



SONOMA VALLEY HEALTH CARE DISTRICT
BOARD OF DIRECTORS
AGENDA
JUNE 26, 2019
SPECIAL CONFERENCE CALL SESSION 8:30 A.M.

SONOMA VALLEY HOSPITAL
347 ANDRIEUX ST SONOMA, CA 95476

ALTERNATE LOCATIONS:
12400 WOLF RUN GLEN ELLEN
31 SECOND ST EAST SONOMA
2877 WHITE ALDER SONOMA
20580 PALMER AVE SONOMA

<p>In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a District meeting, please contact District Clerk Stacey Finn at sfinn@svh.com (707) 935.5004 at least 48 hours prior to the meeting.</p>	RECOMMENDATION	
<p>AGENDA ITEM</p>		
<p>MISSION STATEMENT <i>The mission of SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p>		
<p>1. CALL TO ORDER</p>	<i>Rymer</i>	
<p>2. PUBLIC COMMENT <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration. At all times please use the microphone.</i></p>	<i>Rymer</i>	
<p>3. ENSIGN MANAGEMENT AGREEMENT AND TERMS</p>	<i>Jensen</i>	Action
<p>4. ADJOURN</p>	<i>Rymer</i>	

Note: To view this meeting you may visit <http://sonomatv.org/> or YouTube.com.



To: SVH Board of Directors
From: Ken Jensen, CFO & Kelly Mather, CEO
Date: June 21, 2019
Subject: Proposal to Transfer Skilled Nursing Operations to a Contracted Operator

RECOMMENDATION TO THE BOARD OF DIRECTORS:

Management is recommending to the Sonoma Valley Hospital Board of Directors that the operation and financial risk of its Skilled Nursing Facility be transferred to Ensign (Bouverie Healthcare Services) with a guarantee of performance by Flagstone Group by approving the following Management Agreement that incorporates as attachments terms of what was previously called the Operations and Transfer Agreement and the Shared Services Agreement:

The Management Agreement is the contract required by the State to allow for a licensed facility to allow a contract manager to operate and be responsible for any of its beds. The SVH Board approved this agreement of 5/30/19 subject to legal review. Subsequently the SVH lawyers reviewed the documents and have recommended that the three previous documents be all incorporated into one. The revised Management Agreement transfers the operation and financial responsibility for the operation of the Skilled Nursing Unit from Sonoma Valley Hospital (Operator) to Ensign (Manager). Ensign will operate under the SVH license. SNF employees will be transferred to the employment of Ensign. Ensign intends to apply for a sub-acute license in order to care for more acute patients. Ensign assures that there would be a minimum of 5 SNF bed

BACKGROUND:

The SNF at SVH has operated under the Hospital license and up until a few years ago it was covering its operation costs through the Medicare Cost Report. Regulations were changed to “cap” the reimbursable costs and over the years cost inflation has exceeded the “cap”. In completing the budget for FY 2018/19 and prior to some efficiencies that were implemented, the Unit was facing upwards of an \$800,000 loss. Management undertook a review of the alternatives that included closing the Unit. A task force including staff, Board and public members was established to review alternatives, including closing the unit. Even after implementing some efficiencies it was determined that the Unit would not break even. Ensign, a company well established in the long term and skilled nursing business, approached the committee and made a proposal to take over the Unit and operate it under the Hospital license at no risk to SVH. The SNF taskforce recommended that management enter into discussion with Ensign to determine if an arrangement could be established that would maintain skilled nursing beds for the community. Ensign determined that if they could use beds for both SNF and Sub-Acute care that the unit could become profitable. Contracts were proposed and negotiated that would allow Ensign to take full responsibility operating and financing the unit. This led management to the recommendation above.

MANAGEMENT AGREEMENT

This MANAGEMENT AGREEMENT (this “**Agreement**”) is made and entered into as of July 1, 2019 (the “**Effective Date**”), between Bouverie Healthcare Services, Inc., a Nevada corporation (“**Manager**”) and Sonoma Valley Health Care District, dba Sonoma Valley Hospital (“**Operator**”) and Flagstone Healthcare North, Inc., a Nevada corporation, as guarantor of all of Manager’s obligations and liabilities set forth in this Agreement (“**Guarantor**”).

RECITALS

A. Operator currently holds a license (No. 110000072) (the “**License**”) to operate that certain 27-bed distinct part skilled nursing facility located at 347 Andrieux Street, Sonoma, California 95476 (the “**Facility**”) by the California Department of Public Health (“**Department**”).

B. Operator desires to engage Manager as the Manager of the Facility, to provide to, or on behalf of, the Operator the services provided for herein with respect to the Facility during the Term (as defined below).

C. Subject to board approval by Operator, Operator has agreed to transfer all operations in the Facility to Manager pursuant to the terms set forth in Exhibit B, attached hereto (the “**Transfer Provisions**”) and such transfer shall take place upon the consummation of transactions called for herein.

D. Operator and Manager have agreed to enter into that certain Shared Services Agreement dated on or around the date hereof, subject to board approval by the Operator (the “**Shared Services Agreement**”) to share certain services at the Facility, which is incorporated herein as Exhibit D.

E. Manager is willing to assist with the administration of the Facility on behalf of Operator during the Term.

NOW THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, IT IS AGREED AS FOLLOWS:

1. Management of the Facility.

1.1. Responsibilities of Manager: Operator hereby engages Manager and Manager hereby accepts such engagement and agrees to provide those certain services as more fully described herein to Operator in connection with the operation of the Facility, upon the terms and conditions set forth in this Agreement. By entering into this Agreement, Operator does not delegate to Manager any powers, duties or responsibilities which it is prohibited by law from delegating as a distinct part skilled nursing facility, including but not limited to the provisions of 42 CFR 483.5 and 42 CFR 440.155(c), as applicable. Operator hereby appoints Manager as its: (i) sole and exclusive agent for the purpose of occupying and operating the Facility, and (ii) attorney-in-fact for all purposes with respect to Operator’s rights, duties and responsibilities under the license for the Facility, to the extent permitted by law. Operator hereby grants and assigns to Manager all rights, privileges, powers and authority necessary or desirable for Manager to fulfill the purposes and intent of this Agreement, with the right and obligation to act in Operator’s name

and stead as necessary or desirable for the efficient or effective operation of the Facility. Operator also retains such other authority as shall not have been expressly delegated to Manager pursuant to this Agreement. The responsibilities of the Operator are in no way lessened by entering into this Agreement and the Operator retains full legal authority over the organization, management operation and control of the Facility. Subject to the foregoing, Manager shall provide the following services:

1.2. Operational Policies and Forms: Manager shall implement operational policies and procedures and develop such new policies and procedures as it deems necessary to insure the establishment and maintenance of operational standards appropriate for the nature of the Facility.

1.3. Charges: Manager shall provide the schedules of recommended charges, including any and all special charges, for services rendered to the residents at the Facility.

1.4. Information: Manager shall develop any informational material, mass media releases, and other related publicity materials, which it deems necessary for the operation of the Facility.

1.5. Regulatory Compliance: Manager, with the assistance of Operator if requested by Manager, shall use its commercially reasonable efforts to assist Operator to maintain all licenses, permits, qualifications and approvals from any applicable governmental or regulatory authority for the operation of the Facility. Operator hereby delegates federal and state health regulatory compliance functions to Manager, so that Manager can assist Operator with respect to the operation of the Facility in full compliance with all applicable laws and regulations and shall comply with all such laws and regulations in performing its obligations under this Agreement; provided, however, nothing herein shall be construed as relieving Operator, as the licensed operator of the Facility, from liability in the event that the operations at the Facility fail to comply with applicable law, subject, however, to any indemnity rights which Operator may have against Manager under Section 12 hereof if such liability arises from a breach by Manager of its obligations under this Section 1.4. Notwithstanding anything herein to the contrary, Manager and Operator hereby agree that it is the intent of the parties to comply with and maintain its status as a distinct part skilled nursing facility and to comply with the requirements of 42 CFR 483.5 and 42 CFR 440.155(c), as applicable and as amended from time to time, and to take all necessary steps to ensure compliance with such regulations, including but not limited to, providing appropriate accountability between the Facility administrator and Operator and medical director qualifications.

1.6. Equipment and Improvements: Manager shall maintain the Facility's physical plant and equipment and coordinate improvements which are needed to maintain or upgrade the quality of the Facility and said equipment, to replace obsolete or run-down equipment or to correct any other survey deficiencies which may be cited during the term of this Agreement. Manager shall make all necessary and approved repairs, replacements and maintenance and shall acquire all necessary equipment, including replacement equipment and, in the case of repairs and maintenance, shall be undertaken in a workmanlike and lien free manner.

