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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (date of earliest event reported):

November 24, 2021

SUMMIT HEALTHCARE REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

000-52566
(Commission
File Number)

73-1721791
(I.R.S. Employer
Identification No.)

2 South Pointe Drive, Suite 100, Lake Forest, California 92630
(Address of principal executive offices)

(800) 978-8136
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act.
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act.
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act.
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act.

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

Item 1.01 Entry into a Material Definitive Agreement.

On November 24, 2021, Summit Healthcare REIT, Inc. (the “Company”), entered into an Amendment to the Purchase and Sale Agreement (the “Amendment”) with several sellers, each of which is a Delaware limited liability company (collectively, the “Seller”). The Amendment modifies a Purchase and Sale Agreement by and among the Company and Seller dated November 20, 2020 (the “PSA”), which was previously terminated pursuant to a letter dated April 7, 2021. The Amendment reinstates the PSA on its original terms, subject to certain other modifications set forth in the Amendment. Pursuant to the PSA, as amended, the Company shall acquire eight (8) real estate properties (collectively, the “Properties”), all located in Georgia, from the Seller for a total purchase price of \$130,000,000. The Company has made a \$250,000 earnest money deposit in escrow, which shall become non-refundable if the Company does not terminate the PSA prior to the expiration of an agreed-upon due diligence period (the “Inspection Period”). Upon the expiration of the Inspection Period, the Company must deliver an additional, non-refundable earnest money deposit of \$250,000 to the escrow agent. The closing of the acquisition of the Properties is expected to occur within thirty (30) days following the expiration of the Inspection Period but no later than December 30, 2021. The Company expects to invest up to approximately \$9.0 million in cash on hand and incur approximately \$111 million in mortgage loans collateralized by the Properties and \$13 million in a loan secured by the equity interests of a to-be formed subsidiary of the Company and parent holding company for the applicable borrowers.

The PSA contains provisions, representations, warranties, covenants and indemnities that are customary and standard for the real estate industry. Several conditions to closing on the acquisition of the Properties remain to be satisfied, and there can be no assurance that we will complete the transaction on the general terms described above or at all.

The above description of the proposed transaction does not purport to be complete and is qualified in all respects with reference to the Amendment and the PSA, copies of which are attached hereto as Exhibits 10.1 and 10.2, respectively, and are hereby incorporated herein into this Item 1.01.

Item 9.01 Financial Statements and Exhibits

Exhibit No. Description

10.1 [Amendment to Purchase and Sale Agreement by and among Summit Healthcare REIT, Inc., GASTONE MOUNTAIN SNF HOLDINGS LLC, GAJASPER SNF HOLDINGS LLC, GADECATUR SNF HOLDINGS LLC, GAFAIRBURN SNF HOLDINGS LLC, GACHATSWORTH SNF HOLDINGS LLC, a Delaware limited liability, GACARTERSVILLE SNF HOLDINGS LLC, GACALHOUN SNF HOLDINGS LLC and 4595 CANTRELL ROAD, LLC, dated November 24, 2021.](#)

10.2 [Purchase and Sale Agreement by and among Summit Healthcare REIT, Inc., GASTONE MOUNTAIN SNF HOLDINGS LLC, GAJASPER SNF HOLDINGS LLC, GADECATUR SNF HOLDINGS LLC, GAFAIRBURN SNF HOLDINGS LLC, GACHATSWORTH SNF HOLDINGS LLC, a Delaware limited liability, GACARTERSVILLE SNF HOLDINGS LLC, GACALHOUN SNF HOLDINGS LLC, and 4595 CANTRELL ROAD, LLC, dated November 20, 2020.](#)

SIGNATURE

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

SUMMIT HEALTHCARE REIT, INC.

By: /s/ Elizabeth A. Pagliarini

Name: Elizabeth A. Pagliarini

Title: Chief Financial Officer

Dated: December 1, 2021

**AMENDMENT TO PURCHASE
AND SALE AGREEMENT
[Georgia Portfolio]**

This Amendment to Purchase and Sale Agreement (this “**Amendment**”) is effective as of November 24, 2021 (the “**Effective Date**”), and is entered into by and between by and among GASTONE MOUNTAIN SNF HOLDINGS LLC, a Delaware limited liability company, GAJASPER SNF HOLDINGS LLC, a Delaware limited liability company, GADECATUR SNF HOLDINGS LLC, a Delaware limited liability company, GAFAIRBURN SNF HOLDINGS LLC, a Delaware limited liability company, GACHATSWORTH SNF HOLDINGS LLC, a Delaware limited liability, GACARTERSVILLE SNF HOLDINGS LLC, a Delaware limited liability company, GACALHOUN SNF HOLDINGS LLC, a Delaware limited liability company, and 4595 CANTRELL ROAD, LLC, a Delaware limited liability company (collectively “**Seller**”), and SUMMIT HEALTHCARE REIT, INC. a Maryland corporation, or its assignee (“**Buyer**”).

RECITALS

- A. Seller and Buyer entered into that certain Purchase and Sale Agreement dated November 20, 2020 (the “**Agreement**”), pursuant to which Seller agreed to sell to Buyer, and Buyer agreed to purchase from Seller, certain Property located in the State of Georgia, as more particularly described in the Agreement.
- B. Pursuant to that letter dated April 7, 2021, the Agreement was terminated and the Initial Deposit was refunded to Buyer.
- C. Seller and Buyer desire to reinstate the Agreement and amend the Agreement on the terms and conditions set forth in this Amendment.

AGREEMENT

In consideration of the respective agreements hereinafter set forth, Seller and Buyer agree as follows:

1. Defined Terms. All initially capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Agreement.
2. Reinstatement of Agreement. Seller and Buyer hereby agree that the Agreement is reinstated effective as of the Effective Date listed in this Amendment, and the Effective Date listed in this Amendment shall be deemed the “Effective Date” for the purposes of the Agreement. The Agreement is in full force and effect subject to the terms and conditions of this Amendment.
3. Deposit. Within two (2) business days after the execution of this Amendment, Buyer shall deliver to Escrow Agent the Initial Deposit which shall be held in accordance with the provisions of Section 3(c) of the Agreement.
4. Due Diligence Period. Notwithstanding anything to the contrary in the Agreement, the Due Diligence Period shall expire on November 29, 2021.

5. Closing. The first sentence of Section 4 of the Agreement is hereby deleted in its entirety and replaced with the following:

“The closing of the purchase and sale transactions pursuant to this Agreement (“Closing”) shall occur on or before December 30, 2021 (the “Closing Date”).”

6. Decatur Property (East Lake Arbor). Seller and Buyer agree that the Decatur Property shall be included with the other Property at the Closing, and Buyer shall have no right to elect to close on the Decatur Property at a later date. As such, the following provisions of the Agreement are hereby deleted: Section 3(e), Section 4 (last sentence only), and Section 12(a)(vii).

7. Critical Repairs. Seller and Buyer acknowledge and agree that Critical Repairs were identified in the Buyer’s Title Objection Notice dated January 11, 2021, and the list of Critical Repairs is hereby attached as Schedule 6(f).

8. Other Provisions. The (i) representations and warranties of Seller set forth in Section 8 of the Agreement, (ii) representations and warranties of Buyer set forth in Section 9 of the Agreement, (iii) the covenants of Seller set forth in Section 10 of the Agreement, and (iv) the covenants of Buyer set forth in Section 11 of the Agreement, are made and committed as of the date of this Amendment.

9. HUD Payoff. Seller shall order HUD pay-off letters in a timely manner in order to facilitate Closing on the Closing Date.

10. Counterparts. This Amendment may be executed in counterparts, each of which will constitute an original, but all of which together will constitute one and the same instrument. The parties agree that a signed copy of this Amendment transmitted by one party to the other party(ies) by facsimile or electronic transmission will be binding upon the sending party to the same extent as if it had delivered a signed original of this Amendment.

11. Miscellaneous. All references in this Amendment to the Agreement shall be deemed to refer to the Agreement, as modified by the terms of this Amendment. In the event of a conflict between the terms and provisions of the Agreement and the terms and conditions of this Amendment, the terms and provisions of this Amendment shall prevail. As amended herein, the Agreement remains in full force and effect and is hereby ratified by the parties.

[Signatures on the following pages]

IN WITNESS WHEREOF, Seller and Buyer have entered into this Amendment as of the Effective Date.

“SELLER”:

GASTONEMOUNTAINSNFHOLDINGSLLC

By: /s/Oberlander
Name: _____
Its: _____

GADECATURSNFHOLDINGSLLC

By: /s/Oberlander
Name: _____
Its: _____

GACHATSWORTHSNFHOLDINGSLLC

By: /s/Oberlander
Name: _____
Its: _____

GACALHOUNSNFHOLDINGSLLC

By: /s/Oberlander
Name: _____
Its: _____

GAJASPERSNFHOLDINGSLLC

By: /s/Oberlander
Name: _____
Its: _____

GAFAIRBURNSNFHOLDINGSLLC

By: /s/Oberlander
Name: _____
Its: _____

GACARTERSVILLESNFHOLDINGSLLC

By: /s/Oberlander
Name: _____
Its: _____

4595CANTRELLROADLLC

By: /s/Oberlander
Name: _____

“BUYER”:

SUMMIT HEALTHCARE REIT, INC., a Maryland corporation

By: */s/ Kent Eikanas*

Kent Eikanas, President & COO

SCHEDULE 6(f)

CRITICAL REPAIRS

GA-8 Portfolio				
Summary of PCR Findings				
	Immediate Repairs	Short Term (Years 1 & 2) per bed	Capital Reserves per bed (uninflated)	Capital Reserves per bed (inflated)
Stone Mountain ⁽¹⁾	\$ 600	\$ -	\$ 325	\$ 370
	\$	\$	\$	\$
Grandview ⁽¹⁾	600	-	403	471
	\$	\$	\$	\$
East Lake ⁽¹⁾	600	2	352	401
	\$	\$	\$	\$
Fairburn ⁽¹⁾	600	\$ 200	356	413
	\$	\$	\$	\$
Chatsworth ⁽²⁾	5,000	13	480	548
	\$	\$	\$	\$
Maple Ridge ⁽¹⁾	600	-	488	578
	\$	\$	\$	\$
Calhoun ⁽¹⁾	600	63	424	489
	\$	\$	\$	\$
Willowwood ⁽³⁾	2,400	\$ 341	371	405
	\$	\$	\$	\$
	11,000			

NOTES

General - Per the Lease, Tenant will deposit \$400/bed capex per year

(1) - Accessibility - install detectable warning surface at curb cut

(2) - Sidewalks, Curbing, Site Steps and Ramps - replace damaged concrete flatwork

(3) - In addition to #1, provide adequate # of designated handicapped-accessible stalls and signage.

**PURCHASE AND SALE AGREEMENT
[GEORGIA FACILITIES]**

THIS PURCHASE AND SALE AGREEMENT (“**Agreement**”) is made and entered into as of this 20th day of November, 2020 (the “**Effective Date**”), by and among each of the entities set forth on the signature page (collectively, “**Seller**”), and SUMMIT HEALTHCARE REIT, INC. a Maryland corporation, or its assignee (“**Buyer**”).

