4/1/2016	1,891,587.65	309,765.71	2,201,353.35
5/1/2016	1,891,587.65	317,509.85	2,209,097.50
6/1/2016	1,891,587.65	317,509.85	2,209,097.50
7/1/2016	1,891,587.65	317,509.85	2,209,097.50
8/1/2016	1,891,587.65	317,509.85	2,209,097.50
9/1/2016	1,891,587.65	317,509.85	2,209,097.50
10/1/2016	1,891,587.65	317,509.85	2,209,097.50
11/1/2016	1,908,029.41	317,509.85	2,225,539.26
12/1/2016	1,938,831.44	317,509.85	2,256,341.29
1/1/2017	1,938,877.33	317,509.85	2,256,387.18
2/1/2017	1,938,877.33	317,509.85	2,256,387.18
3/1/2017	1,938,877.33	317,509.85	2,256,387.18
4/1/2017	1,938,877.33	317,509.85	2,256,387.18
5/1/2017	1,938,877.33	325,447.60	2,264,324.93
6/1/2017	1,938,877.33	325,447.60	2,264,324.93
7/1/2017	1,938,877.33	325,447.60	2,264,324.93
8/1/2017	1,938,877.33	325,447.60	2,264,324.93
9/1/2017	1,938,877.33	325,447.60	2,264,324.93
10/1/2017	1,938,877.33	325,447.60	2,264,324.93
11/1/2017	1,955,730.14	325,447.60	2,281,177.74
12/1/2017	1,987,302.23	325,447.60	2,312,749.83
1/1/2018	1,987,349.27	325,447.60	2,312,796.87
2/1/2018	1,987,349.27	325,447.60	2,312,796.87
3/1/2018	1,987,349.27	325,447.60	2,312,796.87
4/1/2018	1,987,349.27	325,447.60	2,312,796.87
5/1/2018	1,987,349.27	333,583.79	2,320,933.06
6/1/2018	1,987,349.27	333,583.79	2,320,933.06
7/1/2018	1,987,349.27	333,583.79	2,320,933.06
8/1/2018	1,987,349.27	333,583.79	2,320,933.06
9/1/2018	1,987,349.27	333,583.79	2,320,933.06
10/1/2018	1,987,349.27	333,583.79	2,320,933.06
11/1/2018	2,004,623.40	333,583.79	2,338,207.18
12/1/2018	2,036,984.78	333,583.79	2,370,568.57

Schedule 8.2.5

Other Permitted Indebtedness

Health Care Holdings, LLC
Borrowings/Guarantee Schedule

1. Fifth Third Bank – Guaranty of outstanding debt of Value Care Pharmacy - \$4,400,000
2. Cuyahoga County – Guaranty of outstanding debt of Value Care Pharmacy - \$200,000
3. Ray Fogg, Inc. – Guaranty of lease (Value Care) – total maximum exposure approx \$700,000
4. Fifth Third Bank – Borrower on Letter of Credit in favor of Omega - \$4,310,000
5. Fifth Third Bank – Borrower on Letter of Credit in favor of Lasalle Bank (St. Louis Facilities) - \$700,000
6. Commerce Bank – guaranty of depository relationship for returned checks
7. Commissioner – Ohio Bureau of Worker’s Compensation – guaranty of claims obligations of Health Care Facilities Staffing, LLC (in connection with self insured worker’s compensation relationship in Ohio)
8. Fifth Third Bank – Borrower on Letter of Credit (to be issued in Apr 2008) in favor of Omega (LTACH) - \$152,500
9. Fifth Third Bank – Borrower on Letter of Credit (to be issued in 2008 or 2009) in favor of DMH-Dayton, Inc. (Dayton Facilities) of \$550,000
10. Fifth Third Bank – Guaranty of outstanding debt of CommuniCare of Clifton, Inc. - \$1,000,000
11. Lasalle Bank – “Bad Boy” guarantee in connection with the St. Louis Facilities
12. Omega Healthcare Investors – “Bad Boy” guarantee in connection with leased and owned centers.

HC Real Estate Holdings, LLC
Borrowings/Guarantee Schedule

1. Fifth Third Bank – Borrower on Letter of Credit in favor of Omega - \$1,100,000
2. Fifth Third Bank – Borrower on yet to be issued LC’s in favor of Omega (to be issued in 2008 and 2009)- \$2,200,000
3. Fifth Third Bank – Borrower on Letter of Credit in favor of Fort Washington Partners - \$157,250
4. Omega Healthcare Investors – “Bad Boy” guarantee in connection with leased and owned centers.

PERMITTED INVESTMENTS

1. The ownership and operation of :

City View Nursing and Rehabilitation Center
6606 Carnegie Avenue, Cleveland, Ohio 44103

by the following Subsidiaries of Health Care Holdings, LLC, an Ohio limited liability company:

CITY VIEW NURSING & REHAB, LLC, an Ohio limited liability company
CLEVELAND NH ASSET, LLC, an Ohio limited liability company
OMG RE HOLDINGS, LLC, an Ohio limited liability company

2. The ownership and operation of:

Green Park Nursing Home
Green Park Resident Center
Park Terrace Resident Center
Northgate Park Nursing Home
(all located in the St. Louis, Missouri area)

by the following Subsidiaries of HC Real Estate Holdings, LLC, an Ohio limited liability company:

LaSalle RE Assets, LLC, an Ohio limited liability company
LaSalle Holdings, LLC, an Ohio limited liability company
Green Park Leasing Co., LLC, an Ohio limited liability company
Flo-GP Leasing Co., LLC, an Ohio limited liability company
Health Care Holdings, LLC, an Ohio limited liability company

3. The ownership and operation of:

Nursing home located at 2222 Springdale Road, Cincinnati, Ohio 45231
Nursing home located at 2000 Regency Manor Circle, Columbus, Ohio 43201

by the following Subsidiaries of Health Care Holdings, LLC, an Ohio limited liability company:

PC MSTR LSCO, LLC
Springdale Leasing Co., LLC
Regency Leasing Co., LLC

4. The ownership and operation of:

Wood Glen Nursing Center
The Riverside Nursing Center

by the following Subsidiaries of Health Care Holdings, LLC, an Ohio limited liability company:

DMH MSTR LSCO, LLC
Summit (Ohio) Leasing Co., LLC
King Tree Leasing Co., LLC

The leasing and operation of:

Fort Washington Health & Rehabilitation Center
Berea Center for Specialized Care

by the following Subsidiaries of HC Real Estate Holdings, LLC, an Ohio limited liability company:

Health Care Lease Facilities, LLC
Livingston Leasing Co, LLC
Sheldon Leasing Co, LLC

In connection with the foregoing Permitted Investments, HCH or HCREH, as applicable, may make loans or advance funds to such Subsidiaries provided that (i) no Event of Default or Unmatured Event of Default has occurred and is continuing, and (ii) such loans or advances are made from unencumbered funds otherwise available for distribution to the equity owners of HCH.

Schedule 9.3

Improvements Schedule

Funds will be allocated per Facility as follows:

Facility	Address	City	ST	Allocation of \$3.0M CAP-EX (1)
Chardon Healthcare Center	620 Water Street	Chardon	OH	125,000.00
Commons at Greenbriar (ALF)	8060 South Avenue	Boardman	OH	25,000.00
Greenbriar Center (a/k/a Greenbriar North)	8064 South Avenue	Boardman	OH	75,000.00
Greenbriar Rehabilitation Hospital	8064 South Avenue, Ste. One	Boardman	OH	25,000.00
Kent Care Center	1290 Fairchild Avenue	Kent	OH	100,000.00
Northwestern Center	570 North Rocky River Drive	Berea	OH	75,000.00
Columbus Center	4301 Clime Road, North	Columbus	OH	125,000.00
Golden Years Healthcare Center	(P.O. Box 1148) 2125 Royce Street	Portsmouth	OH	75,000.00
Oak Grove Center	620 East Water Street	Deshler	OH	-
Total				\$ 625,000

Specific improvements, budgets, and plans must be approved prior to the commencement of any improvement.



LOAN AGREEMENT
(Maryland Acquisition Loan)

BETWEEN

OHI ASSET III (PA) TRUST, as Lender

and

BEL PRE LEASING CO., LLC
RIDGE (MD) LEASING CO, LLC
MARLBORO LEASING CO., LLC
FAYETTE LEASING CO., LLC
LIBERTY LEASING CO., LLC
HOWARD LEASING CO., LLC
PALL MALL LEASING CO., LLC
WASHINGTON (MD) LEASING CO., LLC
MARYLAND NH ASSET, LLC
as Borrowers

and

OMG RE HOLDINGS, LLC
OMG RE LEASING CO., LLC
OMG ASSET OWNERSHIP, LLC
HEALTH CARE FACILITY MANAGEMENT, LLC
RESIDENT CARE CONSULTING, LLC
as Parent Guarantors

Dated: April ____, 2008

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LOAN AGREEMENT
(Maryland Acquisition Loan)

This Loan Agreement ("Agreement") is dated as of April ____, 2008, and is by and among OHI ASSET III (PA) TRUST, a Maryland business trust ("Lender"), and BEL PRE LEASING CO., LLC, an Ohio limited liability company, RIDGE (MD) LEASING CO., LLC, an Ohio limited liability company, MARLBORO LEASING CO., LLC, an Ohio limited liability company, FAYETTE LEASING CO., LLC, an Ohio limited liability company, LIBERTY LEASING CO., LLC, an Ohio limited liability company, HOWARD LEASING CO., LLC, an Ohio limited liability company, PALL MALL LEASING CO., LLC, an Ohio limited liability company, WASHINGTON (MD) LEASING CO., LLC, an Ohio limited liability company, and MARYLAND NH ASSET, LLC, an Ohio limited liability company (each a "Borrower", and collectively, as the "Borrowers") and OMG RE HOLDINGS, LLC, an Ohio limited liability company ("RE Holdings"), OMG RE LEASING CO., LLC, an Ohio limited liability company ("RE Leasing"), and OMG ASSET OWNERSHIP, LLC, an Ohio limited liability company ("AO"), HEALTH CARE FACILITY MANAGEMENT, LLC, an Ohio limited liability company ("HCFM"), and RESIDENT CARE CONSULTING, LLC, an Ohio limited liability company ("RCC", and together with RE Holdings, RE Leasing, AO, and HCFM each a "Parent Guarantor" and collectively, the "Parent Guarantors").

RECITALS:

A. Capitalized terms used but not otherwise defined in this Agreement shall have the respective meanings given them in Article I below.

B. Each of Borrowers listed below is the owner or operator of the Facility and related operations set forth next to its name (each, a "Facility", and collectively, the "Facilities):

Facility	Owner	Operator
Bel Pre Health & Rehabilitation Center 2601 Bel Pre Road Silver Spring MD 20906	Maryland NH Asset, LLC	Bel Pre Leasing Co., LLC
Ellicott City Health & Rehabilitation Center 3000 N. Ridge Road Ellicott City MD 21043	Maryland NH Asset, LLC	Ridge (MD) Leasing Co., LLC
Forestville Health & Rehabilitation Center 7420 Marlboro Pike Forestville MD 20747	Maryland NH Asset, LLC	Marlboro Leasing Co., LLC
Franklin Square Health & Rehabilitation Center 1217 W. Fayette Street Baltimore MD 21223	Maryland NH Asset, LLC	Fayette Leasing Co., LLC
Liberty Heights Health & Rehabilitation Center 4017 Liberty Heights Avenue Baltimore MD 21207	Maryland NH Asset, LLC	Liberty Leasing Co., LLC
Marley Neck Health & Rehabilitation Center 7575 E. Howard Road Glen Burnie MD 21060	Maryland NH Asset, LLC	Howard Leasing Co., LLC
Northwest Health & Rehabilitation Center 4601 Pall Mall Drive Baltimore MD 21215	Maryland NH Asset, LLC	Pall Mall Leasing Co., LLC
South River Health & Rehabilitation Center 144 Washington Road Edgewater MD 21037	Maryland NH Asset, LLC	Washington (MD) Leasing Co., LLC

C. RE Holdings owns 100% of the outstanding equity interests in RE Leasing and AO.

D. RE Leasing owns 100% of the outstanding equity interests in each of the Operators.

E. AO owns 100% of the outstanding equity interests in Owner.

F. HCFM owns 100% of the outstanding equity interests in each of the Managers.

G. Lender has agreed, subject to and upon the terms and conditions contained herein, to make the Loan to Borrowers, each of which shall be liable, jointly and severally, for repayment of the Loan. The Loan will be evidenced by the Note and will be secured by, among other things, the liens and security interests created by the Deeds of Trust, the Security Agreements and the other Loan Documents.

H. Lender and Borrowers desire to fully set forth in writing their respective agreements and obligations concerning such borrowings as more particularly set forth below.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I - DEFINITIONS

1.1 Definitions. For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms defined in this article have the respective meanings assigned to them in this article and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein shall have the meanings assigned to them in accordance with GAAP as at the time applicable, (c) all references in this Agreement to designated "articles", "sections" and other subdivisions are to the designated articles, sections and other subdivisions of this Agreement, (d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular article, section or other subdivision, and (e) any capitalized terms used in this Agreement and not defined in this Agreement shall have the meanings for such terms set forth in the Deeds of Trust.

Affiliate: When used with respect to any Person, the term "Affiliate" shall mean any Person who or which, directly or indirectly, controls or is controlled by or is under common control with such Person. For the purposes of this definition "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, partnership interests or other equity interests. The term "Person" shall mean any natural person, trust, partnership, corporation, joint venture or other legal entity.

Appraisals: Independent appraisals as to the value of the Facilities prepared by an Appraiser. The Appraisals shall meet the standards of the Financial Institutions Reform, Recovery and Enforcement Act of 1989.

Appraised Value: The value of each Facility determined by the applicable Appraisal.

Appraiser: An appraiser approved by Lender.

Approval Threshold: One Hundred Thousand Dollars (\$100,000).

Assessment: Any assessment on any Facility or any part thereof for public improvements or benefits, whether or not commenced or completed prior to the date hereof and whether or not to be completed during the Term.

Award: means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation.

Borrower Affiliates Subordination Agreement: means the Subordination Agreement (Borrower Affiliates) from Borrowers, Guarantors and their Affiliates in favor of Lender.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which national banks in the City of New York, New York are authorized or obligated, by law or executive order, to close.

Capitalized Leases: Leases that in accordance with GAAP are required to be capitalized for financial reporting purposes.

Cash Flow: For any period, an amount equal to (a) Net Income of Borrowers' arising solely from the operation of the Facilities for the applicable period; plus (b) the amounts deducted in computing Borrowers' Net Income for the period for (i) depreciation, (ii) amortization, (iii) interest (including payments in the nature of interest under Capitalized Leases and interest on any Purchase Money Financing), (v) income taxes (or, if greater, income tax actually paid during the period) and (vi) actual management fees paid; less (c) an imputed management fee equal to 5% of net revenues.

Cash Flow Coverage Ratio: For any fiscal period, the ratio of (i) Cash Flow to (ii) Debt Service.

Change in Control: means:

(i) HCREH shall cease to own, free and clear of all liens or other encumbrances other than liens in favor of Lender, 90% of the outstanding equity interests in RE Holdings;

(ii) RE Holdings shall cease to own, free and clear of all liens or other encumbrances other than liens in favor of Lender, 90% of the outstanding equity interests in RE Leasing and AO;

(iii) RE Leasing shall cease to own, free and clear of all liens or other encumbrances other than liens in favor of Lender, 100% of the outstanding equity interests in the Operators;

(iv) AO shall cease to own, free and clear of all liens or other encumbrances other than liens in favor of Lender, 100% of the outstanding equity interests in the Owners;

(v) the Stephen Rosedale family shall cease to beneficially own, free and clear of all liens or other encumbrances other than liens in favor of Lender, if any, a controlling interest in each of the Guarantors, Borrowers, Managers and Consultants; or

(vi) a change in the individuals holding the Executive Officer's position of Borrowers, Guarantors, Managers, or Consultants; provided, however, that the occurrence of (vi) shall not constitute a Change in Control if such new Executive Officer:

(A) either:

(1) has previously held for a period of at least two years a similar position with a comparably sized (or larger) operator of skilled nursing facilities which operator has a good reputation in the industry, or has reasonably comparable experience in the health care industry; or

(2) has worked previously as an employee of Borrowers, Guarantors, Managers or Consultants in a capacity such that a promotion to an Executive Officer position would be reasonably consistent with the career experiences and within the abilities of the individual; and

(B) has not, or was not affiliated with any entity which (1) failed to perform in full its obligations under a lease, loan agreement or other credit extension with Lender or any of its Affiliates, or (2) had a license, permit or certificate of need rescinded or revoked and not reinstated.

Clean-Up: The investigation, removal, restoration, remediation and/or elimination of, or other response to, Contamination, in each case to the satisfaction of all governmental agencies having jurisdiction over the applicable Facility and in compliance with or as may be required by Environmental Laws.

City View Borrowers: means the "Borrowers", as defined in the City View Loan Agreement.

City View Debt Service: means Debt Service (as defined in the Cityview Loan Agreement) for the City View Borrowers.

City View EBITDA: means EBITDA (as defined in the Cityview Loan Agreement) for the City View Borrowers.

City View Loan Agreement: The Loan Agreement dated November 1, 2004, as amended by a First Amendment to Loan Agreement dated as of March 1, 2005, an Assumption and Joinder Agreement and Second Amendment to Loan Agreement dated as of June 30, 2006, a Third Amendment to Loan Agreement dated as of February 1, 2007, and a Fourth Amendment to Loan Agreement dated as of the date of this Agreement, among OHI Asset (OH) Lender, LLC, a Delaware limited liability company, as lender, RE Holdings, City View Nursing & Rehab, LLC, an Ohio limited liability company, Cleveland NH Asset, LLC, an Ohio limited liability company, RCC, and HCFM.

City View Loan Documents: means the "Loan Documents" as defined in the City View Loan Agreement.

Closing: The consummation of the Loan Closing contemplated by this Agreement.

CPI: The United States Department of Labor, Bureau of Labor Statistics Revised Consumer Price Index for All Urban Consumers (1982-84=100), U.S. City Average, All Items, or, if such Index is not available for the United States, an index available for the geographical area in the United States which most closely corresponds to the entire United States, published by such bureau or its successor, or, if none, by any other instrumentality of the United States.

Code: The United States Internal Revenue Code of 1986, as amended.

Collateral Assignment of OTA: means the Collateral Assignment of OTA among Lender and Borrowers dated as of the date of this Agreement.

Combined Cash Flow Coverage Ratio: For any fiscal period, the ratio of (i) Cash Flow plus Cash Flow (as defined in the Master Lease) plus City View EBITDA to (ii) Debt Service plus Base Rent (as defined in the Master Lease) plus City View Debt Service.

Combined Transaction Documents: means the Loan Documents, the City View Loan Documents, and the Master Lease Documents.

Condemnation: means (1) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor, and (2) a voluntary sale or transfer by a Borrower to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

Condemnor: means any public or quasi public authority, or private corporation or individual, having the power of condemnation.

Consultants: means RCC.

Contamination. The presence, Release or threatened Release of any Hazardous Substance at a Facility in violation of any Environmental Law, or in a quantity that would give rise to any affirmative Clean-Up obligation under an Environmental Law, including, but not limited to, the existence of any injury or potential injury to public health, safety, natural resources or the environment associated therewith.

Cross Default and Cross Collateralization Agreement: means the Second Amended and Restated Cross Default and Cross Collateralization Agreement dated as of the same date as this Agreement by Borrowers, Guarantors, the Lessee (as defined under the Master Lease), and the Sublessees (as defined under the Master Lease), and the City View Borrowers in favor of Lender and the Lessor (as defined under the Master Lease).

Date of Taking: means the date the Condemnor has the right to possession of the Facility being condemned.

Debt Service: means, with respect to any entity during the applicable period, the sum of all principal and interest payments coming due during such period on all borrowed money, including payments in the nature of interest under Capitalized Leases and interest on any Purchase Money Financing.

Deed of Trust or Deeds of Trust: The Deeds of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing from Owner to Lender.

Distribution: Any payment or distribution of cash or any assets of a Borrower to one or more equity owners of a Borrower (if any), to any Affiliate of Borrowers, or to or for any third party for any charitable or benevolent purpose, whether in the form of a dividend, a fee for management in excess of the fee required by the terms of a management agreement approved by Lender (but in any event not to exceed five percent (5%) of net revenues of the Facilities), a payment for services rendered, a reimbursement for expenditures or overhead incurred on behalf of a Borrower or a payment on any debt required by this Agreement or the other Loan Documents to be subordinated to the rights of Lender.

Escrowed Capex Funds: is defined in Section [2.8](#).

Endorsements: The endorsements required by Lender for each of the Title Policies, including, without limitation, a Form 3.1 (completed structure) zoning endorsement, a usury endorsement, a survey endorsement and such other endorsements as may be reasonably required by Lender under the circumstances relating to each Facility, provided that the endorsements are available under the laws of the jurisdiction in which the Facility in question is located.

Environmental Assessments: The Phase I Environmental Reports/Surveys to be prepared by an environmental engineer approved by Lender.

Environmental Audit: As defined in Section [6.23.5](#) below.

Environmental Documents: Documents received by Borrowers or any Affiliate from, or submitted by Borrowers or any Affiliate to, the United States Environmental Protection Agency and/or any other federal, state, county or municipal agency responsible for enforcing or implementing Environmental Laws with respect to the condition of the Facilities, or operations at the Facilities; and written reviews, audits, reports or other documents pertaining to environmental conditions, including, but not limited to, the presence or absence of Contamination, at, in or under or with respect to the Facilities that have been prepared by, for or on behalf of Borrowers.

Environmental Laws: All federal, state and local laws (including, without limitation, common law), statutes, codes, ordinances, regulations, rules, orders, permits or decrees from time to time in effect and relating to (a) the introduction, emission, discharge or release of Hazardous Substances into the indoor or outdoor environment (including, without limitation, air, surface water, groundwater, land or soil); or (b) the manufacture, processing, distribution, use, treatment, storage, transportation or disposal of Hazardous Substances; or (c) the Clean-Up of Contamination.

Environmental Report: The Environmental Assessments heretofore provided by Borrowers to Lender.

ERISA: means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

Executive Officer: The President, the Chief Executive Officer, the Chief Operating Officer, and the Chief Financial Officer (or the holder of the responsibilities ordinarily held by such the persons holding such titles) of Lessee, Manager, Consultant or Guarantor.

Facility or Facilities: The skilled nursing facilities referred to in Recital B above, each of which is located on a parcel of real property described in Deeds of Trust.

Financial Statement:

(a) For each quarter during Borrowers' and Parent Guarantor's fiscal year, on a consolidated basis for Borrowers, (i) a statement of earnings for the current period and fiscal year to the end of such period, with a comparison to the corresponding figures for the corresponding period in the preceding fiscal year from the beginning of the fiscal year to the end of such period, and (ii) a balance sheet as of the end of the period, and after the first year after the Closing, with a comparison to the corresponding figures for the corresponding period in the preceding fiscal year from the beginning of the fiscal year to the end of such period; and

(b) For Borrowers', and Guarantor's fiscal year, a compilation financial report on a consolidated basis, prepared by an accounting firm or any other firm of independent certified public accountants reasonably acceptable to Lender, containing Borrowers' and Guarantor's balance sheet as of the end of that year, its related profit and loss, a statement of owner's equity for that year, a statement of cash flows for that year, any management letter prepared by the certified public accountants, such comments and financial details as customarily are included in reports of like character.

(c) For HCREH's fiscal year, a financial report on a consolidated basis, prepared and reviewed by an accounting firm or any other firm of independent certified public accountants reasonably acceptable to Lender, containing HCREH's balance sheet as of the end of that year, its related profit and loss, a statement of owner's equity for that year, a statement of cash flows for that year, any management letter prepared by the certified public accountants, such comments and financial details as customarily are included in reports of like character.

(d) Lender may, at its own expense, cause any Financial Statement to be audited by a certified public accountant selected by Lender and reasonably acceptable to Borrowers. Lender consents to the use of the firm of Cummins, Krasik & Hohl Co. (Columbus, Ohio) to prepare such reports.

GAAP: Generally Accepted Accounting Principles.

Government Authorizations: The Government Authorizations described in Section [5.20\(b\)](#) hereof.

Guaranty or Guaranties: means one, more than one, or all of (i) the Guaranty executed by Parent Guarantors, Managers, and Consultants, (ii) the Guaranty executed by the Lessee and Sublessees (as defined in the Master Lease), and (iii) the Guaranty executed by the City View Borrowers, in each case guarantying, among other things, the obligations of Borrowers under this Agreement, the Note, the Deeds of Trust and the other Loan Documents.

Guarantor or Guarantors: means one, more than one, or all of Parent Guarantors and each other party whom guarantees the obligations of Borrowers under this Agreement, the Note, the Deeds of Trust and the other Loan Documents.

Hazardous Substances: Any and all toxic or hazardous material, substance, pollutant, contaminant, chemical, waste (including medical waste) or substance, including petroleum products, asbestos and PCB's, regulated, restricted or prohibited under any Environmental Law.

HCREH: means HC Real Estate Holdings, LLC, an Ohio limited liability company.

Impositions: Collectively, all taxes, all ad valorem, sales and use, single business, gross receipts, transaction privilege, rent or similar taxes; assessments (including Assessments); rents and charges due under all leases pertaining to the Personal Property or the Facilities; water, sewer or other rents and charges; excises; tax levies; fees (including, without limitation, license, permit, inspection, authorization and similar fees); other governmental charges; and all other encumbrances, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Facilities or the business conducted thereon, which at any time prior to, during or in respect of the Term may be assessed or imposed on or in respect of or be a lien upon (a) Lender or Lender's interest in the Facilities, (b) the Facilities or any part thereof or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, or sales from, or activity conducted on or in connection with the Facilities or the use of the Facilities or any part thereof; provided, however, "Impositions" shall not include any tax based on net income (whether denominated as a franchise or capital stock or other tax) imposed on Lender generally and not specifically arising in connection with the Facilities.

Indebtedness: of a Person means such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired by such Person, (iv) obligations which are evidenced by notes, acceptances, or other instruments, (v) obligations of such Person to purchase securities or other property arising out of or in connection with the sale of the same or substantially similar securities or property, (vi) Capitalized Lease Obligations, and (vii) any other obligation for borrowed money or other financial accommodation which in accordance with GAAP would be shown as a liability on the consolidated balance sheet of such Person.

Indemnity Agreement: The Indemnity Agreement from HC RE Holdings, LLC, an Ohio limited liability company, in favor of Lender.

Insurance Requirements: Policies of insurance issued by such insurers and in such amounts as required by this Agreement and the other Loan Documents.

Intangible Assets: The amount of (a) unamortized debt discounts and expenses, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, organizational and developmental expenses, unamortized operating rights, unamortized licenses, unamortized leasehold rights, computer software development costs, start-up costs, pre-opening costs, prepaid pension costs and other intangible assets, including (a) any write-up resulting from a reversal of a reserve for bad debts or depreciation and any write-up resulting from a change in methods of accounting or inventory and (b) the amount of any investment in any Affiliate.

Intercompany Master Lease: means the Master Lease among Owners, as lessors, and Operators, as lessees, pursuant to which Operators lease the Facilities from Owners.

Interest Rate: means the annual rate of eleven percent (11%), as such rate may be increased pursuant to Section [2.7](#).

Investigations: Soil and chemical tests or any other environmental investigations, examinations or analyses.

Investments: of a Person means any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business on terms customary in the trade) or contribution of capital by such Person; stocks, bonds, mutual funds, partnership interests, notes, debentures or other securities owned by such Person; and structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person.

Legal Requirements: As to any Facility, all applicable federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Facility or the construction, use or alteration thereof, whether now or hereafter enacted and in force, including any which may (a) require repairs, modifications or alterations in or to the Facility or (b) in any way adversely affect the use and enjoyment thereof, and all permits, licenses and authorizations and regulations relating thereto including, but not limited to, those relating to existing health care licenses, those authorizing the current number of licensed beds and the level of services delivered from the Facility, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to any of Borrowers, at any time in force affecting the Facility.

Lessee Purchase Option: The option to purchase the skilled nursing facilities listed below granted by Lender to Affiliates of Borrowers pursuant to the Master Lease. The skilled nursing facilities covered by the Lessee Purchase Option are:

Northwestern Center
570 North Rocky River Drive
Berea OH 44017

Golden Years Healthcare Center
2125 Royce Street
Portsmouth OH 45662

Columbus Center
4301 Clime Road, North
Columbus OH 43228

Oak Grove Center
620 East Water Street
Deshler OH 43516

Letter of Credit Agreement: means the Letter of Credit Agreement dated as of the same date as this Agreement among Borrowers and Lender.

Letter of Credit Facility: means a credit facility established for the sole purpose of providing the letters of credit constituting the Security Deposit, and the Liquidity Reserve (as defined in the City View Loan Agreement).

Loan: The loan from Lender to Borrowers in the original principal amount of SEVENTY FOUR MILLION NINE HUNDRED TWENTY SEVEN THOUSAND SEVEN HUNDRED FIFTY ONE AND NO/100 (\$74,927,751) DOLLARS, plus all other obligations owing from Borrowers and their Affiliates to Lender and its Affiliates under this Agreement and the other Loan Documents.

Loan Closing Date: On or before [April 1, 2008], or such other date as shall be agreed upon by the parties for the completion of the loan transaction pursuant to this Agreement.

Loan Documents: This Agreement, the Note, the Guaranties, the Security Agreements, the Deeds of Trust, the Borrower Affiliate Subordination Agreement, the Subordination Agreement, the Pledge Agreement, the Subordination of Management Agreement, the Collateral Assignment of OTA, the Letter of Credit Agreement, the Indemnity Agreement, the Operator Guaranty, and all other documents, instruments, certificates, opinions and financing statements required or permitted by the foregoing documents (including all documents set forth in Section 3.1.1), and any security agreements, pledge agreements, letter of credit agreements, guarantees, notes or other documents which evidence, secure or otherwise relate to this Agreement, the Note, the Guaranty or the Loan, or the transactions contemplated by this Agreement; and any and all amendments, modifications, extensions and renewals of any of the foregoing documents.

Loan Proceeds: The principal amount of the Loan less Lender's expenses which Borrowers are required to pay pursuant to this Agreement and the Escrowed Capex Amount.

Managers: means Bel Pre Mgmt. Co., LLC, Ridge (MD) Mgmt. Co., LLC, Marlboro Mgmt. Co., LLC, Fayette Mgmt. Co., LLC, Liberty Mgmt. Co., LLC, Howard Mgmt. Co., LLC, Pall Mall Mgmt. Co., LLC, and Washington (MD) Mgmt. Co., LLC, each an Ohio limited liability company.

Master Lease: means the Second Consolidated Amended and Restated Master Lease dated as of the date of this Agreement among Lender, as lessor, and OMG MSTR LSCO, LLC, an Ohio limited liability company, and OMG LS Leasing Co., LLC, an Ohio limited liability company, as lessees, as such lease is amended, restated, modified, extended, renewed and replaced.

Master Lease Documents: means the Transaction Documents as defined in the Master Lease.

Maturity Date: means April 30, 2018, as extended pursuant to Section [2.7](#).

Maximum Principal Amount: means Thirty Five Million Dollars (\$35,000,000).

Net Income: For any period, Borrowers' net income (or loss) for such period attributable to the operation of the Facilities, determined in accordance with GAAP; provided, however, that Borrowers' Net Income shall not include any extraordinary gains (or losses) or nonrecurring gains (or losses).

Northwest Allocation Funds: all or any portion of the \$1,400,000 of unallocated purchase price for the Northwest Facility that are repaid to Lender or Borrower if the Northwest Facility is not acquired by Borrower.

Northwest Closing: means the acquisition of the Northwest Facility by Owner.

Northwest Escrow Agreement: As defined in the Sixth Amendment.

Northwest Funds: is defined in Section [2.9](#).

Northwest Facility: means the Facility commonly known as Northwest Health & Rehabilitation Center, 4601 Pall Mall Drive, Baltimore MD 21215.

Note or Notes: The Secured Deed of Trust Note, in the original principal amount of the Loan, to be executed by Owner, as such Note may be amended, modified, extended and restated, and any other promissory note executed by Owner or any Borrower pursuant to the terms of this Agreement or any of the other Loan Documents.

Off-Balance Sheet Liability: of a Person means (i) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (ii) any liability under any Sale and Leaseback Transaction which is not a Capitalized Lease, (iii) any liability under any so-called "synthetic lease" transaction entered into by such Person, or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person.

OHI Facilities: means, as the context may require or permit, one, some or all of the Facilities, the "Facilities" as defined in the Master Lease and the "Facility" as defined in the City View Loan Agreement.

Operator or Operators: means Borrowers listed as "Operators" in Recital [B](#).

Operator Guaranty: means the Guaranty from the Operators in favor of Lender.

Option to Purchase: means the Option to Purchase from Borrowers in favor of Lender set forth in the Master Lease.

Other Permitted Indebtedness: means the Letter of Credit Facility and the indebtedness and contingent obligations listed on Exhibit B, together with renewals, refinancings and replacements of such indebtedness and contingent obligations by indebtedness or contingent obligations of like kind and of equal or lesser amount of credit exposure.

Owner: means Borrower listed as "Owner" in Recital B.

Partial Taking: A taking of less than the entire fee of a Facility.

Permitted Encumbrances: Collectively, (a) liens, if any, for taxes, Assessments and governmental charges not yet past due and payable or delinquent, (b) the Permitted Encumbrances as defined in the Deeds of Trust, (c) the Permitted Leases, and (c) a security interest in the accounts receivable and related collateral of Operators granted pursuant to the Working Capital Loan Documents to secure the Working Capital Loan as and to the extent permitted under Section 6.17.

Personal Property: As to each Facility, all Personal Property, such as furniture, fixtures, equipment, rugs, carpeting, drapes, linen and the like, now or hereafter used in connection with the operation of the Facility, and owned or leased by a Borrower and located in and upon the Real Property on which the Facility is located, excluding therefrom any goodwill or interest in the business of Borrowers.

Plan: means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which a Borrower or Guarantor may have any liability.

Pledge Agreements: means the Pledge Agreements from Parent Guarantors in favor of Lender.

Primary Intended Use: With respect to a Facility, the operation of the Facility as a licensed skilled nursing facility.

Permitted Leases: means the leases and subleases set forth on Exhibit A.

Purchase Money Financing: Any financing provided by a Person to a Borrower in connection with the acquisition of Personal Property used in connection with the operation of a Facility, whether by way of installment sale or otherwise.

Qualified Capital Expenditures: Expenditures capitalized on the books of Borrowers for any of the following: Replacement of furniture, fixtures and equipment, including refrigerators, ranges, major appliances, bathroom fixtures, doors (exterior and interior), central air conditioning and heating systems (including cooling towers, water chilling units, furnaces, boilers and fuel storage tanks) and major replacement of siding; major roof replacements, including major replacements of gutters, downspouts, eaves and soffits; major repairs and replacements of plumbing and sanitary systems; overhaul of elevator systems; major repaving, resurfacing and sealcoating of sidewalks, parking lots and driveways; repainting of entire building exterior; but excluding major alterations, renovations, additions, normal maintenance and repairs.

Real Property: The parcels of real estate upon which the Facilities is located, as more particularly described in the Deeds of Trust.

Regulatory Actions: Any claim, demand, action or proceeding brought or instigated by any governmental authority in connection with any Environmental Law, including, without limitation, civil, criminal and/or administrative proceedings, and whether or not seeking costs, damages, penalties or expenses.

Release: The intentional or unintentional spilling, leaking, dumping, pouring, emptying, seeping, disposing, discharging, emitting, depositing, injecting, leaching, escaping, abandoning, or any other release or threatened release, however defined, of any Hazardous Substance.

Remediation Costs: as defined in the Sixth Amendment.

Reportable Event: means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan.

Sale and Leaseback Transaction: means any sale or other transfer of real or personal property by any Person with the intent to lease such property as lessee.

Scheduled Improvements: means the capital improvements to the Facilities set forth on Exhibit C.

Security Agreements: Any Security Agreement between Lender, as secured party, and a Borrower and/or Guarantor, as debtor.

Security Deposit: The "Security Deposit" delivered by Lessee to Lender, as lessor under the Master Lease. Borrowers and Lender agree that the Security Deposit under this Agreement and the "Security Deposit" under the Maryland Loan Agreement are the same deposit (i.e., there are not separate security deposits under each agreement).