1.7. Accounting: Manager shall provide home office and accounting support to the Facility. Manager shall bill and collect all rent from the residents of the Facility and payments

from Third Party Payors (as defined on Exhibit B hereto) including government payors, utilizing the Operator's provider numbers and presenting claims under the Provider Agreements. All accounting procedures and systems utilized in providing said support shall be in accordance with the operating capital and cash programs developed by Manager, which programs shall conform to generally accepted accounting principles and shall not materially distort income or loss. In addition, Manager shall prepare or cause to be prepared all tax returns, including payroll tax returns and shall cause all local, state and federal taxes to be timely paid or contested, as appropriate, including any applicable possessory interest tax. Nothing herein shall preclude Manager from delegating to a third party a portion of the accounting duties provided for in this Section; provided, that such delegation shall not relieve Manager from ultimate liability for the timely and complete performance of the obligations provided for herein, or relieve Manager from the responsibility for the accuracy of the books and records of the Facility. The Manager shall pay all of the expenses of the Facility related to the Term of this Agreement, including but not limited to payroll and employee benefits; supplies; equipment; vendors; utilities; payment of the Consulting Fee and any other capital and operating expenses of the Facility. Any fee due to Manager which is not paid when due as a result of an insufficiency of Facility Funds to cover the same shall accrue and shall be due and payable only at such time as there are sufficient Facility Funds to pay the same. As used in this Agreement, "**Facility Funds**" means all revenues from, and proceeds of, operation of, and services provided by, the Facility during the Term.

1.8. Reports and Records: Manager shall prepare and provide all necessary bookkeeping and accounting for the operation of the Facility. Manager shall assist Operator in complying with all applicable laws to maintain the License.

1.9. Personnel: Manager and Operator acknowledge and agree that Manager shall have full power and authority to hire and fire the personnel at the Facility, regardless of whether such persons are employed by the Operator or by the Manager. In order to assist Operator in fulfilling its obligations with respect to the employees of the Facility, Operator does hereby delegate to Manager the authority to recruit, train, promote, direct and discipline personnel of the Facility; establish salary levels, personnel policies and employee benefits; and establish employee performance standards, all as needed during the term of this Agreement to ensure the efficient operation of all departments within and services offered by the Facility. All of the foregoing obligations shall be undertaken in accordance with the operating budgets of the Facility, the policies and procedures of the Facility and all applicable state and federal laws and all expenses incurred by Manager in connection therewith shall be paid by Manager.

1.10. Supplies and Equipment: Manager shall purchase, in its own name, supplies and equipment (capital and non-capital) needed to operate the Facility. In purchasing said supplies and equipment, if possible, Manager shall take advantage of any national or group purchasing agreements to which Manager may be a party.

1.11. Resident Care: Manager shall provide patient care as required under applicable regulations for skilled nursing facilities and shall handle and administer all resident trust funds and accounts.

1.12. Collection of Accounts: Manager shall issue bills and collect accounts and monies owed for goods and services furnished by the Facility, including, but not limited to,

enforcing the rights of Operator and the Facility as creditor under any contract or in connection with the rendering of any services. Any actions taken by Manager to collect said accounts receivable shall be in accordance with the applicable laws, rules and regulations governing the collection of accounts receivable. Subject to the immediately following sentence, any amounts collected by Manager shall be deposited in the Manager's bank account and applied toward the payment of the expenses associated with the operation of the Facility. The parties recognize that Medicare, Medi-Cal (Medicaid) and other government payments as well as commercial insurance payors for services provided by the Facility shall be paid to Manager's bank account and Operator agrees that it shall change the bank account tied to the NPI for all Medicare, Medi-Cal (Medicaid) and other government payments as well as commercial insurance payors to Manager's bank account for the duration of the Term. The parties agree that amounts due to Manager from such all payments contemplated by this Section 1.11 shall be handled in accordance with the procedures set forth in Section 4.6 of the Transfer Provisions.

1.13. Admission Agreements and Contracts. The Manager shall prepare all admission agreements for execution by residents and update and amend admission agreements as necessary. Operator's name shall appear on all admission agreements and disclosures.

2. Insurance: Subject to the terms of Section 3.k. of the Shared Services Agreement, Manager shall arrange for and maintain all necessary and proper hazard insurance covering the Facility, the furniture, fixtures, and equipment situated thereon, and all necessary and proper malpractice and public liability insurance for the protection of Manager, Tenant, Landlord and Operator and their officers, partners, agents and employees. All employee health and worker's compensation insurance provided to the employees of the Facility shall be administered by Manager. Any insurance provided pursuant to this paragraph shall name Operator as an additional insured, and, with the exception of the insurance maintained by Manager for its own protection, shall be paid from the Facility Funds.

3. Representations and Warranties:

3.1. Operator's Warranties. Operator hereby makes the following warranties and representations, which warranties shall survive for a period of one year after the Effective Date.

A. Operator is a public agency formed under California Health and Safety Code Section 32000 et seq.

B. Operator (i) possesses all required approvals necessary to maintain and operate the Facility as required under applicable law, (ii) is duly licensed by the State to operate the Facility as a distinct part skilled nursing facility, and (iii) The Facility has all permits, licenses, provider agreements and other governmental approvals necessary for the operation of the Facility as currently operated. A true and current copy of the License is attached hereto as Exhibit 3.1(B).

C. To the best of Operator's knowledge, Operator has obtained all necessary Level II background checks for each of its employees.

D. To the best of Operator's knowledge, there are currently no court orders, consent decrees, judgments or similar directives, including without limitation corporate

integrity agreements under 42 USC Sec. 1320a-7b(f), affecting the Facility, Operator, or, with respect to the Facility, any shareholder, member, partner or affiliate of Operator.

E. To the best of Operator's knowledge, and except as specifically identified in Exhibit 3.1,(E), there are no pending or, to Operator's knowledge, threatened judicial, municipal or administrative proceedings, consent decrees or judgments with respect to, or in any manner affecting or relating to the Facility or any portion thereof, or in which Operator is or will be a party by reason of Operator's operation of the Facility, ~~not covered by adequate insurance.~~ and during the eighteen (18) month period immediately preceding the date of this Agreement there have been no notices of claims, claims, suits, actions, threats, demands, or casualty losses of any kind filed or claimed relating to the Facility or claims or losses affecting any insurance rating of the Facility or Operator ~~that is not covered by adequate insurance,~~ nor has there been any medical records requests from an attorney representing a current or past resident of the Facility within the past eighteen (18) months.

F. To Operator's knowledge, it does not employ or contract with any Person that appears on the federal Office of Inspector General List of Excluded Individuals/Entities at the Facility.

G. To the best of Operator's knowledge, and except as disclosed on Exhibit 3.1,(G), true and complete copies of which have been previously delivered or made available to Manager, there are no collective bargaining agreements between Operator and/or the Facility and any labor organization or employee group applicable to the operation and/or management of the Facility and, to Operator's knowledge, no election or other effort to unionize the Facility or any portion of its staff is underway, has been petitioned for by any Facility staff, or has been granted by the National Labor Relations Board or any similar body.

H. To Operator's knowledge, the Facility is currently in compliance in all material respects with (i) all governmental orders issued by any agency having jurisdiction of the Facility, (ii) all plans of correction and allegations of compliance filed by or in behalf of the Facility within the eighteen (18) month period immediately preceding the Transfer Date (as defined in Exhibit B hereto) and (iii) and (iii) all Conditions and Standards of Participation for the Medicare and Medicaid programs. Operator has not received written or, to the Operator's knowledge, verbal notice of, nor, to the Operator's knowledge, does it have a reasonable basis to expect the issuance of a written or verbal notice with respect to, any action or proceeding initiated or proposed by State or federal agencies having jurisdiction thereof, to either revoke, withdraw or suspend the License or to decertify, terminate, ban or limit the participation of Operator or the Facility in any Third Party Payor Programs (as defined on Exhibit B hereto), and to the Operator's knowledge, there is no condition or event which constitutes, or which with notice or the lapse of time or both would constitute, a default under or a violation of any of the License or the Provider Agreement, which is reasonably likely to result in the revocation or termination thereof. Operator has fulfilled all material requirements of any governmental agency having jurisdiction of the Facility as contained in any survey report, citation, plan of correction, judgment, order or other directive (in each case whether already received or reasonably anticipated based upon the exit interview of any recent survey or visit by such government agency) relating to the operation of any Facility.