1. **Purchase and Sale.** On the terms and conditions set forth herein, each Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from each Seller its interest in the following, which are hereinafter referred to collectively as the “**Property**”:

(a) The improvements located on each Seller’s Real Property, consisting of a skilled nursing facility as described in Schedule 1(a) attached hereto (singularly, a “**Facility**” and collectively, the “**Facilities**”) owned by each respective Seller, as applicable, and all right, title and interest of each Seller in and to the items described in (a) through (f) herein, as they pertain to such Seller’s Facility;

(b) All of the real estate on which each Facility is situated, together with all tenements, easements, appurtenances, privileges, rights of way, and other rights incident thereto, all building and improvements and any parking lot to such Facility located thereon situated in the State of Georgia (the “**State**”), which is described in Exhibit A-1 (the “**Calhoun Real Property**”), Exhibit A-2 (the “**Chatsworth Real Property**”), Exhibit A-3 (the “**Fairburn Real Property**”), Exhibit A-4 (the “**Decatur Real Property**”), Exhibit A-5 (the “**Cartersville Real Property**”), Exhibit A-6 (the “**Jasper Real Property**”), Exhibit A-7 (the “**Stone Mountain Real Property**”) and Exhibit A-8 (the “**Flowery Branch Real Property**”), attached hereto and made a part hereof by this reference (collectively, the “**Real Property**”);

(c) All of the tangible personal property, inventory, equipment, machinery, spare parts, furniture, furnishings, warranty claims, contracts located at the Real Property or which is owned by each Seller in connection with that Seller’s Facility, including but not limited to supply contracts, contracts rights, intellectual property, including but not limited to patents, trade secrets, and all rights and title to the names under which each Facility operates, books and records owned by the Seller, who may retain copies of same, and shall have reasonable access to such books and records after the Closing as required for paying taxes and responding to legal inquiry, as such personal property is owned by each Seller and described in Schedule 1(c) attached hereto (collectively, the “**Personal Property**”);

(d) All transferable licenses, permits, certifications, assignable guaranties and warranties in favor of each Seller, approvals or authorizations and all assignable intangible property not enumerated herein which is used by each Seller in connection with that Seller’s Facility, and all other assets whether tangible or intangible which is used by each Seller in connection with that Seller’s Facility including, to the extent permitted by applicable law and to the extent existing, all certificates of need for the Facilities; provided, that Seller shall retain all licenses required to be retained by Seller in order to operate the current business within each Facility;

(e) All trade names or other names commonly used to identify the Facility and all goodwill associated therewith. The intent of the parties is to transfer to Buyer only such names and goodwill associated with each Facility itself and not with Seller or any affiliate of Seller, so as to avoid any interference with the unrelated business activities of Seller; and

(f) All telephone numbers used in connection with the operation of each Facility, and to the extent not described above, all goodwill of each Seller associated with each Facility (the items described in clauses (e) and (f) above are collectively referred to as "**Intangibles**").

2. **Excluded Assets.** Each Seller's (i) cash, investment securities, bank account(s) and accounts receivable, and deposits, (ii) corporate minute books and corporate tax returns, partnership records, and other corporate and partnership records, (iii) claims for any rebate, refund or credit of taxes, whether real, personal, tangible or intangible, and other governmental charges of whatever nature, and all rebates, refunds, credits and amounts payable in respect thereof, whenever and however paid, issued or credited, in each case, to the extent the same relate to any period prior to the Closing Date (whether in whole or in part, and, if in part, as shall be allocated to the period prior to the Closing Date based on the relative number of days applicable thereto), and (iv) rights under this Agreement and other Transaction Documents shall be excluded from each Facility sold by Seller to Buyer hereunder as well as Seller's real property not identified in Schedule 1(a) (the "**Excluded Assets**").

3. **Purchase Price; Deposits.** The following shall apply with respect to the Purchase Price of the Property:

(a) The purchase price (the "**Purchase Price**") payable by Buyer to Seller for the Property is One Hundred Thirty Million and 00/100 Dollars (\$130,000,000.00).

(b) The Purchase Price as allocated to each Facility by Seller is set forth on Schedule 3 attached hereto and made a part hereof.

(c) Within two (2) business days after this Agreement is fully executed by the parties, Buyer shall deposit the sum of Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) as an earnest money deposit ("**Initial Deposit**") with Commonwealth Land Title Insurance Company, at its office at 4100 Newport Place Drive, Suite 120, Newport Beach, California 92660, Attention: Kelly Ralph ("**Title Company**" or "**Escrow Agent**") and Escrow Agent will deposit it into an interest-bearing account with the interest for the benefit of Buyer. In addition, if Buyer has not terminated this Agreement on or before the expiration of the Due Diligence Period (defined below), then Buyer shall deposit with Escrow Agent an additional Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) ("**Additional Deposit**") within two (2) business days following the expiration of the Due Diligence Period (the Initial Deposit and the Additional Deposit are collectively referred to as the "**Deposits**"). Interest earned on the Deposit shall be paid to the party entitled to such amount as provided in this Agreement.

(d) At Closing, the Deposit shall be credited against the Purchase Price and Buyer shall deposit the balance of the Purchase Price in cash with the Escrow Agent.

(e) If the Property comprising the Decatur Real Property, the East Lake Arbor Facility located thereon, and the Personal Property and Intangibles related thereto (collectively, the “**Decatur Property**”) is not purchased at Closing as provided in Section 12(a)(vii) below, then the Purchase Price shall be reduced by the amount allocated to the Decatur Property set forth on Schedule 3.

(f) Buyer shall not assume or pay, and Seller shall continue to be responsible for, any and all debts, obligations and liabilities of any kind or nature, fixed or contingent, known or unknown, of Seller not expressly assumed by Buyer in this Agreement. Specifically, without limiting the foregoing, Buyer shall not assume any obligation, liability, cost, expense, claim, action, suit or proceeding pending as of the Closing, nor shall Buyer assume or be responsible for any subsequent claim, action, suit or proceeding arising out of or relating to any such other event occurring, with respect to the manner in which Seller conducted its business at the Facilities, on or prior to the date of the Closing Date. In addition, Buyer shall not assume successor liability obligations to Medicare, Medicaid, HMO or any other third party payer programs or be responsible for recoupment’s, fines, or penalties required to be paid to such parties as a result of the operation of the Facilities prior to the Closing Date by Seller.

4. Closing. The closing of the purchase and sale transactions pursuant to this Agreement (“**Closing**”) shall occur on March 31, 2021 (the “**Closing Date**”). The Closing shall take place through Seller’s delivery of a limited warranty deed (the “**Deed**”) and Buyer’s delivery of cash or immediately available funds through an escrow agreement (the “**Escrow**”) to be established with the Escrow Agent pursuant to form escrow instructions which shall be modified to be consistent with the terms and provisions of this Agreement, and which shall be mutually agreed upon by the parties hereto. If the Decatur Property transaction does not close with the balance of the Property, then the closing for the Decatur Property shall occur no later than September 30, 2021 (“**Outside Decatur Closing Date**”), subject to the conditions to closing set forth in Section 12 below.

5. Conveyance. Title to each Property shall be conveyed to Buyer by a Deed and bill of sale in form agreed to by the parties prior to the end of the Due Diligence Period, as defined herein. Fee simple indefeasible title to the Real Property and title to the Personal Property, shall be conveyed from Seller to Buyer or Buyer’s nominee in “AS-IS, WHERE-IS” condition, free and clear of all liens, charges, easements and encumbrances of any kind, other than:

- (a) Liens for real estate taxes or assessments not yet due and payable;
- (b) The standard printed exceptions included in the PTR, as defined in Section 14(a) herein; unless objected to in writing by Buyer during the Due Diligence Period;
- (c) Such exceptions that appear in the PTR and that are either waived or approved by Buyer in writing pursuant to Section 14(b) herein;
- (d) Liens or encumbrances caused by the actions of Buyer but not those caused by the actions of Seller;
- (e) Any laws, rules, regulations, statutes or ordinances affecting the Property, including, without limitation, those relating to zoning, land use, environmental matters, and the ADA, provided that the same are not violated by the current use and occupancy of the Property (including the existing structures thereon); and

- (f) Rights of the Operators under the Post-Closing Lease.

The items described in this Section 5 are sometimes collectively referred to as the “**Permitted Exceptions**.”

6. Buyer’s Due Diligence.

(a) Buyer shall have forty-five (45) days from the Effective Date to complete Buyer’s Due Diligence (the “**Due Diligence Period**”); provided, however, Buyer, at Buyer’s election, shall have the right to extend the Due Diligence Period to January 8, 2021, by providing e-mail notice to the Seller at least one (1) business day prior to the expiration of the Due Diligence Period at the e-mail address listed in Section 17 below. Upon reasonable prior written notice to Seller, Seller shall permit the officers, employees, directors, agents, consultants, attorneys, accountants, lenders, appraisers, architects, investors and engineers designated by Buyer and representatives of Buyer (collectively, the “**Buyer’s Consultants**”) access to, and entry upon the Real Property and each Facility to perform its normal and customary due diligence, including, without limitation, the following (collectively, the “**Due Diligence Items**”):

(i) Review of vendor contracts (“**Contracts**”) and leases (“**Leases**”) to which each Facility (or the Seller, on behalf of such Facility) are a party, as set forth on Schedule 8(f) attached hereto;

(ii) Conduct environmental investigations (including a Phase 1 Environmental Audit);

(iii) Inspection of the physical structure of each Facility;

(iv) Review of current PTR, as defined in Section 14 herein, and underlying documents referenced therein;

(v) Review of ALTA Surveys, as defined in Section 14 herein, for each Facility;

(vi) Inspection of the books and records of each Facility and that portion of the Seller’s books and records which pertain to the Facilities;

(vii) Review of the Due Diligence Items, as described in Schedule 6(a)(vii) attached hereto, to be provided by Seller within five (5) business days following the Effective Date;

(viii) Conduct such other inspections or investigations as Buyer may reasonably require relating to the ownership, operation or maintenance of the Facilities;

(ix) Review of resident files, agreements, and any other documentation regarding the residents of the Facilities, which review shall in all events be subject to all applicable laws, rules and regulations concerning the review of medical records and other types of patient records;

- to the Facilities;
- (x) Review of files maintained by the State of Georgia and/or the Georgia Health and Social Services Department relating to the Facilities;
 - (xi) Review of all drawings, plans and specifications and all engineering reports for the Facilities in the possession of or readily available to Seller;
 - (xii) Seller will furnish copies of all environmental reports, property condition reports, appraisals, title reports and ALTA Surveys (or surveys) that Seller currently has in its possession; and
 - (xiii) Review copies of currently effective written employment manuals or written employment policies and/or procedures have been provided to or for employees.

Notwithstanding the foregoing provisions of this Subsection, in the event Seller fails to deliver all Due Diligence Items listed in Schedule 6(a)(vii) to the extent in Seller's possession and control on or before the time set forth herein, then the Due Diligence Period shall be deemed extended on a day-to-day basis until Seller delivers written notice to Buyer stating that all Due Diligence Items listed in Schedule 6(a)(vii) that are in Seller's possession have been delivered to Buyer.

(b) Buyer agrees and acknowledges that: (i) Buyer will not disclose the Due Diligence Items or any other materials received from Seller pursuant to this Agreement (the "**Property Information**") or any of the provisions, terms or conditions thereof, or any information disclosed therein or thereby, to any party outside of Buyer's organization, other than Buyer's Consultants whom shall also not disclose the Property Information to third parties; (ii) the Property Information is delivered to Buyer solely as an accommodation to Buyer; (iii) Seller has not undertaken any independent investigation as to the truth, accuracy or completeness of any matters set out in or disclosed by the Property Information; and (iv) except as expressly contained in this Agreement, Seller has not made and does not make any warranties or representations of any kind or nature regarding the truth, accuracy or completeness of the information set out in or disclosed by the Property Information.