Sixth Amendment to THI PA: means the Sixth Amendment to Purchase and Sale Agreement dated as of the date of this Agreement among OHI Acquisition Co 1, LLC, a Delaware limited liability company, THI of Maryland Real Estate Holdings, LLC, a Delaware limited liability company, THI of Ohio Real Estate Holdings, LLC, a Delaware limited liability company, THI of Maryland at Bel Pre, LLC, a Delaware limited liability company, THI of Maryland at Fort Washington, LLC, a Delaware limited liability company, THI of Maryland at Franklin Square, LLC, a Delaware limited liability company, THI of Maryland at Liberty Heights, LLC, a Delaware limited liability company, THI of Maryland at Marley Neck, LLC, a Delaware limited liability company, THI of Maryland at Northwest, LLC, a Delaware limited liability company, THI of Ohio at Berea, LLC, a Delaware limited liability company, THI of Ohio at Kent, LLC, a Delaware limited liability company, THI of Ohio at Northwestern, LLC, a Delaware limited liability company, THI of Ohio at Columbus, LLC, a Delaware limited liability company, THI of Ohio at Golden Years, LLC, a Delaware limited liability company, THI of Ohio at Oak Grove, LLC, a Delaware limited liability company, Millennium Health and Rehabilitation Center of Ellicott City, LLC, a Maryland limited liability company, Millennium Health and Rehabilitation Center of Forestville, LLC, a Maryland limited liability company, THI of Maryland at South River, LLC, a Delaware limited liability company, THI of Ohio at Chardon, LLC, a Delaware limited liability company, THI of Ohio ALFs at The Commons, LLC, a Delaware limited liability company, THI of Ohio at Greenbriar North, LLC, a Delaware limited liability company, Trans Healthcare of Ohio, Inc., a Delaware corporation, PATHCare, Inc., a Delaware corporation, and Trans Healthcare, Inc., a Delaware corporation.

SNDA or SNDAs: means the Subordination, Non-Disturbance and Attornment Agreements requested at or after Closing by Lender with respect to the Permitted Leases.

Subordination of Management Agreement: means the Subordination of Management Agreement from any manager or consultant of the Facilities and one or more Borrowers in favor of Lender.

Subsidiary: of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a Subsidiary of a Borrower or Parent Guarantor or HCREH.

Surveys: Those certain ALTA/ACSM surveys of the Facilities performed by an independent surveyor and delivered in connection with the issuance of the Title Policies. The Surveys shall each contain an ALTA/ACSM certification in favor of Lender, the Borrower that owns the Real Property and the Title Company.

Taking: As to any Facility, a taking or voluntary conveyance during the Term hereof of all or part of such Facility, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any condemnation or other eminent domain proceeding affecting such Facility, whether or not the same shall have actually been commenced.

Tangible Net Worth: At any date, the net worth of a Person as determined in conformity with GAAP, less Intangible Assets, as determined as of such date.

Term: The period of time during which any indebtedness from Borrowers to Lender arising under or evidenced by the Loan Documents remains outstanding.

Third Party Claims: Any claims, actions, demands or proceedings (other than Regulatory Actions) howsoever based on (including without limitation those based on negligence, trespass, strict liability, nuisance, toxic tort or detriment to health welfare or property) due to claimed Contamination, and whether or not seeking costs, damages, penalties or expenses, brought by any person or entity other than a governmental agency.

Title Commitments: The Title Insurance Commitment to issue ALTA extended coverage lender's policies of title insurance issued by the Title Company for the Facilities.

Title Company: First American Title Insurance Company.

Title Policies: ALTA extended coverage lender's policies of title insurance issued pursuant to the Title Commitments, with the Endorsements and without standard Schedule B exceptions, insuring the Deeds of Trust subject only to Permitted Encumbrances.

Unavoidable Delays: Delays due to strikes, lock-outs, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of a party hereto.

Unfunded Liabilities: means the amount (if any) by which the present value of all vested and unvested accrued benefits under all Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans using Pension Benefit Guaranty Corporation (or any successor thereto) actuarial assumptions for single employer plan terminations.

Unmatured Event of Default: means the occurrence of an event which upon its occurrence, or with the giving of notice, the passage of time, or both, would constitute an Event of Default.

Unsuitable for Its Primary Intended Use: A state or condition of a Facility such that, by reason of damage or destruction, or a partial taking by Condemnation, the Facility cannot be operated on a commercially practicable basis for its Primary Intended Use, taking into account, among other relevant factors, the number of usable beds, the amount of square footage and the estimated revenue affected by such damage or destruction.

Working Capital Loan: means a working capital line of credit from a third-party (i.e., non-Affiliate) working capital lender permitted pursuant to the terms of Section [6.17](#).

Working Capital Loan Documents: means the documents which evidence, secure or otherwise related to the Working Capital Loan.

ARTICLE II - TERMS OF THE LOAN TRANSACTION

2.1 The Loan. On the Loan Closing Date, and subject to the terms and conditions set forth below, Lender agrees to make the Loan to Owner. The Loan shall be evidenced and secured by the Note, the Deeds of Trust, the Guaranties, the Operator Guaranty and the other Loan Documents. The payment terms of the Loan, including, without limitation the term and the manner, method and timing of the payments of principal and interest, are all as set forth in this Agreement, the Note and in the other Loan Documents.

2.2 Unconditional Obligations. The obligations of (i) Owner to pay the Note, (ii) of Operators to perform their obligations under the Operator Guaranty, and (iii) of Borrowers to pay all fees, expenses and charges provided for in the Note, in this Agreement and in any other Loan Documents shall be general obligations of Borrowers, absolute and unconditional, and shall not be abated, rebated, setoff, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever, regardless of any rights of setoff, recoupment or counterclaim that Borrowers may have against Lender.

2.3 No Prepayment. Borrowers' rights and obligations with respect to the prepayment of all or any portion of the principal balance of the Loan shall be governed as expressly set forth in this Agreement, in the Note, and in the Deeds of Trust, and, except for such rights, if any, as may be expressly set forth in such documents, Borrowers shall have no right to prepay the Loan. If the Loan is paid in whole or in part prior to stated maturity for any reason (whether by acceleration or otherwise) other than pursuant to Sections [2.9](#), [3.3](#), [3.4](#) and [6.22.9](#) of this Agreement, then Borrowers shall pay a prepayment premium (the "Prepayment Premium") equal to the greater of (i) 3% of the principal amount then outstanding, and (ii) the amount calculated as follows:

- (a) First, the interest payments which would have become due on the Loan if the Loan had not been prepaid shall be calculated. In calculating such interest payments, it shall be assumed that Borrowers would have paid the Loan on the scheduled maturity date without exercising any prepayment right under this Agreement.
- (b) Second, there shall be deducted from each interest payment that would have become due under the Loan determined as set forth in clause (a) above the interest that would become due to Lender on the date of each such interest payment if the entire principal amount prepaid is reinvested by Lender on the date of the prepayment in an instrument bearing interest at the Reference Rate (as hereafter defined) payable on the first date of each month following such reinvestment with a maturity on the Maturity Date. Each such difference is hereinafter referred to as a "Monthly Payment Differential."
- (c) Third, each Monthly Payment Differential shall be discounted at an interest rate equal to the Reference Rate to determine its present value from the date that such Monthly Interest Differential would have occurred to the date of the prepayment of this Loan, so as to determine the present value of the Monthly Payment Differential as of the date of prepayment.
- (d) Fourth, the Prepayment Premium shall be calculated by adding together the present value of each Monthly Payment Differential determined as set forth in clause (c).

The "Reference Rate" shall be equal to the current yield, on the date five (5) days prior to prepayment, of the U.S. Treasury security closest in maturity to the remaining term of the loan. If there is more than one (1) U.S. Treasury security with such a maturity date, the selection shall be at the sole option of Lender. There shall be no discount if the Reference Rate exceeds the Interest Rate.

The Prepayment Premium required to prepay the Loan following a prepayment is intended to preserve the yield on the Loan, and to serve as liquidated damages, because the costs, expenses and losses caused by a prepayment are difficult or impossible to estimate.

2.4 Borrowers to Pay Expenses. Except as limited below, all costs and expenses of the Loan transactions as contemplated by this Agreement and the other Loan Documents shall be paid for by Borrowers, including, but not limited to:

(a) all taxes, including, without limitation, documentary transfer taxes, documentary stamp taxes, sales and similar taxes, applicable to the transactions contemplated herein, together with interest and penalties, if any, thereon;

(b) all recording costs, fees and charges;

(c) all costs relating to the Title Commitments and the Title Policies;

(d) all costs relating to the Surveys;

(e) all costs relating to the Environmental Assessments;

(f) the reasonable legal fees of legal counsel to Lender, and reasonable disbursements of such legal counsel;

(g) Lender's reasonable physical inspection costs, including travel and authorized out-of-pocket expenses; and

(h) any prepayment penalty fees or charges, recording fees or charges, legal fees, reconveyance fees or charges, or other costs associated with the discharge and payment of any existing secured debt recorded against any of the Facilities.

2.5 Use of Loan Proceeds. Owner shall use the Loan Proceeds to acquire the Personal Property and Real Property comprising the Facilities, to complete the Escrowed Improvements and to pay the Remediation Costs.

2.6 Further Assurances. Borrowers agrees that each of them will execute and deliver such other instruments and take all such actions as may reasonably be required by Lender in order to effectuate the purpose and to carry out the terms of this Agreement and the other Loan Documents.

2.7 Extension of Maturity Date. Borrowers are hereby granted two (2) successive options to extend the Maturity Date (each an " Option to Extend"). The Options to Extend shall be for a period of ten (10) years each, such that if the first Option to Extend is exercised, the Maturity Date would be April 30, 2028 and if the first and second Options to Extend are exercised, the Maturity Date would be April 30, 2038. Borrowers' exercise of the first and second Options to Extend are subject to the following terms and conditions (which conditions may be waived by Lender in its sole discretion):

(a) An Option to Extend is exercisable only by Notice to Lender at least one hundred and eighty (180) days, and not more than three hundred sixty (360) days, prior to the Maturity Date;

(b) No Event of Default or Unmatured Event of Default shall have occurred and be continuing either at the time an option to extend is exercised or at the commencement of the extension period;

(c) As set forth in the Note, the Interest Rate during the period from April 1, 2018 thru April 30, 2028 will be 13.75%, and the Interest Rate during the period from May 1, 2028 thru April 30, 2038 will be 16.75%;

(d) All of the terms and conditions of this Agreement, the Note, the Deeds of Trust and the other Loan Documents shall remain in full force and effect; and

(e) Borrowers may only exercise their Options to Extend if the option to renew for a corresponding period of years under the Master Lease (the "Master Lease") is also exercised with respect to all (and no fewer than all) of the Leased Properties (as defined in the Master Lease) such that the Expiration Date (as defined in the Master Lease) and the Maturity Date are the same date.

2.8 Escrowed Capital Improvements Funds. At Closing, Lender and Borrowers shall escrow with the Title Company a portion of the Loan equal to Two Million Three Hundred Seventy Five Thousand Dollars (\$2,375,000) (the "Escrowed Capex Funds") pursuant to an escrow agreement in form and substance acceptable to Borrowers and Lender. Borrowers shall propose the specific Escrow Improvements for Lender's approval, which approval shall not be unreasonably withheld, conditioned or delayed. After receipt of approval as to any specific Escrowed Improvement, the Borrowers shall promptly undertake, and complete each such Scheduled Improvement on or before December 31, 2009. Upon written certification from Borrowers to Lender that a Scheduled Improvement has been completed, in whole or in part, and upon compliance with the procedures set forth below, so long as no Event of Default or Unmatured Event of Default has occurred and is continuing, Borrowers may withdraw an amount of Escrowed Capex Funds equal to the amount set forth on Schedule 2.8 for such Scheduled Improvement. Any amounts so paid to Borrowers by Lender shall be used first to pay the costs of the Scheduled Improvements. To the extent the actual cost of a Scheduled Improvement exceeds the amount set forth on Schedule 2.8 for such Scheduled Improvement, then Borrowers shall pay such cost themselves.

(a) Borrowers may not request disbursement of the Escrowed Capex Funds more than once per month;

(b) With each request for disbursement, Borrowers shall deliver a certification from an officer of Borrowers that no Event of Default or UnMatured Event of Default exists;

(c) The Scheduled Improvements shall be done pursuant to plans and specifications and a cost statement approved by Lender;

(d) After the first disbursement to Borrowers, sworn statements and lien waivers in an amount at least equal to the amount of funds previously paid to Borrowers (or lien subordination agreements pursuant to Maryland law) or such other adequate evidence of payment shall be delivered to Lender and the Title Company from all contractors, subcontractors and material suppliers covering all labor and materials invoiced prior to the date of the previous disbursement;

(e) Borrowers shall deliver to Lender such other evidence as Lender reasonably may request, from time to time during the course of the work on the Scheduled Improvements, of compliance with the approved plans and specifications, of the cost of work and of the total amount needed to complete the Scheduled Improvements, and showing that there are no liens against the Facilities arising in connection with the work with respect to which the cost statement delivered to, and approved by, Lender does not provide for their payment; and

(f) At the election of Lender, the funds may be disbursed by the Title Company to Borrowers or to the persons entitled to receive payment thereof from Borrowers.

2.9 Northwest. On the Loan Closing Date, Lender shall escrow a portion of the Loan equal to Four Million Nine Hundred Thousand Dollars (\$4,900,000) plus certain closing costs (the "Northwest Funds") with the Title Company pursuant to the terms of the Northwest Escrow Agreement. Notwithstanding anything in this Agreement or the Note to the contrary, Borrowers shall not pay interest on the Northwest Funds until the earlier of (i) the release of the Northwest Funds to Sellers (as defined in the Northwest Escrow Agreement) or (ii) the date that is ninety (90) days after the Loan Closing Date; provided, however, that all interest earned on the Northwest Funds shall be paid over to Lender during such ninety (90) period. If Owner does not acquire the Northwest Facility, then Borrowers shall repay to Lender an amount equal to the Northwest Funds plus any portion of the Northwest Allocation received from Sellers. If the Northwest Funds or any portion of the Northwest Allocation Funds are returned to Lender, then, provided no Event of Default has occurred and is continuing, the Northwest Funds and/or the Northwest Allocation Funds shall be applied to the outstanding principal balance of the Loan and no Prepayment Premium shall be due in connection with such return and the difference between \$1,449,518 less that portion of the Northwest Allocation Funds actually received shall be reallocated among the remaining Facilities in proportion to the number of licensed beds at each remaining Facility bears to the total number of licensed beds at all Facilities, which reallocation shall also increase the Third Year Release Payment and the Seventh Year Release Payment in the amount reallocated to such Facilities. In addition, Borrowers shall pay all Remediation Costs. If the Northwest Facility is not acquired by Owner, then the Northwest Facility shall be removed from Section 3.4 and the Seventh Year Release Payment shall be reduced by \$7,952,560.56. If the Northwest Facility is acquired by Owner, Owner shall grant equivalent liens and security interests covering the Northwest Facility as cover all other Facilities.

3.1 Security.

3.1.1 Loan Documents. To secure the Note and Loan and the performance of Borrowers' obligations hereunder, Borrowers and Parent Guarantors shall deliver, or cause to be delivered, to Lender, at Closing, the following:

- (a) The Note;
- (b) The Deeds of Trust;
- (c) The Assignment of Leases;
- (d) The Security Agreements;
- (e) The Guaranties;
- (f) The Operator Guaranty;
- (g) The Cross Default and Cross Collateralization Agreement;
- (h) The Borrower Affiliates Subordination Agreement;
- (i) The Pledge Agreement;
- (j) Subordination of Management Agreement;
- (k) The Indemnification Agreement;
- (l) The Option to Purchase;
- (m) The Intercompany Master Lease;
- (n) UCC-1 financing statements with respect to the security interest in favor of Lender; and

(o) Such other documents, certificates or instruments as may be contemplated by the above-referenced documents, together with such other documents as Lender reasonably require in order to perfect the liens and security interest contemplated in this Agreement and in the other Loan Documents.

After the Closing, Borrowers shall use commercially reasonable best efforts to cause the SNDA's to be delivered within sixty (60) days after the Closing, or as soon thereafter as is reasonably possible.

Notwithstanding the foregoing, the Deed of Trust and the Assignment of Leases covering the Northwest Facility shall not be delivered unless and until the Northwest Closing occurs.

3.1.2 Cross Collateralization. The obligations of Borrowers and their Affiliates to Lender under the Loan Documents or otherwise are secured by all security interests, liens, assignments and encumbrances granted previously, now or in the future by a Borrower, Guarantor or any Affiliate of a Borrower or Guarantor to Lender or any Affiliate of Lender, including, but not limited to, the security interests and liens granted pursuant to the Combined Transaction Documents.

3.2 Obligations Secured. The Loan Documents shall secure (a) the due and punctual payment of (i) the Loan (including principal, interest, additional interest, default interest and all other sums required by the Note to be paid), and (ii) all of Borrowers' and Guarantors other present and future indebtedness to Lender or its Affiliates, whether or not arising under this Agreement, evidenced by the Note, or otherwise, and (b) the due and punctual observance and performance of all of the other obligations under the Loan Documents of the mortgagors, debtors and others granting security interests under any of the Loan Documents. An Event of Default under this Agreement or any of the other Loan Documents shall be an Event of Default under this Agreement and all of the other Loan Documents, and shall entitle Lender to pursue any and all remedies available under this Agreement, or under any of the other Loan Documents, or at law or in equity.

3.3 Release of Certain Facilities during First Three Years.

(a) On or before the third anniversary of the Closing, provided that (i) no Event of Default has occurred and is continuing under the Loan Documents, (ii) no Unmatured Event of Default has occurred and is continuing, and (iii) Borrowers are selling the Facility or Facilities to an unrelated third party, upon the payment to Lender of the applicable release payment set forth below (each a "Three Years Release Payment"), Lender would agree to release the applicable Facility listed below (each a "Three Years Facility") from the lien of the Loan Documents. No Prepayment Premium would be payable in connection with such prepayment and release. The initial release prices (to be increased by any reallocations as discussed below or any funded capex under Section [2.8](#)) are:

Facility Name	Initial Release Payment
Liberty Heights Health & Rehabilitation Center 4017 Liberty Heights Avenue Baltimore MD 21207	\$7,843,630.47
Northwest Health & Rehabilitation Center 4601 Pall Mall Drive Baltimore MD 21215	\$6,690,212.73
Franklin Square Health & Rehabilitation Center 1217 W. Fayette Street Baltimore MD 21223	\$11,761,358.12

Each Third Year Release Payment will increase 2.5% per year (compounding) on each anniversary of the Closing and pursuant to subparagraph (b) below.

(b) If, after exercising reasonable efforts to sell any Three Years Facility, Borrowers are unable to find a buyer willing to pay an amount sufficient to satisfy the applicable Three Years Release Payment, then Lender will accept as a Three Years Release Payment a lower release payment provided that: (i) the release payment is no less than 50% of the otherwise applicable Third Year Release Payment, and (ii) after giving effect to the sale of the Facility and the pay down of the Loan, the Borrowers remain in compliance with the Cash Flow Coverage Ratio and Combined Cash Flow Coverage Ratio required as of the date of the payment. The difference between the actual release payment and the Three Years Release Payment shall be reallocated among the remaining Facilities in proportion to the number of licensed beds at each remaining Facility bears to the total number of licensed beds at all Facilities, which reallocation shall also increase the Third Year Release Payment under this Section and the Seventh Year Release Payment under Section [3.4](#) in the amount reallocated to such Facilities.

(c) Borrowers must sell the Facilities to unrelated third parties in order for the Facilities to be released from the lien of the Loan Documents pursuant to this Section.

(d) Upon payment of the applicable Third Year Release Payment, the amount of the Security Deposit required under this Agreement and the Master Lease will be reduced by an amount equal to (i) the amount of the applicable Third Year Release Payment actually paid to Lender *multiplied by* (ii) the Interest Rate *divided by* (iii) four (4).

(e) Upon payment of the applicable Third Year Release Payment, Lender shall release the applicable Facility from the Option to Purchase.

3.4 Release of Certain Facilities after Seven Years.

(a) During the one year period commencing on the seventh anniversary of the Closing, provided that (i) no Event of Default has occurred and is continuing under the loan documents, (ii) no Unmatured Event of Default has occurred and is continuing, (iii) the prepayment is made concurrently with respect to all such Facilities (to the extent they have not previously been released as provided for in Section [3.3](#)), and (iv) the Lessee Purchase Option is closed concurrently, upon the payment to Seller of \$47,541,642.86 (as such amount may be increased or reduced pursuant to Sections [3.3\(b\)](#) and [3.4\(b\)](#), the "Seventh Year Release Payment"), Seller will release the Facilities listed below from the lien of the Loan Documents. No Prepayment Premium would be payable in connection with such prepayment and release. Borrowers would not be obligated to sell the Facilities in connection with such prepayment and release. The Facilities covered by this Section are as follows:

Bel Pre Health & Rehabilitation Center
2601 Bel Pre Road
Silver Spring MD 20906

Liberty Heights Health & Rehabilitation Center
4017 Liberty Heights Avenue
Baltimore MD 21207

Marley Neck Health & Rehabilitation Center
7575 E. Howard Road
Glen Burnie MD 21060

Northwest Health & Rehabilitation Center
4601 Pall Mall Drive
Baltimore MD 21215

Franklin Square Health & Rehabilitation Center
1217 W. Fayette Street
Baltimore MD 21223

(b) The Seventh Year Release Payment will be reduced by the amount any Third Year Release Payment paid in connection with any of the Seventh Year Facilities which are also Third Year Facilities.

(c) If Borrowers do not sell or otherwise transfer the Facilities to third parties, but instead continue to own and operate them, then upon payment of the Seventh Year Release Payment and release of the Seventh Year Facilities from the lien of the Loan Documents, the ownership of the applicable Borrowers which own or operate such Facilities shall be transferred such that HCREH and the Parent Guarantors no longer own or control such Borrowers. Upon such transfer, Lender will release such Borrowers from their obligations arising under the Loan Document and their guaranty of the Master Lease and the City View Loan.

(d) Upon payment of the Seventh Year Release Payment, the amount of the Security Deposit required under this Agreement and the Master Lease will be reduced by an amount equal to (i) the amount of the Seventh Year Release Payment actually paid to Lender *multiplied by* (ii) the Interest Rate *divided by* (iii) four (4).

(e) Upon payment of the Seventh Year Release Payment, Lender shall release the Facilities covered by this Section from the Option to Purchase.

ARTICLE IV - CONDITIONS TO THE OBLIGATION OF LENDER TO CLOSE

The obligations of Lender hereunder are subject to the following conditions. Should any condition not be fulfilled to the reasonable satisfaction of Lender on the Loan Closing Date, or if Lender does not waive such condition in writing, then Lender shall, at its option, but without waiving any rights (but subject to the limitations of Section 9.2 hereof), be relieved of all obligations under this Agreement.

4.1 Borrowers' Compliance. Borrowers shall fully comply with all provisions of this Agreement.

4.2 Execution and Delivery of Documents. This Agreement, the Note, the Deeds of Trust, the Security Agreements, the Guaranty and all other Loan Documents to be executed by Borrowers, the Guarantors, the Consultants and Manager shall have been duly authorized, validly executed and delivered by Borrowers, the Guarantors, the Consultants, and Managers to Lender.

4.3 Recording and Payment of Charges. Borrowers shall have (a) made arrangements for the Deeds of Trust and UCC-1 Financing Statements to be duly recorded or filed for recordation in each county in which a Facility is located and with the appropriate governmental office or offices concurrent with the Closing in the manner required by the laws of the jurisdiction in which the Facility is located and (b) paid, or arranged to be paid, all costs and fees to be paid by Borrowers pursuant to this Agreement, and such arrangements shall be reasonably satisfactory to Lender and its counsel.

4.4 Title Commitments. Lender shall have received the Title Commitments, issued by the Title Company, committing to issue the Title Policies to be dated as of the Loan Closing Date and insuring Lender's first lien security position against the Facilities. The Title Policies shall: (a) insure, to the extent such insurance is available in the states in which the Facilities are located (i) that any conditions, covenants and restrictions affecting the respective Facility has not been violated and that a future violation thereof will not result in forfeiture or reversion of title, (ii) access, (iii) affirmatively any easements required for ingress and egress or otherwise required for operation of any Facility, and (iv) over and against all parties in possession except any individuals currently receiving health care services; (b) be in an amount equal in the original principal amount of the Loan for the Facilities; (c) include the Endorsements; and (d) be delivered to Lender at the Closing. The Title Commitments shall be accompanied by copies of all documents affecting the Facilities as disclosed by the Title Commitments. Title to the Facilities shall be subject only to the Permitted Encumbrances. Borrowers shall cause all liens relating to existing secured debt recorded against the Facilities to be discharged at the Closing.

4.5 Insurance. Lender shall have received certificates of insurance fulfilling the insurance requirements set forth in this Agreement, together with proof that the premiums for such insurance have been paid.

4.6 No Damages. There shall have been no material damage to the buildings and improvements constituting the Facilities and no condemnation or eminent domain proceedings shall be pending with respect thereto.

4.7 No Offsets or Claims. On the Loan Closing Date, there shall exist no offset, defense or claim with respect to any sums to be paid by Borrowers under this Agreement or any of the other Loan Documents.

4.8 Representations and Warranties. The representations and warranties made by Borrowers in this Agreement, in any of the other Loan Documents, and in any certificates delivered pursuant hereto shall be true and correct in all material respects on and as of the Loan Closing Date.

4.9 Corporate Proceedings. All corporate and other proceedings of Borrowers in connection with the transactions contemplated herein and all documents and certificates incident thereto shall be reasonably satisfactory in form and substance to Lender and its counsel. Lender shall have received such other documents and certificates incident to the transaction as Lender or its counsel shall reasonably request.

4.10 Opinion of Counsel. Lender shall have received an opinion of counsel for Borrowers and the Guarantors, dated as of the Loan Closing Date, addressed to Lender, as to the due organization, existence and good standing of Borrowers, due authorization, execution and delivery of all of the Loan Documents; and dealing with such other matters as counsel to Lender may reasonably request.

4.11 Financial Statements. Lender shall have received and approved financial statements for the RCC and HCFM for the years ended December 31, 2006 and December 31, 2007, and for the calendar year 2008 to February 29, 2008, in form and substance reasonably satisfactory to Lender.

4.12 Licenses. Borrowers shall have (i) applied for all necessary certificates of need approvals/exemptions and license and certification approvals with respect to the operation of the Facilities for their Primary Intended Use, subject to the approval of Lender and its counsel, and no adverse action by any governmental agency or authority shall be pending with respect thereto, and (ii) shall have either received new licenses to operate the Facilities for their Primary Intended Use.

4.13 Surveys. Borrowers shall deliver to Lender final ALTA/ACSM, "as-built" surveys of the Facilities, showing each such Facility in reasonable detail, with all encroachments, setbacks, utilities, and easements shown, including a Surveyor's Certificate in favor of Lender, Borrowers and the Title Company, in form and substance reasonably acceptable to Lender and its counsel. If the legal descriptions of the Facilities differ from the legal description contained in the Title Commitments, Borrowers shall cause the Title Company to insure the legal descriptions set forth in the Surveys.

4.14 Compliance. Lender shall have received from Borrowers evidence satisfactory to Lender, in its reasonable discretion, of the following:

(a) Verification of Borrowers' ownership of or leasehold rights with respect to all of the Personal Property, free and clear of all liens and encumbrances (other than the Permitted Encumbrances and existing secured debt, all of which shall be paid off and discharged at the Closing with the proceeds of the Loan);

(b) Verification that all licenses, permits, franchises, approvals and agreements for the continued operation of the Facilities as licensed nursing facilities has been obtained and are and will continue to be in full force and effect;

(c) Verification that there are no outstanding violations of any laws, codes, rules or regulations, the existence of which would have a material adverse affect on any Facility or the current operation thereof as a licensed nursing home facility; or if any such violations exists, a detailed explanation of each such violation, together with a plan of correction for each such violation that shall, among other things, be subject to Lender's reasonable satisfaction and prior written approval in its reasonable discretion. Any such plan(s) of correction shall, at Lender's option, include such security as Lender may reasonably require to assure it that neither the licenses for the operation of the Facilities as licensed nursing facilities nor the operations of any Facility as a nursing home shall be suspended or revoked during the correction of such violations, and that, notwithstanding any such suspension or revocation, all amounts shall be timely paid as and when the same shall become due under the Note; and

(d) Verification of the current zoning of the Facilities and that all necessary utility services are available in sufficient capacity at the Facilities as currently operated (and that all such utilities enter the Facilities from public rights-of-way or from uninterrupted private utility company easements).

4.15 Environmental Assessments. Lender shall have received independent Phase I and Phase II Environmental Assessments from an environmental engineer, in form and substance satisfactory to Lender in its sole discretion. Borrowers shall have abated any hazardous materials conditions set forth in the Environmental Assessments and/or alternatively entered into an Indemnification Agreement in form and substance satisfactory to Lender in its sole discretion.

4.16 Due Diligence. Lender shall have completed its due diligence review of the Facilities, including Lender's inspection and approval of the Facilities as to their physical condition, by a structural engineer or other construction professional or professionals approved by Lender.

4.17 Approval of Occupancy Agreements. Approval of all agreements affecting the occupancy of the Facilities, to the extent such agreements are not cancelable on no more than 30 days notice.

4.18 Rehabilitation Plan. Lender's approval of the preliminary plan for rehabilitation and capital improvements (including necessary expenditures for Code compliance) for the Facilities, based upon Lender's inspection of the Facilities.

4.19 Security Deposit. At Closing, Borrowers shall deliver to Lender the Security Deposit in accordance with, and subject to, the terms and conditions of, this Agreement, the Master Lease and the Letter of Credit Agreement. Throughout the Term, the Security Deposit shall be in the exclusive possession and control of Lender. Lender may draw upon the Security Deposit under the circumstances set forth in the Letter of Credit Agreement, the Master Lease and Section 7.4 below. Upon payment in full of all of Borrowers' and its Affiliates present and future indebtedness to Lender, whether evidenced by the Note, the Master Lease or otherwise, Lender shall deliver the Security Deposit, less any portion thereof applied as provided in the Letter of Credit Agreement, the Master Lease or Section 7.4, to Borrowers.

ARTICLE V - REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE BORROWERS AND THE GUARANTOR

To induce Lender to enter into this Agreement and to make the Loan to Borrowers, each of Borrowers and Parent Guarantors, jointly and severally, represent, warrant and covenant to Lender as of the date hereof, as follows:

5.1 Organization of Borrowers and Parent Guarantors. Each of Borrowers and Parent Guarantors is a limited liability company duly organized and valid existing under the laws of the State of Ohio. RE Holdings owns all of the issued and outstanding equity interests of RE Leasing and AO. RE Leasing owns all of the issued and outstanding equity interests of each of the Operators. AO owns all of the issued and outstanding equity interests of each of the Owners. HCFM owns all of the issued and outstanding equity interests of each of the Consultants. RCC owns all of the issued and outstanding equity interests of each of the Managers. Borrowers are Affiliates of Parent Guarantors, the Managers and the Consultants. The authorized and issued capital (including all equity securities, options, warrants, general or limited partnership interests, membership interests or other equivalents of or in a corporation, partnership, limited partnership, limited liability company or equivalent entity) of Borrowers, Parent Guarantors, the Managers and the Consultants and the registered holders of such capital are as set forth in Schedule 5.1 (together with a corporate chart) and all of the issued and outstanding shares and securities are issued and outstanding as fully-paid and non-assessable and no Person has any option or right to acquire any shares in the capital of any Borrower, Parent Guarantors, the Consultants or Managers except as set forth in such Schedule. Except as set forth on Schedule 5.1, none of Borrowers, HCREH, RE Holdings, RE Leasing, and AO own securities of any other corporation or beneficial interests in any other Person. All of the issued and outstanding shares of capital stock or other ownership interests of Borrowers have been (to the extent such concepts are relevant with respect to such ownership interests) duly authorized and issued and are fully paid and non assessable.

5.2 Parent Guarantors' Financial Condition. No material adverse change has occurred in the any Parent Guarantor's finances, business, operations or affairs, following the Financial Statements dated, and for the period ended, February 29, 2008. The Financial Statements of each Parent Guarantor: (a) are prepared in accordance with the books and records of such Parent Guarantor; (b) are the statements of the financial conditions and results of operations of such Parent Guarantor as at and for the periods therein specified, all prepared in accordance with GAAP; and (c) contain and reflect all adjustments so as to present a fair and accurate statement of the results of operations and financial conditions for the periods covered by said Financial Statements on the basis of the applicable methods of accounting.

5.3 Financial Condition - Borrowers/Facilities. No material adverse change has occurred in the finances, business, operations or affairs, and no material adverse change has occurred in the operation, physical condition, licensing, or financial results of any Borrower or Facilities since the date of the Financial Statements delivered to Lender pursuant to the terms of this Agreement. The Financial Statements of the Facilities delivered to Lender pursuant to this Agreement: (a) are prepared in accordance with the books and records of the Facilities reported on; (b) are true and complete statements of the financial conditions and results of operations of such Facilities reported on, as at and for the periods therein specified, all prepared in accordance with GAAP; (c) contain and reflect all adjustments so as to present a fair and accurate statement of the results of operations and financial conditions for the periods covered by said Financial Statements on the basis of the applicable methods of accounting. No Borrower has contingent obligations not provided for or disclosed in the Financial Statements delivered pursuant to Section 4.11.

5.4 Taxes. Each Parent Guarantor has filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by a Parent Guarantor, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided in accordance with GAAP and as to which no lien, security interest or encumbrance exists. Borrowers were organized on or after December 1, 2007, have not engaged in any business activities prior to the transactions contemplated by this Agreement and the Purchase Documents, and have not been required to file, and have not filed, any federal or state tax returns. The United States income tax returns of each Parent Guarantor have never been audited by the Internal Revenue Service. No tax liens have been filed and no claims are being asserted with respect to any such taxes. The charges, accruals and reserves on the books of Borrowers and Parent Guarantors in respect of any taxes or other governmental charges are adequate.

5.5 Licenses. The Facilities are duly licensed nursing facility with the number of licensed beds set forth on Schedule 5.5. The number of licensed beds at the Facilities shall not be reduced during the Term. The Facilities are fully-equipped with all necessary equipment, is properly licensed, and is in material compliance with all appropriate laws, ordinances, rules and regulations, and operates as a Medicare and Medicaid provider under a valid Participation Agreement therefor. Borrowers know of no facts, circumstances, or reasons that would cause the State of Maryland to deny their application for all necessary certificates of need approvals/exemptions and license and certification approvals with respect to the operation of the Facilities for their Primary Intended Use. Effective as of the Closing Date, Borrowers have acquired new licenses issued to Operators and Operators are legally entitled to occupy the Facilities and to operate them for their Primary Intended Use.

5.6 The Facilities.

(a) The buildings and improvements comprising the Facilities have been constructed in compliance with the requirements of all laws, ordinances, rules, regulations and restrictions of record applicable thereto, and all bills for labor and materials in connection with the construction thereof have been paid in full or provided for.

(b) All public utilities, including, but not limited to, water, sewer, gas and electricity, to the extent necessary for the operation of the Facilities, have been connected to the Facilities, and are adequate for the intended use of the Facilities.

(c) Means of ingress and egress, streets, parking and drainage facilities are available to service each Facility and are adequate for the intended use of each Facility.

(d) All permits, licenses, conditional use permits and other certificates (including, if issued in the applicable jurisdiction, permanent, unconditional certificates of occupancy) and certificates of need or any other governmental approvals or authorizations, which are necessary to permit the use of the Facilities in accordance with the provisions of this Agreement and the other Loan Documents, have been obtained and are in full force and effect. Borrowers have not received any notice of any default under any such permits and licenses. Except as set forth on [Schedule 5.6\(d\)](#), there are no unresolved citations from any local public health, Medicare or Medicaid agencies, and there are no temporary or permanent waivers as to any condition or fact respecting any of the Facilities under the laws or regulations of the foregoing.

(e) Under applicable zoning and use laws, ordinances, rules and regulations, each Facility may be used for its Primary Intended Use and all necessary subdivision approvals have been obtained.

(f) The Permitted Encumbrances will not materially interfere with the Primary Intended Use of the Facilities by Borrowers or any lessee of the Facilities.

(g) Except as set forth on [Schedule 5.6\(g\)](#), no actions, suits, claims or proceedings have been instituted or, to the knowledge of Borrowers or the Guarantor, threatened against or affecting the Facilities at law or in equity or before any federal, state or municipal governmental department or agency or instrumentality thereof.

5.7 Litigation. No actions, suits, claims or proceedings have been instituted or, to the knowledge of Borrowers or Parent Guarantors, threatened against or affecting Borrowers, Parent Guarantors, Consultants or Managers at law or in equity or before any federal, state or municipal governmental department or agency or instrumentality thereof.