I. Operator's financial statements for the most recent fiscal year, which were submitted to Manager in connection with Manager's evaluation of the Facility, fairly represent in all material respects the financial condition and results of the operations of the Facility for the periods covered thereby. To the best of Operator's knowledge all of the material books and records of the Facility, including, but not limited to, books and records related to resident trust funds and employee records, are true and correct in all material respects.

J. The insurance policies and programs identified on Operator's insurance certificate(s) attached hereto as Exhibit 3.1(HJ) are in full force and effect as of the date of this Agreement, have not been cancelled or revoked, and will be kept in full force and effect until the Transfer Date.

K. Operator is duly authorized to consummate the transactions contemplated by this Agreement. Operator has, or as of the Transfer Date will have, all necessary power and authority to enter into the transactions contemplated by this Agreement and to execute all documents and instruments referred to herein or contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. This Agreement has been duly and validly executed and delivered by Operator and to the best of Operator's knowledge is enforceable against Operator in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, moratorium and other principles relating to or limiting the rights of contracting parties generally, and except as enforceability may be subject to general principles of equity.

L. To Operator's knowledge, Operator does not have any material outstanding liability for fines, civil money penalties, recoupment of fraudulent charges, or overpayments (including, without limitation, recapture of payment intermediaries) from any government program with respect to the Facility.

M. To Operator's knowledge, all cost reports required to be filed by Operator for the Facility under Titles XVIII and XIX of the Social Security Act, or any other applicable laws or private provider rules, have been prepared and filed on a timely basis in accordance with applicable laws, except to the extent that failure to do so would not reasonably be expected to have a material adverse effect. To Operator's knowledge, all such cost reports accurately reflect in all material respects the information to be included thereon.

N. To Operator's knowledge, Operator is enrolled and is a provider authorized to participate without material restriction under the Third Party Payor Programs that it currently bills. To Operator's knowledge, there is no material governmental investigation, audit, claim review or other action pending or, to the knowledge of Operator, threatened which is reasonably likely to result in a revocation, suspension, termination, probation, restriction, limitation, or non-renewal of any material Third Party Payor Program participation or result in its exclusion from any governmental program. To Operator's knowledge, Operator has not received written or verbal notice of, nor does it have a reasonable basis to expect the issuance of a written or verbal notice with respect to any of the above, and to the best of Operator's knowledge there is no condition or event which constitutes, or which with notice or the lapse of time or both would constitute, a material default under or a material violation of any License or the participation in any government program or Third Party Payor Program. To Operator's knowledge, Operator does

not have any material liability for fines, civil money penalties, recoupment of fraudulent charges, or overpayments (including, without limitation, recapture of payment intermediaries) from any Third Party Payor Program with respect to the Facility.

O. To Operator's knowledge, Operator currently conducts, —the Facility's operations in compliance with the requirements of the Clinical Laboratory Improvement Amendments of 1988, as amended, and any applicable state laws or regulations, including all applicable certification, licensure, survey, and inspection requirements, as may be applicable to such Operator' operations, other than such noncompliance that would not reasonably be expected to have a material adverse effect.

P. To Operator's knowledge, since January 1, ~~2019~~2017, it has not received any written notice or claim of, or been subject to any action for, any data privacy or security breach, and it has not has suffered any material HIPAA breach in respect of the Facility.

Q. To Operator's knowledge, and except as set forth in Exhibit 3.1(RQ), which shall be updated as of three (3) days prior to the Transfer Date, there are no residents of the Facility that are "pending Medicaid."

R. To Operator's knowledge, as of the Transfer Date, Inventory will be in sufficient quantity and condition for the normal operation of the Facility in compliance with all material requirements of governmental authorities and consistent with past practices.

S. Notwithstanding the foregoing, if Manager obtains actual knowledge of any fact or circumstance, potential claim, or other matter actually discovered by Manager before the end of the Due Diligence Period that would make a representation or warranty of Operator contained in this Agreement untrue or incorrect, and nonetheless elects to proceed with the transactions contemplated herein, Operator shall have not liability with respect to such matter, notwithstanding any contrary provision, covenant, representation or warranty contained in this Agreement.

T. Except as specifically stated in this Agreement, neither Operator nor any advisor, officer, director, trustee, member, employee, agent, attorney or contractor thereof or therefor (individually and collectively, the "**Operator Parties**") is making or shall be deemed to have made, nor does any Operator Party have the authority to make, any express or implied representation or warranty of any kind or nature as to the Facility or the transactions contemplated in this Agreement. Manager acknowledges and agrees, that there are no representations and/or warranties, express or implied, made by the Operator Parties in connection with the transactions contemplated in this Agreement.

3.2. Manager's Warranties. Manager hereby makes the following warranties, representations and covenants to Operator, which shall survive for a period of one year after the Effective Date:

A. Manager is, or as of the Transfer Date will be, a limited liability company duly formed and in good standing in the State of Nevada and licensed to do business in the State of California.

B. Manager has all requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder and the transactions contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. The documents contemplated hereby have been or will be duly authorized by all necessary action on Manager's part. This Agreement has been, and the documents contemplated hereby to be executed by Manager will be, duly executed and delivered by Manager and constitute its legal, valid and binding obligations enforceable against it in accordance with their terms (except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, moratorium and other principles relating to or limiting the rights of contracting parties generally), and the consummation and performance by Manager of the transactions contemplated herein will not result in a violation of or be in conflict with or constitute a default under any term or provision of the organizational documents of Manager, or any of the terms or provisions of any agreement or instrument to which it is a party or by which it is bound, or of any term of any applicable law, ordinance, rule or regulation of any governmental authority, or of any term of any applicable order, judgment or decree of any court, arbitrator or governmental authority.

C. As of the Transfer Date, Manager will qualify and will continue to qualify as a "covered entity" as such term is defined in HIPAA and will comply and will continue to comply with all requirements under HIPAA, including without limitation, the use or disclosure of protected health information.

D. There are currently no court orders, consent decrees, judgments or similar directives, including without limitation corporate integrity agreements under 42 USC Sec. 1320a-7b(f), affecting Manager or any affiliate of Manager.

E. Manager has, or by the expiration of the Due Diligence Period will have, with the assistance of such experts as Manager has deemed appropriate in its sole discretion, made such independent investigations and studies with respect to the Facility as it deems appropriate in its sole discretion, the transaction and all aspects thereof, and it will be relying entirely thereon and on the advice of its counsel, advisers and consultants concerning the transaction. Except for Operator's express representations and warranties contained in this Agreement, Manager is not relying and shall not rely on any investigation, study, projection or other information, economic, physical, environmental, or otherwise, prepared by Operator Parties or any person or entity affiliated with Operator.

3.3. Guarantor's Warranties. Guarantor hereby makes the following warranties representations and covenants of Guarantor, which, ~~with the exception of the representation contained in Section 3.3.C.,~~ shall survive for a period of one year after the Effective Date.

A. Guarantor is, or as of the Transfer Date will be, a corporation duly formed and in good standing in the State of Nevada and licensed to do business in the State of California.

B. Guarantor has all requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder and the transactions contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. The documents contemplated hereby have been or will be duly authorized

by all necessary action on Guarantor's part. This Agreement has been, and the documents contemplated hereby to be executed by Guarantor will be, duly executed and delivered by Guarantor and constitute its legal, valid and binding obligations enforceable against it in accordance with their terms (except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, moratorium and other principles relating to or limiting the rights of contracting parties generally), and the consummation and performance by Guarantor of the transactions contemplated herein will not result in a violation of or be in conflict with or constitute a default under any term or provision of the organizational documents of Guarantor, or any of the terms or provisions of any agreement or instrument to which it is a party or by which it is bound, or of any term of any applicable law, ordinance, rule or regulation of any governmental authority, or of any term of any applicable order, judgment or decree of any court, arbitrator or governmental authority.

C. Guarantor is not the subject of any existing, pending, threatened or contemplated bankruptcy, solvency or other debtor's relief proceeding. Guarantor represents and warrants that it possesses sufficient assets to guaranty the performance of Manager.—~~This representation and warranty of Guarantor shall survive the termination of this Agreement pursuant to Article 10 herein.~~

4. Term and Termination:

4.1. Term. The term of this Agreement (the “**Term**”) shall commence on the Effective Date and shall end at 11:59 p.m. Pacific Time on the tenth (10th) anniversary thereof.