(c) All due diligence activities of Buyer at the Facilities shall be scheduled with Seller upon two (2) business days prior notice. Reviews, inspections and investigations at the Facilities shall be conducted by Buyer in such manner so as not to disrupt the operation of the Facilities.

(d) Buyer may, at its sole cost, obtain third party engineering and physical condition reports and Phase I Environmental Audits covering each Facility, certified to Buyer, prepared by an engineering and/or environmental consultants, who are adequately insured, acceptable to Buyer; provided, no inspection by Buyer's Consultants shall involve the taking of samples or other physically invasive procedures (such as a Phase II environmental audit) without the prior written consent of Seller, which consent shall not be unreasonably withheld or delayed. Notwithstanding anything to the contrary contained in this Agreement, Buyer shall indemnify, defend (with counsel acceptable to Seller) and hold Seller and its employees and agents, and each of them, harmless from and against any and all losses, claims, damages and liabilities, without limitation, attorneys' fees incurred in connection therewith) arising out of or resulting from Buyer' or Buyer's Consultant's exercise of its right of inspection as provided for in this Section 6; provided, however, such indemnification shall not extend to matters merely discovered by Buyer and/ or the acts or omissions of Seller or any third party. The indemnification obligation of Buyer under this Section 6 shall survive the termination of this Agreement for a period of twelve (12) months. Following any audit or inspection as provided for herein, Buyer shall return the Real Property and the Facilities to the condition in which they existed immediately prior to such audit or inspection.

(e) If the results of the foregoing inspections and audits are not acceptable to Buyer in its sole and absolute discretion, Buyer may, upon notice to Seller given on or before 5:00 p.m. (Pacific Time) on the last day of the Due Diligence Period, terminate this Agreement, and in such event, the Initial Deposit shall be refunded to Buyer, and neither party shall have any further rights and obligations under this Agreement, except for obligations which expressly survive the termination of this Agreement. Failure of Buyer to deliver written notice of approval prior to 5:00 p.m. (Pacific Time) on the last day of the Due Diligence Period shall be deemed to constitute Buyer's disapproval of the matters described in this Section 6(a). If this Agreement shall be terminated prior to Closing, upon Seller's request, Buyer shall promptly return or destroy all copies of the Due Diligence Items.

(f) During the Due Diligence Period, Buyer shall obtain, at Buyer's election, a third party inspection report with respect to each Facility (the Inspection Report). If the Inspection Report recommends any critical repairs (the "Critical Repairs") be made to any Facility, Buyer shall provide Seller with written notice of the same prior to the expiration of the Due Diligence Period, and the Critical Repairs shall be listed on a new Schedule 6(f) to be attached to the Agreement. Seller shall make all Critical Repairs listed in the Inspection Report to such Facility at least ten (10) business days prior to the Closing, at Seller's sole cost and expense. Seller shall deliver to Buyer a completion letter or similar notice documenting the completion of the Critical Repairs (the "Repair Completion Notice") executed by Seller and Seller's contractor and/or architect who performed and/or supervised the construction of the repairs, along with releases of liens from all contractors and materialmen involved with the Critical Repairs. The Critical Repairs shall be constructed in a workmanlike manner and in accordance with all applicable laws. As an alternative to making the Critical Repairs prior to Closing, Seller may elect to credit the cost and expense of performing Critical Repairs against the Purchase Price, in an amount to be mutually agreed upon between Buyer and Seller during the Due Diligence Period.

7. Prorations; Closing Costs; Possession; Post Closing Assistance.

(a) There will be no prorations at the Closing and each operator (each, an "Operator") shall remain responsible for all taxes, costs and expenses relating to its applicable Facility following the Closing pursuant to the Post Closing Lease (as defined in Section 12(a)(v)).

(b) Seller shall pay any state, county and local transfer taxes arising out of the transfer of each Property.

(c) Buyer shall pay the cost of the standard owner's title insurance policy, as described in this Agreement, and the cost of the premium for ALTA extended coverage. Buyer shall pay the cost of any lender's policy for Buyer's lender, any title endorsements requested by Buyer and its lender and the cost of updating or obtaining new Surveys. Seller and Buyer shall equally pay all fees of Escrow Agent. All other costs associated with title and survey matters shall be paid in accordance with County (and local) custom and practice in which each Real Property is located.

(d) Buyer and Seller shall each pay their own attorney's fees. Buyer shall pay for all costs of review of the Due Diligence Items and its additional due diligence inspection costs including, without limitation, the cost of any environmental reports.

(e) On the Closing Date, each Operator shall retain possession of its respective Facility pursuant to the Post Closing Lease.

8. Representations and Warranties of Seller. Seller hereby represents and warrants to Buyer that:

(a) Legality.

(i) Organization, Corporate Powers, Etc. Each Seller entity is duly organized, validly existing and in good standing under the laws of the State of Delaware. Each Seller has the full power, authority and legal right (A) to execute and deliver, and perform and observe the provisions of this Agreement and each Transaction Document, as defined herein, to which it is a party, (B) to transfer good, indefeasible title to the Property to Buyer free and clear of all liens, claims and encumbrances except for Permitted Exceptions (as defined in Section 5 hereof), and (C) to carry out the transactions contemplated hereby and by such other instruments to be carried out by such party.

(ii) Due Authorization, Etc. This Agreement and the Closing Documents (collectively the "**Transaction Documents**") have been, and each instrument provided for herein or therein to which Seller is a party will be, when executed and delivered as contemplated hereby authorized, executed and delivered by Seller and the Transaction Documents constitute, and each such instrument will constitute, when executed and delivered as contemplated hereby, legal, valid and binding obligations of Seller and enforceable in accordance with their terms.

(iii) Governmental Approvals. To the best of each Seller's knowledge, no consent, approval or other authorization (other than corporate or other organizational consents which have been obtained), or registration, declaration or filing with, any court or governmental agency or commission is required for the due execution and delivery of any of the Transaction Documents to which Seller is a party or for the validity or enforceability thereof against such party other than the recording or filing for recordation of the Deed which recordings shall be accomplished at Closing.

(iv) Other Rights. No right of first refusal, option or preferential purchase or other similar rights are held by any person with respect to any portion of the Property.

(v) No Litigation. Except as set forth on Schedule 8(a)(v) attached hereto, neither Seller nor its registered agent for service of process has been served with summons with respect to any actions or proceedings pending or, to Seller's actual knowledge, no such actions or proceedings are threatened, against Seller before or by any court, arbitrator, administrative agency or other governmental authority, which (A) individually or in the aggregate, are expected, in the reasonable judgment of Seller, to materially and adversely affect Seller's ability to carry out any of the transactions contemplated by any of the Transaction Documents or (B) otherwise involve any portion of the Property including, without limitation, the Facilities.

(vi) No Conflicts. Neither the execution and delivery of the Transaction Documents to which Seller is a party, compliance with the provisions thereof, nor the carrying out of the transactions contemplated thereby to be carried out by such party will result in (A) a breach or violation of (1) any material law or governmental rule or regulation applicable to Seller now in effect, (2) any provision of any of Seller's organizational documents, (3) any material judgment, settlement agreement, order or decree of any court, arbitrator, administrative agency or other governmental authority binding upon Seller, or (4) any material agreement or instrument to which Seller is a party or by which Seller or its respective properties are bound; (B) the acceleration of any obligations of Seller; or (C) the creation of any lien, claim or encumbrance upon any properties or assets of Seller.

(b) Property.

As of the Effective Date and the Closing Date, except as set forth on Schedule 8(b):

(i) Seller has no actual knowledge of and has not received any notice of outstanding deficiencies or work orders of any authority having jurisdiction over any portion of the Property;

(ii) Seller has no actual knowledge of and has not received any notice of any claim, requirement or demand of any licensing or certifying agency supervising or having authority over the Facility to rework or redesign it in any material respect or to provide additional furniture, fixtures, equipment or inventory so as to conform to or comply with any law which has not been fully satisfied;

(iii) Seller has not received any notice from any governmental authority of any material violation of any law applicable to any portion of the Real Property or to the Facilities;

(c) Condemnation. There is no pending or, to the actual knowledge of Seller, threatened condemnation or similar proceeding or assessment affecting the Real Property, nor, to the actual knowledge of Seller, is any such proceeding or assessment contemplated by any governmental authority.

(d) Hazardous Substances. Except as disclosed on Schedule 8(d), which includes a list of all environmental reports provided by Seller to Buyer in connection with this Agreement (the “Seller Environmental Reports”), to Seller’s actual knowledge, there has been no production, storage, manufacture, voluntary or involuntary transmission, use, generation, treatment, handling, transport, release, dumping, discharge, spillage, leakage or disposal at, on, in, under or about the Real Property of any Hazardous Substances by Seller, or any affiliate or agent thereof, except in strict compliance with all applicable Laws. To Seller’s actual knowledge and except as disclosed on Schedule 8(d), there are no Hazardous Substances at, on, in, under or about the Real Property in violation of any Law, and to Seller’s actual knowledge, there is no proceeding or inquiry by any federal, state or local governmental agency with respect thereto. For purposes of this Agreement, “Hazardous Substances” shall mean any hazardous or toxic substances, materials or wastes, including, without limitation, those substances, materials and wastes listed in the United States Department of Transportation Table (49 CFR 172.1 01) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302 and amendments thereto) or such substances, materials and wastes which are or become regulated under any applicable local, state or federal law (collectively, “Laws”), including, without limitation, any material, waste or substance which is (i) a hazardous waste as defined in the Resource Conservation and Recovery Act of 1976, as amended (42 U.S.C. § 6901 et seq.); (ii) a pollutant or contaminant or hazardous substance as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. § 9601 et seq.); (iii) a hazardous substance pursuant to § 311 of the Clean Water Act (33 U.S.C. § 1251, et seq., 33 U.S.C. § 1321) or otherwise listed pursuant to § 307 of the Clean Water Act (33 U.S.C. § 1317); (iv) a hazardous waste pursuant to § 1004 of the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.); (v) polychlorinated biphenyls (PCBs) as defined in the Federal Toxic Substance Control Act, as amended (15 U.S.C. § 2501 et seq.); (vi) hydrocarbons, petroleum and petroleum products; (vii) asbestos; (viii) formaldehyde or medical or biohazardous waste; (ix) radioactive substances; (x) flammables and explosives; (xi) any state statutory counterparts to those federal statutes listed herein; or (vii) any other substance, waste or material which could presently or at any time in the future require remediation at the behest of any governmental agency. Any reference in this definition to Laws shall include all rules and regulations which have been promulgated with respect to such Laws.

(e) Brokers. Neither Seller nor Buyer has dealt with any broker or finder in connection with the transactions contemplated hereby. Each party represents and warrants to the other party that it has not dealt with any other broker, salesman, finder or consultant with respect to this Agreement or the transactions contemplated hereby. Each party agrees to indemnify, protect, defend, protect and hold the other party harmless from and against all claims, losses, damages, liabilities, costs, expenses (including reasonable attorneys’ fees and disbursements) and charges resulting from such indemnifying party’s breach of the foregoing representation. The provisions of this Section 8(e) shall survive the Closing or earlier termination of this Agreement.

(f) Leases and Contracts. Schedule 8(f) is a list of all Leases and Contracts relating to the Facilities to which Seller is a party or by which Seller may be bound. Each Seller has made or will promptly make available to Buyer true, complete and accurate copies of all Leases and Contracts including, without limitation, any modifications thereto. All of the Leases and Contracts are in full force and effect without claim of material default there under, and, except as may be set forth on Schedule 8(f).