5.8 ERISA. None of Borrowers have, or has had, any employees or any Plans. No Unfunded Liabilities exists for any Plans. No Guarantor has incurred, or is reasonably expected to incur, any withdrawal liability to any Plans (whether single employer or multi-employer). Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, no Guarantor has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to reorganize or terminate any Plan.

5.9 Personal Property: Security Interests. As of the Loan Closing Date, Borrowers will have good, valid and marketable title to all Personal Property, subject only to the Permitted Encumbrances. As of the Loan Closing Date and at all times during the Term, except as may be permitted under [Section 6.17](#), Lender shall have first priority security interests in the Personal Property (other than the Personal Property that is leased by a Borrower, as lessee), free and clear of all liens, encumbrances, pledges or leases, other than the Permitted Encumbrances. None of the moveable equipment or other moveable Personal Property shall be removed from any Facility except in compliance with [Section 6.22.11\(d\)](#) below.

5.10 Reports by Borrowers. Borrowers shall file or cause to be filed all reports and disclose such information with respect to the Facilities and/or the business being carried on at the Facilities as may be required or requested by any regulatory body or agency having jurisdiction thereof.

5.11 Defects. There is no latent or patent defect or deficiency with regard to the structures, roofs, soils, furniture, fixtures, equipment, plumbing, electrical, mechanical or other system of any Facility which would impair the use or value of such Facility, and the same are in good working order and condition.

5.12 No Encroachments. There exists no encroachment onto the Facilities or by the improvements onto any adjoining property, other than as reflected in the Survey.

5.13 No Condemnation. None of Borrowers or Parent Guarantor know of any pending, contemplated or threatened Condemnation of the Facilities or any part thereof.

5.14 Insurance Policies. Borrowers have delivered to Lender a schedule of all insurance policies in effect as of the date of this Agreement and covering the Facilities. If Lender requests, Borrowers shall provide loss/claims histories.

5.15 No Other Defaults. The transactions contemplated by this Agreement and the other Loan Documents will not constitute or result in any default or event that, with a notice or lapse of time, or both, would be a default, breach or violation of any lease, mortgage, covenant or other agreement, instrument or arrangement by which any Facility or any Borrower or Guarantor will be bound as of the date hereof except for those approvals and consents required hereunder which will be obtained on or before the Loan Closing Date. No consent or joinder by any governmental agency or any other Person is required for the execution of this Agreement and the other Loan Documents by Borrowers or the Guarantors, for the performance of Borrowers' and the Guarantors' obligations as contemplated herein or in the other Loan Documents or for the enjoyment of the benefits of same by Lender.

5.16 No Assessments. No assessments for public improvements have been made or, to the knowledge of Borrowers or Parent Guarantors, threatened against any Facility which are not of record and which remain unpaid, including, without limitation, those for extension and/or continuation of sewer and water lines and mains, retaining walls, streets, sidewalks and curbs.

5.17 Foreign Person Status. None of Borrowers is a "foreign person" as that term is defined in Section 1445 of the Code.

5.18 Hazardous Substances. To Borrowers' and Parent Guarantors' knowledge, the land on which the Facilities is located has not been used as a landfill, and no Hazardous Substances have been released, discharged or deposited on, under or about the Facilities, except for Hazardous Substances legally used in connection with the operation of the Facilities and disposed of in accordance with all applicable laws and regulations. To Borrowers' and Parent Guarantors' knowledge, no Hazardous Substances have been used, generated, transported, treated, constructed, deposited, stored, disposed, placed or located on or under the Facilities except in strict compliance with Legal Requirements.

5.19 No Brokers. None of Borrowers or Guarantors have used the services of any broker or finder in connection with the transactions contemplated in this Agreement.

5.20 Government Authorizations: Existing Leases and Management Agreements: Transfer of Licenses.

(a) Promptly upon written request by Lender, Borrowers shall deliver to Lender copies of all reports, surveys, audits, notices and statements with respect to the Government Authorizations for Lender's inspection.

(b) None of Borrowers has been made subject to any condition upon any Government Authorization which in any way restricts or limits the right and ability of Borrowers to operate all beds contained in the Facilities as nursing home beds that are certified to provide licensed nursing care facility services, as appropriate, and to receive payment therefor under the Medicare and applicable state Medicaid programs (the "Government Authorizations").

(c) Neither any Borrower nor any Guarantor has received any notice of any claim of violation or breach of any law, rule, regulation, order, writ, injunction, decree, certificate, agreement, or condition for participation related to any of the Government Authorizations which would have material adverse affect on the Facilities or the operation of the Facilities for their Primary Intended Use, except those that have been cured or were given formal waivers at the time of the claim. If any Facility was resurveyed for Medicare and Medicaid certification, the Facility, equipment and operations of such Facility would satisfy all requirements for participation in such programs.

5.21 Intentionally omitted.

5.22 Facilities. As of the Loan Closing Date, fee simple title to the Facilities will be owned by Owner and, so long as the indebtedness evidenced by the Note and other Loan Documents is outstanding, will continue to be owned by Owner. No other Person will have any right, title, interest, claim or lien therein, thereon or thereto, other than the Permitted Encumbrances. Except for the Permitted Encumbrances (other than any Permitted Lease with respect to which Lender has requested an SNDA), the liens granted to Lender under the Deeds of Trust shall be first and prior with respect to real property and fixtures comprising the Facilities.

5.23 No Investment Company. None of Borrowers is an "investment company" or a company "controlled" by an investment company within the meaning of the Investment Company Act of 1940, as amended.

5.24 No Event of Default. No event has occurred and no condition exists which would ripen into an Event of Default under the Loan Documents either with or without notice or lapse of time, or both.

5.25 No Misleading Statements. No warranty or representation by Borrowers, Parent Guarantor or any of their Affiliates contained in this Agreement, any other Loan Document or in any certificate or other document furnished by Borrowers or Parent Guarantor or their Affiliates pursuant to this Agreement and the other Loan Documents contains any untrue statement of material fact or omits to state a material fact necessary to make such warranty or representation not misleading in light of the circumstances under which it was made.

The representations, warranties and covenants contained in or to be made pursuant to this Agreement and the other Loan Documents shall be deemed to be continuing and shall survive the Closing. If Lender discovers after the Closing any violation of any of the foregoing representations, warranties or covenants, such violation shall be an Event of Default.

ARTICLE VI - SPECIAL COVENANTS OF BORROWERS AND PARENT GUARANTORS

6.1 Existence; No Fundamental Change. Borrowers and Parent Guarantors shall preserve and maintain their legal existence and such of their rights, licenses and privileges as are material to their business and operations; and qualify and remain qualified to do business in each jurisdiction in which such qualification is material to their business and operations or the ownership of their properties. Except with the prior written approval of Lender, which may be withheld in Lender's sole and absolute discretion, none of Borrowers, HCREH, RE Holdings, RE Leasing, and AO will fundamentally change the nature of its business, enter into any amalgamation, merger, consolidation, reorganization or recapitalization, or reclassify its capital stock or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, assign, lease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or substantially all of its business, property or assets, whether now owned or hereafter acquired, or acquire by purchase or otherwise all or substantially all the business, property or assets, of any Person or any shares of stock or other equity securities of any Person.

6.2 Personal Property.

(a) At all times, Borrowers shall provide and maintain, or shall cause to be provided or maintained, all Personal Property as shall be necessary and appropriate in order to operate each Facility for its Primary Intended Use, in material compliance with all licensure and certification requirements, in material compliance with all applicable Legal Requirements and Insurance Requirements and otherwise in accordance with customary practice in the industry for the Primary Intended Use. Except as permitted under Section 6.17, Borrowers shall not permit or suffer the Personal Property to be subject to any lien, charge, encumbrance, financing statement or contract of sale or the like.

(b) At the Closing, Borrowers will grant to Lender first priority security interests in the Personal Property, and certain other personal property used or useful in connection with the Facilities, as more particularly described in the Security Agreements.

6.3 Use of Facilities.

(a) Borrowers shall obtain and, at all times, maintain, or cause to be obtained and maintained, all approvals needed to use and operate each Facility under applicable local, state and federal law, including, but not limited to, licensure as a licensed nursing home, and Medicare or Medicaid certification.

(b) Borrowers shall at all times use (or cause to be used) the Facilities for the Primary Intended Use and for such other uses as may be necessary or incidental to such use. Borrowers shall not use the Facilities, or any portion thereof, or permit the Facilities or any portion of them to be used, for any other use without the prior written consent of Lender. Borrowers covenant and agree that the Facilities shall not be used for any unlawful purpose. No use shall be made or permitted to be made of any Facility, and no acts shall be done, which will cause the cancellation of any insurance policy covering any Facility or any part thereof, nor shall Borrowers sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about any Facility, any article which may be prohibited by law or by the standard form of fire insurance policies, or any other insurance policies required to be carried under the Deeds of Trust or other Insurance Requirements.

(c) Borrowers covenant and agree that Borrowers will continuously operate the Facilities, or cause such Facilities to be continuously operated, as providers of health care services in accordance with its Primary Intended Use, and to maintain, or cause to be maintained, its certifications for reimbursement and licensure and its accreditation.

(d) Borrowers shall not commit or suffer to be committed any waste on the Facilities, nor shall Borrowers cause or permit any nuisance thereon.

(e) Borrowers shall neither suffer nor permit any Facility or any portion thereof, or the Personal Property, to be used in such a manner as (i) would reasonably tend to impair Borrowers' title thereto or to any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such, or of implied dedication of any Facility or any portion thereof.

(f) Borrowers shall comply with and perform all terms, conditions and obligations under all leases affecting Borrowers' interests in and use of any of the Facilities, and shall not suffer or permit any default to exist thereunder.

(g) The Operators shall at all times during the Term lease the Facilities from the Owners pursuant to the Intercompany Master Lease; provided, however, that if a Facility is released from the lien of the Loan Documents pursuant to Sections [3.3](#) or [3.4](#), then the Intercompany Master Lease shall be terminated as to such Facility.

6.4 Compliance with Legal and Insurance Requirements, Instruments, etc. Subject to Section [6.22.14](#) relating to permitted contests, Borrowers, at their expense, will promptly (a) comply or cause to be complied, in all material respects, with all applicable Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Facilities and the Personal Property, whether or not compliance therewith shall require structural changes in any of the Facilities (any such structural changes, nevertheless, being subject to Lender's prior written approval) or interfere with the use and enjoyment of any Facility, including such expenditures as are required to conform the Facilities to such standards as may from time to time be required by Federal Medicare or Medicaid Licensed Care Nursing Programs, if applicable, or any other applicable programs or legislation, or capital improvements required by any other governmental agency having jurisdiction over the Facilities or the business being operated on the Facilities as a condition to the continued operation of any Facility, or approval for Medicare, Medicaid or similar programs, pursuant to present or future laws or governmental regulation; and (b) procure, maintain and comply in all material respects with all licenses, certificates of need, provider agreements and other authorizations required for any use of the Facilities and the Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Facilities or any part thereof.

6.5 Legal Requirement Covenants. Borrowers shall acquire and maintain, or cause to be obtained and maintained, all licenses, certificates, permits, provider agreements and other authorizations and approvals needed to operate the Facilities in their customary manner for the Primary Intended Use and any other use conducted on the Facilities as may be permitted from time to time hereunder. The judgment of any court of competent jurisdiction or the admission of Borrowers in any action or proceeding against Borrowers, whether Lender be a party thereto or not, that Borrowers have violated any such Legal Requirements or Insurance Requirements shall be conclusive of that fact as between and among the parties to this Agreement. Without limiting the generality of the foregoing, Borrowers will maintain in effect all licenses, permits, certificates of need, Section 1122 approvals, facility certifications, provider agreements, consents and other authorizations from all federal, state, municipal and other governmental agencies or authorities as are necessary to lawfully operate all beds contained in the Facilities as nursing home beds, that are duly certified to provide licensed nursing services, and to receive payment therefor under the Government Authorizations.

6.6 Minimum Capital Expenditures. At all times for each calendar year while any obligations owed to Lender by Borrowers or Guarantor remains outstanding, Borrowers shall expend, or cause to be expended, a Minimum Annual Capital Expenditure of Four Hundred Dollars (\$400) (increased annually to reflect increases in the CPI) per bed on Qualified Capital Expenditures with respect to the Facilities.

6.7 Management Agreements: Related Party Debts. At all times Lender shall have the right to approve, in its sole discretion, the terms of any management agreement between a Borrower or its Affiliate and any other entity affecting the operational control of the Facilities. Such manager or consultant shall subordinate its right to receive any management fee from the Facilities to Lender's rights under this Agreement, the Note and the other Loan Documents. The maximum aggregate management and consulting fees payable to a manager or consultant as to any Facility shall not exceed the five percent (5%) of such Facility's gross revenues, without the written consent of Lender. Management fees, and the payment by Borrowers of any debts to an Affiliate, shall be subordinated to the Loan, including any and all charges of any nature payable to Lender pursuant to this Agreement or any of the other Loan Documents. Borrowers will not, and will not permit any Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any property or service) with, or make any payment or transfer to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction.

6.8 Lender's Right to Cure Borrowers' Default. If Borrowers shall fail to make any payment or to perform any act required to be made or performed under this Agreement, and to cure the same within the relevant time periods, if any, provided in [ARTICLE VII](#), Lender, without further notice to or demand upon Borrowers or the Guarantors, and without waiving or releasing any obligation of Borrowers or the Guarantors, and without waiving or releasing any obligation or default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Borrowers, and may, to the extent permitted by law, enter upon the Facilities for such purpose and take all such action thereon as, in Lender's opinion exercised in good faith, may be necessary or appropriate therefor. However, if Lender reasonably determines that the giving of such notice, if any, as is provided for in [ARTICLE VII](#) would risk loss to any Facility or cause damage to Lender, then Lender shall give such notice as is practical under the circumstances. No such entry shall be deemed an eviction of Borrowers. All sums so paid by Lender and all costs and expenses (including, without limitation, reasonable attorneys fees and expenses, in each case to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) and interest thereon at the Default Interest Rate (as defined in the Note, and to the extent permitted by law) from the date on which such sums or expenses are paid or incurred by Lender, shall be paid by Borrowers to Lender on demand. The obligations of Borrowers and rights of Lender contained in this Section shall survive the payment of the indebtedness secured evidenced by the Note or the discharge of the Deeds of Trust.

6.9 Tax Returns. Borrowers shall cause to be timely filed all required tax returns for the operation and/or ownership of the Facilities, including but not limited to, employee withholding taxes, before any penalty or interest for failure to file arises.

6.10 Officer's Certificates and Financial Statements. Borrowers will furnish, or cause to be furnished, the following statements to Lender:

(a) within one hundred twenty (120) days after the end of the fiscal year for each Borrower, a copy of that Borrower's Financial Statements, and separate operating statements for the Facilities owned by such Borrower, in each case certified by an executive officer of the pertinent Borrower;

(b) within one hundred twenty (120) days after the end of the fiscal year for each Parent Guarantor and HCREH, a copy of that Person's Financial Statements, in each case certified by an executive officer of the pertinent Person;

(c) within one hundred twenty (120) days after the end of the fiscal year for each Borrower, and together with the financial statements furnished in accordance with clause (a) and (b), an Officer's Certificate of Borrowers, Parent Guarantors and HCREH stating that none Borrower, Parent Guarantor or HCREH is in default in the performance or observance of any of the terms of this Agreement and the other Loan Documents, or if a Borrower, Parent Guarantor or HCREH shall be in default, specifying all such defaults, the nature thereof, and the steps being taken to remedy the same;

(d) within forty-five (45) days after the end of each month, monthly financial reports for each Facility, including detailed statements of income and expense;

(e) upon Lender's request, complete copies of each cost report filed with the appropriate governmental agency for each Facility and any and all amendments filed with respect to such reports, and all responses, audit reports and inquiries with respect to each such report;

(f) upon Lender's request, copies of surveys performed by the appropriate governmental agencies for licensing or certification purposes, and without the need for request by Lender, any plan of correction thereto for any Facility;

(g) Borrowers will give Lender immediate notice of any action, proposal or investigation by any agency or entity, or complaint to such agency or entity, known to any of Borrowers, the result of which could be to (i) revoke or suspend or terminate or modify in a way adverse to a Borrower, or fail to renew or fully continue in effect, any license or certificate or operating authority pursuant to which Borrowers carries on any part of the Primary Intended Use of any Facility, or (ii) suspend, terminate, adversely modify, or fail to renew or fully continue in effect any cost reimbursement or cost sharing program by any state or federal governmental agency, including but not limited to Medicaid or Medicare or any successor or substitute therefor, or seek return of or reimbursement for any funds previously advanced or paid pursuant to any such program, or (iii) impose any bed hold, limitation on patient admission, or similar restriction on any Facility;

(h) as soon as it is prepared in each year, a capital budget for each Facility for that and the following year;

(i) with reasonable promptness, such other information respecting the financial condition and affairs of Borrowers and each Facility as Lender may reasonably request from time to time including, without limitation, any such other information as may be available to the administration of each Facility; and

(j) at times reasonably required by Lender, and upon request as appropriate, audited year-end information and unaudited quarterly financial information concerning the Facilities and the Guarantors, as Lender shall require for its on-going filings with the Securities and Exchange Commission, under both the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, including, but not limited to 10-Q Quarterly Reports, 10-K Annual Reports and registration statements to be filed by Lender during the Term of this Agreement.

6.11 Public Offering Information. Borrowers specifically agree that Lender may include financial information and such information concerning the operation of the Facilities which does not violate the confidentiality of the Facility-patient relationship and the physician-patient privilege under applicable laws, in offering memoranda, prospectuses, or similar publications in connection with syndications or public offerings of the Lender's securities or interests, and any other reporting requirements under applicable Federal and State Laws, including those of any successor to Lender. Borrowers agrees to provide such other reasonable information necessary with respect to Borrowers and the Facilities to facilitate a public offering or to satisfy SEC or regulatory disclosure requirements.

6.12 Lender's Right to Inspect. Upon reasonable notice, Borrowers shall permit Lender and its authorized representatives to inspect the Facilities during usual business hours, subject to any security, health, safety or confidentiality requirements of any governmental agency or insurance requirement relating to the Facilities or imposed by law or applicable regulations.

6.13 No Investments. Except as set forth on Schedule 6.13, without the prior written consent of Lender, none of Borrowers, HCREH, RE Holdings, RE Leasing and AO will, or will they permit any Subsidiary to, make or suffer to exist any Investments (including without limitation, loans and advances to, and other Investments in, Subsidiaries), or commitments therefor, or to create any Subsidiary or to become or remain a partner in any partnership or joint venture, or to make any Acquisition of any Person.

6.14 Investment Company. None of Borrowers is, and during the term of the Loan will not be, an "investment company" or a company "controlled" by an investment company within the meaning of the Investment Company Act of 1940, as amended.

6.15 Off-Balance Sheet Liabilities. Borrowers, Parent Guarantors and HCREH will not, nor will it permit any Subsidiary to, enter into or suffer to exist any (i) Sale and Leaseback Transaction or (ii) any other transaction pursuant to which it incurs or has incurred Off-Balance Sheet Liabilities.

6.16 Certain Financial Covenants.

6.16.1 Tangible Net Worth. At all times during the Term, Lessee One (as defined in the Master Lease and RE Holdings shall maintain a combined minimum Tangible Net Worth of Three Million Dollars (\$3,000,000), and if at any time Borrowers' and Guarantors' combined Tangible Net Worth is less than such amount, within thirty (30) days Borrowers and Guarantors shall cause their equity owners to contribute to Borrowers and Guarantors sufficient equity capital in the form of cash to cause Borrowers' and Guarantors' combined Tangible Net Worth to exceed such amount.

6.16.2 Borrowers Cash Flow Coverage Ratio. Commencing with the quarter ending September 30, 2008, Borrowers on a consolidated basis shall maintain a Cash Flow Coverage Ratio as determined quarterly on a cumulative basis for the preceding four (4) calendar quarters as follows:

Period	Requirement
During the period of July 1, 2008 thru June 30, 2009	1.10
During the period of July 1, 2009 thru June 30, 2010	1.20
Thereafter	1.25

For purposes of clarification, this Section 6.16.2 applies to RE Leasing and its subsidiaries, except for City View Nursing and Rehab, LLC, and AO and its subsidiaries, except for Cleveland NH Asset, LLC.

6.16.3 Combined Cash Flow Coverage Ratio. Commencing with the quarter ending September 30, 2009 and continuing thereafter, Borrowers, Lessee (as defined in the Master Lease) and the City View Borrowers on a consolidated basis shall maintain a Combined Cash Flow Coverage Ratio as determined quarterly on a cumulative basis for the preceding four (4) calendar quarters of 1.25 or more. As illustration of the foregoing, the calculation of Combined Cash Flow to Rent Ratio shall at the end of the fifth quarter (which tests the second thru fifth quarters after the date of this Agreement, i.e., October 1, 2008 thru September 30, 2009), exclude the Net Income and Base Rent attributable to the OHI THI Facilities prior to July 1, 2009, but include the period of July 1, 2009 thru September 30, 2009 for the OHI THI Facilities. For purposes of clarification, this Section 6.16.3 applies to RE Holdings and its subsidiaries, and OMG MSTR LSCO, LLC, and its subsidiaries.

6.16.4 Limitation of Distributions. No Borrower, HCREH or Guarantor shall make any Distributions to the holders of its equity securities (if any), any Affiliate or for any charitable purposes, unless and until, as of the date of such Distribution and upon giving effect to such Distribution, no Event of Default or Unmatured Event of Default has occurred and is continuing.

6.16.5 Guarantees Prohibited. Except for guaranties in favor of Lender or its Affiliates, guarantying Other Permitted Indebtedness or guarantying the Working Capital Loan, none of Borrowers, HCREH, RE Holdings, RE Leasing and AO shall guarantee any indebtedness of any Affiliate or other third party.

6.16.6 Equipment Financing. The aggregate amount of principal, interest and lease payments due from Borrowers on any equipment financing shall not exceed Fifty Thousand Dollars (\$50,000) annually per Facility.

6.16.7 Indebtedness. Borrowers, HCREH, RE Holdings, RE Leasing and AO will not, nor will they permit any Subsidiary to, create, incur or suffer to exist any Indebtedness, except:

(a) The Loan;

(b) The Working Capital Loan;

(c) The equipment financing permitted under Section [6.16.6](#); and

(d) The Other Permitted Indebtedness.

6.16.8 Loans from Affiliates. None of Guarantors and Borrowers shall borrow money from any Affiliate unless the obligations of such Guarantor or such Borrower and the rights of its Affiliates with respect to any such loan are subordinated to the rights of Lender pursuant to a written subordination agreement in form and substance acceptable to Lender.

6.17 Working Capital Loan. Operators may obtain a Working Capital Loan from a third-party working capital lender provided that:

(a) The working capital lender executes and delivers to Lender an intercreditor agreement in form and substance reasonably satisfactory to Lender;

(b) Operators use the Working Capital Loan for the sole purpose of financing the working capital at the OHI Facilities;

(c) The maximum principal amount available for advances under the Working Capital Loan does not exceed the Maximum Principal Amount;

(d) The Lender would agree in the intercreditor agreement to subordinate its lien in accounts receivable and related collateral from the Facilities to the lien of the working capital lender therein only to the extent of amounts advanced from time to time by the working capital lender to Operators with respect to the OHI Facilities and only up to the Maximum Principal Amount, plus interest, penalties and other charges under the Working Capital Loan Documents with respect to principal amounts advanced;

(e) The Working Capital Loan is not secured by any collateral other than accounts receivable and related collateral, which Lender agrees may secure the Working Capital Loan; and

(f) As of the date of entry by Lender into the intercreditor agreement, no Event of Default or Unmatured Event of Default has occurred and is continuing.

6.18 Bank Accounts. Borrowers shall maintain separate bank accounts from any other Person. None of Borrowers shall permit its or their assets, including cash, cash equivalents, and the cash proceeds arising out of the operation of the Facilities, to be commingled with the assets of any Person (other than another Borrower); provided, however, that the personal allowance accounts of the residents of the Facilities need not be maintained separately and may be commingled so long as Borrowers maintain adequate written records with respect to such personal allowance accounts.

6.19 Other Facilities. No Borrower nor any Affiliate shall own, operate or manage any nursing home, rest home, assisted living facility, subacute facility, retirement center or similar health care facility within a ten mile radius of the Facilities.

6.20 No Other Business. Borrowers shall not engage in any business other than the operation of the Facilities.

6.21 Liens. Subject to the provisions of Section [6.22.14](#) relating to permitted contests, Borrowers, HCREH, RE Holdings, RE Leasing and AO shall not directly or indirectly create or allow to remain, and shall promptly discharge at their expense, any lien, encumbrance, attachment, title retention agreement or claim upon any assets of Borrowers, HCREH, RE Holdings, RE Leasing and AO, excluding, however, (a) the liens and security interests in favor of Lender, (b) the Permitted Encumbrances, (c) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (i) the same are not yet payable, or (ii) such liens are in the process of being contested as permitted by Section [6.22.14](#), (d) reserved, (e) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that any such liens are in the process of being contested as permitted by Section [6.22.14](#), (f) liens permitted under Section [6.17](#) of this Agreement, and (g) liens or security interests in assets (not including assets subject to the lien of the Pledge Agreements) of HCREH, RE Holdings, RE Leasing and AO which secure Other Permitted Indebtedness.

6.22 Deed of Trust Covenants. Borrowers make the following covenants and agreements with respect to the Facilities and the properties encumbered by the Deeds of Trust, which covenants and agreements shall be incorporated into and shall be considered part of the covenants and agreements in the Deeds of Trust.

6.22.1 Payment of Impositions and Other Obligations.

(a) Borrowers will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment, such payments to be made directly to the taxing authorities, and shall promptly furnish to Lender copies of official receipts or other satisfactory proof evidencing such payments. If any such Imposition may, at the option of the taxpayer, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), then, as long as no Event of Default or Unmatured Event of Default exists hereunder, Borrowers may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and, in such event, shall pay such installments during the Term hereof (subject to Borrowers' right of contest as provided in this Agreement) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. If any refund shall be due from any taxing authority in respect of any Imposition paid by Borrowers, the same shall be paid over to or retained by Borrowers if no Event of Default or Unmatured Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lender due to an Event of Default shall be applied against the indebtedness in any manner or priority elected by Lender.

(b) In the event governmental authorities classify any property covered by the Loan Documents as personal property, Borrowers shall pay all taxes against such personal property before any fine, penalty, interest or cost may be added for non-payment and shall file all personal property tax returns in such jurisdictions. Borrowers shall promptly furnish Lender copies of official receipts or other satisfactory proof evidencing such payments. As long as Borrowers have paid all Impositions in accordance with this Section 6.22.1 and as long as no Event of Default or Unmatured Event of Default exists hereunder, Borrowers may, upon notice to and with the prior written consent of Lender, which consent will not be unreasonably withheld, at Borrowers' sole cost and expense, protest, appeal, or institute such other proceedings as Borrowers may deem appropriate to effect a reduction of real estate or personal property assessments.

(c) Notwithstanding anything contained in this Section 6.22.1 to the contrary, upon the occurrence of an Event of Default, Lender, in its sole discretion, shall be entitled to require Borrowers to deposit monthly with Lender a pro rata portion of such Impositions, and when such Impositions become due and payable, Lender shall pay the same to the extent of the amounts deposited for such purpose upon notice from Borrowers requesting such payment. If sufficient funds have not been deposited as aforesaid to cover the amount of such Impositions prior to the time when the same become due and payable, Borrowers shall forthwith upon request by Lender pay such balance to Lender. Lender shall not be required to pay Borrowers any interest or earnings whatever on the funds held by Lender for the payment of such Impositions and pursuant to this Section or for the payment of insurance premiums under Section 6.22.2 hereof, or on any other funds deposited with Lender in connection with this Agreement or any of the other Loan Documents. Upon the occurrence of an Event of Default, any of such monies then remaining on deposit with Lender may be applied against the indebtedness hereby secured in any manner or priority elected by Lender immediately upon or at any time after such Event of Default, and without notice to Borrowers. Further, Lender may make payments from any of such monies on deposit with Lender for Impositions on or with respect to the Facilities notwithstanding that subsequent owners of the Facilities may benefit thereby.

6.22.2 Borrowers' Insurance Covenants.

(a) Insurance - - General. During the Term, Borrowers shall at all times keep the Facilities, and all property located in or on such Facilities, including but not limited to all Personal Property owned by Borrowers and located on or used in connection with such Facilities, insured with the kinds and amounts of insurance described below. This insurance shall be written by companies authorized to do insurance business in the State of Ohio. All such policies provided and maintained during the Term shall be written by companies acceptable to Lender. Losses shall be payable to Lender and Borrowers as hereinafter provided in this Agreement. Each of said policies and renewals thereof shall be held by, and pledged to, Lender, (unless Lender shall direct or permit otherwise) as additional security hereunder, and shall provide that all loss or losses under such policies shall be payable to Lender and Borrowers, or their successors or assigns, as their interests may appear. The policies on each Facility, including all improvements, fixtures and personal property located thereon, shall insure against the following risks:

(i) Loss or damage by fire, vandalism and malicious mischief, earthquake, extended coverage perils commonly known as "Special Risk," and all physical loss perils normally included in such Special Risk insurance, including but not limited to sprinkler leakage, in an amount not less than the then full replacement cost thereof (as defined below in Section [6.22.2\(b\)](#)), and including a replacement cost endorsement;

(ii) Loss or damage by explosion of steam boilers, pressure vessels or similar apparatus, now or hereafter installed in any Facility;

(iii) Loss of income under a business interruption insurance policy covering risk of loss during reconstruction necessitated by the occurrence of any of the hazards described in subparagraphs (i) or (ii) (but in no event for a period of less than twelve (12) months), in an amount sufficient to prevent Lender and Borrowers from becoming a co-insurer;

(iv) Claims for personal injury or property damage under a policy of commercial general liability insurance with a combined single limit per occurrence in respect of bodily injury and death and property damage of One Million Dollars (\$1,000,000.00), and an aggregate limitation of Seven Million Dollars (\$7,000,000), which insurance shall include contractual liability insurance;

(v) Claims arising out of professional malpractice in an amount not less than One Million Dollars (\$1,000,000.00) for each person and for each occurrence, and an aggregate limitation of Five Million Five Hundred Thousand Dollars (\$5,500,000);

(vi) Flood (when a Facility is located in whole or in part within a designated flood plain area) and such other hazards and in such amounts as may be customary for comparable properties in the area of the affected Facility;

(vii) During such time as a Borrower or its lessee shall be constructing any improvements, such Borrower, at its sole cost and expense, shall carry, or cause to be carried (A) worker's compensation insurance and employers' liability insurance covering all persons employed in connection with the improvements in statutory limits, (B) a completed operations endorsement to the commercial general liability and property damage insurance policies referred to above, and (C) builder's risk insurance, completed value form, covering all physical loss, in an amount and subject to policy conditions reasonably satisfactory to Lender;

(viii) Borrowers shall procure, and at all times during the Term of this Agreement shall maintain, a policy of primary automobile liability insurance with limits of One Million Dollars (\$1,000,000) per occurrence each for owned and non-owned and hired vehicles;

(ix) Borrowers shall further at all times maintain or cause to be maintained adequate worker's compensation insurance coverage for all persons employed at each Facility, to the extent required under and in accordance with applicable law; and

(x) If Borrowers choose to carry umbrella liability coverage to obtain the limits of liability required under this Agreement, all such policies shall cover in the same manner as the primary commercial general liability policy and shall contain no additional exclusions or limitations materially different from those of the primary policy.

(b) Replacement Cost. The term "full replacement cost," as used herein, shall mean, as to each Facility, the actual replacement cost of such Facility, and any fixtures or personal property situated thereon, including an increased cost of construction endorsement, less exclusions provided in the standard form of fire insurance policy. In all events, full replacement cost shall be an amount sufficient so that neither Borrowers nor Lender is deemed a coinsurer of any Facility. If Lender believes in good faith that full replacement cost (the then replacement cost less such exclusions) of any Facility has increased at any time during the Term, it shall have the right to have such full replacement cost reasonably redetermined by an impartial appraiser selected by Lender and reasonably acceptable to Borrowers. The determination of such impartial appraiser shall be final and binding on the parties hereto, and Borrowers shall forthwith adjust the amount of the insurance carried pursuant to this Section [6.22.2](#), as the case may be, to the amount so determined by the impartial appraiser. Borrowers shall pay the fee, if any, of the impartial appraiser.

(c) Waiver of Subrogation. Lender shall have no liability to Borrowers, and, provided Borrowers shall carry the insurance required of them by this Agreement, Borrowers shall have no liability to Lender, regardless of the cause, for any loss or expense resulting from or in connection with damage to or the destruction or other loss of any Facility or Borrowers' Personal Property, and no party will have any right or claim against the other for any such loss or expense by way of subrogation. All insurance policies carried by any party covering the Facilities, the fixtures, or Borrowers' Personal Property, including without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer, if such waiver is commercially available. Borrowers shall pay any reasonable additional costs or changes for obtaining such waivers.

(d) Form Satisfactory, Etc. All of the policies of insurance referred to in this Section 6.22.2 shall be the standard forms issued by insurance companies meeting the specific requirements of this Agreement. If Borrowers obtain and maintain the professional malpractice insurance described in Section 6.22.2(a)(v) above on a "claims-made" basis, Borrowers shall provide continuous liability coverage for claims arising during the Term either by obtaining an endorsement providing for an extended reporting period reasonably acceptable to Lender in the event such policy is canceled or not renewed for any reason whatsoever, or by obtaining "tail" insurance coverage converting the policies to "occurrence" basis policies providing coverage for a period of at least three (3) years beyond the expiration of the Term. Borrowers shall pay when due all of the premiums for all insurance policies that they are required to maintain, and shall deliver such policies or certificates thereof to Lender prior to their effective date (and, with respect to any renewal policy, not less than twenty (20) days prior to the expiration of the existing policy, Borrowers shall furnish a new policy or binder to Lender), and in the event of the failure of Borrowers either to effect such insurance as herein called for or to pay the premiums therefor, or to deliver such policies or certificates thereof to Lender at the times required, Lender shall be entitled, but shall have no obligation, to effect such insurance and pay the premiums therefor when due, which premiums shall be repayable to Lender immediately upon written demand therefor, and failure to repay the same shall constitute an Event of Default. All public liability and property damage insurance shall contain a provision that Lender, although named as an insured, shall nevertheless be entitled to recovery under said policies for any loss, damage, or injury to Lender, its servants, agents, and employees by reason of the negligence of Borrowers or Lender. Each insurer providing coverage required by this Agreement shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lender, that it will give to Lender at least thirty (30) days' written notice before the policy or policies in question shall be materially altered or canceled.

(e) Increase in Limits. If from time to time Lender shall determine, in the exercise of its reasonable business judgment, that the limits of the personal injury or property damage/public liability insurance then carried are insufficient, Lender may give Borrowers notice of acceptable limits for such insurance to be carried, which limits shall be reasonable in light of the limits required by Lender of other of its borrowers and Borrowers with respect to similar portfolios at such time; and Borrowers shall then obtain and maintain such insurance with limits prescribed by Lender until further increase pursuant to the provisions of this Section.

(f) Blanket Policy. Notwithstanding anything to the contrary contained in this Section [6.22.2](#), Borrowers' obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Borrowers; provided, however, that the coverage afforded Lender will not be reduced or diminished or otherwise be materially different from that which would exist under a separate policy meeting all other requirements of this Agreement by reason of the use of the blanket policy; and provided further that the requirements of this Section [6.22.2](#) are otherwise satisfied and that Borrowers maintain specific allocations acceptable to Lender.

(g) Concurrent or Contributing Insurance. Borrowers shall not, on Borrowers' own initiative or pursuant to the request or requirement of any third party, take out separate insurance concurrent in form or contributing in the event of loss with that required in this Section [6.22.2](#), to be furnished by, or which may reasonably be required to be furnished by, Borrowers, or increase the amount of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Lender, are included therein as additional insureds, and the loss is payable under said insurance in the same manner as losses are payable under this Agreement.

(h) Additional Rights of Borrowers. Nothing herein shall prohibit Borrowers from (i) securing insurance required to be carried hereby with higher limits of liability than required in this Agreement, (ii) securing Umbrella Policies or (iii) insuring against risks not required to be insured pursuant to this Agreement, and as to such insurance, Lender need not be included therein as additional insured, nor must the loss thereunder be payable in the same manner as losses are payable under this Agreement. Borrowers shall immediately notify Lender of the taking out of any such separate insurance or of the increasing of any of the amounts of the then existing insurance.

(i) Insurance Escrow. Notwithstanding anything contained herein to the contrary, upon the occurrence of an Event of Default, Lender, in its sole discretion, shall be entitled to require Borrowers to pay monthly in advance to Lender the equivalent of one-twelfth (1/12th) of the estimated annual premiums due on the insurance required under this Section [6.22.2](#). If Lender requires Borrowers to make a monthly deposit for insurance premiums hereunder and if sufficient funds have not been deposited with Lender to pay the insurance premium at least thirty (30) days prior to the time when the same become due and payable, Borrowers shall forthwith upon request pay the balance to Lender.