4.2. Manager's Right to Terminate. If Operator, with the assistance of Manager, has not obtained a license to operate the Facility as a sub-acute facility within one year of July 1, 2019, Manager may elect to terminate this Agreement upon one-hundred eighty (180) days prior written notice; and if Manager does elect to terminate, Manager shall reasonably cooperate with Operator to transition the operation to another manager from a period not to exceed one-hundred eighty (180) days.

4.3. For Cause Termination by Operator. Termination by Operator of Manager's services under this agreement may be effective upon written notice to Manager hereunder for cause and stating in such written notice the effective date of termination. The following shall constitute “for cause” under this Agreement:

A. Violation by Manager ~~or threat of prosecution of Manager~~ under any law, regulation, rule or procedure applicable to Manager and such violation was caused by any act or omission of Manager;

B. A conviction of Manager for illegal conduct that imminently jeopardizes any of Operator's Licenses and/or the right to receive reimbursement for medical goods and services provided at the hospital or the Facility;

C. Revocation ~~or threat of revocation~~ of the status of any license certification or accreditation granted to Operator or any affiliate and such revocation was caused by any act or omission of the Manager;

D. Violation of ~~or threat of prosecution under~~ 42 U.S.C. § 1320(a) 7b(b) (commonly referred to as the Anti-Kickback Law), 42 U.S.C. § 1395nn (commonly referred to as the Stark Law) or any comparable state law governing kickbacks, bribes, rebates or patient referrals and such violation was caused by any act or omission of Manager;

E. Adverse finding against the Operator or Manager ~~becomes subject to civil action or criminal prosecution by any governmental authority or any other person or entity~~ or the imposition of any sanction, in each case, by a court of competent jurisdiction, after any applicable appeal periods have been exhausted, on the basis of Operator's participation in this Agreement or performing any obligations under this agreement;

F. Manager's failure to remove any material officer of Manager who is listed on the Office of Inspector General List of Excluded Individuals/Entities within ten (10) business days following actual knowledge by Manager that such officer is listed on the Office of Inspector General List of Excluded Individuals/Entities; or

G. Manager's Default under Section 5 herein.

H. Notwithstanding the above, in the event of any such actions as those described in this Section 4.3, Manager shall be entitled to the cure periods set forth in Section 5 herein.

4.4. [Reserved].

4.5. Disputes. In the event of any dispute under this Agreement regarding either party's right to terminate this Agreement, the parties shall maintain the status quo pending resolution of any dispute. During the pendency of any dispute resolution proceedings as set forth in Section 13 herein, the parties shall comply with this Agreement, Manager shall continue to render timely and appropriate services under the terms of this Agreement, and Operator shall pay due compensation for services in accordance with the terms of this Agreement. Further, during the pendency of any dispute resolution proceedings, Manager shall have the right to use and have access to the facilities, equipment, books and records of Operator to the extent necessary to enable Manager to continue to provide services under the terms of this Agreement.

4.6. Rights and Obligations After Termination or Expiration. Upon any termination or expiration of this Agreement the following shall apply:

A. All rights and obligations of the Parties shall cease except: (i) those rights and obligations that have accrued and remain unsatisfied prior to the termination or expiration of this Agreement; (ii) those rights and obligations that expressly survive termination or expiration of this Agreement, (iii) Manager's obligation to continue to provide services to residents of the Facility under its care at the time of expiration or termination of this Agreement, until the patient's course of treatment is completed or is appropriately transferred to the care of another provider, and (iv) Manager's responsibility for any losses associated with the Facility pursuant to Sections 6.1 and 8.3 herein;

B. Upon completion of patient care responsibilities pursuant to this Agreement, Manager and its agents shall immediately vacate the Facility, removing any and all of

their personal property, and Manager and its agents shall immediately return to Operator, or its designee, all of Operator's property, including Operator's equipment, supplies, furniture, furnishings and patient records, in their possession or under their control, and assign all contracts for operation of the facility including, without limitation, Third Party Payor Programs;

C. Manager and its agents shall not do anything or cause any other person to do anything that interferes with Operator's efforts to engage any other person or entity for the provision of some or all of the services, or interferes in any way with any relationship between Operator and any other person or entity who may be engaged to provide some or all of the services to Operator, and shall not initiate legal action or take any other action to challenge the right of Operator to enter into a services agreement with another party;

D. Any necessary insurance coverage shall be obtained and procured by Manager except if this Agreement was terminated by Manager for Operator's default pursuant to Section 5 herein;

E. For purposes of clarity, all Assets transferred to Manager pursuant to this Agreement and the Transfer Provisions, shall be returned to Operator, or its designee, in the same manner as Operator transferred same to Manager. In addition, Manager shall cease to be authorized to collect funds (except funds related to the operation of the Facility prior to such expiration or termination) or take any action on the part of Operator, or otherwise in connection to the Facility, unless separately authorized by Operator;

F. Manager agrees to cooperate fully in facilitating the return of all Assets transferred to it pursuant to this Agreement and the Transfer Provisions and the smooth transition of services to Operator and/or its designee.

4.7. Proprietary Interest: The systems, methods, procedures and controls employed by Manager and any written materials or brochures developed by Manager to document the same are to remain the property of Manager and are not, at any time during or after the term of this Agreement, to be utilized, distributed, copied or otherwise employed or acquired by Operator, except as authorized by Manager.

5. Default: Either party may terminate this Agreement, as specified in this Section 5, in the event of a default ("**Event of Default**") by the other party.

5.1. With respect to Manager, it shall be an "Event of Default" hereunder:

A. If Manager shall fail to keep, observe or perform any material agreement, term or provision of this Agreement, and such default shall continue for a period of thirty (30) days after notice thereof shall have been given to Manager by Operator, which notice shall specify the event or events constituting the default; provided however, if such cure is of the type that it cannot be cured within said thirty (30) day period, Manager shall not be deemed in default if Manager commences such cure within the thirty (30) day period and diligently pursues such cure to completion; or

B. If Manager shall apply for or consent to the appointment of a receiver, trustee or liquidator of Manager of all or a substantial part of its assets, file a voluntary

petition in bankruptcy, or admit in writing its inability to pay its debts as they become due, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangement with creditors or taking advantage of any insolvency law, or if an order judgment or decree shall be entered by a court of competent jurisdiction, on the application of a creditor, adjudicating Manager, a bankrupt or insolvent or approving a petition seeking reorganization of Manager, or appointing a receiver, trustee or liquidator of Manager, of all or a substantial part of its assets.

5.2. With respect to Operator, it shall be an Event of Default hereunder:

A. If Operator shall fail to keep, observe or perform any material agreement, term or provision of this Agreement, and such default shall continue for a period of thirty (30) days after notice thereof shall have been given to Operator by Manager, which notice shall specify the event or events constituting the default; provided however, if such cure is of the type that it cannot be cured within said thirty (30) day period, Operator shall not be deemed in default if Operator commences such cure within the thirty (30) day period and diligently pursues such cure to completion; provided further that, without limiting any right or remedy available to Manager at law, in equity or hereunder, Manager shall have the right to cure any default by Operator and Operator shall reimburse Manager for the cost thereof upon demand;

B. If Operator shall be dissolved or shall apply for or consent to the appointment of a receiver, trustee or liquidator of Operator or of all or a substantial part of its assets, file a voluntary petition in bankruptcy, or admit in writing its inability to pay its debts as they become due, make a general assignment for the benefit or creditors, file a petition or an answer seeking reorganization or arrangement with creditors or taking advantage of any insolvency law, or if an order, judgment or decree shall be entered by a court of competent jurisdiction, on the application of a creditor, adjudicating Operator a bankrupt or insolvent or approving a petition seeking reorganization of Operator or appointing a receiver, trustee or liquidator of Operator of all or a substantial part of its assets.

5.3. Remedies Upon Default:

A. If any Event of Default by Operator shall occur, Manager may, in addition to any other remedy available to it in law or equity on account of such Event of Default, forthwith terminate this Agreement, and neither party shall have any further obligations whatsoever under this Agreement, but Manager shall immediately be entitled to receive payment of all amounts theretofore unpaid but earned to the date of termination.

B. If any Event of Default by Manager shall occur, Operator may, in addition to any other remedy available to it in law or equity on account of such Event of Default, forthwith terminate this Agreement, and neither party shall have any further obligation whatsoever under this Agreement; provided, however, that Manager's right to receive payment of all amounts theretofore unpaid but earned to date of termination shall be subject to Operator's right to receive payment of damages from Manager, including set off.