(g) Financial Statements. Schedule 8(g) contains (i) the balance sheets of the Operators for the last two (2) fiscal years except for Willowood Nursing Center and Rehab which includes one (1) fiscal year ending prior to the date of this Agreement (audited if available and unaudited to the extent audited statements are not available) and (ii) the related consolidated statements of income, results of operations, changes in members' equity and changes in financial position with respect to each such period as compared with the immediately prior period (collectively, the "**Financial Statements**"). The Financial Statements taken as a whole (A) fairly present the financial condition and results of operation of the Operators for the periods indicated, (B) are true, accurate, correct and complete in all material respects, and (C) except as stated in Schedule 8(g) (or in the notes to the Financial Statements) have been prepared in accordance with the Operator's tax basis reporting, as consistently applied. Except as disclosed in Schedule 8(g), or otherwise disclosed in writing to Buyer, to Seller's actual knowledge neither Seller, as to any Facility, nor any Facility is obligated for or subject to any material liabilities, contingent or absolute, and whether or not such liabilities would be disclosed in accordance with tax basis reporting, and Schedule 8(g) sets forth all notes payable, other long term indebtedness and, to Seller's actual knowledge, all other liabilities to which the Facilities and the Real Property are or at Closing (and following Closing) will be subject, other than new indebtedness obtained by Buyer in connection with its purchase of the Property. Seller has received no notice of default under any such instrument.

(h) Interests in Competitors, Suppliers and Customers. Other than the Operator entities and except as set forth on Schedule 8(h), or in Schedule 1(a) as constituting a part of the Facilities, Seller does not have any interest in any property used in the operation of, or holds an interest in, any competitor, supplier or customer of Seller or the Facilities.

(i) No Foreign Persons. Neither Seller nor its members is a foreign person within the meaning of Sections 897 or 1445 of the Code, nor is Seller a U.S. Real Property Holding Company within the meaning of Section 897 of the Code.

(j) Licensure. As of the date hereof, except as set forth on Schedule 8(j) attached hereto, there is no action pending or, to the actual knowledge of Seller, recommended by the appropriate state agency to revoke, withdraw or suspend any license to operate the Facilities, or certification of the Facilities, or any material action of any other type with regard to licensure or certification. Each Facility is operating and functioning as a skilled nursing facility without any waivers from a governmental agency affecting such Facility except as set forth in Schedule 8(j), and is fully licensed for a skilled nursing facility, as applicable, by the State for the number of beds and licensure category set forth in Schedule 1(a) hereto. Schedule 8(j), attached hereto contains a complete and accurate list of all life safety code waivers or other waivers affecting each Facility.

(k) Regulatory Compliance.

(i) Each Operator has duly and timely filed all reports and other items required to be filed (collectively, the "**Reports**") with respect to any cost based or other form of reimbursement program or any other third party payor (including without limitation, Medicare, Medicaid, medically indigent assistance, Blue Cross, Blue Shield, any health maintenance, preferred provider, independent practice or other healthcare related organizations, peer review organizations, or other healthcare providers or payors) (collectively, "**Payors**") and have timely paid all amounts shown to be due thereon. At the time of filing, to Seller's actual knowledge, each Report was true, accurate and complete. To Seller's actual knowledge, all rights and obligations of the Facilities or Seller under such Reports are accurately reflected or provided for in the Financial Statements.

(ii) Except as set forth in Schedule 8(k) attached hereto, (A) no Operator is delinquent in the payment of any amount due under any of the Reports for the Facilities, (B) there are no written or threatened proposals by any Payors for collection of amounts for which Operator or any Facility could be liable, (D) there are no current or pending claims, assessments, notice, proposal to assess or audits of any Operator or any Facility with respect to any of the Reports, and, to Seller's actual knowledge, no such claims, assessments, notices, or proposals to assess or audit are threatened, and (D) neither Operator has executed any presently effective waiver or extension of the statute of limitations for the collection or assessment of any amount due under or in connection with any of the Reports with respect to any Facility.

(iii) Except as set forth in Schedule 8(k) attached hereto, no Operator has received notice of failure to comply with all applicable Laws, settlement agreements, and other agreements with any state or federal governmental body relating to or regarding any Facility (including all applicable environmental, health and safety requirements), and Operator has and maintains all permits, licenses, authorizations, registrations, approvals and consents of governmental authorities and all health facility licenses, accreditations, Medicare, Medicaid, and other Payor certifications necessary for its activities and business including the operation of each Facility as currently conducted. Each health facility license, Medicare, Medicaid and other Payor certifications, Medicaid provider agreement and other agreements with any Payors is in full force and effect without any waivers of any kind (except as disclosed in Schedule 8(k)) and has not been amended or otherwise modified, rescinded or revoked or assigned nor, to Seller's actual knowledge, (A) is there any threatened termination, modification, recession, revocation or assignment thereof, (B) no condition exists nor has any event occurred which, in itself or with the giving of notice, lapse of time or both would result in the suspension, revocation, termination, impairment, forfeiture, or non-renewal of any governmental consent applicable to any Operator or to any Facility or of any participation or eligibility to participate in any Medicare, Medicaid, or other Payor program and (C) there is no claim that any such governmental consent, participation or contract is not in full force and effect.

(l) Regulatory Surveys. Seller shall deliver to Buyer, in the manner required pursuant to the terms of this Agreement, complete and accurate copies of the survey or inspection reports made by any governmental authority with respect to each Facility during the calendar years 2019 and year-to-date 2020. To the best of Seller's knowledge, after diligent investigation, and except as shown on Schedule 8(l), all exceptions, deficiencies, violations, plans of correction or other indications of lack of compliance in such reports have been fully corrected and there are no bans or limitations in effect, pending or threatened with respect to admissions to any Facility nor any licensure curtailments in effect, pending or threatened with respect to any Facility. Seller shall continue to deliver all such surveys, inspection reports as and when same are received and/or filed as the case may be prior to the Closing.

(m) Licensed Bed/Current Rate Schedule. As of the Effective Date, Schedule 8(m) sets forth (i) the number of licensed beds and the number of operating beds in the Facility, (ii) the current standard private rates charged by each Facility to all of its residents, and (iii) the number of beds or units presently occupied in, and the occupancy percentage at, the Facility, including the current rates charged by each Facility for each such occupied bed or unit. No Operator has any life care arrangement in effect with any current or future resident.

(n) Operations. Each Facility is adequately equipped and each Facility includes sufficient and adequate numbers of furniture, furnishings, equipment, consumable inventory, and supplies to operate such Facility as each is presently operated by the related Operator. Personal Property used to operate each Facility and to be conveyed to Buyer is free and clear of liens, security interests, encumbrances, leases and restrictions of every kind and description, except for Permitted Encumbrances and any liens, security interests and encumbrances to be released at Closing.

(o) No Misstatements, Etc. To the best of Seller's knowledge, neither the representations and warranties of Seller stated in this Agreement, including the Exhibits and the Schedules attached hereto, or any certificate or instrument furnished or to be furnished to Buyer by Seller in connection with the transactions contemplated hereby, contains or will contain any untrue or misleading statement of a material fact.

(p) Supplementation of Schedules; Change in Representations and Warranties. Seller shall have the continuing right and obligation to supplement and amend the Schedules herein on a regular basis including, without limitation, Schedule 8(g), and Seller's warranties and representations required hereunder, as necessary or appropriate (i) in order to make any representation or warranty not misleading due to events, circumstances or the passage of time or (ii) with respect to any matter hereafter arising or discovered up to and including the Closing Date, but Buyer shall not be deemed to have approved such supplemental Schedules unless Buyer expressly acknowledges approval of same in writing. In the event Seller amends any such Schedules, or Buyer or Seller gains actual knowledge prior to the Closing that any representation or warranty made by the other party contained in this Section 8 is otherwise untrue or inaccurate, such party shall, within five (5) days after gaining such actual knowledge but in any event prior to the Closing, provide the other party with written notice of such inaccuracy, whereupon the noticed party shall promptly commence, and use its best efforts to prosecute to completion, the cure of such matter, to the extent any such matter is curable. If any such matter is not curable within reason and is material, in Buyer's reasonable business judgment, Buyer shall have the right to terminate this Agreement upon written notice to Seller within five (5) business days of receipt or delivery of such notice, as applicable, on the same basis as set forth in Section 13(a) if during the Due Diligence Period and in Section 13(b)(ii) herein if after expiration of the Due Diligence Period.

(q) Survival of Representations and Warranties; Updates. The representations and warranties of Seller in this Agreement shall not be merged with the Deeds at the Closing and shall survive the Closing for the period of two (2) years provided such warranties shall be deemed made as of the date provided; provided, Seller understands and agrees that the Post Closing Lease, shall provide for a lengthier period of survival with respect to certain matters referenced therein.

For purposes of this Agreement, the phrase "to Seller's actual knowledge" or words of similar import shall mean the actual knowledge of Ari Silberstein. Seller represents and warrants that Ari Silberstein is the most knowledgeable regarding the Property and operations of each Facility.

9. Representations and Warranties of Buyer. Buyer hereby warrants and represents to Seller that:

(a) Organization, Corporate Powers, Etc. Buyer is a corporation, validly existing and in good standing under the laws of the State of Maryland and is duly qualified and in good standing in each other state or jurisdiction in which the nature of its business requires the same except where a failure to be so qualified does not have a material adverse effect on the business, properties, condition (financial or otherwise) or operations of that person. Buyer has full power, authority and legal right (i) to execute and deliver, and perform and observe the provisions of this Agreement and each Transaction Document to which it is a party, and (ii) to carry out the transactions contemplated hereby and by such other instruments to be carried out by Buyer pursuant to the Transaction Documents.

(b) Due Authorization, Etc. The Transaction Documents have been, and each instrument provided for herein or therein to which Buyer is a party will be, when executed and delivered as contemplated hereby, duly authorized, executed and delivered by Buyer and the Transaction Documents constitute, and each such instrument will constitute, when executed and delivered as contemplated hereby, legal, valid and binding obligations of the Buyer enforceable in accordance with their terms.

(c) Governmental Approvals. To Buyer's actual knowledge, no consent, approval or other authorization (other than corporate or other organizational consents which have been obtained), or registration, declaration or filing with, any court or governmental agency or commission is required for the due execution and delivery of any of the Transaction Documents to which Buyer is a party or for the validity or enforceability thereof against such party.

(d) No Conflicts. Neither the execution and delivery of the Transaction Documents to which Buyer is a party, compliance with the provisions thereof, nor the carrying out of the transactions contemplated thereby to be carried out by such party will result in (i) a breach or violation of (A) any material law or governmental rule or regulation applicable to Buyer now in effect, (B) any provision of any Buyer's organizational documents, (C) any material judgment, settlement agreement, order or decree of any court, arbitrator, administrative agency or other governmental authority binding upon Buyer, or (D) any material agreement or instrument to which Buyer is a party or by which Buyer or its respective properties are bound; (ii) the acceleration of any obligations of Buyer; or (iii) the creation of any lien, claim or encumbrance upon any properties or assets of Buyer.

(e) No Misstatements, Etc. To Buyer's actual knowledge, neither the representations and warranties of Buyer stated in this Agreement, including the Exhibits and the Schedules attached hereto, nor any certificate or instrument furnished or to be furnished to Seller by Buyer in connection with the transactions contemplated hereby, contains or will contain any untrue or misleading statement of a material fact.

(f) Survival of Representations and Warranties; Updates. The representations and warranties of Buyer in this Agreement shall not be merged with the Deeds at the Closing and shall survive the Closing for the period of one (1) year.