6.22.3 Insurance Proceeds. All proceeds, net of costs incurred by Lender in obtaining the proceeds (" Net Proceeds"), payable under any risk policy of insurance required by this Agreement, whether or not paid directly to Lender and/or Borrowers, shall promptly be paid to Lender and held, disbursed, applied or retained by Lender as provided in this Agreement. If the Net Proceeds are equal to or less than the Approval Threshold, and if no Event of Default or Unmatured Event of Default has occurred and is continuing, the Net Proceeds shall be paid to Borrowers promptly upon Borrowers' completion of any restoration or repair, as the case may be, of any damage to or destruction of the Facility(ies) or any portion thereof. If the Net Proceeds exceed the Approval Threshold, and if no Event of Default or Unmatured Event of Default has occurred and is continuing, the Net Proceeds shall be made available for restoration or repair, as the case may be, of any damage to or destruction of the applicable Facility or any portion thereof as provided in Section [6.22.7](#).

6.22.4 Restoration in the Event of Damage or Destruction.

(a) If a Facility is totally or partially damaged or destroyed, and thereby rendered Unsuitable for its Primary Intended Use, Borrowers shall give Lender notice of such damage or destruction within five (5) Business Days of the occurrence thereof. Within thirty (30) days of such occurrence, Borrowers shall commence and thereafter diligently proceed to complete the restoration of the damaged or destroyed Facility to substantially the same (or better) condition as that which existed immediately prior to such damage or destruction.

(b) If a Facility is totally or partially damaged or destroyed, but not thereby rendered Unsuitable for its Primary Intended Use, Borrowers shall give Lender notice of such damage or destruction within five (5) Business Days of the occurrence thereof, and, within thirty (30) days of the occurrence, Borrowers shall commence and thereafter diligently proceed to restore the Facility within a period of three hundred sixty five (365) days following the date of damage or destruction, subject to extension to the extent required by Unavoidable Delays (the "Reconstruction Period") to substantially the same (or better) condition as that which existed immediately prior to such damage or destruction.

(c) No such damage or destruction shall terminate this Agreement or any of the other Loan Documents as to the affected Facility.

6.22.5 Restoration of Borrowers' Property. If Borrowers are required to restore a Facility as provided in this Agreement, Borrowers shall also restore or replace all alterations and improvements made by Borrowers and all of the Personal Property, to the extent required to maintain the then current license of the applicable Facility.

6.22.6 Intentionally omitted.

6.22.7 Procedure for Disbursement of Insurance Proceeds Greater Than The Approval Threshold. If Borrowers restore or repair a damaged Facility pursuant to any subsection of this Agreement, and if the Net Proceeds exceed the Approval Threshold, the restoration or repair shall be performed in accordance with the following procedures:

(a) The restoration or repair work shall be done pursuant to plans and specifications approved by Lender (not to be unreasonably withheld or delayed), and Borrowers shall cause to be prepared and presented to Lender a certified construction statement, reasonably acceptable to Lender, showing the total estimated cost of the restoration or repair.

(b) The Net Proceeds shall be made available to Borrowers as the restoration and repair work progresses pursuant to certificates of an architect selected by Borrowers that in the reasonable judgment of Lender is qualified in the design and construction of health care facilities, or of the type of property for which the repair work is being done.

(c) There shall be delivered to Lender, with such certificates, sworn statements and lien waivers from the general contractor and subcontractors, in the form customary for the applicable State, in an amount at least equal to the amount of Net Proceeds to be paid out to Borrowers pursuant to each architect's certificate and dated as of the date of the disbursement to which they relate.

(d) There shall be delivered to Lender such other evidence as Lender may reasonably request, from time to time, during the restoration and repair, as to the progress of the work, compliance with the approved plans and specifications, the cost of restoration and repair and the total amount needed to complete the restoration and repair.

(e) There shall be delivered to Lender such other evidence as Lender may reasonably request, from time to time, showing that there are no liens against the applicable Facility arising in connection with the restoration and repair and that the cost of the restoration and repair at least equals the total amount of Net Proceeds then disbursed to Borrowers hereunder.

(f) If the Net Proceeds are at any time determined by Lender to be inadequate for payment in full of all labor and materials for the restoration and repair, Borrowers immediately shall pay the amount of the deficiency to Lender to be held and disbursed as Net Proceeds prior to the disbursement of any other Net Proceeds then held by Lender.

(g) The Net Proceeds may be disbursed by Lender to Borrowers or, at Borrowers' direction, to the persons entitled to receive payment thereof from Borrowers, and such disbursement in either case may, at Lender's discretion, be made directly or through a third party escrow agent, such as, but not limited to, a title insurance company, or its agent. Provided no Event of Default or Unmatured Event of Default has occurred and is continuing, any excess Net Proceeds shall, at Lender's sole option, either be paid to Borrowers or applied against the Loan, upon completion of the restoration or repair.

(h) If Borrowers at any time fail to promptly and fully perform the conditions and covenants set out in subparagraphs (a) through (g) above, and the failure is not corrected within thirty (30) days of written notice thereof, or if during the restoration or repair an Event of Default occurs hereunder, Lender may, at its option, immediately cease making any further payments to Borrowers for the restoration and repair.

(i) Lender may reimburse itself out of the Net Proceeds for its reasonable expenses of consultants, attorneys and its employee-inspectors incurred in administering the Net Proceeds as hereinbefore provided.

6.22.8 Failure to Pay for Impositions, Insurance and Repairs. Should default be made in the payment of any of the Impositions required to be paid pursuant to this Agreement or in procuring and maintaining the insurance required under this Agreement, or in making necessary repairs to the Facilities, Lender, in addition to and not in limitation of any other right or remedy provided Lender under the Loan Documents or allowed by law or equity, may pay such Impositions, obtain such insurance and make such repairs, and the monies so paid by it shall be a further obligation of Borrowers to Lender and a lien on the Facilities, payable forthwith, with interest at the Default Interest Rate. Lender may make advances pursuant to this Section or as otherwise provided in this Agreement without curing Borrowers' default and without waiving Lender's right of foreclosure or any other right or remedy of Lender under this Agreement. The exercise of the right to make advances pursuant to this Section shall be optional with Lender and not obligatory, and Lender shall not be liable in any case for failure to exercise such right or for failure to continue exercising such right once having exercised it. Borrowers' failure to pay Impositions assessed against the Facilities, or any installment thereof, or any insurance premium upon policies covering the Facilities or any part thereof, shall constitute waste (although the meaning of the term "waste" shall not necessarily be limited to such nonpayment), and shall entitle Lender to all remedies provided for under this Agreement, the other Loan Documents and at law or in equity. Borrowers further agree to and do hereby consent to the appointment of a receiver, should Lender elect to seek such relief thereunder.

6.22.9 Condemnation.

(a) Parties' Rights and Obligations. If during the Term there is any taking of all or any part of a Facility by Condemnation, the rights and obligations of the parties shall be determined by this Section [6.22.9](#).

(b) Total Taking. If title to the fee of the whole of the Real Estate comprising a Facility shall be acquired by any Condemnor as the result of a Condemnation, the Due Date of the Loan (as defined in the Note) shall be accelerated to, and shall coincide with, the Date of Taking.

(c) Allocation of Portion of Award. The Award made with respect to the Condemnation of all or any portion of the Real Estate shall be the property of and payable to Lender up to the sum of (i) all costs and expenses reasonably incurred and documented by Lender in connection with the Condemnation, and (ii) the total indebtedness outstanding under the Loan on the Date of Taking.

(d) Partial Taking. In the event of a Partial Taking of the Real Estate comprising the Facilities, Borrowers shall commence and diligently proceed to restore the untaken portion of the Facility on the applicable Real Estate so that such Facility shall constitute a complete architectural unit (if applicable) of the same general character and condition (as nearly as may be possible under the circumstances) as the Facility existing immediately prior to such Partial Taking. If (i) no Event of Default or Unmatured Event of Default is then continuing, and (ii) the Award is equal to or less than the Approval Threshold, then Lender shall make the Award, net of the costs incurred by Lender in pursuing the award, available to Borrowers prior to the commencement of the restoration. If (i) no Event of Default or Unmatured Event of Default is then continuing, and (ii) the Award is more than the Approval Threshold, then Lender shall make the Award available to Borrowers in the manner provided in Section [6.22.7](#) for insurance proceeds in excess of the Approval Threshold.

(e) Temporary Taking. In the event of a temporary Condemnation of a Facility or any part thereof that is for a period of less than six (6) months, this Agreement shall not terminate, and the entire amount of any Award therefor shall be paid to Borrowers. Upon the cessation of any such Condemnation of less than six (6) months, Borrowers shall restore the Facility as nearly as may be reasonably possible to the condition existing immediately prior to such Condemnation. If any such Condemnation continues for six (6) months or more, such Condemnation shall be considered a total taking under paragraph (e), and the parties shall have the rights provided thereunder.

6.22.10 Construction of Alterations and Additions to the Facilities. Borrowers shall not make or permit to be made any alterations, improvements or additions of or to any Facility or any part thereof, unless and until Borrowers shall have caused plans and specifications therefor to have been prepared, at Borrowers' expense, by a licensed architect and submitted to Lender at least 30 days (90 days if such alterations, improvements or additions are reasonably expected to cost more than the Approval Threshold) in advance of the commencement of construction and shall have obtained Lender's written approval thereof. Lender shall have the right to require that, prior to the commencement of construction of any alterations, improvements or additions as to which its approval is required hereunder, Borrowers also provide Lender with reasonable assurance of the payment of the cost thereof and, if the cost thereof is in excess of the Approval Threshold, Borrowers shall comply with Lender's requirements with respect to the periodic delivery of lien waivers and evidence of payment for such cost. If such approvals are granted, Borrowers shall cause the work described in such approved plans and specifications to be performed, at their expense, promptly, and in a good, workmanlike, manner by licensed contractors and in compliance with all applicable governmental and Insurance Requirements and Legal Requirements and the standards set forth in this Agreement, which improvements shall in any event constitute a complete architectural unit (if applicable) in keeping with the character of the affected Facility and the area in which the affected Facility is located and which will not diminish the value of the affected Facility or change the Primary Intended Use of the affected Facility. Borrowers shall be responsible for the completion of such improvements in accordance with the plans and specifications approved by Lender, and shall promptly correct any failure with respect thereto. Each and every such improvement, alteration or addition shall immediately become a part of the Facility and shall belong to Borrowers subject to the terms and conditions of this Agreement. With Lender's consent, expenditures made by Borrowers pursuant to this Section 6.22.10 may be included as capital expenditures for purposes of inclusion in the capital expenditures budget for the applicable Facility and for measuring compliance with the obligations of Borrowers set forth in Section 6.6 of this Agreement. In connection with any alteration which involves the removal, demolition or disturbance of any asbestos containing material, Borrowers shall cause to be prepared at their expense a full asbestos assessment applicable to such alteration, and shall carry out such asbestos monitoring and maintenance program as shall reasonably be required thereafter in light of the results of such assessment.

6.22.11 Maintenance and Repair to Facilities.

(a) Borrowers, at their expense, will keep, or cause to be kept, the Facilities and all fixtures thereon and all landscaping, private roadways, sidewalks and curbs appurtenant thereto and which are under the control of any Borrower and the Personal Property in good order and repair (whether or not the need for such repairs occurs as a result of Borrowers' use, any prior use, the elements or the age of the Facilities, or any portion thereof or any cause whatever, with reasonable promptness, make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition whether or not existing prior to the date hereof (concealed or otherwise).

(b) Borrowers shall do or cause others to do all shoring of the Facilities or adjoining property (whether or not owned by Borrowers) or of the foundations and walls of the improvements located thereon, and every other act necessary or appropriate for the preservation and safety thereof, by reason of or in connection with any subsidence, settling or excavation or other building operation upon any of the Facilities or adjoining property, whether or not Borrowers shall, by any Legal Requirements, be required to take such action or be liable for the failure to do so; provided, however, that such shoring and any other material acts shall be subject to Lender's prior written consent, which Lender will not unreasonably withhold or delay. All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work, and, where by reason of age or condition such repairs cannot be made to the quality of the original work, the property to be repaired shall be replaced.

(c) Nothing contained in this Agreement and no action or inaction by Lender shall be construed as (i) constituting the consent or request of Lender, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to any Facility or any part thereof, or (ii) giving Borrowers any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lender in respect thereof or to make any agreement that may create, or in any way be the basis for any right, title, interest, lien, claim or other encumbrance upon the estate of Lender in any Facility, or any portion thereof. If a claim of lien is filed of record against any of the Facilities, Borrowers shall immediately cause such lien to be removed by payment or transferred to substitute security in the manner provided by law.

(d) Borrowers shall, from time to time as and when needed, replace with other operational equipment or parts or property (the "Replacement Property") any of the fixtures or Personal Property (the "Replaced Property") which shall have (i) become worn out, obsolete or unusable for the purpose for which it is intended (if such fixtures or personal property continues to be necessary), (ii) been taken by Condemnation, in which event Borrowers shall be entitled to that portion of any award made therefor, or (iii) been lost, stolen, damaged or destroyed; provided, however, that the Replacement Property shall (A) be in good operating condition, (B) have a useful life at least equal to the estimated useful life of the Replaced Property, (C) be of a quality reasonably equivalent to that of the Replaced Property and (D) be suitable for a use which is the same or similar to that of the Replaced Property. Borrowers shall repair at their sole cost and expense all damage to any Facility caused by the removal of Replaced Property or other Personal Property of Borrowers or the installation of Replacement Property.

(e) Except in the case of Permitted Encumbrances, if any of the improvements shall, at any time, encroach upon any property, street or right-of-way adjacent to the Facilities, or shall materially violate the agreements or conditions contained in any lawful restrictive covenant or other agreement affecting the Facilities, or any part thereof, or shall materially impair the rights of others under any easement or right-of-way to which any Facility is subject, then, promptly upon the request of Lender or at the behest of any person affected by any such encroachment, violation or impairment, Borrowers shall, at their expense, subject to their right to contest the existence of any encroachment, violation or impairment as provided in this Agreement and in such case, in the event of an adverse final determination, either (i) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, or (ii) make such changes in the improvements, and take such other actions as are reasonably practicable, to remove such encroachment and to end such violation or impairment, including, if necessary, the alteration of any of the improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the improvements for the Primary Intended Use substantially in the manner and to the extent the improvements were operated prior to the assertion of such violation, impairment or encroachment.

6.22.12 Indemnification. Notwithstanding the existence of any insurance provided for in this Agreement, and without regard to the policy limits of any such insurance or self-insurance, Borrowers will protect, indemnify, save harmless and defend Lender, its principals, officers, directors and agents and employees from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses), to the extent permitted by law, imposed upon or incurred by or asserted against Lender by reason of: (i) any accident, injury to or death of persons or loss of or damage to property occurring on or about any Facility or adjoining sidewalks, including without limitation any claims of malpractice, (ii) any use, misuse, non-use, condition, maintenance or repair by Borrowers of any Facility, (iii) the failure to pay any Impositions which are the obligations of Borrowers pursuant to the applicable provisions of this Agreement, (iv) any failure on the part of Borrowers or their Affiliates to perform or comply with any of the terms of this Agreement and the other Loan Documents, (v) the untruth of any of the representations and breach of the warranties of Borrowers or their Affiliates in this Agreement or any of the other Loan Documents, and (vi) the material nonperformance of any contractual obligation, express or implied, assumed or undertaken by Borrowers, or any party in privity with Borrowers, with respect to any Facility, or any business or other activity carried on with respect to any Facility during the Term or thereafter during any time in which Borrowers or any such other party is in possession of the Facility or thereafter to the extent that any conduct by Borrowers or any such person (or failure of such conduct if the same should have been undertaken during such time of possession and leads to such damage or loss) causes such loss or claim. Any amounts which become payable by Borrowers under this Section shall be paid upon demand by Lender, and if not timely paid, shall bear a late charge (to the extent permitted by law) at the Default Interest Rate from the date of such determination to the date of payment. Nothing herein shall be construed as indemnifying Lender against its own grossly negligent acts or omissions or willful misconduct. Borrowers' obligations and liability under the provisions of this Section arising during the Term hereof shall survive any discharge or termination of this Agreement or the payment of the Note.

6.22.13 Intentionally omitted.

6.22.14 Permitted Contests. Borrowers, on their own and at Borrowers' sole cost and expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount or validity of any Imposition, Legal Requirement or Insurance Requirement or any lien, attachment, levy, encumbrance, charge or claim not otherwise permitted pursuant to this Agreement (collectively, "Claims"), but this shall not be deemed or construed in any way as relieving, modifying or extending Borrowers' covenants to pay or to cause to be paid any such charges at the time and in the manner as provided in this Agreement, nor shall such legal proceedings operate to relieve Borrowers from their obligations hereunder or cause the sale of any Facility, or any part thereof, to satisfy the same or cause Lender or Borrowers to be in default under any encumbrance or in violation of any Legal Requirements or Insurance Requirements upon any Facility or any interest therein. Upon request of Lender, if the Claim exceeds the Approval Threshold, Borrowers shall either (a) provide a bond, letter of credit or other assurance reasonably satisfactory to Lender that all Claims, together with interest and penalties, if any, thereon, will be paid, or (b) deposit within the time otherwise required for payment with a bank or trust company selected by Lender, as trustee, as security for the payment of such Claims, money in an amount sufficient to pay the same, together with interest and penalties in connection therewith, and all Claims which may be assessed against or become a Claim on any Facility, or any part thereof, in said legal proceedings. Borrowers shall furnish Lender and any other party entitled to assert or enforce any Legal Requirements or Insurance Requirements with evidence of such deposit within five (5) days of the same. Borrowers covenant to indemnify, defend and save harmless Lender from all such costs, damages, losses and/or expenses (including reasonable attorneys' fees incurred in any arbitration proceeding, trial, appeal and post-judgment enforcement proceedings), arising out of or related in any way to the exercise by Lender of any right under this Section 6.22.14. Borrowers shall be entitled to any refund of any Claims and such charges and penalties or interest thereon which have been paid by Borrowers or paid by Lender and for which Lender has been fully reimbursed. If Borrowers fail to pay or satisfy the requirements or conditions of any Claims when finally determined to be due or to provide the security therefor as provided in this Section and to diligently prosecute any contest of the same, Lender may pay such charges or satisfy such Claims, together with any interest and penalties, and the same (or the cost thereof) shall be immediately repayable by Borrowers to Lender upon written demand therefor, together with interest thereon at the Default Interest Rate (as defined in the Note) until paid.

6.23 Environmental Covenants.

6.23.1 Prohibition Against Use of Hazardous Substances. Borrowers shall not permit, conduct or allow on any of the Facilities the generation, introduction, presence, maintenance, use, receipt, acceptance, treatment, manufacture, production, installation, management, storage, disposal or release of any Hazardous Substance, except for those types and quantities of Hazardous Substances ordinarily associated with the operation of the Facilities as they are being conducted on the date of this Agreement for their Primary Intended Use and except in strict compliance with Environmental Laws.

6.23.2 Notice of Environmental Claims, Actions or Contaminations. Borrowers and the Guarantor will notify Lender, in writing, promptly upon learning of any existing, pending or threatened: (i) Regulatory Actions, (ii) Contamination of any Facility, (iii) Third Party Claims or (iv) violation of Environmental Law.

6.23.3 Costs of Remedial Actions with Respect to Environmental Matters. If any investigation and/or Clean-Up of any Hazardous Substance or other environmental condition on, under, about or with respect to any Facility is required by any Environmental Law, then Borrowers shall complete, at their own expense, such investigation and/or Clean-Up or cause each person responsible for any of the foregoing to conduct such investigation and/or Clean-Up.

6.23.4 Delivery of Environmental Documents. If and to the extent not delivered to Lender prior to the date of this Agreement, Borrowers shall deliver to Lender complete copies of any and all Environmental Documents that may now be in, or at any time hereafter come into, the possession of Borrowers.

6.23.5 Environmental Audit. Borrowers shall from time to time provide to Lender an Environmental Audit with respect to the Facilities. All tests and samplings in connection with an Environmental Audit shall be conducted using generally accepted and scientifically valid technology and methodologies. Borrowers shall give the engineer or environmental consultant conducting the Environmental Audit reasonable access to the applicable Facility and to all records in the possession of Borrowers that may indicate the presence (whether current or past) or a Release or threatened Release of any Hazardous Substances on, in, under or about the applicable Facility. Borrowers shall also provide the engineer or environmental consultant an opportunity to interview such persons employed in connection with the applicable Facility as the engineer or consultant deems appropriate. However, Lender shall not be entitled to request such Environmental Audit from Borrowers unless (i) there have been any material changes, modifications or additions to any Environmental Laws as applied to or affecting the applicable Facility; (ii) a significant change in the condition of the applicable Facility has occurred; or (iii) Lender has another reasonable basis for requesting such Environmental Audits. If an Environmental Audit discloses the presence of Contamination at, or any noncompliance with Environmental Laws by, any Facility, Borrowers shall immediately perform all of Borrowers' obligations hereunder with respect to such Hazardous Substances or noncompliance.

6.23.6 Entry onto Facilities for Environmental Matters. If Borrowers fails to provide to Lender an Environmental Audit as contemplated by [6.23.5](#) hereof, Borrowers shall permit Lender from time to time, by its employees, agents, contractors or representatives, to enter upon the applicable Facility for the purposes of conducting such investigations as Lender may desire. Lender and its employees, agents, contractors, consultants and/or representatives shall conduct any such investigation in a manner which does not unreasonably interfere with Borrowers' use of and operations on the applicable Facility (however, reasonable temporary interference with such use and operations is permissible if the investigation cannot otherwise be reasonably and inexpensively conducted). Other than in an emergency, Lender shall provide Borrowers with prior notice before entering the applicable Facility to conduct such Investigation, and shall provide copies of any reports or results to Borrowers, and Borrowers shall cooperate fully in such investigation.

6.23.7 Compliance with Environmental Laws. Borrowers shall comply with, and cause their agents, servants and employees to comply with, all Environmental Laws applicable to the respective Facility. Specifically, but without limitation:

(i) Maintenance of Licenses and Permits. Borrowers shall obtain and maintain all permits, certificates, licenses and other consents and approvals required by any applicable Environmental Law from time to time with respect to Borrowers and the Facilities;

(ii) Contamination. Borrowers shall not cause, suffer or permit any Contamination in, on, under or about any Facility;

(iii) Clean-Up. If Contamination occurs in, on, under or about any Facility during the Term, Borrowers promptly shall cause the Clean-Up and the removal of any Hazardous Substance, and in any such case such Clean-Up and removal of the Hazardous Substance shall be effected in strict compliance with and in accordance with the provisions of the applicable Environmental Laws;

(iv) Discharge of Lien. Except as may otherwise be permitted under Section [6.22.14](#), within twenty (20) days of the date any lien is imposed against the Facility or any part thereof under any Environmental Law, Borrowers shall cause such lien to be discharged (by payment, by bond or otherwise to Lender's absolute satisfaction);

(v) Notification of Lender. Borrowers and the Guarantor shall notify Lender in writing promptly upon receipt by Borrowers or the Guarantor of notice of any breach or violation of any environmental covenant or agreement; and

(vi) Requests, Orders and Notices. Promptly upon receipt of any written request, order or other notice relating to any declaratory action, Contamination, Third Party Claims under any Environmental Law concerning a Facility, Borrowers shall forward a copy thereof to Lender.

6.23.8 Environmental Related Remedies. If Borrowers fail to perform any of their covenants with respect to environmental matters and if such breach is not cured within any applicable notice and/or grace period, Lender may do any one or more of the following (the exercise of one right or remedy hereunder not precluding the simultaneous or subsequent taking of any other right hereunder):

(i) Cause a Clean-Up. Cause the Clean-Up of any Contamination on or under the applicable Facility at Borrowers' cost and expense; or

(ii) Payment of Regulatory Damages. Pay, on behalf of Borrowers, any damages, costs, fines or penalties imposed on Borrowers as a result of any final, non-appealable Regulatory Actions; or

(iii) Payments to Discharge Liens. Make any payment on behalf of Borrowers or perform any other act or cause any act to be performed which will prevent a lien in favor of any federal, state or local governmental authority from attaching to the applicable Facility or which will cause the discharge of any lien then attached to the applicable Facility; or

(iv) Payment of Third Party Damages. Pay, on behalf of Borrowers, any damages, cost, fines or penalties imposed on Borrowers as a result of any Third Party Claims; or

(v) Demand of Payment. Demand that Borrowers make immediate payment of all of the costs of such Clean-Up and/or exercise of the remedies set forth in this Agreement incurred by Lender and not theretofore paid by Borrowers as of the date of such demand, whether or not any court has ordered the Clean-Up, and payment of said costs shall become immediately due, without notice.

6.23.9 Environmental Indemnification. Borrowers and Parent Guarantors shall indemnify, defend and hold harmless Lender, its principals, officers, directors, agents and employees (each an "Indemnitee") from and against each and every incurred and potential claim, cause of action, demand or proceeding, obligation, fine, laboratory fee, liability, loss, penalty, imposition, settlement, levy, lien removal, litigation, judgment, disbursement, expense and/or cost (including without limitation the cost of each and every Clean-Up and including, but not limited to, reasonable attorneys' fees, consultants' fees, experts' fees and related expenses, capital, operating and maintenance costs, incurred in connection with any investigation or monitoring of site conditions at any Facility, the presence of any asbestos-containing materials in, on, under or about any Facility and any Clean-Up required or performed by any federal, state or local governmental entity or performed by any other entity or person because of the presence of any Hazardous Substance, Release, threatened Release or any Contamination on, in, under or about any Facility) which may be asserted against, imposed on, or suffered or incurred by each and every Indemnitee arising out of or in any way related to, or allegedly arising out of or due to any environmental matter, including, but not limited to, any one or more of the following:

(i) Release Damage or Liability. The presence of Contamination in, on, at, under or near any Facility or migrating to any Facility from another location;

(ii) Injuries. All injuries to health or safety (including wrongful death), or to the environment, by reason of environmental matters relating to the condition of or activities, past or present, on, at, in or under any Facility;

(iii) Violations of Law. All violations, and alleged violations, of any Environmental Law by Borrowers relating to any Facility or any activity on, in, at, under or near any Facility;

(iv) Misrepresentation. All material misrepresentations relating to environmental matters in any documents or materials furnished by Borrowers to Lender and/or its representatives in connection with this Agreement;

(v) Event of Default. Each and every Event of Default hereunder relating to environmental matters;

(vi) Lawsuits. Any and all lawsuits brought or threatened against any one or more of the Indemnitees, settlements reached and governmental orders relating to any Hazardous Substances at, on, in, under or near any Facility, and all demands or requirements of governmental authorities, in each case based upon or in any way related to any Hazardous Substances at, on, in or under any Facility; and

(vii) Presence of Liens. All liens imposed upon any Facility and charges imposed on any Indemnitee in favor of any governmental entity or any person as a result of the presence, disposal, release or threat of release of Hazardous Substances at, on, in, from or under any Facility.

Nothing herein shall be construed as indemnifying Lender against its own grossly negligent acts or omissions or willful misconduct. Borrowers' and Parent Guarantors' obligations and liability under the provisions of this Section arising during the Term hereof shall survive any discharge or termination of this Agreement or the payment of the Note.

6.23.10 Rights Cumulative and Survival. The rights granted Lender under this Section are in addition to and not in limitation of any other rights or remedies available to Lender hereunder or allowed at law or in equity. The obligations of Borrowers and Parent Guarantors to defend, indemnify and hold the Indemnitees harmless, as set forth in this Section, arising as a result of an act, omission, condition or other matter occurring or existing during the Term, whether or not the act, omission, condition or matter as to which such obligations relate is discovered during the Term, shall survive the expiration or earlier termination of the Term of this Agreement.

6.24 Estoppel Certificates. After request by Lender, Borrowers shall within ten (10) Business Days furnish Lender with a statement, duly acknowledged and certified, setting forth (i) the amount of the original principal amount of the Note, (ii) the rate of interest on the Note, (iii) the unpaid principal amount of the Note, (iv) the date installments of interest and/or principal were last paid, (v) any offsets or defenses to the payment of the Debt, if any, and (vi) that the Note, this Agreement, the Deeds of Trust and the other Loan Documents are valid, legal and binding obligations and have not been modified or if modified, giving particulars of such modification.

ARTICLE VII - DEFAULT AND RIGHTS TO ACCELERATE; SECURITY DEPOSIT

7.1 Events of Default. The occurrence of any of the following shall be an "Event of Default":

(a) If Borrowers fail to make or cause to be made payment of interest and/or principal under the Note, or any other payment under this Agreement or any of the other Loan Documents when the same becomes due and payable and such failure is not cured within three (3) days of the date such payment first became due and payable;

(b) If any Borrower or Guarantor (i) admits in writing its inability to pay its debts generally as they become due, (ii) files a petition in bankruptcy or a petition to take advantage of any insolvency law, (iii) makes a general assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (v) files a petition or answer seeking reorganization or arrangement under the Federal Bankruptcy Laws or any other applicable law or statute of the United States of America or any state thereof; or

(c) If any Guarantor or any Borrower, on a petition in bankruptcy filed against it, is adjudicated a bankrupt or has an order for relief thereunder entered against it, or a court of competent jurisdiction enters an order or decree appointing a receiver of any Guarantor or any Borrower, or of the whole or substantially all of the property of any Guarantor or a Borrower, or approving a petition filed against any Guarantor or any Borrower seeking reorganization or arrangement of any Guarantor or any Borrower under the Federal Bankruptcy Laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree is not vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or

(d) If any Guarantor or any Borrower is liquidated or dissolved, or begins proceedings toward liquidation or dissolution, or has filed against it a petition or other proceeding to cause it to be liquidated or dissolved, and the proceeding is not dismissed within sixty (60) days thereafter, or in any manner permits the sale or divestiture of substantially all of its assets except in connection with a dissolution or liquidation following or related to a merger or transfer of all or substantially all of the assets and liabilities of a Borrower with or to an Affiliate; or

(e) If the estate or interest of any Borrower in the Facilities or any part thereof is levied upon or attached in any proceeding and the same is not vacated or discharged within thirty (30) days after commencement thereof (unless Borrowers are in the process of contesting such lien or attachment in good faith in accordance with this Agreement); or

(f) If any Borrower ceases operation of a Facility except upon prior written notice to, and the express prior written consent of Lender (which consent Lender may withhold in its absolute discretion), or as the unavoidable consequence of damage or destruction as a result of a casualty, or a Taking or Partial Taking; or

(g) If the license to operate any Facility as a provider of health care services in accordance with its Primary Intended Use is revoked, or allowed to lapse, or, without Lender's prior written consent, transferred to a facility that is not one of the Facilities, or an order is imposed with respect to a Facility suspending the right to operate or accept patients, and the pertinent Borrower does not promptly take reasonable steps to cure the condition or conditions leading to such revocation or order and cause such license and right to operate and accept patients to be reinstated within sixty (60) days; or

(h) If any obligation of any Borrower or Guarantor to repay any indebtedness for borrowed money in excess of One Hundred Thousand Dollars (\$100,000) is accelerated by the creditor after default; or

(i) If any Borrower fails to observe or perform or cause to be observed or performed any other term, covenant or condition of this Agreement and such failure is not cured within a period of thirty (30) days after notice thereof from Lender; or

- (j) If any representation or warranty made by Borrowers or Guarantors in this Agreement or any of the other Loan Documents proves to be untrue when made in any material respect; or
- (k) If a default occurs under any Guaranty given to Lender to secure performance of any term or provision of this Agreement or any of the other Loan Documents and is not cured within any applicable grace or cure period set forth therein; or
- (l) If any Borrower transfers the operational control or management of a Facility without the prior written consent of Lender (Lender consents to the transfer of management of the Facilities to Managers); or
- (m) Any Change in Control shall occur; or
- (n) If a default occurs under any contract with aggregate obligations in excess of One Hundred Thousand Dollars (\$100,000) affecting a Facility or any Borrower (other than the Medicaid and Medicare provider agreements and third party reimbursement contracts with respect to patients in the Facility), and the default is not cured within any applicable grace or cure period contained therein;
- (o) One or more of the Medicaid or Medicare provider agreements pursuant to which Borrowers are reimbursed for resident care provided at any Facility are terminated and not replaced by a new provider agreement within ten (10) days of such termination, such that Borrowers are no longer contractually entitled to Medicare or Medicaid reimbursement for resident care at such Facility;
- (p) If a default occurs under the Working Capital Loan Documents, and the default is not cured within any applicable grace or cure period contained in such document; or
- (q) An Event of Default under any other Loan Document that has not been cured after delivery of any notice required under, or within any applicable period provided for in, such other Loan Document; or
- (r) An Event of Default under the Master Lease that has not been cured after delivery of any notice required under, or within any applicable period provided for in, such document; or
- (s) An Event of Default under any City View Loan Document that has not been cured after delivery of any notice required under, or within any applicable period provided for in, such document; or

(t) An Event of Default under any Combined Transaction Document that has not been cured after delivery of any notice required under, or within any applicable period provided for in, such document.

7.2 Remedies. Upon any Event of Default, Lender may, at its option, (a) exercise any of the rights or remedies provided in this Agreement or available to Lender under any of the other Loan Documents; (b) exercise any right or remedy available under law or in equity; and/or (c) without notice or demand declare the Note to be due and payable, whereupon the Note shall immediately become due and payable.

7.3 Lender's Other Collection Remedies. Borrowers shall pay to Lender, on demand, any and all reasonable expenses, including actual and reasonable attorneys fees and legal costs and expenses, incurred or paid by Lender in (a) collecting any of the indebtedness secured by the Deeds of Trust and (b) in protecting or enforcing Lender's rights in any of the collateral given by any Borrower as security for such indebtedness.

7.4 Security Deposit. The Security Deposit shall be increased as set forth in the Master Lease. Upon the occurrence of an Event of Default under this Agreement, Lender shall be entitled, without notice to Borrowers or the Guarantor, to apply the Security Deposit toward payment of the outstanding principal balance and all then accrued and unpaid interest due under the Note, if applicable, or to any other amount owing to Lender by Borrowers. If the Security Deposit is at any time a Letter of Credit (defined in Section 4.19 above), Lender may, at its option, present the Letter of Credit to the issuer for payment, (a) upon the occurrence of an Event of Default under this Agreement or (b) at any time within the last thirty (30) Business Days prior to the expiration of the Letter of Credit, regardless of whether an Event of Default has then occurred, or whether there exists any condition, fact or circumstance which, with notice, or the passage of time, or both, might constitute an Event of Default. If Lender presents the Letter of Credit to the issuer for payment in accordance with clause (b) of the preceding sentence, Lender shall, at its option, either hold the cash proceeds as the Security Deposit or apply the cash proceeds toward payment of the outstanding principal balance and all then accrued and unpaid interest due under the Note, if applicable, or any other amounts owed Lender by Borrowers or their Affiliates under the Master Lease or otherwise. Provided there is no then existing Event of Default or Unmatured Event of Default under this Agreement, Borrowers shall have the right, at any time and from time to time, to substitute a new Letter of Credit in the amount of the Security Deposit, issued by a commercial bank approved by the Lender and otherwise reasonably satisfactory in form and substance to Lender, in place of the Letter of Credit previously delivered by Borrowers to Lender. Whenever, and as often as, Lender has applied any portion of the Security Deposit to cure Borrowers' default under this Agreement, the Note, the Master Lease, any other Combined Transaction Document or under any agreement with which this Agreement is cross-defaulted, Borrowers shall, within ten (10) days after Notice from Lender, deliver a new letter of credit meeting the requirements of the Letter of Credit Agreement to Lender (or, at Lender's option, deposit additional money with Lender) sufficient to restore the Security Deposit to the full amount then required to be deposited with Lender pursuant to the Master Lease, and Borrowers' failure to do so shall constitute an Event of Default without any further notice.

ARTICLE VIII - MISCELLANEOUS

8.1 Arbitration. Except with respect to the payment of all sums payable under the Note and the exercise by Lender of its remedies after an Event of Default, in case any controversy shall arise between the parties hereto as to any of the requirements of this Agreement or the performance thereof, which the parties shall be unable to settle by agreement or as otherwise provided herein, such controversy shall be determined by arbitration. Such arbitration shall be conducted by three arbitrators selected in accordance with the procedures of the American Arbitration Association and in accordance with its rules and procedures. The decision of the arbitrators shall be final and binding, and enforceable in any court of competent jurisdiction. Such decision shall set forth in writing the basis for the decision, and in rendering such decision and award, the arbitrators shall not add to, subtract from or otherwise modify the provisions of this Agreement. The expense of the arbitration shall be divided between Lender and Borrowers unless otherwise specified in the award. The arbitration shall be conducted in Baltimore, Maryland. In any such arbitration, the parties shall be entitled to conduct discovery in the same manner as permitted under Federal Rules of Civil Procedure 26 through 37. No provision in this Section shall limit the right of any party to this Agreement to obtain provisional or ancillary remedies from a court of competent jurisdiction before, after, or during the pendency of any arbitration. The exercise of such a remedy does not waive the right of any party to arbitration.