6. Facility Operations:

6.1. Financial Responsibility. Manager shall be the sole and exclusive manager of the Facility and shall assume full operational and financial responsibility therefor. Manager shall be solely responsible for all financial losses resulting from the operation of the facility and shall not be entitled to any indemnification, reimbursement or contribution from Operator for any losses during the term of this Agreement. Upon termination of this Agreement, whether by expiration of the Term or by early termination thereof pursuant to Sections 4 and 5 herein, Manager shall remain financially responsible for all losses and shall have no claim against Operator for any loss sustained during the Term. Manager shall indemnify, protect, defend, and hold Operator harmless from all claims, demands, liability, and losses related to this Agreement and Manager's operation of the Facility. Manager shall be responsible for, and shall pay, all taxes, federal, state and local taxes, including, without limitation any possessory interest tax resulting from the operation of the Facility during the term of this Agreement and shall have no claim for reimbursement or set off from Operator therefor.

Guarantor acknowledges and agrees that it shall be fully responsible for the Manager's performance of the covenant contained in this Section 6.1 and shall be fully liable to Operator for any harm, losses, damages or costs, including attorneys' fees and costs, resulting from Manager's failure to adhere to this Section 6.1.

Guarantor: _____
By: _____
Its: _____

6.2. No Guarantee of Profitability: Manager does not guarantee that the Facility will be profitable, but Manager shall use its commercially reasonable efforts to provide the services contemplated by this Agreement in as cost efficient and profitable a manner as possible.

6.3. Standard of Performance: In performing its obligations under this Agreement, Manager shall use its commercially reasonable efforts and act in good faith and with professionalism in accordance with acceptable and prevailing standards of health care and the policies adopted by, and resources available to, the Facility.

6.4. Force Majeure: Neither party will be deemed to be in violation of this Agreement if it is prevented from performing any of its obligations hereunder for any reason beyond its control, including, without limitation, strikes, shortages, war, acts of God, or any statute, regulation or rule of federal, state or local government or agency thereof.

7. Expenses and Cost Reports:

7.1. Manager's Records. During the Term of this Agreement, Manager shall maintain such books, records and other materials comprising records of the Facility's operations, including, but not limited to, resident records, records of resident funds, operating expenses of the facility, accounts payable, accounts receivable and any other records required to comply with applicable laws and Operator and Manager's standard bookkeeping practices. Within 45 days after the end of each month, Manager shall deliver, on a monthly basis, a statement of all operating expenses and estimate of Net Income for the Facility in connection with such month. (**Monthly**

Statement”). The Monthly Statement shall set forth the amount of the Consulting Fee (defined below) to be paid to Manager’s affiliate.

7.2. Operator’s Access Records Operator and its agents and representatives shall have the right to access, inspect and to make copies of, the books and records and supporting material of the Facility relating to Manager’s operation of the facility, including, without limitation, operating expenses approved and incurred by Manager in operation thereof.

7.3. Operator’s Right to Audit. Operator shall have the right at any time within six (6) months after the delivery of a Monthly Statement, upon two (2) day’s written notice, to have the books and records of Manager in respect of all expenses incurred by Manager audited by an accountant selected by Operator and reasonably approved by Manager, as applicable. During the audit, the books and records may be examined by Operator’s accountants. Operator shall, promptly upon receipt of the results of such audit, notify Manager of said results, and in the event any such audit discloses that Operator was overpaid or underpaid, as applicable, an adjustment shall be made promptly upon demand. The costs of such audit shall be paid by Operator, provided that if a discrepancy in the operating expenses (and any resulting Consulting Fee) paid in any calendar month during the Term shall exceed two percent (2%), Manager shall pay, upon demand by Operator, the reasonable cost incurred and paid by Operator with respect to such audit and Manager’s affiliate Ensign Services, Inc. shall return any overpayment of the Consulting Fee resulting from said discrepancy.

8. Facility Profits and Management Fee:

8.1. Operator’s Share. Operator shall be entitled to a monthly payment equal to the lesser of (i) \$8,000 per month (the “**Starter Amount**”) or (ii) the Facility’s monthly net income (as calculated in accordance with the formula set forth on Exhibit C attached hereto, the “**Net Income**”), if any (as applicable, the “**Operator’s Share**”); *provided* that, beginning on the first anniversary of the Transfer Date and on each anniversary thereafter, the Starter Amount shall be increased by the annual change in CPI (as defined below) (the “**Escalator**”); *provided further* that, (a) such Escalator shall not exceed two and one half percent (2.5%) of the of the Starter Amount with respect to the prior year and (b) if the annual change in CPI is less than zero, the Starter Amount shall remain the same as the previous year and not be decreased by the Escalator. The Operator’s Share shall be paid, in arrears, on a monthly basis, within five (5) business days of Manager’s delivery of the Monthly Statement pursuant to Section 7.1 herein.

8.2. Manager’s Share and Consulting Fee.

A. Manager shall be entitled to pay itself one hundred percent (100%) of the profits over the Operator’s Share, if any, and, as set forth in Section 6.1, be solely responsible for one hundred percent (100%) of the losses, if any (including without limitation any tax benefits from losses), of the Facility that accrue during the Term.

B. Subject to the provisions of Section 7, herein, Manager may use Facility Funds to cover costs and expenses of any kind arising from the operation of the Facility during the Term, such operating expense may include a consulting services fee to payable to Manager’s affiliate, Ensign Services, Inc. (the “**Consulting Fee**”). The Consulting Fee shall be

equal to five percent (5%) of the gross revenue of the Facility, and shall be paid prior to the payment of Operator's Share, if any. The Consulting Fee shall not be paid until five (5) business days after Manager delivers the Monthly Statement to Operator pursuant to Section 7.1 herein.

C. Operator hereby assigns the right to all rents, profits or income of the Facility earned from and after the Transfer Date (as defined in the Transfer Provisions) to Manager, without reservation, right of set-off or reimbursement, as and for the management fee payable hereunder.

D. Manager and Operator acknowledge and agree that, notwithstanding anything to the contrary set forth in this Agreement or in the Transfer Provisions, Operator shall have no financial obligations or liabilities arising out of the operation of the Facility or under this Agreement, and that all of the costs and expenses of the operation of the Facility shall be funded only from Facility Funds or Manager's own funds.

8.3. Pre-Sub-Acute Loss. Operator agrees to reimburse Manager, from the Operator's Share, and only to the extent of the Operator's Share, for any losses sustained during the period commencing on July 1, 2019 until the effective date of Operator's license to operate the Facility as a sub-acute unit ("**Pre-Sub-Acute Period**"). The losses sustained during the Pre-Sub-Acute Period shall be deducted each month from Operator's Share until such time that the Pre Sub-Acute Losses are paid in full from Operator's Share and Operator agrees that it shall not be entitled to its Operator's Share until all such losses are paid to Manager in full.

8.4. CPI. For purposes hereunder, the "**CPI**" shall mean the United States Department of Labor, Bureau of Labor Statistics Consumer Price Index for All Urban Wage Earners and Clerical Workers, United States Average, Subgroup "All Items" (1982 – 1984 = 100). If the foregoing index is discontinued or revised during the Term, the governmental index or computation with which it is replaced shall be used to obtain substantially the same result as if such index had not been discontinued or revised.

9. Assignment: Neither party may assign this Agreement to any other party or parties without the prior written consent of other party, which consent shall not be unreasonably withheld or delayed, and any such attempted assignment without the other party's consent will be void; *provided that*, notwithstanding anything herein to the contrary, this Agreement may be assigned to an affiliate of Manager, upon written notice to Operator, provided Manager or an entity controlling Manager retains control of such affiliate and remains liable for all obligations of Manager hereunder. Notwithstanding the foregoing, nothing herein shall be construed as precluding the assignment or delegation of accounting duties as set forth in Section 1.6.

10. Notices: All notices required or permitted hereunder shall be given in writing by hand delivery, by registered or certified mail, postage prepaid, by overnight delivery or by facsimile transmission (with receipt confirmed with the recipient). Notice shall be delivered or mailed to the parties at the following addresses or at such other places as either party shall designate in writing.