10. Covenants of Seller. Seller covenants with respect to the Facilities as follows:

(a) Pre-Closing. Between the date of this Agreement and the Closing Date, except as contemplated by this Agreement or with the prior written consent of Buyer, which shall not be unreasonably withheld, conditioned or delayed:

(i) Seller shall use its commercially reasonable best efforts to cause the Operator to operate the Facilities diligently, in accordance with the Operator's obligations under its lease or other arrangement with Seller, and only in the ordinary course of business and consistent with past practice.

(ii) Seller shall use its best efforts to prevent the Operator from making any material change in the operation of any Facility, and shall prevent the Operator from selling or agreeing to sell any items of machinery, equipment or other assets of the Facility, or otherwise entering into any agreement affecting any Facility, except in the ordinary course of business;

(iii) Seller shall use its best efforts to prevent the Operator from entering into any Lease or Contract or commitment affecting any Facility, except for Leases or Contracts entered into in the ordinary course of business;

(iv) During normal business hours and consistent with Section 6(c) herein, Seller shall provide Buyer or its designated representative with access to the Facility upon prior notification and coordination with Seller and the Operator; provided, Buyer shall not materially interfere with the operation of any Facility. At such times Seller and the Operator shall permit Buyer to inspect the books and records of each Facility;

(v) Within five (5) business days following the execution of this Agreement by the parties, Seller shall deliver to Buyer the due diligence items described on the Due Diligence List attached hereto as Schedule 6(a)(vii) (the "**Due Diligence Items**"); provided, in the event certain Due Diligence Items ("**Unavailable Items**") are not readily accessible to Seller, Seller may identify the Unavailable Items by written notice to Buyer within such five (5) business day period and shall use its commercially reasonable efforts to deliver all Unavailable Items to Buyer as promptly as possible, but in no event more than ten (10) business days following the execution of this Agreement unless Seller delivers written notice to Buyer stating such Unavailable Items are not in Seller's possession. If Buyer requests additional items not included on Schedule 6(a)(vii), it will do so by written request delivered by Seller and Seller will use its commercially reasonable efforts to provide such information within five (5) business days within receipt of the request unless Seller delivers written notice to Buyer stating such additional items are not in Seller's possession; and, provided further, Seller shall continue to cause Operator to deliver to Buyer, following the expiration of the Due Diligence Period, financial reports showing, among other things, the EBITDAR (defined below) for the Facilities for the trailing twelve (12) month annualized operations for any given period. The term "**EBITDAR**" means "earnings before interest, taxes, depreciation, amortization and rent and reserves (reserves meaning additions to capital reserves)."

(vi) Seller shall use its commercially reasonable efforts to prevent the Operators from moving residents from any Facility, except (a) to any other Facility which is owned by Seller and constitutes part of the Property as defined herein, (b) for health treatment purposes or otherwise at the request of the resident, family member or other guardian or (c) upon court order or the request of any governmental authority having jurisdiction over such Facility;

(vii) Seller shall use commercially reasonable efforts to cause the Operators to retain the services and goodwill of the employees of such Operator until the Closing;

(viii) Seller shall maintain in force, or shall cause each Operator to maintain in force, the existing hazard and liability insurance policies, or comparable coverage, for each Facility as are in effect as of the date of this Agreement;

(ix) Seller shall, and shall cause each Operator, to file all returns, reports and filings of any kind or nature, including but not limited to, cost reports referred to in this Agreement, required to be filed by Seller or the Operator on a timely basis and shall timely pay all taxes or other obligations and liabilities or recoupments which are due and payable with respect to each Facility in the ordinary course of business with respect to the periods Seller or Operator operated each Facility;

(x) Seller shall cause each Operator (a) to maintain all required operating licenses in good standing, (b) to operate each Facility in accordance with its current business practices and (c) to promptly notify Buyer in writing of any notices of material violations or investigations received from any applicable governmental authority;

(xi) Seller shall use commercially reasonable efforts to cause each Operator to make all customary repairs, maintenance and replacements required to maintain its Facility in substantially the same condition as on the date of Buyer's inspection thereof, ordinary wear and tear excepted;

(xii) Seller shall promptly notify Buyer in writing of any Material Adverse Change, as defined herein, of which Seller becomes aware in the condition or prospects of the Facilities including, without limitation, sending Buyer copies of all surveys and inspection reports of all governmental agencies received after the date hereof and prior to Closing, promptly following receipt thereof by the Operator. For purposes of this Agreement, a "**Material Adverse Change**" shall mean: (i) a decrease in the adjusted rolling twelve (12) month EBITDAR for the Facilities, inclusive of a \$400 per bed reserve for capital expenditures, to less than Fifteen Million Six Hundred Thousand and 00/100 Dollars (\$15,600,000.00), cumulatively, or (ii) loss of licensure for the operation of the Facilities, or (iii) loss of Medicare or Medicaid participation for any Facility, or (iv) any adverse action by a governmental agency which, with the passage of time, would reasonably be expected to materially affect in a negative manner licensure at any Facility, or any adverse action in any Facility which would reasonably be expected to materially affect in a negative manner such Facility's participation or eligibility to participate in any Medicare, Medicaid, or other Payor program, unless appropriate corrective action has been taken by the Operator, in the ordinary course of business, or (v) failure to settle with the appropriate governmental authority, or to satisfy on or before the Closing (either directly with such governmental authority or by funds escrowed by Seller for such purposes) all claims for reimbursements, recoupments, taxes, fines or penalties which may be due to any governmental authority having jurisdiction over any Facility, or (vi) the occurrence of a title or survey defect occurring after the date of this Agreement which would reasonably be expected to adversely affect the ability of Buyer to operate the skilled nursing facility at its respective Facility or to obtain financing for such Facility and Buyer timely objects to such defects in accordance with Section 14(b) herein, or (vii) the commencement of any third party litigation against the Seller, the Operator or the Facilities which interferes with Seller's ability to close the transactions contemplated by this Agreement, or (viii) any damage, destruction or condemnation affecting any Facility in which the estimate of damage exceeds \$200,000 per Facility and such damage or destruction has not been repaired, or Buyer as not otherwise waived such condition prior to Closing. In the event of any occurrence described in clause (iv) above, Operator shall deliver a copy of the Plan of Correction or otherwise notify Buyer in writing of the planned action, and such Plan of Correction or other corrective action which has been approved by the applicable regulatory agency or agencies.

(xiii) Seller agrees to cause each Operator to remedy any material compliance deficiency cited in any written notice from, or in any settlement agreement or other Plan of Correction or other agreement with, any state or federal governmental body, or in the event of state or federal proceedings against any Operator or any Facility, or receipt by any Operator of such notice prior to the Closing Date, of any condition which would affect the truth or accuracy of any representations or warranties set forth in this Agreement by Seller; provided, however, in the event a physical plant deficiency is cited which Seller has insufficient time to remedy before the Closing Date, in accordance with the approval of the appropriate state or federal agency, then the same shall be deemed remedied when the costs of correcting said deficiency (based upon reasonable estimates from established vendors selected by Seller and Buyer and approved by Seller and by Buyer, in its sole and absolute discretion) shall be held back in the Escrow at the Closing and not released to Seller until such deficiency is corrected by Seller; and, provided further, a non-physical plant deficiency which cannot be remedied prior to the Closing, in accordance with the approval of the appropriate state or federal agency, will be deemed to be remedied for purposes of this Section if such Operator develops a Plan of Correction addressing the deficiency(ies) and such Plan of Correction is approved by the applicable state or federal agency. Seller shall use its best efforts to remedy any such deficiency subsequent to the Closing which is to be remedied as a result of a Plan of Correction filed by Seller or any Operator prior to the Closing, and Buyer shall cooperate with such efforts by Seller; provided, Seller shall bear all costs associated with such remedy. In the event any such Plan of Correction agreed to by Seller and Operator prior to the Closing is not approved by the applicable state or federal agency subsequent to Closing, Seller shall promptly use its commercially reasonable efforts, and shall cause such Operator to use its commercially reasonable efforts, to amend the Plan of Correction in such a manner that is necessary to obtain acceptance by the state or federal agency of the amended Plan of Correction as soon as practicable after submittal. Notwithstanding any other provision of this Agreement, the obligation of Seller pursuant to this Subsection 10(a)(xiii) shall survive the Closing for such period of time as is necessary to remedy such deficiency.

(xiv) Seller shall, at its cost and on or before Closing, obtain payoffs or other lender documentation required to obtain timely releases of financing statements and tax and judgment liens affecting or relating to each Facility which have been filed or recorded in the State with the Office of the Secretary of State and the appropriate County Recorder's Office.

(xv) Seller shall promptly comply with any notices of violations received relating to each Facility and shall deliver to Buyer a copy of any such notice received and evidence of compliance with such notice.

(xvi) Seller shall complete the Critical Repairs in accordance with Section 6(f) of this Agreement.

(b) **Closing.** On or before the Closing Date, Seller shall deliver the following documents to Escrow Agent relating to the Facilities (**"Closing Documents"**):

(i) One (1) original executed Deed for each Facility, in recordable form; provided, however, if the legal descriptions of the Real Property prepared on the basis of the New Surveys differ from the legal descriptions attached hereto as Exhibit A, Seller shall, at Buyer's request, execute and deliver to Buyer at Closing a quitclaim deed, in recordable form, containing the legal description of the Real Property based upon the New Survey, as applicable;

(ii) Two (2) original executed counterparts of the Post Closing Lease for each Facility;

(iii) Two (2) original executed counterparts of the bill of sale for the Personal Property (**"Bill of Sale"**), and an assignment of each Seller's interest in the Intangibles (**"Assignment of Intangible Property"**);

(iv) One (1) original of the executed Repair Completion Notice for each Facility, as applicable, to the extent not previously delivered to Buyer.

(v) One (1) original executed certificate executed by Seller confirming that Seller's representations and warranties continue to be true and correct in all material respects, or stating how such representations and warranties are no longer true and correct (**"Seller's Confirmation"**);

(vi) All contractor's and manufacturer's guaranties and warranties, if any, in Seller's possession relating to each Facility (collectively, the **"Warranties"**), which delivery will be made by leaving such materials at the Facility;

(vii) Two (2) original executed counterparts of each of the FIRPTA Certificate, escrow agreements and other documents required by the Title Company in connection with the transactions contemplated by this Agreement, including, without limitation, title affidavits and transfer tax forms (collectively, the **"Title Company Documents"**);

(viii) An affidavit or other documentation, in form and substance reasonably acceptable to Buyer's counsel, sufficient to demonstrate that Seller is exempt from the withholding requirements of O.C.G.A. Sec. 48-7-128; and

(ix) An affidavit with respect to broker's liens and services customarily required of sellers by Escrow Agent.

11. Covenants of Buyer. Buyer hereby covenants as follows:

(a) Pre-Closing. Between the date hereof and the Closing Date, except as contemplated by this Agreement or with the consent of Seller, Buyer agrees that Buyer shall not take any action inconsistent with its obligations under this Agreement or which could hinder or delay the consummation of the transaction contemplated by this Agreement. Between the date hereof and the Closing Date, Buyer agrees that Buyer shall not (i) make any commitments to any governmental authority, (ii) enter into any agreement or contract with any governmental authority or third parties, or (iii) alter, amend, terminate or purport to terminate in any way any governmental approval or permit affecting the Real Property, Personal Property or Facility, which would be binding upon Seller, any Real Property Owner, the Facility or Personal Property after any termination of this Agreement.