8.2 Borrowers to Pay Reasonable Expenses. Borrowers shall pay or reimburse Lender for all reasonable costs and expenses incurred by Lender in connection with or relating in any way to the administration of the Loan, including without limitation, search costs, audit fees, appraisal fees, attorneys' fees, and other costs paid or incurred by Lender in the analysis, administration and enforcement of the Loan and the Loan Documents, the protection and defense of the rights of Lender granted in this Agreement and the other Loan Documents, or as otherwise referred to in this Agreement or in the other Loan Documents, and all costs and expenses relating to extensions, amendments, waivers, or consents requested by Borrowers, pursuant to this Agreement or any other Loan Document or any agreements with other parties or termination of this Agreement (collectively, "Reasonable Expenses"). All such Reasonable Expenses shall be due on demand; provided, however, that so long as no Event of Default or Unmatured Event of Default has occurred hereunder, Reasonable Expenses incurred after the date of this Agreement which are unrelated to the closing shall be paid on or before the earlier of (i) 30 days following written notice thereof to Borrowers or (ii) the due date of the Loan. Any Reasonable Expenses not paid when due shall bear interest at the Default Interest Rate set forth in the Note.

8.3 MUTUAL WAIVER OF RIGHT TO JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO: (i) THIS AGREEMENT, OR ANY OF THE LOAN DOCUMENTS; OR (ii) ANY OTHER PRESENT OR FUTURE INSTRUMENT OR AGREEMENT BETWEEN OR AMONG THEM; OR (iii) ANY CONDUCT, ACTS OR OMISSIONS OF ANY PARTY HERETO OR ANY OF THEIR DIRECTORS, TRUSTEES, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS OR ANY OTHER PERSONS AFFILIATED WITH THEM; IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE.

8.4 Assignment. Lender may at any time and without the consent of Borrowers, Guarantor or any other party obligated with respect to the Loan assign to one or more Persons all or any part of its rights and obligations under this Agreement, the Note or any of the other Loan Documents. None of Borrowers or Guarantor may assign or delegate any of its or their rights, duties or obligations arising under this Agreement, the Note or the other Loan Documents without the express prior written consent of Lender. All the terms and provisions of this Agreement and the other Loan Documents shall be binding upon and inure to the benefit of and be enforceable by Lender and its respective permitted successors and assigns.

8.5 Third Parties. Nothing in this Agreement, whether express or implied, including Section [6.22.11\(e\)](#), is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than Lender and its respective permitted successors and assigns; nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provisions give any third persons any right of subrogation or action over or against any party to this Agreement.

8.6 No Public Announcements. Any public announcement concerning this Agreement before the Loan Closing Date or any of the terms hereof shall be made only with the prior approval of Lender and Borrowers.

8.7 Delivery of Exhibits. The parties shall deliver to each other all exhibits, cash, schedules, lists, documents and papers which they are required by the terms of this Agreement and the other Loan Documents to deliver, on or before execution of this Agreement, except where another date is required for such delivery. All exhibits, schedules, and documents referred to in or attached to this Agreement are integral parts of this Agreement as if fully set forth herein.

8.8 Further Assurances. The parties shall give further assurances and execute such further documents as are necessary or desirable to effectuate the purpose of this Agreement and the other Loan Documents.

8.9 Notices. All notices required or permitted to be given hereunder shall be personally served or mailed (by registered or certified mail, return receipt requested and postage prepaid), or delivered by a national overnight delivery service such as Federal Express or DHL or by facsimile transmission, in each case directed or addressed as follows:

To Borrowers or
Parent Guarantors: CommuniCare Family of Companies
 c/o CommuniCare Health Services
 4700 Ashwood Drive, Suite 200
 Cincinnati, OH 45241
 Attn: Stephen L. Rosedale
 Telephone No.: (513) 489 - 7100
 Facsimile No.: (513) 489-7199

With copy to
(which shall not
constitute notice): Benesch, Friedlander, Coplan & Aronoff LLP
 2300 BP Tower
 200 Public Square
 Cleveland, OH 44114-2378
 Attn: Harry M. Brown
 Phone: (216) 363-4606
 Fax: (216) 363-4588

To Lessor: OHI ASSET III (PA) TRUST
 c/o Omega Healthcare Investors, Inc.
 9690 Deereco Road, Suite 100
 Timonium, MD 21093
 Attn.: Daniel J. Booth
 Telephone No.: (410) 427-1700
 Facsimile No.: (410) 427-8800

And with copy to
(which shall not
constitute notice): Doran Derwent, PLLC
 125 Ottawa Ave., N.W., Suite 420
 Grand Rapids, Michigan 49503
 Attn: Mark E. Derwent
 Telephone No.: (616) 451-8690
 Facsimile No.: (616) 451-8697

or to such other address as either party may hereafter designate. Notice shall be deemed to have been given on the date of delivery if such delivery is made on a Business Day, or if not, on the first Business Day after delivery. If delivery is refused, Notice shall be deemed to have been given on the date delivery was first attempted. Notice sent by facsimile transmission shall be deemed given upon confirmation that such Notice was received at the number specified above or in a Notice to the sender.

8.10 Ohio Law. This Agreement and the other Loan Documents shall be construed and enforced in accordance with the laws of the State of Ohio. If any provision of this Agreement is in conflict with a statute or rule of law of the State of Ohio, or is otherwise unenforceable for any reason whatsoever, then such provision shall be deemed null and void to the extent of such conflict or unenforceability, but shall be deemed separable from and shall not invalidate any other provisions of this Agreement.

8.11 Counterparts. This Agreement and the other Loan Documents may be executed simultaneously 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.

8.12 Captions. The captions of sections and subsections of this Agreement have been inserted solely for convenience and reference, and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

8.13 Integration; Waiver. This Agreement and the other Loan Documents, and the exhibits and schedules hereto and thereto, constitute the entire agreement between and among Lender, Borrowers and the Guarantor pertaining to the subject matter contained in it and supersede all prior agreements, representations and all understandings of the parties. No supplement, modification or amendment of this Agreement shall be binding unless expressed as such and executed in writing by Lender, Borrowers and the Guarantor. No waiver of any of the provisions of this Agreement shall be deemed or constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless expressed as such in a document executed by the party making the waiver.

8.14 Time of the Essence. Time is of the essence with respect to all provisions of this Agreement and the other Loan Documents of which time is an element.

[SIGNATURES APPEAR ON FOLLOWING PAGES]

Signature Page to
LOAN AGREEMENT
(Maryland Acquisition Loan)

LENDER:

OHI ASSET III (PA) TRUST

By: OHI Asset (PA), LLC, a Delaware limited liability company, its sole trustee
By: Omega Healthcare Investors, a Maryland
corporation, its sole member

By: /s/ Daniel J. Booth
Name: Daniel J. Booth
Title: Chief Operating Officer

THE STATE OF MARYLAND)
)
COUNTY OF BALTIMORE)

This instrument was acknowledged before me on the _____ day of _____, 2008, by Daniel J. Booth, the Chief Operating Officer of Omega Healthcare Investors, Inc., a Maryland corporation, the sole member of OHI Asset (PA), LLC, a Delaware limited liability company, the sole trustee of OHI Asset III (PA) Trust, a Maryland business trust, on behalf of said business trust.

Notary Public, _____ County, _____
My commission expires:

Signature Page to
LOAN AGREEMENT
(Maryland Acquisition Loan)

BORROWERS:

BEL PRE LEASING CO., LLC
RIDGE (MD) LEASING CO., LLC
MARLBORO LEASING CO., LLC
FAYETTE LEASING CO., LLC
LIBERTY LEASING CO., LLC
HOWARD LEASING CO., LLC
PALL MALL LEASING CO., LLC
WASHINGTON (MD) LEASING CO., LLC
MARYLAND NH ASSET, LLC

By: /s/ Charles R. Stoltz
Name: Charles R. Stoltz
Title: CFO and Treasurer

PARENT GUARANTORS:

OMG RE HOLDINGS, LLC
OMG RE LEASING CO., LLC
OMG ASSET OWNERSHIP, LLC
HEALTH CARE FACILITY MANAGEMENT, LLC
RESIDENT CARE CONSULTING, LLC

By: /s/ Charles R. Stoltz
Name: Charles R. Stoltz
Title: CFO and Treasurer

EXHIBITS

- A Permitted Leases
- B Other Permitted Indebtedness
- C Scheduled Improvements

DISCLOSURE SCHEDULES

- Schedule [5.1](#) Organization
 - Schedule [5.5](#) Licensed Beds
 - Schedule [5.6\(d\)](#) Unresolved Citations
 - Schedule [5.6\(g\)](#) Facility Litigation and Proceedings
 - Schedule [6.13](#) Permitted Investments
-

EXHIBIT A

PERMITTED LEASES

1. Sublease Agreement by and between Millennium Health and Rehabilitation Center of Ellicott City, LLC and Ellicott City Dialysis Center LLC, dated May 1, 2007.

EXHIBIT B

OTHER PERMITTED INDEBTEDNESS

Health Care Holdings, LLC
Borrowings/Guarantee Schedule

1. Fifth Third Bank – Guaranty of outstanding debt of Value Care Pharmacy - \$4,400,000
2. Cuyahoga County – Guaranty of outstanding debt of Value Care Pharmacy - \$200,000
3. Ray Fogg, Inc. – Guaranty of lease (Value Care) – total maximum exposure approx \$700,000
4. Fifth Third Bank – Borrower on Letter of Credit in favor of Omega - \$4,310,000
5. Fifth Third Bank – Borrower on Letter of Credit in favor of Lasalle Bank (St. Louis Facilities) - \$700,000
6. Commerce Bank – guaranty of depository relationship for returned checks
7. Commissioner – Ohio Bureau of Worker’s Compensation – guaranty of claims obligations of Health Care Facilities Staffing, LLC (in connection with self insured worker’s compensation relationship in Ohio)
8. Fifth Third Bank – Borrower on Letter of Credit (to be issued in Apr 2008) in favor of Omega (LTACH) - \$152,500
9. Fifth Third Bank – Borrower on Letter of Credit (to be issued in 2008 or 2009) in favor of DMH-Dayton, Inc. (Dayton Facilities) of \$550,000
10. Fifth Third Bank – Guaranty of outstanding debt of CommuniCare of Clifton, Inc. - \$1,000,000
11. Lasalle Bank – “Bad Boy” guarantee in connection with the St. Louis Facilities
12. Omega Healthcare Investors – “Bad Boy” guarantee in connection with leased and owned centers.

HC Real Estate Holdings, LLC
Borrowings/Guarantee Schedule

1. Fifth Third Bank – Borrower on Letter of Credit in favor of Omega - \$1,100,000
2. Fifth Third Bank – Borrower on yet to be issued LC’s in favor of Omega (to be issued in 2008 and 2009)- \$2,200,000
3. Fifth Third Bank – Borrower on Letter of Credit in favor of Fort Washington Partners - \$157,250
4. Omega Healthcare Investors – “Bad Boy” guarantee in connection with leased and owned centers.

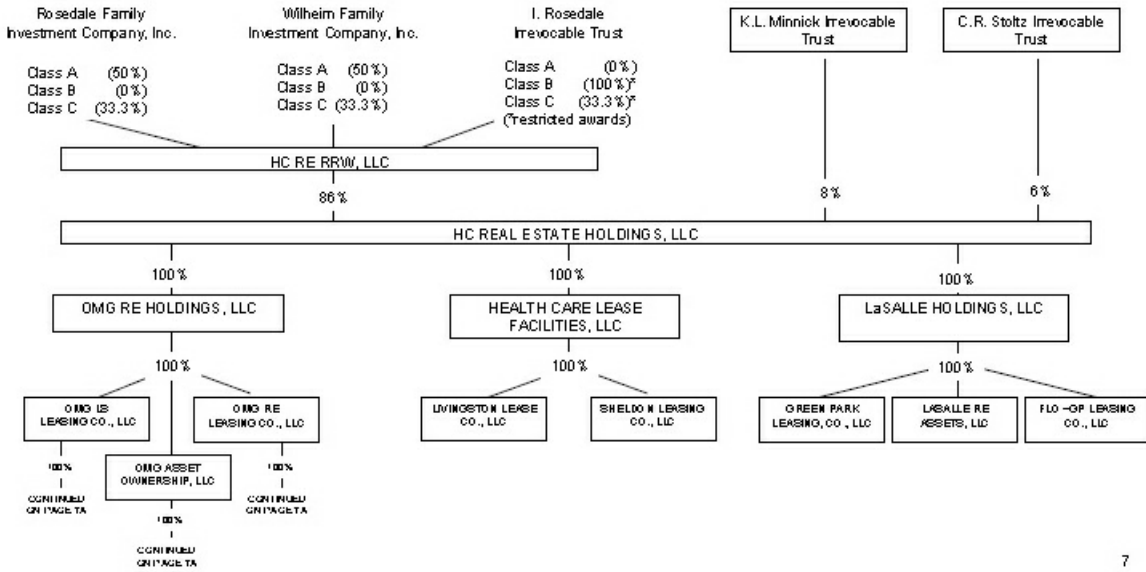
EXHIBIT C

SCHEDULED IMPROVEMENTS

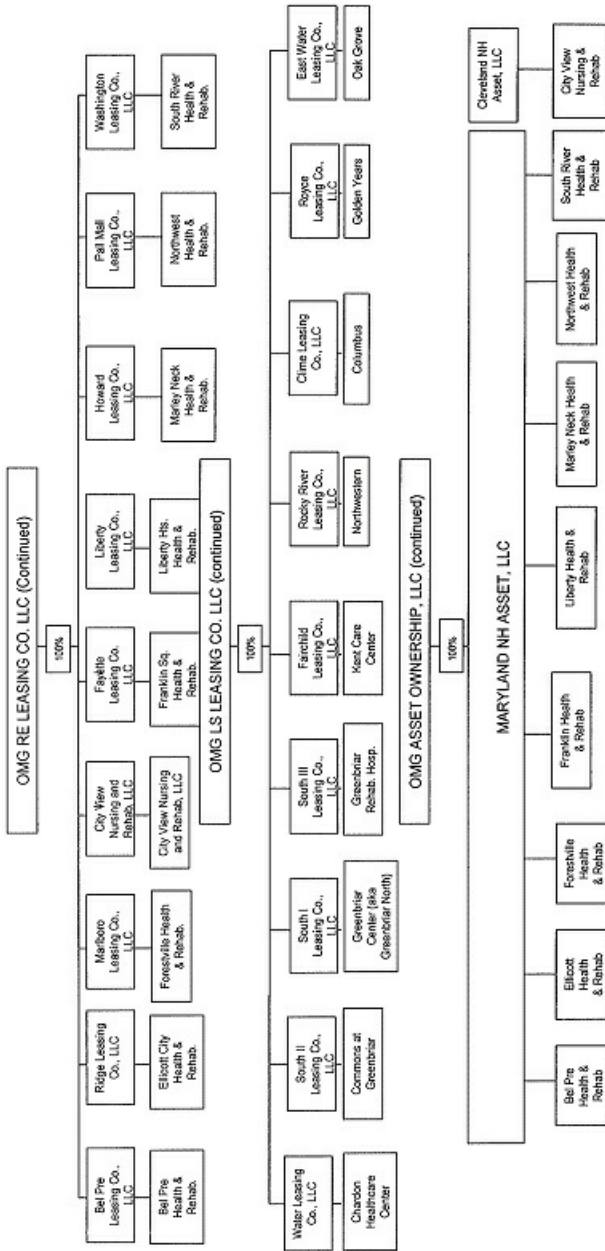
Facility	Address	City	ST	Allocation of \$3.0M CAP-EX (1)
Bel Pre Health & Rehabilitation Center	2601 Bel Pre Road	Silver Spring	MD	350,000.00
Ellicott City Health & Rehabilitation Center	3000 N. Ridge Road	Ellicott City	MD	300,000.00
Forestville Health & Rehabilitation Center	7420 Marlboro Pike	Forestville	MD	425,000.00
Franklin Square Health & Rehabilitation Center (Fayette)	1217 W. Fayette Street	Baltimore	MD	400,000.00
Liberty Heights Health & Rehabilitation Center	4017 Liberty Heights Avenue	Baltimore	MD	300,000.00
Marley Neck Health & Rehabilitation Center	7575 E. Howard Road	Glen Burnie	MD	350,000.00
Northwest Health & Rehabilitation Center	4601 Pall Mall Drive	Baltimore	MD	-
South River Health & Rehabilitation Center	144 Washington Road	Edgewater	MD	250,000.00
		Total		\$ 2,375,000

Specific improvements, budgets, and plans must be approved prior to the commencement of any improvement.

VI. HC REAL ESTATE HOLDING S, LLC



VI. HC REAL ESTATE HOLDINGS, LLC (Page 7A)



Schedule 5.5

Licensed Beds

# of Lic. Beds	Facility	Address	City	ST
100	Bel Pre Health & Rehabilitation Center	2601 Bel Pre Road	Silver Spring	MD
182	Ellicott City Health & Rehabilitation Center	3000 N. Ridge Road	Ellicott City	MD
160	Forestville Health & Rehabilitation Center	7420 Marlboro Pike	Forestville	MD
150	Fort Washington Health & Rehabilitation Center	12021 Livingston Road	Ft. Washington	MD
198	Franklin Square Health & Rehabilitation Center (Fayette)	1217 W. Fayette Street	Baltimore	MD
106	Liberty Heights Health & Rehabilitation Center	4017 Liberty Heights Avenue	Baltimore	MD
99	Marley Neck Health & Rehabilitation Center	7575 E. Howard Road	Glen Burnie	MD
91	Northwest Health & Rehabilitation Center	4601 Pall Mall Drive	Baltimore	MD
120	South River Health & Rehabilitation Center	144 Washington Road	Edgewater	MD

Schedule 5.6(d)

Unresolved Citations

The Citations disclosed by the Sellers under the (i) that certain Purchase and Sale Agreement dated as of February 6, 2008 among OHI Acquisition Co. I, LLC, a Delaware limited liability company, and Trans Healthcare, Inc., a Delaware corporation, and certain of its Affiliates, as sellers, and (ii) that certain Purchase and Sale Agreement dated as of February 6, 2008 between OHI Acquisition Co. I, LLC, a Delaware limited liability company and Ventas Realty, Limited Partnership, a Delaware limited partnership.

Schedule 5.6(g)

Facility Litigation and Proceedings

The litigation matters disclosed by the Sellers under the (i) that certain Purchase and Sale Agreement dated as of February 6, 2008 among OHI Acquisition Co. I, LLC, a Delaware limited liability company, and Trans Healthcare, Inc., a Delaware corporation, and certain of its Affiliates, as sellers, and (ii) that certain Purchase and Sale Agreement dated as of February 6, 2008 between OHI Acquisition Co. I, LLC, a Delaware limited liability company and Ventas Realty, Limited Partnership, a Delaware limited partnership.

PERMITTED INVESTMENTS

The ownership and operation of:

Green Park Nursing Home
Green Park Resident Center
Park Terrace Resident Center
Northgate Park Nursing Home
(all located in the St. Louis, Missouri area)

by the following Subsidiaries of HC Real Estate Holdings, LLC, an Ohio limited liability company:

LaSalle RE Assets, LLC, an Ohio limited liability company
LaSalle Holdings, LLC, an Ohio limited liability company
Green Park Leasing Co., LLC, an Ohio limited liability company
Flo-GP Leasing Co., LLC, an Ohio limited liability company
Health Care Holdings, LLC, an Ohio limited liability company

The leasing and operation of:

Fort Washington Health & Rehabilitation Center
Berea Center for Specialized Care

by the following Subsidiaries of HC Real Estate Holdings, LLC, an Ohio limited liability company:

Health Care Lease Facilities, LLC
Livingston Leasing Co, LLC
Sheldon Leasing Co, LLC

In connection with the foregoing Permitted Investments, HCREH may make loans or advance funds to such Subsidiaries provided that (i) no Event of Default or Unmatured Event of Default has occurred and is continuing, and (ii) such loans or advances are made from unencumbered funds otherwise available for distribution to the equity owners of HCH.

FOURTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

This Fourth Amendment to Consolidated Amended and Restated Master Lease (this "Amendment") is executed and delivered as of April ____, 2007 by and between STERLING ACQUISITION CORP., a Kentucky corporation ("Lessor"), the address of which is 9690 Deereco Road, Suite 100, Timonium, MD 21093, and DIVERSICARE LEASING CORP., a Tennessee corporation, the address of which is 1621 Galleria Boulevard, Brentwood, TN 37027.

RECITALS:

A. Lessee has executed and delivered to Lessor a Consolidated Amended and Restated Master Lease dated as of November 8, 2000, but effective as of October 1, 2000, as amended by a First Amendment to Consolidated Amended and Restated Master Lease dated as of September 30, 2001, a Second Amendment to Consolidated Amended and Restated Master Lease dated as of June 15, 2005, and a Third Amendment to Consolidated Amended and Restated Master Lease dated as of October 20, 2006 (the "Existing Master Lease") pursuant to which Lessee leased from Lessor certain healthcare facilities.

B. Pursuant to that certain Agreement of Purchase and Sale (the "Purchase Agreement") dated as of January 23, 2007 among Lessor, as seller, Lessee, as current operator, and VICTORIA EUREKA SPRINGS PROPERTIES, LLC, an Arkansas limited liability company ("Purchaser"), Lessor has agreed to sell skilled nursing facility commonly known as Eureka Springs Nursing and Rehab Center (the "Eureka Springs Facility"), whose address is 235 Huntsville Road, Eureka Springs, Carroll County, Arkansas.

C. Lessor and Lessee desire to terminate the Existing Master Lease as to the Eureka Springs Facility effective as of the date that the Eureka Springs Facility is sold pursuant to the Purchase Agreement.

NOW THEREFORE, the parties agree as follows:

1. Definitions. Any capitalized term used but not defined in this Amendment will have the meaning assigned to such term in the Existing Master Lease. From and after the date of this Amendment, each reference in the Existing Master Leases or the other Transaction Documents to the "Lease" or "Master Lease" means, as applicable, the Existing Master Lease or Existing Master Leases as modified by this Amendment.

2. Termination of the Existing Lease as to the Eureka Springs Facility. Effective as of, and conditioned upon, the sale of the Eureka Springs Facility pursuant to the Purchase Agreement, (a) the Master Lease is terminated as to the Eureka Springs Facility, and only as to the Eureka Springs Facility; and (b) Exhibit A-7 of the Master Lease is amended and restated in its entirety as follows:

Exhibit A-7

Intentionally Omitted.

3. No Reduction in Base Rent. Notwithstanding the termination of the Master Lease as to the Eureka Springs Facility, the Base Rent payable under the Master Lease shall not be reduced or abated.

4. Representations and Warranties of Lessee. Lessee hereby represents and warrants to Lessor that (i) it has the right and power and is duly authorized to enter into this Agreement; and (ii) the execution of this Agreement does not and will not constitute a breach of any provision contained in any agreement or instrument to which Lessee is or may become a party or by which Lessee is or may be bound or affected

5. Execution and Counterparts. This Amendment may be executed in any number of counterparts, each of which, when so executed and delivered, shall be deemed to be an original, but when taken together shall constitute one and the same Amendment.

6. Headings. Section headings used in this Amendment are for reference only and shall not affect the construction of the Amendment.

7. Enforceability. Except as expressly and specifically set forth herein, the Existing Master Lease remains unmodified and in full force and effect. In the event of any discrepancy between the Existing Master Lease and this Amendment, the terms and conditions of this Amendment will control and the Existing Master Lease is deemed amended to conform hereto.

[SIGNATURE PAGES, ACKNOWLEDGEMENTS, AND JOINDER FOLLOW]

Signature Page to
FOURTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

LESSOR:

STERLING ACQUISITION CORP., a Kentucky corporation

By: /s/ C. Taylor Pickett

Name: C. Taylor Pickett
Title: Chief Executive Officer

STATE OF Maryland)
) ss.
COUNTY OF Baltimore)

This instrument was acknowledged before me on the 26th day of March, 2007, by C. Taylor Pickett,
the CEO of STERLING ACQUISITION CORP., a Kentucky corporation, on behalf of said company.

Judith A. Jacobs
Notary Public, Baltimore County, Maryland
My commission expires: May 1, 2008

Signature Page to
FOURTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

LESSEE:

DIVERSICARE LEASING CORP., a Tennessee corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)
) SS
COUNTY OF Williamson)

This instrument was acknowledged before me on the 28th day of March, 2007, by Glynn Riddle, the EVP & CFO of DIVERSICARE LEASING CORP., a Tennessee corporation, on behalf of said company

Brenda Wimsatt
Notary Public, Williamson County, TN

My commission expires: 07/25/09

Acknowledgement to
FOURTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

The undersigned hereby consent to the transactions contemplated by this Third Amendment to Consolidated Amended and Restated Master Lease (the "Third Amendment"), ratify and affirm their respective Guaranties, Pledge Agreements, Security Agreements, Subordination Agreements and other Transaction Documents, and acknowledge and agree that the performance of the Master Lease and obligations described therein are secured by their Guaranties, Pledge Agreements, Security Agreement, Subordination Agreement and other Transaction Documents on the same terms and conditions in effect prior to this Amendment. The undersigned hereby join in the execution of this Third Amendment for the limited purpose of agreeing to the provisions of Section 6 and for no other purpose.

ADVOCAT, INC. a Delaware corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)
) SS
COUNTY OF Williamson)

This instrument was acknowledged before me on the 28th day of March, 2007, by Glynn Riddle, the EVP & CFO of ADVOCAT, INC., a Delaware corporation, on behalf of the corporation, who acknowledged the same to be his or her free act and deed and the free act and deed of the corporation.

Brenda Wimsatt
Notary Public, Williamson County, TN

My commission expires: 07/25/09

Acknowledgement to
FOURTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

DIVERSICARE MANAGEMENT SERVICES CO., a Tennessee corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)
) SS
COUNTY OF Williamson)

This instrument was acknowledged before me on the 28th day of March, 2007, by Glynn Riddle, the EVP & CFO of DIVERSICARE MANAGEMENT SERVICES CO., a Tennessee corporation, on behalf of the corporation, who acknowledged the same to be his or her free act and deed and the free act and deed of the corporation.

Brenda Wimsatt
Notary Public, Williamson County, TN

My commission expires: 07/25/09

Acknowledgement to
FOURTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

ADVOCAT FINANCE INC., a Delaware corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)
) SS
COUNTY OF Williamson)

This instrument was acknowledged before me on the 28th day of March, 2007, by Glynn Riddle, the EVP & CFO of ADVOCAT FINANCE INC., a Delaware corporation, on behalf of the corporation, who acknowledged the same to be his or her free act and deed and the free act and deed of the corporation.

Brenda Wimsatt
Notary Public, Williamson County, TN

My commission expires: 07/25/09

Acknowledgement to
FOURTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

STERLING HEALTH CARE MANAGEMENT, INC., a Kentucky corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)
) SS
COUNTY OF Williamson)

This instrument was acknowledged before me on the 28th day of March, 2007, by Glynn Riddle, the EVP & CFO of STERLING HEALTH CARE MANAGEMENT, INC., a Kentucky corporation, on behalf of the corporation, who acknowledged the same to be his or her free act and deed and the free act and deed of the corporation.

Brenda Wimsatt
Notary Public, Williamson County, TN

My commission expires: 07/25/09

FIFTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

This Fifth Amendment to Consolidated Amended and Restated Master Lease (this "Amendment") is executed and delivered as of August 10th, 2007 by and between STERLING ACQUISITION CORP., a Kentucky corporation ("Lessor"), the address of which is 9690 Deereco Road, Suite 100, Timonium, MD 21093, and DIVERSICARE LEASING CORP., a Tennessee corporation, the address of which is 1621 Galleria Boulevard, Brentwood, TN 37027.

RECITALS:

A. Lessee has executed and delivered to Lessor a Consolidated Amended and Restated Master Lease dated as of November 8, 2000, but effective as of October 1, 2000, as amended by a First Amendment to Consolidated Amended and Restated Master Lease dated as of September 30, 2001, a Second Amendment to Consolidated Amended and Restated Master Lease dated as of June 15, 2005 (the "Second Amendment"), a Third Amendment to Consolidated Amended and Restated Master Lease dated as of October 20, 2006 (the "Third Amendment"), and a Fourth Amendment to Consolidated Amended and Restated Master Lease dated as of April 1, 2007 (the "Existing Master Lease") pursuant to which Lessee leased from Lessor certain healthcare facilities.

B. Pursuant to that certain First Amended Chapter 11 Plan Proposed by the Debtors dated May 17, 2007 and an Operations Transfer Agreement effective as of July 20, 2007 among the Texas Sublessees (as defined below) and Senior Management Services of America North Texas, Inc., a Texas corporation ("SMSA"), and certain affiliates of SMSA, the Texas Sublessees are acquiring from SMSA its rights as tenant under that certain Consolidated Master Lease dated as of June 1, 2005 (the "SMSA Master Lease") between SMSA and OHI Asset (TX), LLC, a Delaware limited liability company ("OHI Texas"). Pursuant to the SMSA Master Lease, SMSA had leased the Texas Facilities from OHI Texas.

C. Concurrently with the execution of this Amendment, (i) OHI Texas and the Texas Sublessees have terminated the SMSA Master Lease and (ii) OHI Texas has transferred to Lessor the Texas Facilities to Lessor.

D. Lessee and Lessor desire to amend the Existing Lease to add the Texas Facilities to the Existing Master Lease on the terms and conditions of this Amendment.

NOW THEREFORE, the parties agree as follows:

1. Definitions.

(a) Any capitalized term used but not defined in this Amendment will have the meaning assigned to such term in the Master Lease. From and after the date of this Amendment, each reference in the Existing Master Leases or the other Transaction Documents to the "Lease" or "Master Lease" means, as applicable, the Existing Master Lease or Existing Master Leases as modified by this Amendment.

(b) In addition to the other definitions contained herein, when used in this Amendment the following terms shall have the following meanings:

Asbestos Clean-Up Costs: means the actual, out of pocket cost of completing a Required Asbestos Clean-Up, which amount does not include any amounts paid to Lessee or any Affiliate of Lessee without the written consent of Lessor.

Asbestos Management Plans: means the Asbestos Management Plans dated March 19, 2004 for Lessor by ATC Associates, Inc. for the Doctors & Fort Worth Facilities.

Doctors & Fort Worth Facilities: means Facilities commonly known as (i) Estates Healthcare Center located at 201 Sycamore School Road, Fort Worth, Texas 76134, and (ii) as Doctors Healthcare Center and located at 9009 White Rock Trail, Dallas, Texas 75238.

Existing Asbestos Containing Materials: means the asbestos containing materials on the Doctors & Fort Worth Facilities identified in the Asbestos Management Plans.

First Texas Renewal Term Expiration Date: September 30, 2030.

Humble Facility: means the Facility commonly known as Oakmont Nursing and Rehabilitation Center of Humble located in Humble, Texas.

Katy Facility: means the Facility commonly known as the Oakmont Nursing and Rehabilitation Center of Katy located in Katy, Texas.

LaSalle: means LaSalle Bank National Association.

LaSalle Loans: means the following loans and credit facilities extended by LaSalle to Lessee, the Sublessees and certain of their Affiliates: (i) certain revolving loans in an aggregate amount of up to Fifteen Million and No/100 Dollars (\$15,000,000.00) to support working capital needs of Lessee, the Sublessees and certain of their Affiliates, (ii) certain transition revolving loans in an aggregate amount of up to Six Million and No/100 Dollars (\$6,000,000.00) to support working capital needs of Lessee, the Sublessees and certain of their Affiliates for the six months following date of this Amendment (the "Temporary Revolving Loan"), and (iii) a term loan of Sixteen Million Five Hundred Thousand and No/100 Dollars (\$16,500,000.00) (the "Term Loan").

Lien: means any interest in Property securing an obligation owed to, or a claim by, any Person (other than the owner of the Property), whether such interest shall be based on common law, statute, or contract, whether such interest shall be recorded or perfected, and whether such interest shall be contingent upon the occurrence of some future event or events or the existence of some future circumstance or circumstances, including, without limitation, judgment liens, the lien or security interest arising, from a mortgage, deed of trust, debenture, charge, guarantee, encumbrance, pledge, hypothecation, assignment, deposit arrangement, security agreement, loan and security agreement, adverse claim or charge, conditional sale or trust receipt, or from a

lease, consignment, or bailment for security purposes, and also including reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases, other title exceptions and encumbrances affecting any real property and the retained security title of a conditional vendor or lessor.

Lease Documents: means the following documents: this Lease, the Guaranty, the Letter of Credit Agreement, the Security Agreement, the Pledge Agreements, the Subordination Agreements, Texas Pledge Agreements, Texas Sublessees Guaranty, Texas Sublessee Security Agreement, the Stock Issuance and Subscription Agreement, the Subordinated Note, and any security agreements, pledge agreements, letter of credit agreements, guarantees, notes or other documents which evidence, secure or otherwise relate to this Lease, or the transactions contemplated by this Lease; and any and all amendments, modifications, extensions and renewals of any of the foregoing documents

Letter of Credit Agreement: means the Letter of Credit Agreement between Lessee and Lessor.

Master Texas Sublessee: DIVERSICARE TEXAS I, LLC, Delaware limited liability company.

Non-Texas Base Rent:

(A) During the Initial Term, the Non-Texas Base Rent shall be:

- (1) For the first Initial Term (being the period of October 1, 2000 thru September 30, 2006), the amount set forth for such period in the Master Lease as it existed prior to the Third Amendment;
- (2) For the first (1st) Lease Year of the first Renewal Term (October 1, 2006 thru September 30, 2007), the Base Amount plus the Improvement Allowance Adjustment Amount (as adjusted during such Lease Year);
- (3) For each of the second (2nd) through twelfth (12th) Lease Years of the first Renewal Term, the lesser of (i) the Base Amount as of the end of first (1st) Lease Year of the Renewal Term plus Improvement Allowance Adjustment Amount, increased by a percentage equal to two (2) times the percentage increase in the CPI (if positive) from the commencement date of the first Renewal Term to the Adjustment Date in each of the second (2nd) through twelfth (12th) Lease Years, as applicable (the "Adjustment Date"), and (ii) the product of the Base Amount as of the end of the first Lease Year plus the Improvement Allowance Adjustment Amount and the following factor:

Lease Year During First Renewal Term	Applicable Factor
2	1.030
3	1.061
4	1.093
5	1.126
6	1.159
7	1.194
8	1.230
9	1.267
10	1.305
11	1.344
12	1.384

Under no circumstances will the Non-Texas Base Rent in any Lease Year be less than the Non-Texas Base Rent during the preceding Lease Year.

(B) During the second Renewal Term, the Non-Texas Base Rent shall be:

(1) For the first Lease Year of the second Renewal Term, the greater of (a) the Non-Texas Base Rent during the last Lease Year of the Initial Term and (b) the Fair Market Rent for the Facilities other than the Texas Facilities on the first day of such Renewal Term as agreed upon by Lessor and Lessee, or, if prior to the commencement of the Renewal Term they are unable to agree, as determined by an appraisal pursuant to Article XXXII of this Lease; *provided, however*, that the Non-Texas Base Rent for the first Lease Year of the second Renewal Term shall not exceed one hundred ten percent (110%) of the Non-Texas Base Rent for the Lease Year immediately preceding the commencement of the second Renewal Term; and

(2) For each of the second (2nd) through the twelfth (12th) Lease Years during the second Renewal Term, the lesser of (i) the Non-Texas Base Rent for the first (1st) Lease Year of the second Renewal Term, increased by a percentage equal to two (2) times the percentage increase in the CPI (if positive) from the commencement date of the second Renewal Term to the Adjustment Date in each of the second (2nd) through twelfth (12th) Lease Years, as applicable (the "Adjustment Date"), and (ii) the product of the Non-Texas Base Rent during the first (1st) Lease Year of the second Renewal Term and the following factor:

Lease Year During Second Renewal Term	Applicable Factor
2	1.030
3	1.061
4	1.093
5	1.126
6	1.159
7	1.194
8	1.230

9	1.267
10	1.305
11	1.344
12	1.384

Under no circumstances will the Non-Texas Base Rent in any Lease Year during the Renewal Term be less than the Non-Texas Base Rent during the preceding Lease Year.