If to Manager:

If to Operator:

Bouverie Healthcare Services, Inc.
c/o Ensign Services, Inc.
27101 Puerta Real, Suite 450
Mission Viejo, CA 92691
Attn: General Counsel
Phone: (949) 487-9500
Email: legal@ensignservices.net

Sonoma Valley Health Care District,
dba Sonoma Valley Hospital
347 Andrieux Street,
Sonoma, CA 95476
Attn: Kelly Mather, CEO
Email: kmather@svh.com
707-395-5005
707-935-5433

11. Relationship of the Parties: The relationship of the parties shall be that of a principal and independent contractor and all acts performed by Manager during the term hereof shall be deemed to be performed in its capacity as an independent contractor. Nothing contained in this Agreement is intended to or shall be construed to give rise to or create a partnership or joint venture or lease between Operator, its successors and assigns on the one hand, and Manager, its successors and assigns on the other hand.

12. Indemnification:

12.1. Indemnification by Manager: Subject to the terms, conditions and other limitations set forth in the Transfer Provisions, Manager covenants and agrees to indemnify, defend (with counsel acceptable to Licensee in its reasonable discretion), and hold harmless Operator for, from and against all direct and indirect losses, costs, rent, taxes, insurance, expenses, attorneys' fees, fines, judgments, liens, liabilities, claims, damages, offsets, fraud or overpayment liabilities, or sums incurred by Operator resulting from or in any way connected to the Facility and/or the License, arising from or in connection with the acts or omissions of Manager.

12.2. Indemnification by Operator. Subject to the terms, conditions and other limitations set forth in the Transfer Provisions, Operator covenants and agrees to indemnify, defend (with counsel acceptable to Manager in its reasonable discretion), and hold harmless Manager for, from and against all direct and indirect losses, costs, rent, taxes, insurance, expenses, attorneys' fees, fines, judgments, liens, liabilities, claims, damages, offsets, fraud or overpayment liabilities, or sums incurred by Manager resulting from or in any way connected to the Facility and/or the License, arising from or in connection with the acts or omissions of Operator.

12.3. In the event that a party is entitled to indemnification under both this Agreement and the Transfer Provisions, the indemnification provisions of the Transfer Provisions shall control.

13. Applicable Law; Jurisdiction; Requirement of Pre-suit Mediation. This Agreement and the rights of the parties hereto shall be governed and construed in accordance with the laws of the State without regard to conflict of laws. Except in respect of an action commenced by a third party in another jurisdiction, the parties agree that any legal suit, action or proceeding arising out of or relating to this Agreement must be instituted in a State court located in Sonoma County, California or Federal court in the Northern District of California, and they hereby irrevocably submit to the jurisdiction of any such court. Prior to initiating any legal action in relation to or arising out of this Agreement and as a condition precedent to initiating such legal action, the parties hereby agree to participate in voluntary pre-suit mediation with a mediator familiar with

contractual and healthcare issues and who is mutually acceptable to both parties acting reasonably in approving a mediator. In the event the parties cannot agree on a mediator, each party will nominate a mediator who meets these criteria and the mediators in turn will jointly nominate a mediator who also meets these criteria and is unaffiliated with either of the nominating mediators. The nominated mediator will then serve as mediator for the voluntary pre-suit mediation. The expenses associated with any such mediation(s), including, but not limited to, the fees of the nominating mediators (but excluding the parties' respective attorney's fees and costs), will be divided equally between the Manager and Operator

14. Construction. This Agreement has been negotiated by and between Operator and Manager in arms-length negotiations, and both parties are responsible for its drafting. Both parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and the parties hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against either party, but in accordance with the plain language and intent hereof. The captions of paragraphs and subparagraphs of this Agreement have been inserted solely for the purposes of convenience and reference, and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

15. No Unintended Beneficiaries. This Agreement is solely between the parties hereto and, other than Owner and its affiliates, shall not create any right or benefit in any third party, including without limitation any creditor, agent, partner, employee or affiliate of Operator, or any entity or agency having jurisdiction of the License, the Facility or the operation of the business therein.

16. Expenses. Each of the parties shall pay all of its costs and expenses incurred or to be incurred by it in negotiating and preparing this Agreement.

17. Entire Agreement: This Agreement, including, if applicable, the Addendum attached hereto, and any documents executed in connection herewith contain the entire agreement between the parties for purposes of managing day to day activities of the Facility and shall be binding upon and inure to the benefit of their successors and assigns, and shall be construed in accordance with the laws of the State of California. This Agreement may not be modified or amended except by written instrument signed by both of the parties hereto.

18. Captions: The captions used herein are for convenience of reference only and shall not be construed in any manner to limit or modify any of the terms hereof.

19. Attorney's Fees: In the event either party brings an action to enforce this Agreement, the prevailing party in such action shall be entitled to recover from the other all costs incurred in connection therewith, including reasonable attorney's fees.

20. Severability: In the event one or more of the provisions contained in this Agreement is deemed to be invalid, illegal or unenforceable in any respect under applicable law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be impaired thereby.

21. Cumulative; No Waiver: No right or remedy herein conferred upon or reserved to either of the parties hereto is intended to be exclusive of any other right or remedy, and each and

every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter legally existing upon the occurrence of an Event of Default hereunder. The failure of either party hereto to insist at any time upon the strict observance or performance of any of the provisions of this Agreement or to exercise any right or remedy as provided in this Agreement shall not impair any such right or remedy or be construed as a waiver or relinquishment thereof with respect to subsequent defaults. Every right and remedy given by this Agreement to the parties hereof may be exercised from time to time and as often as may be deemed expedient by the parties thereto, as the case may be.

22. Authorization for Agreement: The execution and performance of this Agreement by Operator and Manager have been duly authorized by all necessary laws, resolutions or corporate action, including applicable board action, and this Agreement constitutes the valid and enforceable obligations of Operator and Manager in accordance with its terms, except as such enforceability may be limited by creditors rights laws and general principles of equity.

23. Counterparts: This Agreement may be executed in any number of counterparts, each of which shall be an original, and each such counterpart shall together constitute but one and the same Agreement.

24. Confidentiality of Records and Patient Information. All records, files, proceedings and related information with respect to patients, and of Operator and of the Facility's Medical Staff and its committees pertaining to the evaluation and improvement of the quality of patient care at Operator, shall be kept strictly confidential by Manager and its personnel. Manager shall ensure that the foregoing persons shall not voluntarily disclose any such confidential information, either orally or in writing, except as expressly required by law or pursuant to written authorization by Operator. Manager shall take all steps necessary to assure that the confidentiality of medical records and health information of Facility patients is preserved in accordance with applicable law, including without limitation regulations implementing Public Law 104-191 of August 21, 1996, known as the Health Insurance Portability and Accountability Act of 1996, as amended by the HITECH Act of the American Recovery and Reinvestment Act of 2009 and its implementing regulations, including without limitation, the Standards for Electronic Transaction and Code Set (45 CFR Parts 160 and 162), the Standards for Privacy of Individually Identifiable Health Information (45 CFR Parts 160 and 164), the Security Standards for the Protection of Electronic Protected Health Information (45 CFR Parts 160 and 164) and such other regulations that may, from time to time, be promulgated thereunder ("HIPAA"), and that all employees and agents of Manager shall use such information solely for the purposes necessary to perform Manager's obligations under this Agreement. Neither Manager nor its personnel shall voluntarily disclose such records or information, either orally or in writing, except as expressly required by law. Manager shall comply with the Business Associate Exhibit attached hereto as Exhibit A which is hereby incorporated into this Agreement. The Parties understand and agree that Operator has delegated certain Covered Entity responsibilities to Manager, including the responsibility for training Facility staff, responding to patient requests for access, amendment, and accounting, providing patients with a Notice of Privacy Practices, and responding to patient complaints. Except for the delegation provisions, the provisions of this Section shall survive the termination or expiration of this Agreement for as long as Manager maintains or has access to patient medical records.

25. Quarterly Review. Manager hereby agrees to meet together with the Operator on a quarterly basis, upon the reasonable request of the Operator and at a time and place to be mutually agreed, to discuss the operations, quality and financials of the Facility.

26. Guaranty. Guarantor hereby guarantees all of the obligations and performance of Manager under this Agreement, including but not limited to the obligations of Manager arising under Agreement (the "**Guaranty**"). The obligations of Guarantor hereunder are independent of the obligations of Manager under this Agreement, and a separate action or actions may be brought and prosecuted against Guarantor regardless of whether any action is brought against Manager or whether Manager is joined in any such action or actions. The Guaranty is a guaranty of performance and payment when due and not merely of collection. The Guaranty shall be unconditional regardless of any lack of enforceability of this Agreement or any bankruptcy, insolvency or similar action or proceeding with respect to Manager.