(b) Closing. On or before the Closing Date, Buyer shall deposit the following with Escrow Agent:

- (i) The Purchase Price in accordance with the requirements of this Agreement;
- (ii) Two (2) original executed counterparts of the Post Closing Lease for each Facility;
- (iii) Two (2) original executed counterparts of each of the Bill of Sale and Assignment of Intangible Property requiring Buyer's signature;
- (iv) One (1) original executed certificate executed by Buyer confirming that Buyer's representations and warranties continue to be true and correct in all material respects, or stating how such representations and warranties are no longer true and correct ("Buyer's Confirmation");
- (v) Two (2) original executed counterparts of each of the Title Company Documents requiring Buyer's signature; and
- (vi) An affidavit with respect to broker's liens and services customarily required of purchasers by Escrow Agent.

12. Conditions to Closing.

(a) Conditions to Buyer's Obligations. All obligations of Buyer under this Agreement are subject to the reasonable satisfaction and fulfillment, prior to the Closing Date, of each of the following conditions. Any one or more of such conditions may be waived in writing by Buyer.

(i) Seller's Representations, Warranties and Covenants. Seller's representations, warranties and covenants contained in this Agreement or in any certificate or document delivered in connection with this Agreement or the transactions contemplated herein, shall be true at the date hereof and as of the Closing Date as though such representations, warranties and covenants were then again made, except to the extent that Buyer has discovered, or Seller has provided Buyer with written notice (the "Supplemental Notice") prior to Closing that Seller has just become aware, that a representation is untrue or inaccurate, and Buyer nevertheless elects not to terminate this Agreement at the expiration of the Due Diligence Period, or, if the Supplemental Notice is delivered after the Due Diligence Period, Buyer elects to proceed with closing the transaction despite such inaccuracy, whereupon Buyer will be deemed to have waived any right of recourse or damages against Seller resulting from such inaccuracy disclosed in the Supplemental Notice. Upon receipt of a Supplemental Notice from Seller after the expiration of the Due Diligence Period, Buyer shall have the right to (a) terminate this Agreement upon written notice to Seller within five (5) days after receipt of the Supplemental Notice, or (b) elect to proceed with closing the transaction as set forth in this Agreement. If Seller provides Buyer with a Supplemental Notice within ten (10) business days of Closing, then Buyer shall have the right, at its option and upon written notice to Seller, to extend the Closing Date for up to ten (10) business days in order to analyze and review the issues disclosed in the Supplemental Notice.

(ii) Seller's Performance. Seller shall have performed all of its obligations and covenants under this Agreement that are to be performed prior to or at Closing.

(iii) Damage and Condemnation. Prior to the Closing Date, no portion of any Facility shall have been damaged or destroyed by fire or other casualty where the estimate of damage to such Facility exceeds five percent (5%) of the Purchase Price allocated to such Facility, or proceedings be commenced or threatened to take or condemn any material part of the Real Property or improvements comprising a Facility by any public or quasi-public authority under the power of eminent domain. A proceeding shall be deemed to be "material" if such condemnation or taking (i) relates to the material taking or closing of any right of access to any Real Property or Facility, (ii) cause the Real Property or Facility to become non-conforming with then current legal requirements governing such Real Property or Facility, (iii) results in the loss of parking that is material to the operation of such Facility, or (iv) result in the loss of value in excess of 10% of the Purchase Price allocated to such Facility, in Buyer's reasonable judgment. If such Facility shall have been so damaged or destroyed, Seller shall deliver prompt written notice of such condemnation, damage or destruction to Buyer. In the event Buyer waives this condition, by written notice to Seller within fifteen (15) business days of receipt of notice of such proceeding, and the Closing occurs, Seller shall assign to Buyer all its right to any insurance proceeds in connection therewith. If proceedings shall be so commenced or threatened to take or condemn the Real Property or the Facility or portion thereof prior to Closing, and if Buyer waives this condition and the Closing occurs, Seller shall pay or assign to Buyer all Seller's right to the proceeds of any condemnation award in connection thereof.

(iv) Absence of Litigation. No action or proceeding shall have been instituted, threatened or, in the reasonable opinion of Buyer, is likely to be instituted before any court or governmental body or authority the result of which could prevent or make illegal the acquisition by Buyer of any Facility, or the consummation of the transaction contemplated hereby, or which could materially and adversely affect any Facility or the business or prospects of any Facility.

(v) Form of Post Closing Lease. Prior to the expiration of the Due Diligence Period, Operators and Buyer shall have agreed upon the form of the post closing lease (the "Post Closing Lease") between Buyer, as landlord, and each Operator, as tenant. The Post Closing Lease shall contain the lease terms listed on Exhibit C attached hereto and incorporated herein by reference unless Buyer and Operator mutually agree otherwise. Further, it shall be a condition to Closing that Operators and Buyer execute the Post Closing Lease simultaneously with Closing.

(vi) No Material Adverse Change. No Material Adverse Change shall have occurred in any Facility.

(vii) East Lake Arbor. The East Lake Arbor Facility, as set forth on Schedule 1.1(a) (“**East Lake Arbor Facility**”) shall have been removed from the Centers for Medicare and Medicaid Services special focus facility candidate list (“**Watch List**”) at least thirty (30) days prior to the Closing Date. If the East Lake Arbor Facility has not been removed from the Watch List by the date that is at least thirty (30) days prior to the Closing Date, the Buyer shall purchase and close the balance of the Property on the Closing Date without the purchase of the Decatur Property. If the East Lake Arbor Facility is removed from the Watch List at any time from the date that is thirty (30) days prior to the Closing Date until the Outside Decatur Closing Date, then, subject to the conditions precedent to Closing with respect to the Decatur Property, upon thirty (30) days written notice from Seller to Buyer, Buyer shall be required to purchase and close the Decatur Property at the allocated Purchase Price for the Decatur Property set forth on Schedule 3. Alternatively, Buyer may elect to purchase the Decatur Property on the Closing Date or at any time after the Closing Date upon thirty (30) days written notice from Buyer to Seller, even if the East Lake Arbor Facility remains on the Watch List, at the allocated Purchase Price for the Decatur Property set forth on Schedule 3. The conditions precedent to Closing with respect to the Decatur Property only, as set forth in Section 12(a), shall be applicable if the Decatur Property is purchased after the Closing Date. If the East Lake Arbor Facility is not removed from the Watch List by the Outside Decatur Closing Date, and the Buyer has not elected to purchase the Decatur Property, then this Agreement with respect to the Decatur Property shall be null and void and of no further effect. In the event the Decatur Property is not purchased by the Buyer on the Closing Date, then a Material Adverse Change, as set forth in Section 10(a)(xii)(i), shall mean a decrease in the adjusted rolling twelve (12) month EBITDAR for the Property (other than the Decatur Property), inclusive of a \$400 per bed reserve for capital expenditures, to less than Thirteen Million Eight Hundred Thousand and 00/100 Dollars (\$13,800,000.00), cumulatively. In the event the Decatur Property is not purchased by the Buyer with the balance of the Property, then from and after the Closing Date, a Material Adverse Change with respect to the Decatur Property, as set forth in Section 10(a)(xii)(i), shall mean a decrease in the adjusted rolling twelve (12) month EBITDAR for the East Lake Arbor Facility, inclusive of a \$400 per bed reserve for capital expenditures, to less than One Million Eight Hundred Thousand and 00/100 Dollars (\$1,800,000.00), cumulatively.

(viii) Estoppel Certificates. At least five (5) days prior to the expiration of the Due Diligence Period, and at least three (3) business days prior to the Closing Date, Seller shall have delivered to Buyer an estoppel certificate (each, an “**Estoppel Certificate**”) duly executed by the Operator of each Facility regarding each Facility lease in the form and substance reasonably acceptable to Buyer.

(ix) Security Interest in each Operator’s Assets. To the extent that any personal property, intangible assets and/or other non-realty assets are owned by an Operator and not by the Seller of the applicable Facility, at the Closing, such Operator shall grant to Buyer a security interest in such personal property and intangible assets.

(x) Removal of Personal Property Liens. Seller shall have removed (or shall have sufficient payoff or other documents to remove such liens) all personal property liens which are related to the Facilities and the Facilities shall be free and clear of all liens, claims and encumbrances other than Permitted Exceptions once such payoffs are made at Closing.

(xi) Title Insurance Policies. Title Company shall be prepared to issue the (i) Owners Title Insurance Policy for each Facility as of the Closing Date, with coverage in the amount of the allocable portion of the Purchase Price for such Facility, insuring Buyer as owner of such Facility subject only to the Permitted Exceptions, and (ii) ALTA Title Insurance Policy for each Facility as of the Closing Date, with coverage in the amount of the allocable portion of Buyer's loan from Buyer's lender ("**Lender**"), insuring Lender's lien against each Facility subject only to such exceptions as may be approved by Lender, and with such endorsements as may be required by Lender.

(b) Conditions to Seller's Obligations. All obligations of Seller under this Agreement are subject to the fulfillment, prior to the Closing Date, of each of the following conditions. Anyone or more of such conditions may be waived by Seller in writing.

(i) Buyer's Representations, Warranties and Covenants. Buyer's representations, warranties and covenants contained in this Agreement or in any certificate or document delivered in connection with this Agreement or the transactions contemplated herein shall be true at the date hereof and as of the Closing Date as though such representations, warranties and covenants were then again made.

(ii) Buyer's Performance. Buyer shall have performed its obligations and covenants under this Agreement that are to be performed prior to or at Closing.

(iii) Absence of Litigation. No action or proceeding shall have been instituted, threatened or, in the reasonable opinion of Seller, is likely to be instituted before any court or governmental body or authority the result of which could prevent or make illegal the acquisition by Buyer of any Facility, or the consummation of the transaction contemplated hereby, or which could materially and adversely affect any Facility or the business or prospects of any Facility.

(iv) No Actions. There shall be no action pending or recommended by the appropriate state agency to revoke, withdraw or suspend any license to operate any Facility or the certification of any Facility, or any action of any other type with regard to licensure or certification or with respect to Medicare or Medicaid provider billing agreements necessary to operate any Facility.

(v) Form of Post Closing Lease. Prior to the expiration of the Due Diligence Period, each Operator and Buyer shall have agreed upon the form of the Post Closing Lease.

13. Termination; Defaults.

(a) Termination For Failure of Condition. Either party may terminate this Agreement for non-satisfaction or failure of a condition to the obligation of either party to consummate the transaction contemplated by this Agreement (including, without limitation, Buyer's election to disapprove the condition of the title or Surveys pursuant to Section 14 herein), unless such matter has been satisfied or waived by the date specified in this Agreement or by the Closing Date (as same may be extended by the parties to allow the parties to satisfy or waive conditions to close in the manner provided in this Agreement). In the event of such a termination, Escrow Agent shall promptly return (i) to Buyer, all funds of Buyer in its possession, including the Deposit and all interest accrued thereon, and (ii) to Seller and Buyer, all documents deposited by them respectively, which are then held by Escrow Agent. Thereafter, neither party shall have any continuing obligation or liability to the other party except for any such matters that expressly survive the Closing or termination of this Agreement, as provided herein. The provisions of this Section 13(a) are intended to apply only in the event of a failure of condition, as set forth herein, which is not the result of a default by either party, but which shall not apply in the event the non-terminating party is in default of its obligations under this Agreement.

(b) Termination For Cause.