Pre-Existing Hazardous Substances: means Hazardous Substances located on, under about or with respect to the Treemont Facility prior to February 1, 2003 or the Katy Facility prior to July 1, 2003 or the Humble Facility prior to July 1, 2003.

Pre-Existing Environmental Conditions: means any Contamination or other environmental condition on, under, about or with respect to the Treemont Facility prior to February 1, 2003 or the Katy Facility prior to July 1, 2003 or the Humble Facility prior to July 1, 2003.

Property: means any and all real, personal, or mixed property and assets, including, without limitation, all types of tangible and intangible property.

Second Texas Renewal Term Expiration Date: May 31, 2035.

Texas Base Rent: During the Term, the Texas Base Rent shall be:

(1) For each month during the period from the Commencement Date for the Texas Facilities until January 31, 2008, Three Hundred Twenty Eight Thousand Five Hundred Ninety Two and 79/100 Dollars (\$328,592.79), which equal an annual Base Rent of Three Million Nine Hundred Forty Three Thousand One Hundred Thirteen and 48/100 Dollars (\$3,943,113.48) (the "Initial Texas Annualized Base Rent");

(3) For period from February 1, 2008 thru January 31, 2009, the Initial Texas Annualized Base Rent, increased by the product of (i) the Initial Texas Annualized Base Rent and (ii) the *lesser* of one (1) times the change in CPI (expressed as a percentage) and two and one-half percent (2.5%).

(4) For the subsequent twelve month period (being February 1, 2009 thru January 31, 2010) and each succeeding twelve month (being February 1 thru January 31) until the end of the Term (including any Renewal Terms), the Texas Base Rent for the previous Lease Year, increased by the product of (i) the Texas Base Rent during the immediately preceding Lease Year and (ii) the *lesser* of one (1) times the increase, if any, in CPI (expressed as a percentage) and two and one-half percent (2.5%).

Texas Facilities: means the Facilities located on the real property described in Exhibits A-1 through A-7 to this Amendment.

Texas Pledge Agreements: means the Pledge Agreements dated as of the same date as this Amendment from the equity owners of the Texas Sublessees in favor Lessor.

Texas Sublessees: means the Master Texas Sublessee and DIVERSICARE BALLINGER, LLC, Delaware limited liability company, DIVERSICARE DOCTORS, LLC, Delaware limited liability company, DIVERSICARE ESTATES, LLC, Delaware limited liability company, DIVERSICARE HUMBLE, LLC, Delaware limited liability company, DIVERSICARE KATY, LLC, Delaware limited liability company, DIVERSICARE NORMANDY TERRACE, LLC, Delaware limited liability company, and DIVERSICARE TREEMONT, LLC, Delaware limited liability company.

Texas Sublessees Guaranty: means the Guaranty dated as of the same date as this Amendment from the Texas Sublessees in favor Lessor.

Texas Sublessee Security Agreement: means the Security Agreement dated as of the same date as this Amendment from the Texas Sublessees in favor of Lessor.

Non-Texas Facilities: means the Facilities leased pursuant to this Lease other than the Texas Facilities.

(c) The following definitions defined in §2.1 of the Existing Master Lease are hereby amended in their entirety as follows:

Base Rent: means the sum of (i) the Non-Texas Base Rent and (ii) the Texas Base Rent.

Commencement Date: October 1, 2000 for the Non-Texas Facilities, and August 11, 2007 for the Texas Facilities.

Expiration Date: means the First Renewal Term Expiration Date, the Second Renewal Term Expiration Date, the First Texas Renewal Term Expiration Date, or the Second Texas Renewal Term Expiration Date, as applicable.

Facilit(y)(ies): Each health care facility on the Land, including the Leased Property associated with such Facility, and together, all such facilities on the Leased Properties; all of which Facilities are collectively listed on Exhibit B to this Amendment.

Intercreditor Agreement: means the Subordination and Intercreditor Agreement of even date herewith by and between Lessor and LaSalle and any replacement intercreditor agreement between Lessor and any working capital lender to whom a first priority security interest in accounts receivable from the Facilities has been granted in accordance with the requirements of Section 39.5 of this Lease.

Land: The real property described in listed on attached Exhibit A to the Existing Master Lease and Exhibit A to this Amendment.

Permitted Encumbrances: Encumbrances listed on attached Exhibit C to the Existing Master Lease and Exhibit C to this Amendment.

(d) The subparagraphs (m) and (r) of the definition of "Event of Default" set forth in Section 2.1 of the Existing Master Lease is hereby amended and restated as follows:

(n) A default occurs under the any Texas Sublessee Guaranty, Texas Pledge Agreement, the Texas Sublessee Security Agreement, or the Letter of Credit Agreement, which default is not cured within the applicable cure period, if any.

* * *

(r) LaSalle (or its successors and assigns) or any working capital lender to whom a first priority security interest in accounts receivable from the Facilities has been granted in accordance with the requirements of Section 39.5 of this Lease, declares an event of default under the loan documents evidencing or securing the LaSalle Loans or Line of Credit Documents, and accelerates any or all of the indebtedness evidenced and secured thereby, or commences any action against Lessee or Sublessee to realize on such lender's interest in the accounts receivable from the Facilities.

2. Renewal Options. Section 1.3 of the Existing Master Lease is hereby amended and restated as follows:

1.3 Options to Renew.

(a) Lessee is hereby granted two (2) options to renew this Lease (an "All Facilities Option") for an additional, successive period of twelve (12) Lease Years, for a maximum Term if such options are exercised of thirty (30) Lease Years, on the following terms and conditions:

- (i) the second option to renew is exercisable only by Notice to Lessor at least three hundred sixty-five (365) days prior to the expiration of the first Renewal Term;
- (ii) the absence of any Event of Default both at the time a renewal option is exercised and at the commencement of a Renewal Term is a condition precedent to any renewal of the Term;
- (iii) during a Renewal Term, all of the terms and conditions of this Lease shall remain in full force and effect; and
- (iv) Lessee may exercise its options to renew with respect to all (and no fewer than all) of the Leased Properties.

Lessee and Lessor acknowledge and agree that Lessee exercised the first All Facilities Option pursuant to the Third Amendment such that, as of the date of this Amendment, the Expiration Date of the current Term of this Lease for all of the Facilities, including the Texas Facilities, is the First Renewal Term Expiration Date of September 30, 2018.

(b) Lessee is also hereby granted two (2) options to renew this Lease with respect to the Texas Facilities only (the "Texas Options") until September 30, 2030, with respect to the first such Texas Option, and May 31, 2035, with respect to the second such Texas Option, on the following terms and conditions:

- (i) a Texas Option is exercisable only by Notice to Lessor at least three hundred sixty-five (365) days prior to the expiration of the prior period;
- (ii) the absence of any Event of Default both at the time a Texas Option is exercised and at the commencement of a Renewal Term is a condition precedent to any renewal of the Term;
- (iii) during a Renewal Term, all of the terms and conditions of this Lease shall remain in full force and effect; provided, however, that the Base Rent shall be equal to the Texas Facilities Base Rent and the Security Deposit shall be reduced to an amount equal to the Texas Facilities Base Rent divided by four (4) (such that it is equal to three months Base Rent);
- (iv) Lessee may exercise its options to renew with respect to all (and no fewer than all) of the Texas Facilities, and as to no other Facilities; and
- (v) Lessee may not exercise a Texas Option for any period with respect to which Lessee exercises an All Facilities Option (for avoidance of doubt, because an All Facilities Option is exercised as to all of the Facilities, including the Texas Facilities, Lessee would not need to exercise a Texas Facilities Option for any period for which an All Facilities Option has been exercised).

3. Environmental Amendments. Notwithstanding anything to the contrary in this Lease, (i) Section 7.3 of the Existing Lease shall not apply to the Texas Facilities; and (ii) in lieu thereof, Lessee's environmental obligations with regard to the Texas Facilities shall be governed by Exhibit D to this Amendment, which is incorporated herein by this reference.

4. Section 9.1.1 of the Existing Master Lease is hereby amended and restated in its entirety as follows:

9.1.1 Lessee, at its expense, will keep the Leased Properties, and all landscaping, private roadways, sidewalks and curbs appurtenant thereto which are under Lessee's control and Lessee's Personal Property in good order and repair, whether or not the need for such repairs arises out of Lessee's use, any prior use, the elements or the age of the Leased Property or any portion thereof, or any cause whatsoever except the act or negligence of Lessor, and with reasonable promptness shall make all necessary and appropriate repairs thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the Commencement Date (concealed or otherwise) or existing after February 1, 2003 with respect to the Treemont Facility, and July 1, 2003 with respect to the Katy Facility and the Humble Facility; provided, however, that Lessee shall be permitted to prosecute claims against Lessor's predecessor in title for breach of any representation or warranty made to or on behalf of Lessor, or for latent defects in any Leased Property. Lessee shall at all times maintain, operate and otherwise manage the Leased Properties on a quality basis and in a manner consistent with the standards of the highest quality competing facilities in the market areas served by the Leased Properties. All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work or, subject to the provisions of Paragraph 9.1.4, below, the property to be repaired shall be replaced. Lessee will not take or omit to take any action the taking or omission of which might materially impair the value or the usefulness of the Leased Properties or any parts thereof for the Primary Intended Use.

5. Section 8.2.1.4 of the Existing Master Lease is hereby amended and restated in its entirety as follows:

8.2.1.4 Equipment Financing. The aggregate amount of principal, interest and lease payments due from Lessee and/or Sublessee with respect to any equipment leases or financing secured by equipment utilized in the operation of the Facilities shall not at any time during the Term exceed \$1,000,000.00 in any one Lease Year.

6. The Existing Master Lease is hereby amended to add the following new Section 8.2.5 as follows:

8.2.5 Indebtedness. Neither Lessee nor any Sublessee will create, incur or suffer to exist any Debt which is secured by a Lien in any of the Property with respect to which Lessor has been granted a Lien in pursuant to the Lease Documents, except:

- (i) The equipment financing permitted under Section 8.2.1.4;
- (ii) The Line of Credit permitted under Section 39.5;
- (iii) The LaSalle Loans; and
- (iv) Any Debt owed to Lessor or any Affiliate of Lessor.

7. Section 8.5 of the Existing Master Lease is hereby amended and restated in its entirety as follows:

8.5 Other Facilities. Neither Lessee nor any Affiliate shall own, operate or manage any nursing home, rest home, assisted living facility, subacute facility, retirement center or similar health care facility within a ten (10) mile radius of any Facility, other than any Facility which is a Leased Property under this Lease or which Lessee or any Affiliate of Lessee owns or operates as of the Commencement Date and set forth on Schedule C attached hereto.

8. Paragraph 5 of the Second Amended is hereby amended and restated in its entirety as follows:

5. Insurance.

(a) Lessor acknowledges that the liability insurance coverage and the malpractice insurance coverage required pursuant to Sections 13.2.4 and 13.2.5 of the Lease, are currently unavailable generally in the nursing home industry at commercially affordable rates and that Lessee currently maintains and has in place for all of the Facilities general liability and malpractice insurance with single limit coverage of One Hundred Thousand Dollars (\$100,000.00) per occurrence and Five Hundred Thousand Dollars (\$500,000.00) cumulative, with a deductible of Twenty Five Thousand Dollars (\$25,000.00). Lessor hereby agrees that, the provisions of Sections 13.2.4 and 13.2.5 of the Lease to the contrary notwithstanding, until such time as the insurance coverage required therein is generally available in the nursing home industry at commercially affordable rates, Lessee shall not be required obtain the coverages required therein and Lessor agrees to accept Lessee's current coverage in lieu thereof for the Non-Texas Facilities for the first Renewal Term of the Lease. Lessee shall not be deemed to be in default of the provisions of Article XIII of the Lease as a result thereof. Lessee shall provide Lessor, on an annual basis, information from its insurance carrier and from comparable insurance carriers of the costs of insurance premiums to meet Lessor's insurance requirements. At such time as the premium amounts quoted are commercially affordable, Lessee shall immediately purchase any and all insurance policies necessary to meet the requirements of Sections 13.2.4 and 13.2.5 of the Lease. This provision does not relieve Lessee from its agreement of indemnity under Article XXI of the Lease nor does it modify the provisions thereof. Notwithstanding the foregoing, Lessee acknowledges and agrees that the provisions of this Paragraph 5 shall not be applicable in the event of any Transfer. Lessee acknowledges and agrees that Lessor shall have the right to withhold its consent to any proposed Transfer unless, among other things, the Transferee agrees to provide the insurance coverage required by the provisions of Sections 13.2.4 and 13.2.5 of the Lease.

(b) Lessor hereby agrees that, the provisions of Sections 13.2.4 and 13.2.5 of the Lease to the contrary notwithstanding Lessee's failure to obtain the coverages required by Sections 13.2.4 and 13.2.5 for the Texas Facilities shall not be an Event of Default under this Lease. Lessee shall not be required to obtain the coverages required therein and Lessor agrees to accept such lesser coverage, if any, as Lessee elects to maintain for the Texas Facilities for the Term of the Lease, including any Renewal Term. This provision does not relieve Lessee from its agreement of indemnity under Article XXI of the Lease nor does it modify the provisions thereof.

9. Section 39.1 of the Existing Master Lease is hereby amended and restated in its entirety as follows:

39.1 Security Deposit. Prior to the date of this Amendment, Lessor was holding as the Security Deposit the sum of \$340,000 in cash. Concurrently with the delivery of this Amendment, (A) Lessor shall return to Lessee the \$340,000 in cash, and (B) Lessee shall deliver to Lessor a Security Deposit in the amount equal to \$8,116,726.10, in the form of an absolute, unconditional site draft letter of credit for a term of one (1) year (renewable automatically) issued by an "A" rated financial institution ("Security Deposit"), which Lessor shall hold as security for the full and faithful performance by Lessee of each and every term, provision, covenant and condition of this Lease in accordance with, and subject to, the terms and conditions of the Letter of Credit Agreement. If at any time the Security Deposit is in the form of cash, the Security Deposit shall be deposited by Lessor into an account which shall earn interest for the benefit of Lessee, which cash shall remain on deposit as security and be available to Lessor as provided in this Article. The Security Deposit shall not be considered an advance payment of Rent (or of any other sum payable to Lessee under this Lease) or a measure of Lessor's damages in case of a default by Lessee. The Security Deposit shall not be considered a trust fund, and Lessee expressly acknowledges and agrees that Lessor is not acting as a trustee or in any fiduciary capacity in controlling or using the Security Deposit. Notwithstanding the foregoing, if at any time the Security Deposit is in the form of cash, then (i) Lessor shall maintain the Security Deposit separate and apart from Lessor's general and/or other funds and (ii) provided that Lessee is not then in default, Lessor shall disburse to Lessee the earnings on the Security Deposit on a quarterly basis. The Security Deposit, less any portion thereof applied as provided in Section 39.3 or the Letter of Credit Agreement, shall be returned to Lessee within sixty (60) days following the expiration of the Term or earlier termination of this Lease.

10. Section 39.5 of the Existing Master Lease is hereby amended and restated in its entirety as follows:

39.5 Line of Credit: A/R Replacement Security Deposit.

(a) Line of Credit. Prior to the date of this Amendment, pursuant to the Security Agreement, Lessee has granted to Lessor a first priority security interest in the accounts receivable generated by the Facilities. LaSalle currently has a security interest in the accounts receivable from the Facilities to secure the LaSalle Loans. Lessor and LaSalle have entered into the Intercreditor Agreement pursuant to which Lessor has agreed to subordinate its security interest in the accounts receivable generated by the Facilities. If Lessee and/or the Sublessees, or any Affiliate of Lessee (other

than Affiliates who are the operators of the Florida Managed Facilities, as defined in the Settlement and Restructuring Agreement), obtain, concurrently with or after the date of this Amendment, a working capital line of credit (the "Line of Credit") from a third-party working capital lender that requires that, in order to secure the Line of Credit, Lessee and/or the Sublessees must grant to the working capital lender a first priority security interest in the accounts receivable from the Facilities accruing during the Term, then Lessor will subordinate its security interest in the accounts receivable from the Facilities accruing during the Term to the security interest of such working capital lender, provided that:

(i) The working capital lender executes and delivers to Lessor an intercreditor agreement in form and substance reasonably satisfactory to Lessor; and

(ii) The lien of Lessor in accounts receivable from the Facilities shall be subordinated to the lien of the working capital lender therein only to the extent of amounts advanced from time to time by the working capital lender to Lessee and/or the Sublessees with respect to the Facilities and only in the amount of \$17,400,000.00, plus interest, penalties and other charges under the loan documents evidencing the Line of Credit (the "Line of Credit Documents") with respect to principal amounts advanced;

(iii) Lessee delivers to Lessor the A/R Replacement Security Deposit and the Letter of Credit Agreement (as defined below);

(iv) The LaSalle Loans have been repaid in full or, in the alternative, the Temporary Revolving Loan and the Term Loan have been repaid, and an amendment to the Intercreditor Agreement with the holder of the remaining LaSalle Loans is entered into providing for the priority cap contemplated by sub-paragraph 39(a)(ii) above (the "LaSalle Amendment") in form and substance reasonably satisfactory to Lessor; and

(v) As of the date of entry by Lessor into the intercreditor agreement, of the LaSalle Amendment, no Event of Default has occurred and is continuing.

(b) Lessee acknowledges and agrees that on the occurrence of a "Default", "Event of Default" or similar event or occurrences which causes the lender under the Line of Credit Documents to accelerate any or all of the indebtedness thereby or to exercise any rights or remedies under such documents to realize on its interest in the accounts receivable from the Facilities, or to cease funding under the Line of Credit, which is not cured within any applicable cure period under the Line of Credit Documents or any written agreement by lender, shall constitute an Event of Default under this Lease.

(c) Concurrently with the delivery of the intercreditor agreement by Lessor pursuant to Section 39.5(a)(i) above or the LaSalle Amendment, Lessee shall deliver to Lessor a Security Deposit in an amount equal to the sum of (i) six (6) times the monthly Non-Texas Base Rent (the "Initial Amount") plus (ii) three (3) times the monthly Texas Base Rent then payable under this Lease, in the form of an absolute, unconditional site draft letter of credit for a term of one (1) year (renewable automatically) issued by an "A" rated financial institution ("A/R Replacement Security Deposit"), which Lessor shall hold as security for the full and faithful performance by Lessee of each and every term, provision, covenant and condition of this Lease in accordance with, and subject to, the terms and conditions of the Letter of Credit Agreement. On August 31, 2008, and each subsequent anniversary of such date thereafter, the amount of the A/R Replacement Security Deposit required to be maintained by Lessee on deposit with Lessor shall be reduced by 16.66% (or 1/6) of the Initial Amount if and only if on the applicable anniversary date (i) Lessee has maintained a Stressed Coverage Ratio for the trailing twelve months of at least 1.45 and (ii) no Event of Default exists. Notwithstanding the foregoing, at no time shall the A/R Replacement Security Deposit be less than an amount equal to three times the monthly Base Rent payable under this Lease on the date of delivery of the A/R Replacement Security Deposit. Upon delivery to Lessor of the A/R Replacement Security Deposit and the intercreditor agreement pursuant to this Section 39.5(a)(i) or the LaSalle Amendment, the amount of the Security Deposit required under Section 39.1 shall be set equal to the A/R Replacement Security Deposit.

11. Single, indivisible Lease. The Master Lease constitutes one indivisible lease of the Leased Properties, and not separate leases governed by similar terms. The Leased Properties constitute one economic unit, and the Base Rent and all other provisions have been negotiated and agreed to based on a demise of all of the Leased Properties as a single, composite, inseparable transaction and would have been substantially different had separate leases or a divisible lease been intended. Except as expressly provided herein for specific, isolated purposes (and then only to the extent expressly otherwise stated), all provisions of this Lease apply equally and uniformly to all the Leased Properties as one unit. An Event of Default with respect to any Leased Property is an Event of Default as to all of the Leased Properties. The parties intend that the provisions of this Lease shall at all times be construed, interpreted and applied so as to carry out their mutual objective to create an indivisible lease of all the Leased Properties and, in particular but without limitation, that for purposes of any assumption, rejection or assignment of this Lease under 11 U.S.C. 365, this is one indivisible and non-severable lease and executory contract dealing with one legal and economic unit which must be assumed, rejected or assigned as a whole with respect to all (and only all) the Leased Properties covered hereby.

12. Representations and Warranties of Lessee. Lessee hereby represents and warrants to Lessor that (i) it has the right and power and is duly authorized to enter into this Agreement; and (ii) the execution of this Agreement does not and will not constitute a breach of any provision contained in any agreement or instrument to which Lessee is or may become a party or by which Lessee is or may be bound or affected

13. Execution and Counterparts. This Amendment may be executed in any number of counterparts, each of which, when so executed and delivered, shall be deemed to be an original, but when taken together shall constitute one and the same Amendment.

14. Headings. Section headings used in this Amendment are for reference only and shall not affect the construction of the Amendment.

15. Enforceability. Except as expressly and specifically set forth herein, the Existing Master Lease remains unmodified and in full force and effect. In the event of any discrepancy between the Existing Master Lease and this Amendment, the terms and conditions of this Amendment will control and the Existing Master Lease is deemed amended to conform hereto.

[SIGNATURE PAGES, ACKNOWLEDGEMENTS, AND JOINDER FOLLOW]

Signature Page to
FIFTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

LESSOR:

STERLING ACQUISITION CORP., a Kentucky corporation

By: /s/ Daniel J. Booth

Name: Daniel J. Booth
Title: Chief Operating Officer

STATE OF MARYLAND)
) ss.
COUNTY OF BALTIMORE)

This instrument was acknowledged before me on the 9th day of August, 2007, by Daniel J. Booth, the of STERLING ACQUISITION CORP., a Kentucky corporation, on behalf of said company.

Judith A. Jacobs
Notary Public, Baltimore County, Maryland

My commission expires: May 1, 2008

Signature Page to
FIFTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

LESSEE:

DIVERSICARE LEASING CORP., a Tennessee corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)
) SS
COUNTY OF Williamson)

This instrument was acknowledged before me on the 9th day of August, 2007, by Glynn Riddle, the EVP & CFO of DIVERSICARE LEASING CORP., a Tennessee corporation, on behalf of said company

Notary Public, Williamson County, TN
My commission expires: 07/25/2009

Brenda Wimsatt

Acknowledgement to
FIFTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

The undersigned hereby consent to the transactions contemplated by this Fifth Amendment to Consolidated Amended and Restated Master Lease (the "Fifth Amendment"), ratify and affirm their respective Guaranties, Pledge Agreements, Security Agreements, Subordination Agreements and other Transaction Documents, and acknowledge and agree that the performance of the Master Lease and obligations described therein are secured by their Guaranties, Pledge Agreements, Security Agreement, Subordination Agreement and other Transaction Documents on the same terms and conditions in effect prior to this Amendment.

ADVOCAT, INC. a Delaware corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)
) SS
COUNTY OF Williamson)

This foregoing instrument was acknowledged before me on the 9th day of August, 2007, by Glynn Riddle, the EVP & CFO of ADVOCAT, INC. a Delaware corporation, on behalf of the corporation, who acknowledged the same to be his or her free act and deed and the free act and deed of the corporation.

Notary Public, Williamson County, TN
My commission expires: 07/25/2009

Brenda Wimsatt

Acknowledgement to
FIFTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

DIVERSICARE MANAGEMENT SERVICES CO., a Tennessee corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)
) SS
COUNTY OF Williamson)

This foregoing instrument was acknowledged before me on the 9th day of August, 2007, by Glynn Riddle, the EVP & CFO of DIVERSICARE MANAGEMENT SERVICES CO., a Tennessee corporation, on behalf of the corporation, who acknowledged the same to be his or her free act and deed and the free act and deed of the corporation.

Brenda Wimsatt

Notary Public, Williamson County, TN
My commission expires: 07/25/2009

Acknowledgement to
FIFTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

ADVOCAT FINANCE INC., a Delaware corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)
) SS
COUNTY OF Williamson)

This foregoing instrument was acknowledged before me on the 9th day of August, 2007, by Glynn Riddle, the EVP & CFO of ADVOCAT FINANCE INC., a Delaware corporation, on behalf of the corporation, who acknowledged the same to be his or her free act and deed and the free act and deed of the corporation.

Brenda Wimsatt

Notary Public, Williamson County, TN
My commission expires: 07/25/2009

Acknowledgement to
FIFTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

STERLING HEALTH CARE MANAGEMENT, INC., a Kentucky corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)
) SS
COUNTY OF Williamson)

This foregoing instrument was acknowledged before me on the 9th day of August, 2007, by Glynn Riddle, the EVP & CFO of STERLING HEALTH CARE MANAGEMENT, INC., a Kentucky corporation, on behalf of the corporation, who acknowledged the same to be his or her free act and deed and the free act and deed of the corporation.

Brenda Wimsatt

Notary Public, Williamson County, TN
My commission expires: 07/25/2009

List of Exhibits and Schedules to
FIFTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

Exhibit A	Legal Description of Texas Facilities
Exhibit B	List of Facilities and Facility Trade Names
Exhibit C	Permitted Encumbrances for Texas Facilities
Exhibit D	Texas Environmental Matters
Schedule C	Excepted Facilities to Radius Requirements

EXHIBIT A

Legal description of the real property for the following facilities:

- A-1 Treemont
- A-2 Doctors Healthcare Center
- A-3 Estate's Healthcare Center
- A-4 Katy Facility
- A-5 Humble Facility
- A-6 Normandy Terrace Southeast
- A-7 Heritage Oaks Estate

EXHIBIT B

1.	Arbor Oaks Health & Rehab Center (Stillmeadow)	105 Russellville Road, Route 2, Highway 67 South	Malvern	Hot Spring	AR	72104
2.	Ash Flat Nursing & Rehab Center	66 Ozbirn Lane	Ash Flat	Sharp	AR	72513
3.	Best Care, Inc.	2159 Dogwood Ridge	Wheelerburg	Scioto	OH	45694
4.	Boone Health Care Center, Inc.	Lick Creek Road, P.O. Box 605	Danville	Boone	WV	25053
5.	Boyd Nursing and Rehab Center	12800 Princland Drive	Ashland	Boyd	KY	41102
6.	Canterbury Health Center	1720 Knowles Road	Phenix City	Russell	AL	36867
7.	Carter Nursing & Rehab Center	250 McDavid Boulevard, P.O. Box 904	Grayson	Carter	KY	41143
8.	Conway Health & Rehab Center (Faulkner)	2603 Dave Ward Drive	Conway	Faulkner	AR	72032
9.	Des Arc Nursing & Rehab Center	2216 West Main, P.O. box 143B	Des Arc	Prairie	AR	72040
10.	Elliott Nursing & Rehab Center	Howard Creek Road, P.O. Box 694, Route 32 East	Sandy Hook	Elliott	KY	41171
11.	Garland Nursing & Rehab Center and Apts.	610 Carpenter Dam Road	Hot Springs	Garland	AR	71901
12.	Hardee Manor Care Center	401 Orange Place	Wauchula	Hardee	FL	33873
13.	Laurel Manor Health Center	902 Buchanan Road, P.O. Box 505	New Tazewell	Claiborne	TN	37825
14.	Laurel Nursing & Rehab Center	HC 75, Box 153, Clinic Road	Ivydale	Clay	WV	25113
15.	Lynwood Nursing Home	4164 Halls Mill Road	Mobile	Mobile	AL	36693
16.	Manor House of Dover	537 Spring Street, P.O. Box 399	Dover	Stewart	TN	37058
17.	Mayfield Rehab and Special Care Center	200 Mayfield Drive	Smyrna	Rutherford	TN	37167
18.	Northside Health Care	700 Hutchins Ave	Gadsden	Etowah	AL	35901
19.	Ouachita Nursing /Pine Manor Apts.	1411 Country Club Road	Camden	Ouachita	AR	71701
20.	Pocahontas Nursing & Rehab Center	105 Country Club Road	Pocahontas	Randolph	AR	72455
21.	Rich Mountain Nursing & Rehab Center	306 Hornbeck	Mena	Polk	AR	71953
22.	Sheridan Nursing & Rehab Center	113 South Briarwood Drive	Sheridan	Grant	AR	72150
23.	South Shore Nursing & Rehab Center	James Hannah Drive, P.O. box 489	South Shore	Greenup	KY	41175
24.	The Pines Nursing & Rehab Center	524 Carpenter Dam Road	Hot Springs	Garland	AR	71901
25.	Walnut Ridge Nursing & Rehab Center	1500 West Main	Walnut Ridge	Lawrence	AR	72476
26.	West Liberty Nursing & Rehab Center	774 Liberty Road, P.O. Box 219, Route 5 Wells Hill	West Liberty	Morgan	KY	41472
27.	Westside Health Care Center	4320 Judith Lane	Huntsville	Madison	AL	35805
28.	Wurtland Nursing & Rehab Center	100 Wurtland Avenue, P.O. Box 677	Wurtland	Greenup	KY	41144
29.	Doctors Healthcare	9009 White Rock Trail	Dallas	Dallas	TX	75238
30.	Estates at Ft. Worth	201 Sycamore School Road	Fort Worth	Tarrant	TX	76134
31.	Heritage Oaks Estates	2001 N. 6th Street	Ballinger	Runnels	TX	76821
32.	Humble	8450 Will Clayton Parkway	Humble	Harris	TX	77338
33.	IHS of Dallas at Treemont	5550 Harvest Hill Road	Dallas	Dallas	TX	75230
34.	Katy	1525 Tull Drive	Katy	Harris	TX	77499
35.	Normandy Terrace	841 Rice Road	San Antonio	Bexar	TX	78220

EXHIBIT C

(*Treemont*)

1. The following, all according to plat recorded in Volume 72249, Page 69, of the Map Records of Dallas county, Texas:
 - A. Sanitary sewer easement ten (10) feet in width along the south property line(s),
 - B. Lone Star Gas line easement forth (40) feet in width located north of and adjacent to the sanitary sewer easement described above, and
 - C. Lone Star Gas line easement twenty (20) feet in width along the southerly west property line(s)
2. Right-of-Way Easement executed by Daniel P. Robinowitz to Lone Star Gas Company, dated October 17, 1972, recorded in Volume 72221, Page 3214, Deed Records of Dallas County, Texas.
3. Right-of-Way Easement executed by Daniel P. Robinowitz, Trustee to Dallas Power and Light Company and Southwestern Bell Telephone Company, dated November 21, 1973, recorded in Volume 74003, Page 1466, Deed Records of Dallas County, Texas.
4. Sanitary sewer pipeline easement to Milton H. friend, Jr., dated July 2, 1976, executed by L&N Consultants, Inc., recorded in Volume 76129, Page 2511, of the Deed Records of Dallas County, Texas.
5. Right of Way Easement to the City of Dallas for sanitary sewer mains, dated April 29, 1977, executed by Tri-South Mortgage Investors, recorded in Volume 77138, Page 511, of the Deed Records of Dallas County, Texas.
6. Right of Way Easement to the city of Dallas for water mains, dated October 18, 1995, executed by Cambridge Group of Texas, Inc., recorded in Volume 95212, Page 1978, of the Deed Records of Dallas County, Texas.
7. Right of Entry Agreement to Warner Amex Cable Communications, Inc., dated December 3, 1981, recorded in Volume 82013, Page 2153, of the Deed Records of Dallas County, Texas.
8. Rights and remedies of co-tenants, contractual or otherwise, including but not limited to, terms, conditions, covenants, options, restrictions, by-laws, and easements contained in the Condominium Declaration executed by Cambridge Group of Texas, Inc., dated June 7, 1996, recorded in Volume 96160, Page 1556, of the condominium Records of Dallas County, Texas.

9. Annual maintenance charge and/or current assessments as set out in instrument dated June 7, 1996, and recorded in Volume 96160, Page 1556 of the Deed Records of Dallas County, Texas.

10. Memorandum of easement to TCI Cablevision of Dallas, Inc., dated August 11, 2000, executed by Treemont Retirement Community, recorded in Volume 2000186, Page 5906, of the Deed Records of Dallas County, Texas

(Doctors Healthcare Center)

1. Easement granted by Doctors Hospital Foundation, Inc. to the City of Dallas, dated 06/21/1963, filed 07/11/1963, recorded in Volume 104, Page 1204, Deed Records of Dallas County, Texas.

2. Terms, conditions and stipulations of that certain Boundary Line Agreement by and between Richardson Independent School District and IHS Acquisition No. 128, Inc., dated 05/07/1998, filed 07/01/1998, recorded in Volume 98127, Page 358, Deed Records, Dallas County, Texas.

3. Terms, conditions and stipulations of that certain Utility and Retaining Wall Easement Agreement by and between IHS Doctors and Lake White Rock Limited Partnership, dated 11/18/1998, filed 12/11/1998, recorded in Volume 98241, Page 1293, Deed Records, Dallas County, Texas.

(Estates Healthcare Center)

1. Encroachment of payment and fencing along the west property line as shown on ALTA/ACSM Land Title Survey prepared by Charles F. Stark, RPLS No. 5084, dated November 30, 1998, last revised January 4, 1999.

2. Location of sign into the right-of-way of Sycamore Road along the north property line as shown on ALTA/ACSM Land Title Survey prepared by Charles F. Stark, RPLS No. 5084, dated November 30, 1998, last revised January 4, 1999.

3. Public open space easement in the northeast corner as shown on the plat recorded in volume 388-101, Page 22, Map of records of Tarrant County, Texas.

4. Easement along the south and west sides of property as shown on the plat recorded in volume 388-101, Page 22, Map of records of Tarrant County, Texas.

5. Easement granted by American Care Center, Inc. to Texas Electric Service company, dated January 1, 1977, filed April 21, 1977, recorded in Volume 6218 Page 234, Deed Records of Tarrant County, Texas.

(Katy)

- (1) The following restrictive covenants of record itemized below, but the Company insures that any such restrictive covenants have not been violated so as to affect, and that future violation thereof will not affect, the validity or priority of the mortgage hereby insured (insert specific recording date or delete this exception):

Restrictive Covenants as set out in Volume 336, Page 107 of the Map Records of Harris County, Texas. (As to Tract 1)
- (2) An easement 8 feet wide along the northerly property line, and an aerial easement 5 feet wide from a plane 20 feet above the ground upward, located adjacent thereto for the use of public utilities as reflected by plat recorded in Volume 304, Page 27 of the Map Record of Harris County, Texas. (As to Tracts 1 and 2)
- (3) An easement 40 feet wide along the west property line granted to Missouri-Kansas-Texas Railroad Company by instrument recorded under Clerk's File No. E520271 of the Real Property Records of Harris County, Texas. (As to Tract 1)
- (4) Provisions of Agreement recorded under clerk's File No. E538369 of the Real Property Records of Harris County, Texas, relating to use of above described railroad easement. (As to Tract 1)
- (5) Sanitary sewer easement 8 feet wide along the northerly property line as evidenced by instrument recorded under Clerk's File No. G636760 of the Real Property Records, and as shown on the recorded plat. (As to Tracts 1 and 2)
- (6) Easements 10 and 5 feet in width, together with adjoining aerial easements 10 feet wide from a plane 16 feet above the ground upward located adjacent thereto, as granted to Houston Lighting & Power Company by instrument recorded under Clerk's File No. K123137 of the Real Property Records of Harris County, Texas, and located as shown on sketch attached thereto. (As to Tract 1)
- (7) A water meter easement 10 feet by 20 feet located in the northerly portion as reflected by the recorded plat. (As to Tract 1)
- (8) ½ of all the oil, gas and other minerals, the royalties, bonuses, rentals and all other rights in connection with same are excepted herefrom as the same are set forth in instrument recorded under Clerk's File No. D726377 of the Real Property Records of Harris County, Texas. Leasing rights waived therein. (As to Tracts 1 and 2)
- (9) Building line 10 feet from Tull Road as reflected by the recorded plat. (As to Tract 1)

(Humble)

- (1) Easement 5 feet in width, together with adjoining aerial easement 10 feet wide from a plane 16 feet above the ground upward located adjacent thereto, as granted to Houston Lighting & Power Company by instrument recorded under Clerk's File No. J713687 of the Real Property Records of Harris County, Texas, and located as shown on sketch attached thereto.
- (2) Easement 6 feet in width, together with adjoining aerial easements 2 feet 6 inches wide from a plane 14 feet above the ground upward located adjacent thereto, as granted to Houston Lighting & Power Company by instrument recorded under Clerk's File No. R782989 of the Real Property Records of Harris County, Texas, and located as shown on sketch attached thereto.
- (3) ½ of all the oil, gas and other minerals, the royalties, bonuses, rentals and all other rights in connection with same are expected herefrom as the same are set forth in instrument recorded in Volume 5448, Page 421 of the Deed Records of Harris County, Texas. Leasing rights waived therein.
- (4) Subject to the restrictions and regulations imposed by Ordinances of the City of Houston, recorded in Volume 5448, Page 421 of the Deed Records of Harris County, Texas, as amended under Clerk's File No. J-040968 of the Real Property Records of Harris County, Texas, regarding the Houston Intercontinental Airport.