27. Survivability. The provisions of Sections ~~3.3.C~~, 4, 5, 6, 7, 8, 12, 13, 19, 24, and 26 shall survive termination or expiration of this Agreement, subject to the applicable statute of limitations.

IN WITNESS WHEREOF, the parties have hereto caused this Agreement to be duly executed, as of the day and year first above written.

OPERATOR:

Sonoma Valley Health Care District, dba Sonoma Valley Hospital

By: _____
Name: _____
Its: _____

MANAGER:

Bouverie Healthcare Services, Inc.
a Nevada Corporation

By: _____
Name: Soon Burnam
Its: Treasurer

GUARANTOR:

Flagstone Healthcare North, Inc.,
a Nevada Corporation

By: _____
Name:
Its:

EXHIBIT A
BUSINESS ASSOCIATE AGREEMENT

[See Attached]

EXHIBIT B
OPERATIONS TRANSFER PROVISIONS

EXHIBIT C

NET INCOME CALCULATION

Net Income shall be calculated as follows, determined in accordance with GAAP, provided that Net Income shall not include any extraordinary gains (or losses) or nonrecurring gains (or losses):

Net Income *equals* revenue *minus* expenses *minus* taxes

As an example, under GAAP, Net Income equals taxable income minus taxes due. For example, if an organization has revenue equal to \$1 million, expenses of \$600,000 and a tax rate of 30 percent, the company's pretax income amounts to \$400,000, or \$1 million minus \$600,000. The corresponding tax debt equals \$120,000 – or \$400,000 multiplied by 30 percent – and this yields Net Income of \$280,000.

EXHIBIT D
SHARED SERVICES AGREEMENT

EXHIBIT 3.1(B)

LICENSES

[See Attached]

EXHIBIT 3.1(DE)
PROCEEDINGS

EXHIBIT 3.1(EG)
COLLECTIVE BARGAINING

EXHIBIT 3.1(HJ)
INSURANCE CERTIFICATES

[See Attached]

EXHIBIT 3.1(RQ)
PENDING MEDICAID

Sonoma Valley Hospital/Ensign (Bouverie Healthcare Services)

Skilled Nursing Terms Summary (as of 06/23/19)

There were three agreements covering the Operations (Transfer Agreement), Ensign's Management Agreement and the Shared Services Agreement. After legal review and subsequent negotiations the three documents were incorporated into one document, the Management Agreement:

MANAGEMENT AGREEMENT:

- Term is 10 years commencing July 1, 2019. If the Sub-Acute license is not received within one year of the effective date, Manager may, upon 180 days' notice, opt to terminate the agreement.
- Parties will negotiate a new agreement after the 10th year if they wish to continue the management arrangement.
- Manager will include in the operating expenses a management fee of 5% of the gross revenue of the facility.
- Operator will receive \$8,000 or the net income whichever is less each month. Manager will send statements within 45 days from the close of each month setting forth the net income of the Facility, the Operator's Share (as defined in the Agreement) and any fees to be paid to Manager's affiliate. Payments of the operator's share and any consulting fees will be paid five business days after Manager delivers the statement to Operator. The \$8,000 will be increased annually based on an annual CPI-based escalator (capped at 2.5% increase, with a zero floor
- Operator is giving significant representations and warranties concerning the Facility and Operator's operation of the Facility.
- Manager will be responsible for any losses. Operator will not have any liability for any losses during the pre-sub-acute period. However, any losses incurred during that period will offset any future entitled gain sharing until the full amount of the losses is captured.
 - BBK: Please note that Ensign maintains it will be entitled to reimbursement for the sub-acute losses after termination of the agreement.
- Manager shall arrange for and maintain all necessary and proper hazard insurance covering the Facility the furniture, fixtures and equipment. Manager

will obtain all necessary and proper malpractice and public liability insurance for the protection of the Manager, Tenant, and Operator and their officers, partner's agents and employees.

- Manager and Operator will meet quarterly to review operations, quality and financials. Either party will meet with one and another as requested
- Manager has the right to terminate any of its employees without permission from the Operator. If the Manager has issues with any of the Operator's employees, it will bring any issues to the Operator's attention.
- The Management Agreement will be subject to a guaranty by Manager's affiliate Flagstone.
- The Management Agreement allows for early termination by Operator for certain violations of law, regulatory matters, and/or licensing issues. The precise language is under review.

OPERATIONS TRANSFER ADDENDUM

- The operational and financial responsibility for the Skilled Nursing Unit will be transferred from Sonoma Valley Hospital (Operator) to Ensign (Manager)
- The SNF will continue to operate under the SVH license
- Manager will continue with SNF beds with the intent to obtain for SVH a sub-acute license maintaining at least 5 SNF beds along with 22 sub-acute beds
- sub-acute license is not obtained
- Ensign will employ SNF staff beginning July 1, 2019
- Operator will pay out to their employees PTO liabilities before transfer
- Equipment will remain with the Operator but will be used by the Manager
- Manager will be responsible for billing, collections and the maintenance of the medical record.
- Operator will be responsible for mandated government reports such as the Medicare, MediCal and OSHPD reports
- Mutual indemnification.
- Manager will meet quarterly with the Operator and present quality, safety and other required metrics. Manager will be responsible for any action plans and will report to the SVH Board
- Manager will provide the Medical Director

SHARED SERVICES AGREEMENT ADDENDUM

This agreement is to identify services and related costs that will be shared by the Manager and the Operator

- Operator shall provide Kitchen and Food services to SNF patients covered under this agreement. At first, Operator will charge the Manager at an agreed to cost per meal per month
- Operator shall provide Environmental Services and supplies under this agreement Operator will charge the Manager the agreed upon cost per year and it will be reviewed annually
- Manager will pay for utility costs provided by the Operator based upon the allocation made in the Medicare Cost Report each month of 7%
- Phone and Internet services will be maintained by the Operator until further notice. Cost will be based upon the Medicare Cost report Allocation
- Repairs and maintenance costs up to \$5,000 will be paid by the Operator as the Manager pays a monthly fee for facilities. Any costs over \$5,000 related to the SNF only will be paid by the Manager. Any costs that are shared with the operation will be mutually agreed upon and split appropriately
- Manager will provide its own laundry and linen services
- Operator will maintain the common areas and the Manager will pay the pro-rated costs based upon the MediCare Cost Report
- Manager's employees will have the same access to all common areas and parking as do the Operator's employees
- Manager will provide its own laundry service
- Operator will maintain the common areas and Manager will pay the pro-rated costs based upon the MediCare Cost Report allocation each month
- Operator is responsible for all taxes and an allocation will be pro-rated to the Manager
- Operator will provide lab and imaging services to the Manager at a pre-agreed to pricing
- Operator will be allowed to bill for certain services that are allowed for under Medicare regulations
- Operator and Manager will review costs annually. Manager will pay the actual costs as adjusted annually
- Both parties agree to share staff when identified, as appropriate at the actual cost through a pass-through arrangement
- Manager and Operator will meet annually to review costs for services. Both parties will agree to reasonably cooperate to revise and renew costs for services as mutually agreed

The agreement will be recorded with the Sonoma County Recorder's Office

BUSINESS ASSOCIATE AGREEMENT

COVERED ENTITY:	SONOMA VALLEY HEALTH CARE DISTRICT, DBA SONOMA VALLEY HOSPITAL
BUSINESS ASSOCIATE:	BOUVERIE HEALTHCARE SERVICES, INC., A NEVADA CORPORATION

This Business Associate Agreement (“BAA”) is entered into by and between the above-named Business Associate and the above-named Covered Entity (the “Covered Entity,” each a “Party” and collectively the “Parties”).