(i) If the Agreement is terminated by Seller because Buyer fails to consummate the Closing as a result of a default by Buyer under this Agreement, which Buyer fails to cure within five (5) days after receipt of written notice from Seller, Seller's sole and exclusive remedy prior to the Closing Date shall be to terminate this Agreement by giving written notice of termination to Buyer and Escrow Agent, whereupon (A) Escrow Agent shall promptly release to Seller the Deposit, and all interest accrued thereon, (B) Escrow Agent shall return to Buyer and Seller all documents deposited by them respectively, which are then held by Escrow Agent, (C) the parties shall be released and relieved of all obligations to each other under this Agreement, except for provisions that expressly survive termination as provided herein (including without limitation, indemnification provisions), (D) Buyer shall return to Seller all documents received by it during the course of its Due Diligence and (E) Buyer shall have no further right to purchase the Property or legal or equitable claims against Seller (except for any breach by Seller of provisions that survive termination) and/or the Property. Buyer shall have no liability to Seller under any circumstances for any speculative, consequential or punitive damages. Without limiting the other provisions of this Agreement, Buyer acknowledges that the provisions of this Subsection are a material part of the consideration being given to Seller for entering into this Agreement and that Seller would be unwilling to enter into this Agreement in the absence of the provisions of this Subsection. The provisions of this Subsection shall survive any termination of this Agreement. With respect to any action by Seller against Buyer or by Buyer against Seller commenced after the Closing Date, Seller and Buyer expressly waive any right to any speculative, consequential, or punitive damages. The parties acknowledge and agree that Seller's actual damages as a result of Buyer's default would be difficult or impossible to ascertain and that the deliveries and payments provided for in this paragraph constitute reasonable compensation for its actual damages. Seller and Buyer acknowledge that they have read and understand the provisions of this Section 13(b)(i), and by their initials below agree to be bound by its terms.

Sellers' Initials

Buyer's Initials

(ii) Buyer shall have the right to terminate this Agreement in the event Seller defaults in the performance of its obligations under this Agreement, and Seller fails to cure the same within five (5) days after receipt of written notice from Buyer. If this Agreement is terminated by Buyer because Seller has defaulted in the performance of its obligations under this Agreement, Buyer's sole and exclusive remedies prior to the Closing Date shall be either: (A) to terminate this Agreement by giving written notice of termination to Seller and Escrow Agent and pursue any and all remedies for Buyer's out-of-pocket costs (including reasonable attorneys' fees and court costs), attributable to the termination of this Agreement supported by documentary evidence, excluding any speculative or punitive damages, whereupon (i) Escrow Agent shall promptly return to Buyer the Deposit, and all interest accrued thereon, and (ii) Escrow Agent shall return to Seller and Buyer all documents deposited by them respectively, which are then held by Escrow Agent, or (B) to pursue the remedy of specific performance of Seller's obligation to perform its obligations under this Agreement. Seller shall have no liability to Buyer under any circumstances for any speculative, consequential or punitive damages. Without limiting the other provisions of this Agreement, Seller acknowledges that the provisions of this Subsection are a material part of the consideration being given to Buyer for entering into this Agreement and that Buyer would be unwilling to enter into this Agreement in the absence of the provisions of this Subsection. The provisions of this Subsection shall survive any termination of this Agreement. With respect to any action by Buyer against Seller or by Seller against Buyer commenced after the Closing Date, Buyer and Seller expressly waive any right to any speculative, consequential, punitive or special damages including, without limitation, lost profits. Seller and Buyer acknowledge that they have read and understand the provisions of this Section 13(b)(ii) and by their initials below agree to be bound by its terms. Notwithstanding the foregoing, this Section 13(b)(ii) will not limit Buyer's right to receive reimbursement of attorney's fees or costs, nor waive or affect Seller's indemnity obligations and Buyer's rights to those indemnity obligations expressly set forth in this Agreement.

Sellers' Initials

Buyer's Initials

(c) General. In the event a party elects to terminate this Agreement such party shall deliver a notice of termination to the other party.

14. Surveys and PTR.

(a) Upon the execution of this Agreement, Buyer shall order a preliminary title report (the "PTR") covering the Real Property, together with legible copies of any and all instruments referred to in the PTR as constituting exceptions to title of the Real Property (the "Title Documents").

(b) Seller shall have delivered to Buyer a copy of the existing surveys, if any, in Seller's possession for each Facility ("Surveys") in accordance with Section 10(a)(v) herein. If Buyer so elects, Buyer may obtain an update of the Surveys or new Surveys, at Buyer's sole cost ("New Surveys"). On or before five (5) business days prior to the expiration of the Due Diligence Period, Buyer shall notify Seller and the Title Company ("Buyer's Title Notice") of any objections which Buyer may have to the PTR and/or Surveys or the New Surveys. If Buyer objects to any matters (other than the Permitted Exceptions) which, in Buyer's determination, might adversely affect the ability of Buyer to operate any of the Facilities, Seller shall use its reasonable business efforts to cure same, but shall not be obligated to cure matters other than to obtain the release (at Closing) of any existing mortgages, deeds of trust, any mechanics' liens and other monetary liens affecting the Property which may be released by payment of the mortgage payoff or lien amount from Seller's Closing proceeds (collectively, "Monetary Liens"). In no event shall a Monetary Lien be a Permitted Exception. If Seller delivers written notice to Buyer ("Seller's Title Notice"), on or before the expiration of the Due Diligence Period that Seller is willing to remove any exceptions objected to by Buyer, then Seller shall be obligated to remove such exceptions on or prior to the Closing and such exceptions shall not be Permitted Exceptions. If Seller does not provide Buyer with Seller's Title Notice or Seller's Title Notice does not provide for Seller's agreement to remove all exceptions objected to by Buyer, then Buyer shall have the right to terminate this Agreement prior to the expiration of the Due Diligence Period or waive Buyer's objection to any exceptions Seller has not agreed to remove with such exceptions becoming Permitted Exceptions upon Buyer waiving its due diligence contingency. Notwithstanding the foregoing provisions of this Subsection (b), Buyer shall have the right to object, promptly upon learning of any such new matters, to any new matters raised in the New Surveys or any update thereof, after the expiration of the Due Diligence Period, and the parties shall cooperate with the Title Company, as promptly as possible following the delivery of Buyer's objections to such new matters in the New Surveys or any update thereof, to resolve any such matters to Buyer's satisfaction; provided, that, if Seller notifies Buyer prior to the Closing Date that Seller is unable to clear such new New Survey objections or that the costs of clearing such New Survey objections would be commercially unreasonable, so long as such New Survey matter that arises after the expiration of the Due Diligence Period that Buyer is objecting to was not caused by Seller on or after the Effective Date, Buyer's sole remedy shall be to either terminate this Agreement, and the Deposit shall be immediately returned to Buyer, or waive Buyer's objection to such New Survey matters, with such matters becoming Permitted Exceptions upon such waiver by Buyer. The Due Diligence Period shall not be extended for resolution of any such new matters in the New Surveys. If such new matter appearing on the New Survey or any update thereof was caused by Seller's default under this Agreement, Buyer shall have the remedies set forth in Section 13(b)(ii) above.

15. Cooperation. Following the execution of this Agreement, Buyer and Seller agree that if any event should occur, either within or without the knowledge or control of Buyer or Seller, which would prevent fulfillment of the conditions to the obligations of any party hereto to consummate the transaction contemplated by this Agreement, each such party shall use reasonably commercial efforts to cure or to cause the cure of the same as expeditiously as possible. In addition, each party shall cooperate fully with each other in preparing, filing, prosecuting, and taking any other actions with respect to, any applications, requests, or actions which are or may be reasonable and necessary to obtain the consent of any governmental instrumentality or any third party or to accomplish the transaction contemplated by this Agreement.

16. Indemnification.

(a) Indemnification Provisions.

(i) Subject to the limitation on damages contained in Section 13(b)(ii) hereof and the limitations set forth in Section 16(d) and (g) below, Seller hereby agrees to indemnify, protect, defend and hold harmless Buyer and its officers, directors members shareholders tenants, successors and assigns harmless from and against any and all claims, demands, obligations, losses, liabilities, damages, recoveries and deficiencies (including interest, penalties and reasonable attorneys' fees, costs and expenses) which any of them may suffer as a result of: (A) any breach of or inaccuracy in the representations and warranties, or breach, non-fulfillment or default in the performance of any of the conditions, covenants and agreements, of Seller contained in this Agreement or in any certificate or document delivered by Seller pursuant to any of the provisions of this Agreement, unless Seller cures such matter in the manner provided in Section 8(p) herein or (B) the failure to discharge any federal, state or local tax liability, or to pay any other assessments, recoupments, claims, fines, penalties or other amounts or liabilities accrued or payable with respect to any activities of Seller prior to the Closing Date (whether brought before or after the Closing Date), or (C) any obligation which is expressly the responsibility of Seller under this Agreement, or (D) any amounts required to cure citation violations issued by any state or federal health or human services authority on any Facility relating to any period prior to the Closing Date (whether brought before or after the Closing Dates), or (E) any claim by any employee of Seller relating to any period of employment prior to the Closing Date (whether brought before or after the Closing Date), or (F) the existence against the Real Property of any mechanic's or materialmen's claims resulting from the action or inaction of Seller or anyone acting under authority of Seller, or (G) any other cost, claim or liability arising out of or relating to events (other than as a result of the actions of Buyer or Buyer's Consultants) or Seller's ownership, operation or use of any Facility prior to the Closing Date. Any amount due under the aforesaid indemnity shall be due and payable by Seller within 30 days after demand thereof. Seller shall have the right to contest any such claims, liabilities or obligations as provided herein.

(ii) Subject to the limitation on damages contained in Section 13(b)(i) hereof and the limitations set forth in Section 16(d) and (g) below, Buyer hereby agrees to indemnify, protect, defend and hold harmless Seller and its officers, directors, members, shareholders and tenants harmless from and against any and all claims, demands, obligations, losses, liabilities, damages, recoveries and deficiencies (including interest, penalties and reasonable attorneys' fees, costs and expenses) which any of them may suffer as a result of: (A) any breach of or inaccuracy in the representations and warranties, or breach, non-fulfillment or default in the performance of any of the conditions, covenants and agreements, of Buyer contained in this Agreement or in any certificate or document delivered by Buyer pursuant to any of the provisions of this Agreement, unless Buyer cures such matter in the manner provided in Section 8(p) herein, or (B) the existence against the Real Property of any mechanic's or materialmen's claims arising from actions of Buyer or Buyer's Consultants prior to the Closing, or (C) any claim by any employee of Buyer relating to any period after the Closing Date, or (D) any other cost, claim or liability arising out of or relating to events (other than as a result of Seller, Seller's operator, Seller's lessee, or Seller's consultants) of Buyer's ownership, operation or use of any Facility after the Closing Date, or (E) any obligation which is expressly the responsibility of Buyer under this Agreement. Any amount due under the aforesaid indemnity shall be due and payable by Buyer within thirty (30) days after demand therefor. Buyer shall have the right to contest any such claims, liabilities or obligations as provided herein or any other cost, claim or liability arising out of or relating to events or Buyer's ownership, operation or use of the Facilities after the Closing Date.

(iii) The parties intend that all indemnification claims be made as promptly as practicable by the party seeking indemnification (the “**Indemnified Party**”). Whenever any claim shall arise for indemnification hereunder, the Indemnifying Party shall promptly notify in writing the party from whom indemnification is sought (the “**Indemnitor**”) of the claim, and the facts constituting the basis for such claim (the “**Indemnification Claim**”). Failure to notify the Indemnitor will not relieve the Indemnitor of any liability that it may have to the Indemnified Party, except to the extent the defense of such action is materially and irrevocably prejudiced by the Indemnified Party’s failure to give such notice.