(Normandy Terrace Southeast)

- (1) Restrictive covenants described in instrument recorded in Volume 1259, Page 505, Deed Records of Bexar County, Texas, as noted on survey. (As to Lots 40, 41, 42 and 59, NCB 10755) Any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c), is deleted.
- (2) The following easements and/or building lines, all according to the plats recorded in Volume 4080, Page 220, Volume 5140, Page 208, Volume 5940, Page 67, Volume 6600, Page 52, and Volume 6700, Page 161, Deed and Plat Records, Bexar County, Texas, as shown on survey.
- (3) Encroachment of improvements over the 30' setback line along Rice Road (as to Tract A).
- (4) Location of the fence along the North and South property lines of Tract B.

(Heritage Oaks)

- (1) Right of Way Easement from Milton Bryan to North Runnels Water Supply Corp., dated 08/26/76 recorded in Volume 458, Page 146, Deed Records of Runnels County, Texas, as noted on survey.
- (2) Fifteen Foot (15') Electrical Utility Easement and Right-of-Way executed by Dorothea Spencer to West Texas Utilities Company dated 10/12/92, recorded in Volume 77, Page 292, Real Property Records of Runnels County, Texas, as shown on survey.

EXHIBIT D

7.3B

Texas Environmental Matters.

7.3B.1 Prohibition Against Use of Hazardous Substances. Lessee shall not permit, conduct or allow the generation, introduction, presence, maintenance, use, receipt, acceptance, treatment, manufacture, production, installation, management, storage, disposal or release of any Hazardous Substance on the Leased Properties, except for (i) those types and quantities of Hazardous Substances necessary for and ordinarily associated with the conduct of Lessee's business and used in full compliance with all Environmental Laws and (ii) Pre-Existing Hazardous Substances.

7.3B.2 Notice of Environmental Claims, Actions or Contaminations. Lessee shall notify Lessor, in writing, immediately upon learning of any existing, pending or threatened: (i) investigation, inquiry, claim or action by any governmental authority in connection with any Environmental Laws, (ii) Third Party Claims, (iii) Regulatory Actions, and/or (iv) Contamination of any portion of the Leased Properties.

7.3B.3 Costs of Remedial Actions with Respect to Environmental Matters. If any investigation and/or Clean Up of any Hazardous Substance or other environmental condition on, under, about or with respect to a Leased Property is required by any Environmental Law (other than Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions), Lessee shall complete, at its own expense, such investigation and/or Clean Up or cause any other Person who may be legally responsible to complete such investigation and/or Clean Up.

7.3B.4 Delivery of Environmental Documents. Lessee shall deliver to Lessor complete copies of any and all Environmental Documents that may now be in, or at any time hereafter come into, the possession of Lessee.

7.3B.5 Environmental Audit. Upon the reasonable request of Lessor, but no more than three (3) times during (i) the Initial Term or (ii) a Renewal Term, unless a prior audit or Lessor's or Lessee's records indicate the presence (whether current or past) of a Release or threatened Release of any Hazardous Substances on, in, under, about and adjacent to any Leased Property in which case Lessor may request more than three such Environmental Audits during a given period, Lessee shall, at Lessee's expense, upon and within thirty (30) days of a written request therefor from Lessor, deliver an Environmental Audit to Lessor. Lessee shall not be responsible for any costs or expenses of an audit requested by Lessor solely in connection with a sale or financing of such Leased Property by Lessor. All tests and samplings shall be conducted using generally accepted and scientifically valid technology and methodologies. Lessee shall give the engineer or environmental consultant conducting the Environmental Audit reasonable and complete access to the Leased Properties and to all records in the possession of Lessee that may indicate the presence (whether current or past) of a Release or threatened Release of any Hazardous Substances on, in, under, about and adjacent to any Leased Property. Lessee also shall provide the engineer or environmental consultant full access to and the opportunity to interview such persons as may be employed in connection with the Leased Properties as the engineer or consultant deems appropriate. However, neither Lessor nor any Facility Mortgagee shall be entitled to request an Environmental Audit from Lessee unless (i) after the Commencement Date there have been changes, modifications or additions to Environmental Laws as applied to or affecting any of the Leased Properties; (ii) a significant change in the condition of any of the Leased Properties has occurred; (iii) there are fewer than six (6) months remaining in the Term; or (iv) Lessor or a Facility Mortgagee has another good reason for requesting such certificate or certificates. If the Environmental Audit discloses the presence of Contamination or any noncompliance with Environmental Laws, Lessee shall immediately perform all of Lessee's obligations under this Lease with respect to such Hazardous Substances or noncompliance.

7.3B.6 Entry onto Leased Properties for Environmental Matters. If Lessee fails to provide an Environmental Audit as and when required by Subparagraph (e) above, in addition to Lessor's other remedies Lessee shall permit Lessor and any Facility Mortgagee from time to time, by its employees, agents, contractors or representatives, to enter upon the Leased Properties for the purpose of conducting such Investigations as Lessor may desire, the expense of which shall be paid or reimbursed promptly by Lessee as an Additional Charge. Lessor, any Facility Mortgagee exercising such right of entry and the employees, agents, contractors, consultants and/or representatives thereof, shall conduct any such Investigation in a manner that does not unreasonably interfere with Lessee's use of and operations on the Leased Properties (however, reasonable temporary interference with such use and operations is permissible if the investigation cannot otherwise be reasonably and inexpensively conducted). Other than in an emergency, Lessor and any Facility Mortgagee exercising such right of entry shall provide Lessee with prior notice before entering any of the Leased Properties to conduct such Investigation, and shall provide copies of any reports or results to Lessee, and Lessee shall cooperate fully in such Investigation.

7.3B.7 Environmental Matters Upon Termination of the Lease or Expiration of Term. Upon the expiration or earlier termination of the Term, Lessee shall cause the Leased Properties to be delivered free of any and all Regulatory Actions and Third Party Claims and otherwise in compliance with all Environmental Laws with respect thereto, and in a manner and condition that is reasonably required to ensure that the Leased Properties may then be used for their Primary Intended Use without being restricted by any environmental condition existing as of the date of such expiration or earlier termination of the Term; provided, that Lessee shall not be required to take any of the foregoing actions with respect to Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions.

7.3B.8 Compliance with Environmental Laws. Lessee shall comply with, and cause its agents, servants and employees to comply with, and shall use reasonable efforts to cause each occupant and user of any of the Leased Properties, and the agents, servants and employees of such occupants and users to comply with, each and every Environmental Law applicable to Lessee, the Leased Properties and each such occupant or user with respect to the Leased Properties. Specifically, but without limitation:

(i) Maintenance of Licenses and Permits. Lessee shall obtain and maintain (and Lessee shall use reasonable efforts to cause each tenant, occupant and user to obtain and maintain) all permits, certificates, licenses and other consents and approvals required by any applicable Environmental Law from time to time with respect to Lessee, each and every part of the Leased Properties and/or the conduct of any business at a Facility or related thereto;

(ii) Contamination. Lessee shall not cause, suffer or permit any Contamination (other than with respect to or resulting from Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions);

(iii) Clean Up. If a Contamination occurs (other than to the extent it arise out of Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions), Lessee promptly shall Clean Up and remove any Hazardous Substance or cause the Clean Up and the removal of any Hazardous Substance and in any such case such Clean Up and removal of the Hazardous Substance shall be effected to Lessor's reasonable satisfaction and in any event in strict compliance with applicable Environmental Laws;

(iv) Discharge of Lien. Within twenty (20) days of the date any lien is imposed against the Leased Properties or any part thereof under any Environmental Law (other than a lien to the extent it arises out of Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions), Lessee shall cause such lien to be discharged (by payment, by bond or otherwise to Lessor's absolute satisfaction);

(v) Notification of Lessor. Within three (3) Business Days after receipt by Lessee of Notice or discovery by Lessee of any fact or circumstance that might result in a breach or violation of any Environmental Law, Lessee shall give Lessor Notice of such fact or circumstance; and

(vi) Requests, Orders and Notices. Within three (3) Business Days after receipt of any request, order or other notice relating to the Leased Properties under any Environmental Law, Lessee shall forward a copy thereof to Lessor.

7.3B.9 Environmental Related Remedies. In the event of a breach by Lessee beyond any applicable notice and/or grace period of its covenants with respect to environmental matters, Lessor may, in its sole discretion, do any one or more of the following (the exercise of one right or remedy hereunder not precluding the simultaneous or subsequent exercise of any other right or remedy hereunder):

(i) Cause a Clean Up. Cause the Clean Up of any Hazardous Substance or other environmental condition on or under the Leased Properties, or both (except to the extent such Clean-Up relates to Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions), at Lessee's cost and expense; or

(i i) Payment of Regulatory Damages. Pay on behalf of Lessee any damages, costs, fines or penalties imposed on Lessee or Lessor as a result of any Regulatory Actions; or

(iii) Payments to Discharge Liens. Subject to Section 12.1, on behalf of Lessee, make any payment or perform any other act or cause any act to be performed that will prevent a lien in favor of any federal, state or local governmental authority from attaching to the Leased Properties or that will cause the discharge of any lien then attached to the Leased Properties; or

(iv) Payment of Third Party Damages. Pay, on behalf of Lessee, any damages, cost, fines or penalties imposed on Lessee as a result of any Third Party Claims; or

(v) Demand of Payment. Demand that Lessee make immediate payment of all of the costs of such Clean Up and/or exercise of the remedies set forth in this Section 7.2 incurred by Lessor and not paid by Lessee as of the date of such demand.

7.3B.10 Environmental Indemnification. Lessee shall and does hereby indemnify, and shall defend and hold harmless, Lessor, each Facility Mortgagee and the principals, officers, directors, agents and employees of Lessor and each Facility Mortgagee, from each and every incurred and potential claim, cause of action, damage, demand, obligation, fine, laboratory fee, liability, loss, penalty, imposition settlement, levy, lien removal, litigation, judgment, proceeding, disbursement, expense and/or cost (including without limitation the cost of each and every Clean Up), however defined and of whatever kind or nature, known or unknown, foreseeable or unforeseeable, contingent, incidental, consequential or otherwise (including, but not limited to, attorneys' fees, consultants' fees, experts' fees and related expenses, capital, operating and maintenance costs, incurred in connection with (i) any Investigation or monitoring of site conditions, and (ii) any Clean-Up required or performed by any federal, state or local governmental entity or performed by any other entity or person because of the presence of any Hazardous Substance, Release, threatened Release or any Contamination on, in, under or about any of the Leased Properties) that may be asserted against, imposed on, suffered or incurred by, each and every indemnitee arising out of or in any way related to, or allegedly arising out of or due to any environmental matter (except to the extent it arises out of Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions) including, but not limited to, any one or more of the following:

(i) Release Damage or Liability. The presence of Contamination in, on, at, under or near a Leased Property or migrating to a Leased Property from another location;

(ii) Injuries. All injuries to health or safety (including wrongful death), or to the environment, by reason of environmental matters relating to the condition of or activities past or present on, at, in or under a Leased Property, other than with respect to or resulting from Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions;

(iii) Violations of Law. All violations, and alleged violations, of any Environmental Law relating to a Leased Property or any activity on, in, at or under a Leased Property, other than with respect to or resulting from Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions;

(iv) Misrepresentation. All material misrepresentations relating to environmental matters in any documents or materials furnished by Lessee to Lessor and/or its representatives in connection with the Lease;

(v) Event of Default. Each and every Event of Default relating to environmental matters;

(vi) Lawsuits. Any and all lawsuits brought or threatened, settlements reached and governmental orders relating to any Hazardous Substances at, on, in or under a Leased Property, and all demands of governmental authorities, and all policies and requirements of Lessor's, based upon or in any way related to any Hazardous Substances at, on, in or under a Leased Property, other than with respect to or resulting from Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions; and

(vii) Presence of Liens. All liens imposed upon any of the Leased Properties in favor of any governmental entity or any person as a result of the presence, disposal, release or threat of release of Hazardous Substances at, on, in, from or under a Leased Property, other than with respect to or resulting from Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions.

7.3B.11 Rights Cumulative and Survival. The rights granted Lessor under this Section are in addition to and not in limitation of any other rights or remedies available to Lessor under this Lease or allowed at law or in equity or rights of indemnification provided to Lessor in any agreement pursuant to which Lessor purchased any of the Leased Property. The payment and indemnification obligations set forth in this Section 7.3B shall survive the expiration or earlier termination of the Term.

7.4 Exculpation. Notwithstanding anything to the contrary in this Lease, Lessee shall not be liable for any costs, loss, liability, damage or expense arising from or in connection with the Clean-Up of any Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions. If any Clean-Up is required to be performed by any federal, state or local governmental entity solely because of the presence of any Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions and if the Treemont Facility, the Katy Facility or the Humble Facility will no longer be permitted under applicable law to operate for their Primary Intended Use unless such Clean-Up is performed (a "Required Clean-Up"), then Lessee shall promptly notify Lessor of such Required Clean-Up. If Lessor elects in writing not to perform such Required Clean-Up, then Lessee may elect within thirty (30) days of such determination to terminate this Lease as to such Facility only. If Lessor elects to perform such Required Clean-Up, then Lessor shall promptly undertake and diligently pursue the remediation of the applicable Pre-Existing Hazardous Substances or Pre-Existing Environmental Conditions.

7.5 Asbestos Remediation. If any Clean-Up of any Existing Asbestos Containing Materials is required to be performed by any federal, state or local governmental entity and if the Doctors & Fort Worth Facilities will no longer be permitted under applicable law to operate for their Primary Intended Use unless such Clean-Up is performed (a "Required Asbestos Clean-Up"), then Lessee shall promptly notify Lessor of such Required Asbestos Clean-Up. Within thirty (30) days of the determination that a Required Asbestos Clean-Up must be done, Lessee shall provide Lessor with an estimate of the Asbestos Clean-Up Cost. Lessor shall fund one half of the Asbestos Clean-Up Cost (which funding may be in the form of an agreement to abate Base Rent for a period of time commencing on the date that Lessee commences the Required Asbestos Clean-Up). Lessee shall promptly undertake and diligently perform such Required Asbestos Clean-Up and, upon completion, shall provide Lessor with an accounting of all Asbestos Clean-Up Costs, including adequate evidence of payment by Lessee of such costs. Notwithstanding the foregoing, if such Required Asbestos Clean-Up would not have been required by, or otherwise come to the attention of, any governmental entity, but for the renovations or alterations of the Facility occurring after the Commencement Date or as a result of the actions or omissions of Lessee, a Sublessee, a Manager or other agent of Lessee, including the failure to abide by Asbestos Management Plans, then Lessor shall have no obligation to fund any portion of the Asbestos Clean-Up Costs and Lessee shall be solely responsible for such Required Asbestos Clean-Up. Lessee acknowledges receipt of copies of the Asbestos Management Plans.

SCHEDULE C

Excepted Facilities to Radius Restriction

Alabama	Westside Healthcare	Huntsville, Alabama	Huntsville, Alabama
Windsor House			
Florida	Golfview Nursing Home		St. Petersburg, Florida

SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

This Sixth Amendment to Consolidated Amended and Restated Master Lease (this "Amendment") is executed and delivered as of March 14th, 2008 by and between STERLING ACQUISITION CORP., a Kentucky corporation ("Lessor"), the address of which is 9690 Deereco Road, Suite 100, Timonium, MD 21093, and DIVERSICARE LEASING CORP., a Tennessee corporation, the address of which is 1621 Galleria Boulevard, Brentwood, TN 37027.

RECITALS:

A. Lessee has executed and delivered to Lessor a Consolidated Amended and Restated Master Lease dated as of November 8, 2000, but effective as of October 1, 2000, as amended by a First Amendment to Consolidated Amended and Restated Master Lease dated as of September 30, 2001, a Second Amendment to Consolidated Amended and Restated Master Lease dated as of June 15, 2005 (the "Second Amendment"), a Third Amendment to Consolidated Amended and Restated Master Lease dated as of October 20, 2006 (the "Third Amendment"), a Fourth Amendment to Consolidated Amended and Restated Master Lease dated as of April 1, 2007, and a Fifth Amendment to Consolidated Amended and Restated Master Lease dated as of August 10, 2007 (the "Existing Master Lease") pursuant to which Lessee leased from Lessor certain healthcare facilities.

B. Pursuant to that certain Unimproved Property Contract (the "Paris Purchase Agreement") dated as of September 4, 2007 between Haynes, Haynes and Jones, a general partnership, and Omega Healthcare Investors, Inc., a Maryland corporation ("Omega"), Omega has the right to acquire that certain parcel of unimproved land described on attached Exhibit A and located in Paris, Texas (the "Paris Land").

C. Omega is the parent corporation of Lessor and intends to assign its right to purchase the Paris Land to Lessor.

D. Lessor and Lessee desire to have a skilled nursing facility constructed on the Paris Land (the "Paris Facility") and for Lessee to lease the Paris Facility from Lessor pursuant to the Existing Master Lease.

E. Lessee and Lessor desire to amend the Existing Master Lease to add the Paris Facility to the Existing Master Lease on the terms and conditions of this Amendment.

NOW THEREFORE, the parties agree as follows:

1. Definitions.

(a) Any capitalized term used but not defined in this Amendment will have the meaning assigned to such term in the Master Lease. From and after the date of this Amendment, each reference in the Existing Master Leases or the other Transaction Documents to the "Lease" or "Master Lease" means, as applicable, the Existing Master Lease or Existing Master Leases as modified by this Amendment.

(b) In addition to the other definitions contained herein, when used in this Amendment the following terms shall have the following meanings:

"Acquisition Date" means the date that the Land described in Exhibit A to this Amendment is acquired by Lessor or its Affiliates.

"Actual Funded Amount" means (i) the amount actually expended for the acquisition of the Paris Land by Lessor and the amount actually advanced and disbursed by Lessor for completion of the Paris Facility in accordance with this Amendment, as of a given date, plus (ii) the allocated bed costs set forth in the Construction Budget.

"Closing Date" means the date that Lessor acquires the Paris Facility.

"Construction Budgets" means the detailed budget for the construction of the Paris Facility attached as Schedule 1, which sets forth Lessee's good faith estimate of the Project Costs on an itemized basis and designates each item by amount, whether such item constitutes an item of Hard Costs or Soft Costs and the amount of proceeds, if any, of the Maximum Funded Amount allocable to each item of Hard Costs and Soft Costs.

"Developer's Fees" means the fees and commissions, including Developer's Overhead, payable to Lessee or any Affiliate of Lessee for services rendered in connection with the development, construction management or leasing of the Paris Facility, as set forth on the Construction Budget.

"Developer's Overhead" means costs incurred by Lessee and set forth on the Construction Budget for developer's overhead and profit.

"Event of Force Majeure" is any event or condition of Force Majeure, not existing as of the Closing Date, not reasonably foreseeable as of such date and not reasonably within the control of Lessee, that prevents in whole or in material part the performance by Lessee of its obligations under this Amendment or that renders the performance of such obligations so difficult as to make such performance commercially unreasonable.

"Funded Amount" means (i) the amount actually expended for the acquisition of the Paris Land and completion of the Paris Facility as of a given date, plus (ii) the allocated bed costs set forth in the Construction Budget.

"Hard Costs" means costs paid to renovate and complete the Paris Facility, including without limitation, demolition costs, site preparation costs, contractor's fees, and costs of labor and material paid or necessarily incurred by Lessee in connection with the construction of the Paris Facility, but excluding Developer's Fees, Developer's Overhead and Contractor's Overhead, and the contingency reserve, if any, set forth on the Construction Budget.

"Initial Paris Base Rent" means an annual amount equal to (i) the Actual Funded Amount as of the first day of the applicable month during the applicable Lease Year *multiplied by* (ii) ten and one quarter percent (10.25%).

"In Service Date" shall be the date of completion of construction and licensing of the Paris Facility for its intended use as a skilled nursing facility.

“Joinder Agreement” means the Joinder Agreement and Amendment to Texas Collateral Documents from the Paris Sublessee, the Texas Sublessees, and Lessor dated as of the date of this Amendment.

“Maximum Funded Amount” means Seven Million Dollars (\$7,000,000).

“Plans and Specifications” means the written plans and specification for the construction of the Paris Facility submitted by Lessee and approved by Lessor, as such plans and specifications may be amended as set forth in this Amendment.

“Paris Base Rent Commencement Date” shall be the earlier of (i) the 15th day of the calendar month following the In Service Date or (ii) August 15, 2009.

“Paris Base Rent” shall be:

(a) During the first Renewal Term, the Paris Base Rent shall be:

(1) Prior to the Paris Base Rent Commencement Date, no Paris Base Rent shall be due and owing;

(2) During the twelve month period commencing on the Paris Base Rent Commencement Date, the Initial Paris Base Rent;

(3) Subject to sub-sections (a)(4) of this defined term, during each subsequent twelve month period commencing on the anniversary of the Paris Base Rent Commencement Date (the “Adjustment Date”), until the end of the Term (including any Renewal Terms), the Paris Base Rent for the previous Lease Year, increased by the product of (i) the Paris Base Rent during the immediately preceding Lease Year and (ii) the lesser of one (1) times the increase, if any, in the CPI (expressed as a percentage) from the Paris Base Rent Commencement Date to the applicable Adjustment Date and two and one-half percent (2.5%).

Under no circumstances will the Paris Base Rent in any twelve month period be less than the Paris Base Rent during the preceding twelve month.

(4) If, after the Paris Rent Reset Date, the Paris Formula Rent is greater than the Paris Scheduled Rent, then

(A) for the twelve month period after the Paris Rent Reset Date, the Paris Base Rent shall be equal to the Paris Formula Rent; and

(B) during each subsequent twelve month period commencing on the anniversary of the Paris Rent Reset Date (the “Adjustment Date”), until the end of the Term (including any Renewal Terms), Paris Base Rent for the previous Lease Year, increased by the product of (i) the Paris Base Rent during the immediately preceding Lease Year and (ii) the lesser of one (1) times the increase, if any, in the CPI (expressed as a percentage) from the Paris Rent Reset Date to the applicable Adjustment Date and two and one-half percent (2.5%).

Under no circumstances will the Paris Base Rent in any Lease Year be less than the Paris Base Rent during the preceding Lease Year.

Under no circumstances will the Paris Base Rent in any Lease Year during the Renewal Term be less than the Paris Base Rent during the preceding Lease Year.

Paris Cash Flow: For any period, the sum of (a) Net Income of Lessee arising solely from the operation of the Paris Facility for the applicable period, and (b) the amounts deducted in computing Lessee’s Net Income for the period for (i) the provision for self-insured, professional and general liability, (ii) depreciation, (iii) amortization, (iv) Paris Base Rent, (v) interest (including payments in the nature of interest under Capitalized Leases and interest on any Purchase Money Financing for personal property used in connection with the Paris Facility), (vi) income taxes (or, if greater, income tax actually paid during the period attributable to the Paris Facility), and (vii) management fees payable in connection with the Paris Facility, and less (c) an imputed management fee equal to six percent (6%) of Gross Revenues for the Paris Facility, and less (d) the Cash Cost of Self-Insured Professional and General Liability attributable to the Paris Facility. The Cash Cost of Self-Insured Professional and General Liability shall mean: For any period, the average total per bed cash expenditure associated with professional and general liability related settlements, judgments, legal fees or administration for skilled nursing facilities in the State of Texas as from time to time estimated and published by Aon Risk Consultants, or its successors, for the American Health Care Association, multiplied by the average number of occupied beds in the Paris Facility.

“Paris Formula Rent” means the sum of:

(a) the Paris Scheduled Rent; plus

(b) one half of (i) the average annual Paris Cash Flow for the twenty four month period ending prior to the Paris Rent Reset Date, less (ii) the Paris Scheduled Rent *multiplied by 1.2*.

“Paris Rent Reset Date” means the first day of the sixth full Lease Year after the Paris Base Rent Commencement Date.

“Paris Scheduled Rent” means the Paris Base Rent as of the Paris Rent Reset Date as calculated pursuant to subsection (a)(3) of the definition of Paris Base Rent.

“Paris Sublessee” means Diversicare Paris, LLC, a Delaware limited liability company.

“Project Costs” means all Hard Costs, Soft Costs, Developer’s Fees, Contractor’s Overhead and other costs and fees associated with the construction of the Construction Facilities.

“Soft Costs” means premiums for title, casualty and other insurance required by Lessor under the Paris Purchase Agreement or this Lease; the cost

of recording and filing the closing documents under the Paris Purchase Agreement and any tax levied upon such filing; real estate taxes and other assessments that Lessee is obligated to pay; fees and disbursements of the Lessor's attorneys, architects and engineers, appraisers, environmental engineers and surveyors; architectural design and monitoring fees; permit fees; all fees and expenses payable under that certain Development Agreement dated as of October 31, 2007 between OHI Asset (TX) Paris, LLC, a Delaware limited liability company, and LMG Development, LLC, a Texas limited liability company; allocated best costs as set forth in the Construction Budget; and interest (including any reserve for interest set forth on the Construction Budgets), fees and miscellaneous transaction closing costs and charges payable by Lessee to Lessor as they become due and payable.

"Survey Requirements" means the survey requirements set forth in Exhibit B to this Amendment.

"Target Completion Date" means July 1, 2009.

"Title Company" means a title company selected by Lessor and reasonably acceptable to Lessee.

(c) The following definitions defined in §2.1 of the Existing Master Lease and §1 of the Fifth Amendment are hereby amended in their entirety as follows:

(1) §2.1 of the Existing Master Lease:

Base Rent: means the sum of (i) the Non-Texas Base Rent, (ii) the Texas Base Rent, and (iii) subject to Section 1(c) of this Amendment, the Paris Base Rent.

Commencement Date: October 1, 2000 for the Non-Texas Facilities (other than the Paris Facility), August 11, 2007 for the Texas Facilities, and the Closing Date for the Paris Facility.

Expiration Date: means the First Renewal Term Expiration Date, the Second Renewal Term Expiration Date, the First Texas Renewal Term Expiration Date, or the Second Texas Renewal Term Expiration Date, as applicable.

Facilit(y)(ies): Each health care facility on the Land, including the Leased Property associated with such Facility, and together, all such facilities on the Leased Properties; all of which Facilities are collectively listed on Exhibit C to this Amendment.

Land: The real property described in listed on attached Exhibit A to the Existing Master Lease, Exhibit A to the Fifth Amendment and Exhibit A to this Amendment.

Lease Year: October 1, 2000 through September 30, 2001, and each twelve month period thereafter, except that for purposes of determining the Texas Base Rent and the Paris Base Rent, "Lease Year" shall mean (i) with respect to the Texas Base Rent, the twelve month period commencing on February 1 and ending January 31, and each twelve month period thereafter, and (ii) with respect to the Paris Base Rent, the twelve month period commencing on the Paris Base Rent Commencement Date, and each twelve month period thereafter commencing on the anniversary of the Paris Base Rent Commencement Date.

Leased Property: The portion of the Land on which a Facility is located, the legal description of which is set forth beneath the Facility's name on Exhibits A-1 through A-28 to the Existing Master Lease, Exhibit A-1 through A-7 to the Fifth Amendment, and Exhibit A to this Amendment, the Leased Improvements on such portion of the Land, the Related Rights with respect to such portion of the land, and Lessor's Personal Property with respect to such Facility.

Permitted Encumbrances: Encumbrances listed on attached Exhibit B to the Existing Master Lease, Exhibit C to the Fifth Amendment, and Exhibit D to this Amendment.

(2) §1 of the Fifth Amendment:

Pre-Existing Hazardous Substances: means Hazardous Substances located on, under, about or with respect to the Treemont Facility prior to February 1, 2003, or the Katy Facility prior to July 1, 2003, or the Humble Facility prior to July 1, 2003, or the Paris Facility prior to the Acquisition Date for the Paris Facility.

Pre-Existing Environmental Conditions: means any Contamination or other environmental condition on, under, about or with respect to the Treemont Facility prior to February 1, 2003, or the Katy Facility prior to July 1, 2003, or the Humble Facility prior to July 1, 2003, or the Paris Facility prior to the Acquisition Date for the Paris Facility.

Texas Facilities: means, except as otherwise expressly provided herein with respect to the Paris Facility, the Facilities located on the real property described in Exhibits A-1 through A-7 to the Fifth Amendment and Exhibit A to this Amendment.

Texas Pledge Agreements: means the Pledge Agreements dated as of the same date as the Fifth Amendment, as amended by the Joinder Agreement, from the equity owners of the Texas Sublessees in favor of Lessor.

Texas Sublessees: means (i) the Master Texas Sublessee, (ii) Diversicare Ballinger, LLC, Diversicare Doctors, LLC, Diversicare Estates, LLC, Diversicare Humble, LLC, Diversicare Katy, LLC, Diversicare Normandy Terrace, LLC, and Diversicare Treemont, LLC, each a Delaware limited liability company, and (iii) the Paris Sublessee.

Texas Sublessees Guaranty: means the Guaranty dated as of the same date as the Fifth Amendment, as joined in by Paris Sublessee pursuant to the Joinder Agreement, in favor of Lessor.

Texas Sublessee Security Agreement: means the Security Agreement dated as of the same date as the Fifth Amendment, as joined in by Paris Sublessee pursuant to the Joinder Agreement, in favor of Lessor.

(d) For purposes of the adjustments to Texas Base Rent provided for in subparagraphs (3) and (4) of the definition of Texas Base Rent set forth in Section 1 of the Fifth Amendment, the "change" or "increase" in CPI referred to therein shall be deemed to mean the "change" or increase" in CPI from the

Commencement Date to the commencement of the twelve month period (being February 1 through January 31) for which the adjustment in Texas Base Rent, if any, is to be made.

2. Paris Base Rent; Rent Reset; Termination Option; a "Texas Facility"; Delay.

(a) Paris Base Rent Commencement Date. Commencing as of the Paris Base Rent Commencement Date, Lessee shall pay the Paris Base Rent pursuant to the terms and conditions of Article III of the Master Lease. Notwithstanding anything in this Amendment to the contrary, Lessor shall have no obligation to make further advances of the Funded Amount on or after the Paris Base Rent Commencement Date.

(b) Paris Base Rent Reset. As soon as reasonably possible after the fifth anniversary of the Paris Base Rent Commencement Date, Lessor and Lessee shall calculate the Paris Formula Rent. If the Paris Formula Rent is greater than the Paris Scheduled Rent, then the Paris Base Rent shall be reset to the Paris Formula Rent effective as of the Paris Rent Reset Date.

(c) Paris Termination Option. Pursuant to written notice delivered to Lessor not more than thirty (30) days prior to, nor later than, the fifth anniversary of the Paris Base Rent Commencement Date ("Paris Termination Notice"), Lessee may elect to terminate the Master Lease as to the Paris Facility only. After delivery of the Paris Termination Notice, this Lease shall be terminated as to the Paris Facility only effective on the earlier of (i) a date set by written notice given by Lessor at least thirty (30) days prior to the effective date, and (ii) the first day of the sixth month after fifth anniversary of the Paris Base Rent Commencement Date (the "Paris Termination Date"). If the Paris Termination Notice is delivered, then Lessee shall have no further obligation to pay Paris Base Rent for periods from and after the Paris Termination Date.

(d) For all purposes under this Lease other than the calculation of Base Rent, the Paris Facility shall constitute a Texas Facility.

(e) In the event that Lessee is unable to obtain completion of the Paris Facility as described in Section 6(a) below by the Target Completion Date due to an Event of Force Majeure or Lessor Delay, then the Target Completion Date and the Paris Base Rent Commencement Date shall each be extended by one (1) day for each one (1) day of delay in the completion of the Paris Facility caused by such Event of Force Majeure or Lessor Delay. For purposes of this Amendment, the term "Lessor Delay" shall mean any delay in achieving completion of the Paris Facility as described in Section 6(a) below arising solely and directly as a result of:

(i) Lessor's failure to furnish any information or documents in accordance with this Amendment and the continuation of such failure after the receipt of written notice from Lessee to Lessor, to the extent such failure causes a delay in completion;

(ii) Lessor's failure or delay in giving approval or consent (or comments or corrections) where Lessor's approval or consent (or comments or corrections), as applicable, is required herein and has been requested in writing by Lessee, to the extent such failure or delay causes a delay in completion; and

(iii) Lessor's failure to perform or comply with its obligations under this Amendment and the continuation of such failure after the receipt of written notice from Lessee to Lessor, to the extent such failure causes a delay.

3. Accrual of Financing Costs. During the period from the Closing Date until the Base Rent Commencement Date, financing costs on the Actual Funded Amount shall accrue monthly at the rate of ten and one-quarter percent (10.25%) per annum. In the month such financing costs accrues, such financing costs shall be deemed to have been advanced as part of the Actual Funded Amount for all purposes under this Amendment.

4. Sublease; Management. Lessee may sublease the Paris Facility to the Master Texas Sublessee and the Master Texas Sublessee may sublease the Facility to the Paris Sublessee. The Paris Sublessee shall guaranty this Lease and provide the same collateral to secure this Lease as are provided by all other Sublessees under this Lease. The form of sublease between Lessee and the Paris Sublessee (the "Paris Sublease") shall be subject to Lessor's reasonable approval. All equity owners of the Paris Sublessee shall (i) pledge their interests in the Sublessee to secure the Lease and the other Transaction Documents, and (ii) subordinate any management, consulting or other agreements between the Paris Sublessee and such equity owners (or any of their affiliates) to the Paris Sublease, this Lease and the other Transaction Documents. Pursuant to Section 8.4 of the Existing Master Lease, Lessor hereby consents to the management of the Paris Facility by Diversicare Management Services Co., an Affiliate of Lessee, under its current form of Management Agreement with the Lessee or Sublessee, as the case may be, of the other Facilities covered by the Existing Master Lease.

5. Regulatory Approvals. Lessee will be required to, or to cause Paris Sublessee to, apply for, and to diligently pursue at its own expense, all licenses and regulatory approvals to operate the Paris Facility as a skilled nursing facility (the "Licenses"). Lessee represents and warrants that it knows of no facts or circumstances that would make it unlikely that the Licenses will be issued. Lessor covenants and agrees that it will cooperate in good faith with Lessee and use commercially reasonable efforts, where necessary or required from Lessor as owner of the Paris Land, to enable and assist Lessee to obtain the Licenses.

6. Construction of the Paris Facility.

(a) Commencement and Completion of Construction. Lessee shall commence substantial on-site construction of the Paris Facility within sixty (60) days of the Closing Date and, subject to a temporary suspension of performance pursuant to Section 16 below, or Lessor Delay, will continue diligently to complete the Paris Facility on or before the Target Completion Date (or as soon thereafter as reasonably possible) and will supply such moneys and perform such duties as may be necessary in connection therewith. The Paris Facility will be complete for purposes of this Section only at such time as (i) all improvements to the Paris Facility called for in the Plans and Specifications have been installed or completed in a manner satisfactory to Lessor and (ii) the local public authority has issued a final certificate of occupancy for the Paris Facility subject only to such conditions as may be acceptable to Lessor.

(b) Lessor's Architect; Approval of Plans. Lessor may retain the services of architects and engineers, including architects and engineers employed by Lessor (the "Lessor's Architect"), to act as Lessor's agent in reviewing the Plans and Specifications and the progress of construction and in making such certifications and performing such other tasks and duties as Lessor deems appropriate. Lessee will pay all reasonable fees, costs and expenses of the Lessor's Architect within ten (10) days after demand by Lessor, accompanied by a reasonably detailed invoice or statement of the amount due from Lessor's Architect. Lessee, at Lessee's option, may utilize and retain the services of Lessor's Architect or may retain the services of its own architects and engineers (the "Lessee's Architect") to develop and prepare the Plans and Specifications for construction of the Paris Facility. Whether Lessee utilizes Lessor's Architect or Lessee's Architect as the "Project Architect" to develop and prepare the Plans and Specifications, Lessee shall be responsible for payment of the fees, costs and expenses of the Project Architect in developing and preparing the Plans and Specifications. Lessor and Lessee shall cooperate with each other in developing the Plans and Specifications. Lessee shall cause the Project Architect to deliver to Lessor the Plans and Specifications for review and approval by Lessor. The Plans and Specifications shall be subject to Lessor's approval within ten (10) Business Days of receipt by Lessor of a complete set of the Plans and Specifications. Lessor's approval shall not be unreasonably withheld, delayed or conditioned. If Lessor does not approve the same, Lessor shall advise Lessee in

writing specifically of the changes required in the Plans and Specifications so that they will meet with Lessor's approval. If Lessor provides Lessee comments as to the Plans and Specifications, Lessee shall provide revised Plans and Specifications to Lessor within ten (10) Business Days and Lessor shall review such revised Plans and Specifications and within ten (10) Business Days of receipt give its approval or provide the changes required for approval to be given. This process shall continue in accordance with these time frames until such time as Lessor and Lessee have finally approved the Plans and Specifications. The review by Lessor of the Plans and Specifications is for Lessor's benefit only, and Lessor's approval of any such Plans and Specifications shall impose no liability on Lessor, express or implied, including without limitation any representation or warranty that such Plans and Specifications are complete or accurate, or that such Plans and Specifications comply with zoning or other land use laws, local building department requirements, or any applicable public or private covenants, conditions or restrictions, and shall not in any way relieve Lessee of its obligation to perform its work in accordance with this Amendment and all applicable laws and requirements.