(iv) An Indemnitor shall have the right to defend against an Indemnification Claim, with counsel of its choice reasonably satisfactory to the Indemnified Party, if (a) within fifteen (15) days following the receipt of notice of the Indemnification Claim the Indemnitor notifies the Indemnified Party in writing that the Indemnitor will indemnify the Indemnified Party from and against the entirety of any damages the Indemnified Party may suffer resulting from, relating to, arising out of, or attributable to the Indemnification Claim, (b) the Indemnitor provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnitor will have the financial resources to defend against the Indemnification Claim and pay, in cash, all damages the Indemnified Party may suffer resulting from, relating to, arising out of, or attributable to the Indemnification Claim, (c) the Indemnification Claim involves only money damages and does not seek an injunction or other equitable relief, (d) settlement of, or an adverse judgment with respect to, the Indemnification Claim is not in the good faith judgment of the Indemnified Party likely to establish a precedential custom or practice materially adverse to the continuing business interests of the Indemnified Party, and (e) the Indemnitor continuously conducts the defense of the Indemnification Claim actively and diligently.

(v) So long as the Indemnitor is conducting the defense of the Indemnification Claim in accordance with Section 16(a), then (A) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Indemnification Claim, (B) the Indemnified Party shall not consent to the entry of any order or finalization of any tentative settlement, the only condition of which is the consent of the Indemnified Party thereto, with respect to the Indemnification Claim without the prior written consent of the Indemnitor (not to be withheld unreasonably), and (C) the Indemnitor will not consent to the entry of any order or finalization of any tentative settlement, the only condition of which is the consent of the Indemnified Party thereto, with respect to the Indemnification Claim without the prior written consent of the Indemnified Party (not to be unreasonably withheld or delayed, provided that it will not be deemed to be unreasonable for an Indemnified Party to withhold its consent with respect to (i) any breach of any law, order or permit, (ii) any violation of the rights of any person, or (iii) any matter which Indemnified Party believes could have a material adverse effect on any other actions to which the Indemnified Party or its Affiliates are party or to which Indemnified Party has a good faith belief it may become party. Notwithstanding the foregoing provisions of this Subsection (v), if Indemnified Party refuses its consent to any of the matters set forth in clauses (i) through (iii) above, the indemnity amount shall be determined as if such consent had been given and Indemnitor shall pay over to the Indemnified Party such amount and be absolved from any further obligation as to that particular claim; Indemnified Party may then resolve the claim in the manner it sees fit without further recourse against Indemnitor.

(vi) Each party hereby consents to the non-exclusive jurisdiction of any governmental body, arbitrator, or mediator in which an action is brought against any Indemnified Party for purposes of any Indemnification Claim that an Indemnified Party may have under this Agreement with respect to such action or the matters alleged therein, and agrees that process may be served on such party with respect to such claim anywhere in the world, provided however, that any venue relating to any claim or proceeding arising out of this Agreement or any other agreement between Sellers and Buyer shall be the State and the laws of the State shall apply.

(b) Insurance Proceeds. In determining the amount of damages for which either party is entitled to assert an Indemnification Claim, the amount of any such claims or damages shall be determined after deducting therefrom the amount of any insurance coverage or proceeds or other third party recoveries received by such other party in respect of such damages. If an indemnification payment is received by the Indemnified Party in respect of any damages and the Indemnified Party later receives insurance proceeds or other third party recoveries in respect of such damages, the Indemnified Party shall immediately pay to the Indemnifying Party a sum equal to the lesser of the actual amount of net insurance proceeds or other third party recoveries (remaining after recovery costs and expenses) or the actual amount of the indemnification payment previously paid by or on behalf of the Indemnified Party.

(c) No Incidental, Consequential and Certain Other Damages. An Indemnitor shall not be liable to an Indemnified Party for incidental, consequential, enhanced, punitive or special damages unless such damages are included in a third-party claim and such Indemnified Party is liable to the third party claimant for such damages.

(d) Indemnification if Negligence of Indemnity; No Waiver of Rights or Remedies.

Each Indemnified Party's rights and remedies set forth in this Agreement shall survive the Closing or other termination of this Agreement, shall not be deemed waived by such Indemnified Party's consummation of the Closing of the sale transactions (unless the Indemnified Party has knowledge of the existence of a factual matter, event or condition giving rise to an Indemnification Claim at Closing and decides to proceed with Closing) and will be effective regardless of any inspection or investigation conducted by or on behalf of such Indemnified Party or by its directors, officers, employees, or representatives or at any time (unless such inspection or investigation reveals the existence of a factual matter, event or condition giving rise to an Indemnified Claim and such party proceeds with Closing), whether before or after the Closing Date.

(e) Other Indemnification Provisions. A claim for any matter not involving a third party may be asserted by notice to the Party from whom indemnification is sought.

(f) Dispute Resolution. Any dispute arising out of or relating to claims for indemnification pursuant to this Article 16 or any other dispute hereunder, shall be resolved in accordance with the procedures specified herein, which shall be the sole and exclusive procedure for the resolution of any such disputes.

(g) Limitations on Indemnity. The provisions of this Article 16 shall survive the Closing for a period of two (2) years. Notwithstanding anything to the contrary contained in this Article 16, no Indemnitor shall have any liability for any Indemnification Claim unless the Indemnified Party delivers written notice of such Indemnification Claim to the applicable Indemnitor within such two year period.

17. Notices. Any notice, request for consent or approval, election or other communication provided for or required by this Agreement shall be in writing and shall be (a)(i) delivered by hand or (ii) reliable overnight express delivery service, and (b) sent by electronic mail, addressed to the person to whom such notice is intended to be given at such address as such person may have previously furnished in writing to the such party's last known address. Notwithstanding the foregoing, Buyer's Title Notice and Seller's Title Notice may be delivered by electronic mail without the need to send a hard copy of such transmission. Until receipt of written notice to the contrary, the parties' addresses for notices shall be:

To Buyer:

Summit Healthcare REIT, Inc.
2 South Pointe Drive, Suite 100
Lake Forest, CA 92630
Attention: Kent Eikanas
Phone: (949) 535-1923
Email: keikanas@summithealthcarereit.com

With a Copy to:

Seubert French Frimel & Warner LLP
1075 Curtis Street
Menlo Park, CA 94025
Attention: Rachel Rosati Warner
Phone: (650) 322-2919
Email: rachel@sffwlaw.com

To Seller:

c/o TL Management LLC
2071 Flatbush Avenue, Suite 22
Brooklyn, New York 11234
Attention: Zevi Kohn, CFO
Email: zevikohn@gmail.com

With a Copy to:

Novack Burnbaum Crystal LLP
675 Third Avenue, 8th Floor
New York, New York 10017
Attention: Edward H. Burnbaum, Esq.
Phone: (212) 682-4002
E-mail: eburnbaum@nbclaw.com

18. Sole Agreement. This Agreement constitutes the entire understanding between the parties with respect to the transactions contemplated herein, and all prior or contemporaneous oral agreements, understandings representations and statement, and all prior written agreements, understandings, letters of intent and proposals are merged into this Agreement. Neither this Agreement nor any provisions hereof may be waived, modified, amended, discharged or terminated except by an instrument in writing signed by the party against which the enforcement of such waiver, modification, amendment, discharge or termination is sought, and then only to the extent set forth in such instrument.

19. Assignment; Successors. Neither party shall assign this Agreement without the prior written consent of the other; provided, however, Buyer may assign all of its rights, title, liability, interest and obligation pursuant to this Agreement to one or more entities owned, controlled by or under common control with Buyer. Subject to the limitations on assignment set forth above, all the terms of this Agreement shall be binding upon and inure to the benefit of and be enforceable by and against the heirs, successors and assigns of the parties hereto.

20. Severability. Should any one or more of the provisions of this Agreement be determined to be invalid, unlawful or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby and each such provision shall be valid and remain in full force and effect.

21. Risk of Loss. Until the Closing Date, Seller shall bear the risk of loss for the Facilities and after the Closing Date, the risk of loss of the Facilities shall be governed by the Post Closing Lease.

22. Holidays. If any date herein set forth for the performance of any obligations by Seller or Buyer or for the delivery of any instrument or notice as herein provided should be on a Saturday, Sunday or legal holiday, the compliance with such obligations or delivery shall be deemed acceptable on the next business day following such Saturday, Sunday or legal holiday. As used herein, the term "legal holiday" means any state or federal holiday for which financial institutions or post offices are generally closed in the State for observance thereof.

23. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, and all of which together shall be deemed to constitute one and the same instrument. Facsimile signature pages or electronically transmitted signature pages shall constitute original counterparts for all purposes.

24. Covenant Not to Compete; Non-Solicitation of Employees. For a period of three (3) years following the Closing Date, each Seller, on behalf of itself and its owners and affiliates, agrees (i) not to own, manage, lease or operate a long term skilled nursing facility which is located within a ten (10) mile radius of each Facility, and (ii) not to solicit the transfer of patients or residents of any of the Facility to any skilled nursing facility which is managed, leased or operated by any entity owned and/or controlled by any of the Seller entities or such individual.

25. Exhibits and Schedules. To the extent that one or more Exhibits or Schedules are not attached to this Agreement at the time this Agreement is executed, Seller and Buyer agree that this Agreement is not rendered unenforceable by reason of such fact. Seller shall provide such exhibits to Buyer during the Due Diligence Period as promptly as possible in order to allow the parties to agree upon such Exhibits and Schedules and to afford Buyer adequate time in which to complete its due diligence review prior to the expiration of the Due Diligence Period.

26. Prevailing Party. Subject to the limitations as otherwise set forth in this Agreement, if an action shall be brought on account of any breach of or to enforce or interpret any of the terms, covenants or conditions of this Agreement, the prevailing party shall be entitled to recover from the other party, as part of the prevailing party's costs, reasonable attorney's fees, the amount of which shall be fixed by the court and shall be made a part of any judgment rendered.

27. Joint and Several Liability. If Seller comprises of one or more persons or entities, the obligations of Seller hereunder shall be joint and several.

28. Time is of the Essence. Time is of the essence of this Agreement.

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

[Signatures on Following Pages]

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement under seal by parties legally entitled to do so as of the day and year first set forth above.

“SELLER”:

GASTONE MOUNTAIN SNF HOLDINGS LLC

By: /s/ Oberlander
Name: _____
Its: _____

GAJASPER SNF HOLDINGS LLC

By: /s/ Oberlander
Name: _____
Its: _____

GADECATUR SNF HOLDINGS LLC

By: /s/ Oberlander
Name: _____
Its: _____

GAFAIRBURN SNF HOLDINGS LLC

By: /s/ Oberlander
Name: _____
Its: _____

GACHATSWORTH SNF HOLDINGS LLC

By: /s/ Oberlander
Name: _____
Its: _____

GACARTERSVILLE SNF HOLDINGS LLC

By: /s/ Oberlander
Name: _____
Its: _____

GACALHOUN SNF HOLDINGS LLC

By: /s/ Oberlander
Name: _____
Its: _____

“SELLER”:

4595 CANTRELL ROAD LLC

By: /s/ Oberlander

Name: _____

Its: _____

“BUYER”:

SUMMIT HEALTHCARE REIT, INC., a Maryland corporation

By: */s/ Kent Eikanas*

Name

Title:

LIST OF EXHIBITS AND SCHEDULES INTENTIONALLY OMITTED