(c) Plans and Specifications. Lessee will deliver to Lessor accurate and complete copies of the approved Plans and Specifications and all other contract documents requested by Lessor, including all modifications thereof. Lessee represents and warrants that the Plans and Specifications and construction of the Paris Facility pursuant to thereto comply and will comply with all applicable governmental laws and regulations and requirements, zoning and subdivision ordinances, and standards and regulations of all governmental bodies exercising jurisdiction over the Paris Facility, including health care licensing. Lessee agrees to provide to Lessor a certification of the Project Architect to such effect as well as the approvals of any governmental body or agency exercising jurisdiction of the Paris Facility. Except as provided below, Lessee will not make, or cause or permit to be made, any change to the Plans and Specifications unless a request for the change has been submitted in writing to Lessor and approved in writing by the construction manager or general contractor, as the case may be, any tenants whose approval is required, Lessor and such other parties as Lessor may require. Lessor's approval may be subject to such terms and conditions as Lessor reasonably may prescribe. Under no circumstances will any failure by Lessor to respond to a request for approval of a change in the Plans and Specifications be deemed to constitute approval of the request. Lessee will deliver promptly to Lessor copies of all bulletins, addenda, change orders and modifications to the Plans and Specifications. Lessor has the right at all times to require strict compliance with the original Plans and Specifications, but Lessee may effect changes in the Plans and Specifications from time to time, without first obtaining Lessor's approval, if (i) the changes do not impair the structural integrity, design concept or architectural appearance of the Paris Facility or change the useable area of the Paris Facility in any way, (ii) the changes will not result in a default in any other obligation to any other party or authority and (iii) the changes will not result in a net increase or decrease in the total Project Costs of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00) or more in the aggregate for all changes. Notwithstanding the foregoing, to the extent that the cost to complete the Paris Facility exceeds the Maximum Funded Amount (whether or not as a result of any such changes in the Plans and Specifications), Lessee will be responsible for payment of the excess.

(d) Character of Construction. All construction will be in accordance with the Plans and Specifications, of sound materials, in good and workmanlike manner, free and clear of all liens, claims and encumbrances (other than the liens and security interests securing the obligations of the Lessee under this Lease), and in compliance with all laws, ordinances, regulations and restrictions affecting the Paris Facility and all requirements of all governmental authorities having jurisdiction over the Paris Facility and of the appropriate board of fire underwriters or other similar body, if any, and any applicable health care authority related to the Licenses. Lessee will furnish Lessor with evidence of such compliance as Lessor requires from time to time.

(e) Construction Contract and Architectural/Engineering Agreement.

(i) The identity of the construction manager(s) or general contractor(s), as the case may be, and the Project Architect, and the contracts under which each is retained in connection with the Paris Facility must be approved by Lessor in writing prior to the commencement of construction, which approval shall not be unreasonably withheld. Any change to the construction manager(s) or general contractor(s), as the case may be, and the Project Architect in connection with the Paris Facility must be approved by Lessor in writing. Lessee will execute the construction management agreement or general contract(s) between Lessee and the construction manager or general contractor(s) covering all work to be done in connection with the Paris Facility. Upon request of Lessor, Lessee will promptly furnish to Lessor executed copies of the construction management, general contracts, and all subcontracts between the construction manager or general contractor(s) and all of their subcontractors and suppliers. Upon request of Lessor, Lessee will promptly furnish to Lessor any amendments or modifications (including change orders) to any of the foregoing. Lessee will not modify or amend or permit to be modified or amended (including by way of change order) any construction management agreement, construction contract or construction subcontract without Lessor's prior written approval; provided, however, that Lessor's prior approval need not be obtained with respect to any change order that results from a change in the Plans and Specifications with respect to which Lessor's consent is not required pursuant to Section 1(g) above. Upon request of Lessor, Lessee will also furnish to Lessor an executed copy of the architectural and/or engineering agreement between Lessee and the Project Architect with respect to the Paris Facility.

(ii) Lessee will perform its obligations under the contracts described in subparagraph (i) above, and will use reasonable best efforts to cause each other party to such contracts to perform its obligations under such contracts.

(iii) Lessee will enforce or cause to be enforced the prompt performance of the contracts described in subparagraph (i) above and will allow Lessor to take advantage of all rights and benefits of such contracts. In addition, effective upon the expiration or termination of this Lease as to the Paris Facility, Lessee hereby assigns to Lessor all warranties given to Lessee under the contracts described in subparagraph (i) above. Lessee shall deliver such further documents and agreements as may be reasonably requested by Lessor in connection with the assignment of warranties provided for in this Section.

(f) Records and Reports. Lessee will keep accurate and complete books and records relating to the construction of the Paris Facility, and Lessor will have access thereto during usual business hours upon 24 hours advance notice. Lessee will furnish or cause to be furnished to Lessor from time to time, promptly upon request, (i) copies and lists of all paid and unpaid bills for labor and materials with respect to the Paris Facility, (ii) Construction Budgets and revisions thereof showing the estimated cost of the Paris Facility and the source of the funds required at any given time to complete and pay for the same, (iii) receipted bills or other evidence of payment with respect to the cost of the Paris Facility, and (iv) such reports as to other matters relating to the Paris Facility as Lessor may request. This paragraph will supplement any similar provision in this Lease.

(g) Access. Notwithstanding anything to the contrary contained in this Lease, Lessee will, and will cause the Paris Sublessee to, permit Lessor's representatives to have access to the Paris Facility at all reasonable times and to conduct such investigations and inspections thereof as Lessor shall determine necessary, including without limitation in connection with inspecting the Paris Facility and all work done, labor performed and materials furnished in connection with the construction thereof. Lessee will, and will cause the Paris Sublessee to, cooperate and cause the construction manager or general contractor, as the case may be, to cooperate with Lessor and its representatives and agents during such inspections. Notwithstanding the foregoing, Lessee will, and will cause the Paris Sublessee to, be responsible for making inspections as to the Paris Facility during the course of construction and will determine to their own satisfaction that the work done or materials supplied by the contractors and subcontractors has been properly supplied or done in accordance with applicable contracts. All inspections that may be performed by Lessor and its agents will be exclusively for the benefit of Lessor and will impose no obligation whatever upon Lessor for the benefit of any person. Lessee will, and will cause the Paris Sublessee to, hold Lessor harmless from, and Lessor will have no liability or obligation of any kind to Lessee, the Paris Sublessee or creditors of any of them in connection with, any defective, improper or inadequate workmanship or materials brought in or related to the Paris Facility, or any construction lien arising as a result of such workmanship or materials. No inspection by Lessor will create any obligation on Lessor or relieve

Lessee or the Paris Sublessee of any obligation.

(h) Damage by Fire or Other Casualty. If the Paris Facility is partially or totally damaged or destroyed by fire or other casualty or taken under the power of eminent domain, proceeds of such event will be applied as provided in this Lease.

(i) Payment of Costs. Lessee will pay when due all obligations incurred by Lessee, or the Paris Sublessee for the Paris Facility, including any cost for restoration.

7. Disbursements of Funded Amount. Upon satisfaction of the conditions set forth in subparagraphs (a) and (b) below, Lessor will disburse from time to time (but no more frequently than once per month) to Lessee advances of the Funded Amount, subject to the limitations set forth in Section 7 below.

(a) Lessor has received:

(i) a request for disbursement, in the form of AIA 706 (the "Request"), executed by an executive officer of Lessee and setting forth, among other things, the portion of the Funded Amount that Lessee then is requesting be disbursed, the amount that Lessee in good faith believes to be the cost to complete construction (after disbursement of the portion of the Funded Amount then being requested), a detailed breakdown of the costs and expenses incurred in the construction of the Paris Facility to the date of Request, a detailed cost breakdown of the percentage of completion of the construction of the Paris Facility (including both Hard Costs and Soft Costs) to the date of the Request, the amounts then due and unpaid with respect to such construction, such other information or documentation as may be required by the Title Company and the date upon which the disbursement is desired, provided that the date of the payment must not be less than seven (7) Business Days after the date upon which the Lessor receives the Request and the other items set forth in clauses (ii) through (vi) below;

(ii) A certification from Lessee that, as of the date of the Request, no Event of Default exists under this Amendment or any of the Transaction Documents, all representations and warranties set forth in this Amendment and all of the other Transaction Documents are accurate and complete, and there are no actions, suits or proceedings pending, or to the knowledge of the person making the certification, threatened or involving (or that could involve) Lessee, the Paris Sublessee or all or any part of the Facilities and that could impair the Facilities or the ability of Lessee and the Paris Sublessee to perform under this Amendment or any of the other Transaction Documents;

(iii) Certificates of the Project Architect, Lessor's Architect (if not the Project Architect) and Lessee, certified to Lessor and Lessee and certifying that (a) the Request is correct and, to the best of its knowledge, all work on the Paris Facility up to the date thereof has been done in substantial compliance with the Plans and Specifications therefor; (b) to the date thereof, there has been no material deviation from the budgeted cost of the Paris Facility or construction progress schedule, except as authorized by Lessee and approved by Lessor; and (c) the undisbursed portion of the Funded Amount will be sufficient to meet all known costs to complete the work covered by the Plans and Specifications, after giving effect to all amounts previously disbursed, plus the amount then requested; and

(iv) Evidence that Lessee have delivered the items described in (i) – (iii) above to Lessor.

(b) Upon the request of Lessor, the Title Company is prepared, without condition, to issue to Lessor a date-down endorsement, dated as of the date of the disbursement, insuring Lessor's title to the Paris Facility subject to no other exceptions than are set forth on the Title Policies delivered to Lessor at closing.

8. Limitation on Disbursements. In no event will Lessor pay amounts in excess of the lesser of: (i) the amounts actually paid in acquiring the Paris Land and for labor, services or materials incorporated into the Paris Facility; and (ii) the Maximum Funded Amount.

9. Sufficiency of Funded Amount. Lessor shall be entitled to not make a disbursement, or to make a disbursement in an amount less than the amount requested, if Lessor is not satisfied in its sole discretion that following the requested disbursement the undisbursed proceeds of the Funded Amount budgeted for the construction of the Paris Facility will be at least equal to the sum of 100% of the estimated Project Costs to complete the Paris Facility in accordance with the Plans and Specifications (including all costs incurred in connection with changes in the Plans and Specifications). If at any time it appears to Lessor that the undisbursed balance of the Funded Amount is less than the amount required by this Section, Lessor may give written notice to Lessee specifying the amount of the deficiency and Lessee immediately will deposit with Lessor the amount of the deficiency, which will be expended first in the same manner as the Funded Amount before any further payment of the Funded Amount will be made by Lessor. Lessor may reasonably determine the cost of construction of the Paris Facility and Lessee will be obligated to pay any sums so determined in excess of the Funded Amount prior to any payment under this Amendment.

10. Payments to Contractor, Subcontractors and Suppliers. In order to induce the Title Company to insure Lessor's title to the Paris Facility without exception for the construction or mechanics' liens, Lessor may make payments either through the Title Company or directly to any contractor, subcontractor or supplier furnishing labor or materials to the Paris Facility.

11. Lessor's Right to Cure. If Lessee fails to perform any of Lessee's undertakings set forth in this Amendment or in any other Transaction Document and fails to cure the same within any grace or cure period applicable thereto, upon such Notice as may be expressly required herein or therein (or, if Lessor reasonably determines that the giving of such Notice would risk loss to the Paris Facility or cause damage to Lessor, upon such Notice as is practical under the circumstances), and without waiving or releasing any obligation of Lessee, Lessor may, but will not be required to, perform the same, and Lessee will reimburse Lessor any amounts expended by Lessor in so doing.

12. Application of Advances. Lessee will apply each payment of Funded Amount against amounts due and payable for construction of the Paris Facility or obligations in connection therewith as set forth in each Request. Nothing contained in this Amendment will impose upon Lessor any obligation to see to the proper application of the advances by Lessee or any other party.

13. Construction or Other Liens. In the event any construction or other lien or encumbrance is filed or attached against the Paris Facility or any part thereof without the prior written consent of Lessor, and the same is not being contested by Lessee in accordance with Article XII of the Existing Master Lease, Lessor may, at its option and without regard to the priority of such construction or other lien or encumbrance, and without regard to any defenses that Lessee may have with respect to the lien or encumbrance, pay the same, and Lessee will reimburse all amounts expended by Lessor for such purpose within ten (10) days of written notice thereof.

14. Conditions to Final Payment. Lessor shall be entitled to withhold the final payment of the Funded Amount unless and until all of the following conditions have been fulfilled to Lessor's satisfaction:

(a) All conditions for all previous disbursements have been, and, as of the date of the final disbursement continue to be, fulfilled.

(b) Lessor have received, at least seven (7) Business Days prior to the final payment, the following items, all of which Lessee agree to obtain and submit to Lessor at Lessee' sole expense:

(i) A final "as built" survey prepared and certified in accordance with the Survey Requirements;

(ii) Certificates of the Project Architect, Lessor's Architect (if not the Project Architect), and Lessee certified to both Lessor and Lessee and certifying that (a) to the best of its knowledge, the Paris Facility are complete in accordance with the Plans and Specifications therefor; (b) to the date thereof, there has been no material deviation from the budgeted cost of the Paris Facility or construction progress schedule, except as authorized by Lessee and approved by Lessor; and (c) the amount of the final payment will be sufficient to meet all known costs to complete the work covered by the Plans and Specifications; and

(iii) A final, unconditional certificate of occupancy for the Paris Facility.

15. Guaranty of Completion. Subject to a temporary suspension of performance pursuant to Section 16 or Lessor Delay, but regardless of whether the cost thereof exceeds the amount of the Maximum Funded Amount, Lessee will diligently and continuously carry out or cause to be carried out the construction of the Paris Facility so as to insure the completion of construction of the Paris Facility, the opening of the Paris Facility and the acquisition of all Licenses for the Paris Facility, all by the applicable Target Completion Date. Regardless of whether the cost thereof exceeds the amount of the Funded Amount, Lessee will be responsible for payment of all costs of completing, opening and licensing the Paris Facility, including the payment of all costs in excess of the Construction Budgets. Promptly following receipt of written notice from Lessor specifying the defect or departure, Lessee will correct any structural defects in the Paris Facility or any departure from the Plans and Specifications not previously approved by Lessor. The approval or absence of disapproval by Lessor of any payment of Funded Amount shall not constitute a waiver of Lessor's right to require compliance with this Section.

16. Force Majeure. Upon the occurrence and during the continuance of an Event of Force Majeure and the giving of written notice thereof to Lessor, Lessee shall be temporarily released without any liability on its part from the performance of its obligations to construct the Paris Facility under this Amendment, except for the obligation to pay any amounts due and owing thereunder, but only to the extent and only for the period that its performance of each such obligation is prevented by the Event of Force Majeure. Such notice shall include a description of the nature of the Event of Force Majeure, and its cause and possible consequences. Lessee shall promptly notify Lessor of the termination of such event. Upon the request of Lessor, Lessee shall provide confirmation of the existence of the circumstances constituting an Event of Force Majeure. Such evidence may consist of a statement of an appropriate governmental department or agency where available, or a statement describing in detail the facts claimed to constitute an Event of Force Majeure. During the period that the performance by Lessee has been suspended by reason of an Event of Force Majeure, Lessor may likewise suspend the performance of all or part of its obligations under this Amendment to the extent that such suspension is commercially reasonable and, notwithstanding anything in this Amendment to the contrary, Lessor shall have no obligation to make disbursements of the Funded Amount.

17. Expenses of Lessor. All costs incurred by Lessor in connection with the acquisition and construction of the Paris Facility and this Amendment, including, but not limited to, Lessor's legal counsel and due diligence costs, title insurance, survey, appraisal, UCC searches and filing fees, environmental and building assessments, consulting fees and brokers' fees, if any, shall be added to the Funded Amount; provided, however, to the extent the Maximum Funded Amount has been funded by Lessor, such costs shall be paid (or reimbursed) to Lessor by Lessee.

18. Amendments to Certain Provisions of Existing Master Lease. Section 8.3 of the Existing Master Lease is hereby amended to add the following new Section 8.3.3 as follows:

8.3.3 Paris Facility Capital Expenditures. Notwithstanding the provisions of Section 8.3.2 and as an exception thereto, Lessee shall not be required to expend any Minimum Qualified Capital Expenditures during the first three (3) Lease Years, following the Paris Base Rent Commencement Date. During such period, the number of licensed beds in the Paris Facility shall be excluded from and not used in the calculations for determining the Minimum Qualified Capital Expenditures under Section 8.3.2. During the fourth Lease Year following the Paris Base Rent Commencement Date, Lessee shall expend with respect to the Paris Facility at least One Hundred Fifty Dollars (\$150.00) per-licensed-bed as Minimum Qualified Capital Expenditures to improve the Paris Facility. During the fifth Lease Year following the Paris Base Rent Commencement Date, Lessee shall expend with respect to the Paris Facility at least Two Hundred Dollars (\$200.00) per-licensed bed as Minimum Qualified Capital Expenditure to improve the Paris Facility. Beginning with the sixth Lease Year following the Paris Base Rent Commencement Date and continuing for the remainder of the Term, Lessee shall expend with respect to the Paris Facility at least the amount of Minimum Qualified Capital Expenditures per-licensed-bed to improve the Paris Facility as may be required from time to time under Section 8.3.2, above.

19. Single, indivisible Lease. The Master Lease constitutes one indivisible lease of the Leased Properties, and not separate leases governed by similar terms. The Leased Properties constitute one economic unit, and the Base Rent and all other provisions have been negotiated and agreed to based on a demise of all of the Leased Properties as a single, composite, inseparable transaction and would have been substantially different had separate leases or a divisible lease been intended. Except as expressly provided herein for specific, isolated purposes (and then only to the extent expressly otherwise stated), all provisions of this Lease apply equally and uniformly to all the Leased Properties as one unit. An Event of Default with respect to any Leased Property is an Event of Default as to all of the Leased Properties. The parties intend that the provisions of this Lease shall at all times be construed, interpreted and applied so as to carry out their mutual objective to create an indivisible lease of all the Leased Properties and, in particular but without limitation, that for purposes of any assumption, rejection or assignment of this Lease under 11 U.S.C. 365, this is one indivisible and non-severable lease and executory contract dealing with one legal and economic unit which must be assumed, rejected or assigned as a whole with respect to all (and only all) the Leased Properties covered hereby.

20. Conditions to Commencement of Construction and Obligations of Lessor and Lessee under this Amendment. Lessee shall not commence construction unless and until the the Acquisition Date has occurred (the "Commencement Conditions"). If the Commencement Conditions have not occurred on or before June 30, 2008, as such date may be extended by mutual agreement of Lessor and Lessee, then either Lessor or Lessee may terminate their obligations under this Amendment by written notice to other and this Amendment shall be of no further force or effect. If the Commencement Conditions have not been satisfied on or before April 15, 2008, then the Target Completion Date and the Rent Commencement Date shall each be extended one day for each day after April 15, 2008 that the Commencement Conditions have not been satisfied.

21. Representations and Warranties of Lessee. Lessee hereby represents and warrants to Lessor that (i) it has the right and power and is duly authorized to enter into this Amendment; and (ii) the execution of this Amendment does not and will not constitute a breach of any provision contained in any agreement or instrument to which Lessee is or may become a party or by which Lessee is or may be bound or affected.

22. Execution and Counterparts. This Amendment may be executed in any number of counterparts, each of which, when so executed and delivered, shall

be deemed to be an original, but when taken together shall constitute one and the same Amendment.

23. Headings. Section headings used in this Amendment are for reference only and shall not affect the construction of the Amendment.

24. Enforceability. Except as expressly and specifically set forth herein, the Existing Master Lease remains unmodified and in full force and effect. In the event of any discrepancy between the Existing Master Lease and this Amendment, the terms and conditions of this Amendment will control and the Existing Master Lease is deemed amended to conform hereto.

[SIGNATURE PAGES AND ACKNOWLEDGEMENTS FOLLOW]

Signature Page to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

LESSOR:

STERLING ACQUISITION CORP.,
a Kentucky corporation

By: /s/ C. Taylor Pickett
Name: C. Taylor Pickett
Title: Chief Executive Officer

STATE OF MARYLAND)

COUNTY OF BALTIMORE)

This instrument was acknowledged before me on the 14th day of March, 2008, by C. Taylor Pickett, the CEO of STERLING ACQUISITION CORP., a Kentucky corporation, on behalf of said company.

Judith A. Jacobs

Notary Public, Baltimore County, MD
My commission expires: May 1, 2008

Signature Page to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

LESSEE:

DIVERSICARE LEASING CORP.,
a Tennessee corporation

By: /s/ Glynn Riddle

Name: Glynn Riddle

Title: EVP & CFO

STATE OF Tennessee)

COUNTY OF Williamson)

This instrument was acknowledged before me on the 14th day of March, 2008, by Glynn Riddle, the EVP & CFO of
DIVERSICARE LEASING CORP., a Tennessee corporation, on behalf of said company

Jacqueline S. Reed

Notary Public, Williamson County, TENN

My commission expires: January 24, 2010

Acknowledgment to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

The undersigned hereby consent to the transactions contemplated by this Sixth Amendment to Consolidated Amended and Restated Master Lease (the "Sixth Amendment"), ratify and affirm their respective Guaranties, Pledge Agreements, Security Agreements, Subordination Agreements and other Transaction Documents, and acknowledge and agree that the performance of the Master Lease and obligations described therein are secured by their Guaranties, Pledge Agreements, Security Agreement, Subordination Agreement and other Transaction Documents on the same terms and conditions in effect prior to this Amendment.

ADVOCAT, INC. a Delaware corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)

COUNTY OF Williamson)

This instrument was acknowledged before me on the 14th day of March, 2008, by Glynn Riddle, the EVP & CFO of ADVOCAT, INC. a Delaware corporation, on behalf of the corporation, who acknowledged the same to be his or her fee act and deed and the free act and deed of the corporation.

Notary Public, Williamson County, TENN
My commission expires: January 24, 2010

Jacqueline S. Reed

Acknowledgment to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

DIVERSICARE MANAGEMENT SERVICES CO.,
a Tennessee corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)

COUNTY OF Williamson)

This instrument was acknowledged before me on the 14th day of March, 2008, by Glynn Riddle, the EVP & CFO of DIVERSICARE MANAGEMENT SERVICES CO., a Tennessee corporation, on behalf of the corporation, who acknowledged the same to be his or her free act and deed and the free act and deed of the corporation.

Jacqueline S. Reed

Notary Public, Williamson County, TENN
My commission expires: January 24, 2010

Acknowledgment to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

ADVOCAT FINANCE INC.,
a Delaware corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)

COUNTY OF Williamson)

This instrument was acknowledged before me on the 14th day of March, 2008, by Glynn Riddle, the EVP & CFO of
ADVOCAT FINANCE INC., a Delaware corporation, on behalf of the corporation, who acknowledged the same to be his or her free act and deed and the free
act and deed of the corporation.

Notary Public, Williamson County, TENN
My commission expires: January 24, 2010

Jacqueline S. Reed

Acknowledgment to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

STERLING HEALTH CARE
MANAGEMENT, INC., a Kentucky corporation

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)

COUNTY OF Williamson)

This instrument was acknowledged before me on the 14th day of March, 2008, by Glynn Riddle, the EVP & CFO of STERLING HEALTH CARE MANAGEMENT, INC., a Kentucky corporation, on behalf of said corporation, who acknowledged the same to be his or her free act and deed and the free act and deed of the corporation.

Jacqueline S. Reed

Notary Public, Williamson County, TENN
My commission expires: January 24, 2010

Acknowledgment to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

DIVERSICARE TEXAS I, LLC

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

DIVERSICARE BALLINGER, LLC
DIVERSICARE DOCTORS, LLC
DIVERSICARE ESTATES, LLC
DIVERSICARE HUMBLE, LLC
DIVERSICARE KATY, LLC
DIVERSICARE NORMANDY TERRACE, LLC
DIVERSICARE TREEMONT, LLC

BY: DIVERSICARE TEXAS I, LLC,
its sole member

By: /s/ Glynn Riddle
Name: Glynn Riddle
Title: EVP & CFO

STATE OF Tennessee)

COUNTY OF Williamson)

This foregoing instrument was acknowledged before me on the 14th day of March, 2008, by Glynn Riddle, who is EVP & C F O of DIVERSICARE TEXAS I, LLC, on behalf of itself and as the sole member of each of DIVERSICARE BALLINGER, LLC, DIVERSICARE DOCTORS, LLC, DIVERSICARE ESTATES, LLC, DIVERSICARE HUMBLE, LLC, DIVERSICARE KATY, LLC, DIVERSICARE NORMANDY TERRACE, LLC, and DIVERSICARE TREEMONT, LLC, each a Delaware limited liability company, on behalf of the limited liability companies, who acknowledged the same to be his or her free act and deed and the free act and deed of the limited liability companies.

Jacqueline S. Reed

Notary Public, Williamson County, TENN
My commission expires: January 24, 2010

List of Exhibits and Schedules to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

Exhibit A	Legal Description of Paris Facility
Exhibit B	Survey Requirements
Exhibit C	List of Facilities and Facility Trade Names
Exhibit D	Permitted Encumbrances for Paris Facility
Schedule 1	Construction Budget

Exhibit and Schedules to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

EXHIBIT A

Situated within the Limits of the City of Paris, County of Lamar, and State of Texas, part of the Reddin Russell Survey #786, and being part of a called and being a part of a called 172.5 acre tract of land conveyed to May Belle Dunagan by deed recorded in Vol. 208, Page 316, of the Deed Records of said County and State.

Beginning at a ½" iron pin (f) for corner at the Easterly Northeast corner of a called 31.61 acre tract of land conveyed to North Lamar Independent School District by deed recording in Vol. 714, Page 748, of said Deed Records, said North Lamar ISD 31.61 acre tract originally being a part of said Dunagan 172.5 acre tract.

Thence North 26.57'07" West a distance of 798.43 feet to a ½" capped (NELSON SURVEYING) iron pin (f) for corner at the Northerly Northeast corner of said North Lamar ISD 31.61 acre tract;

Thence South 86.45'33" East a distance of 505.04 feet to a ½" capped (NELSON SURVEYING) iron pin (s) for corner;

Thence South 35.43'12" East a distance of 448.76 feet to a ½" capped (NELSON SURVEYING) iron pin (s) for corner;

Thence along the Northwesterly Boundary Line of said Stillhouse Road/ Lamar County Road 41100 as follows: South 54.43'04" West a distance of 43.45 feet to a ½" capped (NELSON SURVEYING) iron pin (f); South 55.2'33" West a distance of 162.05 feet to a ½" capped (NELSON SURVEYING) iron pin (f); South 51.44'20" West a distance of 98.92 feet to a ½" capped (NELSON SURVEYING) iron pin (f); South 45.17'45" West a distance of 105.04 feet to a ½" capped (NELSON SURVEYING) iron pin (f); South 48.54'59" West a distance of 106.10 feet to the place of beginning and containing 286,225.28 square feet, or 6.5708 acres of land.

Note: Legal description will be revised as appropriate to match legal description of deed delivered to Lessor on the Acquisition Date.

Exhibit and Schedules to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

Exhibit B

SURVEY REQUIREMENTS

A staked, boundary survey of the property (including a legally adequate property description and a statement of acreage). The survey shall be prepared by a surveyor or engineer duly licensed to practice as such in the State of _____, acceptable to the Lessor and the title company, shall be certified to the lender and the title company, and shall be a [specify either "Urban", "Suburban", "Rural" or "Mountain"] "ALTA/ACSM LAND TITLE SURVEY" meeting the currently effective Accuracy Standards adopted by ALTA and ACSM. The survey shall also incorporate items 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 13, 14, 16, 17 and 18 listed in Table A of the Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys, jointly established and adopted by ALTA and ACSM in 2005.

SURVEY CERTIFICATION

_____ certify to (name of lessor) and (name of title company) that this map or plat and the survey on which it is based were made (i) in accordance with the "Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys" jointly established and adopted by ALTA and ACSM in 2005, and incorporates items 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 13, 14, 16, 17 and 18 listed in Table A thereof, (ii) pursuant to the Accuracy Standards adopted by ALTA and ACSM and in effect on the date of this certification for a(n) [insert either "Urban", "Suburban", "Rural", or "Mountain"] Survey, and (iii) after a review of (name of title company) Commitment No. _____, effective date _____, 200_ and the instruments referred to therein as exceptions to title.

Date:

(signature of surveyor)

Exhibit and Schedules to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

EXHIBIT C

Name	Street Address	City	County	State	Zip
1. Arbor Oaks Health & Rehab Center (Stillmeadow)	105 Russellville Road, Route 2, Highway 67 South	Malvern	Hot Spring	AR	72104
2. Ash Flat Nursing & Rehab Center	66 Ozborn Lane	Ash Flat	Sharp	AR	72513
3. Best Care, Inc.	2159 Dogwood Ridge	Wheelersburg	Scioto	OH	45694
4. Boone Health Care Center, Inc.	Lick Creek Road, P.O. Box 605	Danville	Boone	WV	25053
5. Boyd Nursing and Rehab Center	12800 Princland Drive	Ashland	Boyd	KY	41102
6. Canterbury Health Center	1720 Knowles Road	Phenix City	Russell	AL	36867
7. Carter Nursing & Rehab Center	250 McDavid Boulevard, P.O. Box 904	Grayson	Carter	KY	41143
8. Conway Health & Rehab Center (Faulkner)	2603 Dave Ward Drive	Conway	Faulkner	AR	72032
9. Des Arc Nursing & Rehab Center	2216 West Main, P.O. box 143B	Des Arc	Prairie	AR	72040
10. Elliott Nursing & Rehab Center	Howard Creek Road, P.O. Box 694, Route 32 East	Sandy Hook	Elliott	KY	41171
11. Garland Nursing & Rehab Center and Apts.	610 Carpenter Dam Road	Hot Springs	Garland	AR	71901
12. Hardee Manor Care Center	401 Orange Place	Wauchula	Hardee	FL	33873
13. Laurel Manor Health Center	902 Buchanan Road, P.O. Box 505	New Tazewell	Claiborne	TN	37825
14. Laurel Nursing & Rehab Center	HC 75, Box 153, Clinic Road	Ivydale	Clay	WV	25113
15. Lynwood Nursing Home	4164 Halls Mill Road	Mobile	Mobile	AL	36693
16. Manor House of Dover	537 Spring Street, P.O. Box 399	Dover	Stewart	TN	37058
17. Mayfield Rehab and Special Care Center	200 Mayfield Drive	Smyrna	Rutherford	TN	37167
18. Northside Health Care	700 Hutchins Ave	Gadsden	Etowah	AL	35901
19. Ouachita Nursing /Pine Manor Apts.	1411 Country Club Road	Camden	Ouachita	AR	71701
20. Pocahontas Nursing & Rehab Center	105 Country Club Road	Pocahontas	Randolph	AR	72455
21. Rich Mountain Nursing & Rehab Center	306 Hornbeck	Mena	Polk	AR	71953
22. Sheridan Nursing & Rehab Center	113 South Briarwood Drive	Sheridan	Grant	AR	72150
23. South Shore Nursing & Rehab Center	James Hannah Drive, P.O. box 489	South Shore	Greenup	KY	41175
24. The Pines Nursing & Rehab Center	524 Carpenter Dam Road	Hot Springs	Garland	AR	71901
25. Walnut Ridge Nursing & Rehab Center	1500 West Main	Walnut Ridge	Lawrence	AR	72476
26. West Liberty Nursing & Rehab Center	774 Liberty Road, P.O. Box 219, Route 5 Wells Hill	West Liberty	Morgan	KY	41472
27. Westside Health Care Center	4320 Judith Lane	Huntsville	Madison	AL	35805
28. Wurtland Nursing & Rehab Center	100 Wurtland Avenue, P.O. Box 677	Wurtland	Greenup	KY	41144
29. Doctors Healthcare	9009 White Rock Trail	Dallas	Dallas	TX	75238
30. Estates at Ft. Worth	201 Sycamore School Road	Fort Worth	Tarrant	TX	76134
31. Heritage Oaks Estates	2001 N. 6th Street	Ballinger	Runnels	TX	76821
32. Humble	8450 Will Clayton Parkway	Humble	Harris	TX	77338
33. IHS of Dallas at Treemont	5550 Harvest Hill Road	Dallas	Dallas	TX	75230
34. Katy	1525 Tull Drive	Katy	Harris	TX	77499
35. Normandy Terrace	841 Rice Road	San Antonio	Bexar	TX	78220
36. Paris Facility	### Stillhouse Road	Paris	Lamar	TX	

Exhibit and Schedules to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

EXHIBIT D

Permitted Exceptions

1. Easement to Texas Power & Light Co. dated *07/08/52* and recorded in Book 327, Page 397, Lamar County Deed Records.
2. Easement to Texas Power & Light Co., dated *05/09/56* and recorded in Book 349, Page 456, Lamar County Deed Records.
3. Easement to Texas Power & Light Co., dated *05/12/66* and recorded in Book 443, Page 175, Lamar County Deed Records.
4. Easement to Texas Power & Light Co, dated *03/21/68* and recorded in Book 469, Page 237, Lamar County Deed Records.
5. Right of Way Easement to Lamar County Water Supply dated *02/09/83*, and recorded in Book 655, Page 112, Lamar County Deed Records.
6. Easement and Right of Way to Texas Power & Light Co., dated *05/17/49*, and recorded in Book 308, Page 600, Lamar County Deed Records.

Exhibit and Schedules to
SIXTH AMENDMENT TO CONSOLIDATED
AMENDED AND RESTATED MASTER LEASE

SCHEDULE 1

Construction Budget

				Omega/Paris Estimated Project Cost
FACILITY DESCRIPTION				
Size in Square Feet				45,000
Stories				1
Units				70
Beds				120
Medicaid Beds				
Double Occupancy (Units)				50
Approximate Land Size (Acres)				6.489
Approximate Land Size (SF)				282,661
Units per Acre				11
Beds per Acre				18
DEVELOPMENT COST ANALYSIS				
Total Development Cost				6,841,902
Total Development Cost per Sq. Ft.				152.04
Total Development Cost per Unit				97,741
Total Development Cost per Bed				57,016
Land Cost [1]				175,203
Land Cost per Sq. Ft.				0.62
Land Cost per Acre				27,000
Land Cost per Unit				2,503
Land Cost per Bed				1,460
Building Cost				4,000,635
Building Cost per Sq. Ft.				88.90
Building Cost per Unit				57,152
Building Cost per Bed				33,339
FF& E				552,500
FF& E per Sq. Ft.				12.28
FF& E per Unit				7,893
FF& E per Bed				4,604
Ach. & Eng. Fees				184,500
Site Work				602,000
Interest Expense [2]				315,000
Contingency [3]		2.90%	10.0%	400,064
Medicaid Bed Contract [4]	\$	4,167	\$	4,000
Title				35,000
Misc. Administrative Project Exp.				7,500
Closing Fee				5,000
Property Tax				25,000
Developer's Fee				80,000
Points [5]		1.15%	0.00%	0
Appraisal				4,500
Insurance Premium				12,000
Legal (Transaction Specific)				35,000
TOTAL CONSTRUCTION COSTS				6,841,902
Cost per Bed		140		48,871
Cost per Bed		120		57,016

Resulting Annual Rent at 10.25%

701,294.90

RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Certification

I, C. Taylor Pickett, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Omega Healthcare Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2008

/S/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer



RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER

Certifications

I, Robert O. Stephenson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Omega Healthcare Investors, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2008

/S/ ROBERT O. STEPHENSON
Robert O. Stephenson
Chief Financial Officer

**SECTION 1350 CERTIFICATION
OF THE CHIEF EXECUTIVE OFFICER**

I, C. Taylor Pickett, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the three months ended March 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2008

/S/ C. TAYLOR PICKETT

C. Taylor Pickett
Chief Executive Officer

**SECTION 1350 CERTIFICATION
OF THE CHIEF FINANCIAL OFFICER**

I, Robert O. Stephenson, hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the three months ended March 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2008

/S/ ROBERT O. STEPHENSON

Robert O. Stephenson
Chief Financial Officer