RECITALS

WHEREAS, the Business Associate and the Covered Entity have entered into that certain Management Agreement, dated on or about May 23, 2019 under which the Business Associate performs or assists the Covered Entity with a function or activity involving the use or disclosure of Identifiable Health Information (collectively the “Service Agreement”);

WHEREAS, this BAA supersedes and replaces any previous agreement between the Parties concerning the obligations of the Parties to comply with the Health Insurance Portability and Accountability Act of 1996 and related regulations (“HIPAA”) as well as any state laws or regulations relating to privacy of patient health or personal information;

WHEREAS, the Covered Entity and the Business Associate desire to comply with the requirements and regulations promulgated pursuant to HIPAA and codified at 45 C.F.R. parts 160 and 164 and which security regulations are codified at 45 C.F.R. parts 160, 162 and 164, (“HIPAA Regulations”) as such regulations may be amended from time to time (collectively “the HIPAA Standards”);

WHEREAS, the HIPAA Standards require that the Covered Entity obtain satisfactory assurances that the Business Associate will appropriately safeguard the Individually Identifiable Health Information that may be created, received, maintained or transmitted by the Business Associate in the course of performing services pursuant to the Service Agreement;

NOW THEREFORE, in consideration of the foregoing and the mutual promises and covenants herein contained, the Parties agree as follows:

1. Obligations and Activities of Business Associate

- A. Business Associate shall not use or further disclose Protected Health Information (“PHI”) other than as permitted or required by this BAA or as required by law. “PHI” shall mean the Protected Health Information and Electronic Protected Health Information, respectively, as defined in 45 C.F.R. § 160.103, limited to the information Business Associate creates, receives, maintains or transmits on behalf of Covered Entity as Covered Entity’s Business Associate.
- B. Business Associate shall not use or further disclose Personal Information other than as permitted or required by this BAA or as required by law. “Personal Information” means an

individual's first name or first initial and the last name in combination with any one or more of the following data elements when either the name or the data elements are not encrypted: (i) Social Security Number; (ii) Driver's license or state identification card number(s); (iii) account number(s), credit or debit card number (s), in combination with any required security code, access code, or password that would permit access to the individual's financial account; and (iv) health insurance information.

- C. Business Associate shall not use or further disclose Medical Information other than as permitted or required by this BAA or as required by law. Medical Information shall have the same meaning as the term Medical Information as defined in California Civil Code § 56.05.
- D. “State Breach” shall mean any unauthorized access, use, acquisition or disclosure of Personal Information or Medical Information that would trigger a notification obligation under applicable California breach notification laws.
- E. Within seventy-two (72) hours following Business Associate's discovery of any use or disclosure of PHI or an individual's Medical Information or Personal Information not provided for by this Business Associate Agreement, including without limitation any Breach of PHI, State Breach, Unsecured PHI or an individual's Medical Information or Personal Information and any Security Incident involving the PHI or an individual's Medical Information or Personal Information of which the Business Associate becomes aware, Business Associate shall notify Covered Entity. Within ten (10) business days following Business Associate's discovery of such Breach or Security Incident, Business Associate shall provide a written report to Covered Entity shall be in accordance with 45 C.F.R. §164.410(c). The terms “Breach” and “Unsecured PHI” are defined in 45 C.F.R. § 164.402.
- F. Business Associate shall investigate each Security Incident or non-permitted Use or Disclosure of PHI or PI that it discovers to determine whether such Security Incident or non-permitted use or disclosure constitutes a reportable Breach or State Breach. Business Associate shall take prompt corrective action and any action required by applicable state or federal laws and regulations relating to any such Security Incident or non-permitted use or disclosure.
- G. Business Associate shall reimburse Covered Entity for its reasonable ~~and actual~~ costs and expenses in providing the notification, including, but not limited to, any administrative costs associated with providing notice, printing and mailing costs, public relations costs, and costs of mitigating the harm (which may include the costs of obtaining credit monitoring services and identity theft insurance) for affected individuals whose PHI or PI has or may have been compromised as a result of the Breach or State Breach.
- H. Business Associate shall take any action necessary or requested by the Covered Entity to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of the Security Incident or use or disclosure of PHI, Unsecured PHI or an individual's Medical Information or Personal Information by Business Associate in violation of the requirements of this BAA. In the event of a Breach of PHI or Unsecured PHI or an individual's Medical Information or Personal Information, Business Associate's notice to Covered Entity of such Breach shall include, to the extent possible, the identification of

each individual whose PHI or Medical Information or Personal Information has been, or is reasonably believed by the Business Associate, to have been accessed, acquired or disclosed during such Breach. Business Associate shall also provide Covered Entity any other available information that the Covered Entity is required to include in the notification to the individual, even if such information becomes available after notification to the individual, or take any action necessary as requested by the Covered Entity to assist Covered Entity in complying with any applicable breach notification requirements.

- I. Business Associate shall ensure that any agent of the Business Associate, including a subcontractor, to whom it provides PHI or Medical Information or Personal Information received from, or created or received by Business Associate on behalf of Covered Entity, agrees to the same restrictions and conditions that apply through this BAA to Business Associate with respect to such information.
- J. If the Business Associate maintains PHI in a Designated Record Set, the Business Associate shall:
 - 1. Provide access, at the request of Covered Entity and in the time and manner designated by Covered Entity, to PHI in a Designated Record Set to Covered Entity or as directed by Covered Entity to an Individual in order to meet the requirements under 45 C.F.R. § 164.524; and
 - 2. Make any amendment(s) to PHI in a Designated Record Set that the Covered Entity directs or agrees to pursuant to 45 C.F.R § 164.526 at the request of Covered Entity or Individual in the time and manner designated by Covered Entity.
- K. Business Associate shall make internal practices, books and records relating to the use and disclosure of PHI and Medical Information or Personal Information received from or created or received by Business Associate on behalf of Covered Entity available to the Covered Entity or the Secretary of the U.S. Department of Health and Human Services for purposes of the Secretary determining Covered Entity's or Business Associate's compliance with the HIPAA Standards.
- L. Business Associate shall document such disclosures of PHI and information related to such disclosures as would be required for Covered Entity or Business Associate to respond to a request by an individual for an accounting of disclosures of PHI in accordance with 45 C.F.R. § 164.528.
- M. Business Associate shall provide to Covered Entity, in a time and manner designated by Covered Entity, information pertaining to disclosures of PHI by Business Associate to permit Covered Entity to respond to a request by an Individual for an accounting of disclosures of PHI in accordance with 45 C.F.R § 164.528. In the event that Business Associate receives a direct request from an Individual for an accounting of disclosures of PHI made by Business Associate including, effective January 1, 2011, or a later date as provided by the HIPAA Standards, any request for an accounting of disclosures of PHI made from Covered Entity's electronic health record for treatment, payment, or health care operation purposes during the three (3) years prior to the date of such request, Business Associate shall provide the Individual with such an accounting in accordance with 45 C.F.R § 164.528.

- N. Business Associate shall implement and maintain reasonable and appropriate safeguards to ensure that all PHI is used or disclosed only as authorized under the HIPAA Standards and this BAA. Business Associate shall periodically, but no less than annually, assess potential risks and vulnerabilities to PHI in its possession and develop, implement and maintain the administrative, physical and technical safeguards required by the HIPAA Standards that protect the confidentiality, availability and integrity of the PHI that Business Associate creates, receives, maintains or transmits on behalf of the Covered Entity. These measures must be documented, kept current and must include, at a minimum, those measures that fulfill the requirements outlined in the HIPAA Standards and any applicable state laws. Business Associate shall also implement policies and procedures that address Business Associate's compliance with applicable HIPAA Standards and state laws in its efforts to detect, prevent and mitigate the risks of identity theft resulting from the improper use and/or disclosure of an individual's PHI or Medical Information or Personal Information.
- O. Business Associate shall ensure that any of its agents, including subcontractors, implement and maintain the same safeguards, policies and procedures required by the HIPAA Standards (referenced in the previous subparagraph) that protect the confidentiality, availability and integrity of the PHI or Medical Information or Personal Information that Business Associate creates, receives, maintains or transmits on behalf of the Covered Entity.
- P. Business Associate shall, in the performance of its duties under this BAA and the Service Agreement, comply with all applicable federal and state laws, regulations and rules (including, without limitation, the HIPAA Standards).
- Q. Business Associate acknowledges that if it violates any of the requirements provided under this Business Associate Agreement, Business Associate will be subject to the same civil and criminal penalties that a Covered Entity would be subject to if such Covered Entity violated the same requirements.

2. Permitted Uses and Disclosures by Business Associate

- A. Except as otherwise limited in this BAA, Business Associate may use or disclose PHI, or Medical Information, or Personal Information to perform functions, activities or services for, or on behalf of, Covered Entity as specified in the Service Agreement, provided that such use or disclosure would not violate the HIPAA Standards or any state law standards if done by Covered Entity. Such use or disclosure shall be limited to the minimum amount of PHI, Medical Information, or Personal Information needed to accomplish the intended purpose of the use or disclosure.
- B. Except as otherwise limited in this BAA, Business Associate may use PHI for the proper management and administration of the Business Associate or to carry out the legal responsibilities of the Business Associate.
- C. Except as otherwise limited in this BAA, Business Associate may disclose PHI for the proper management and administration of the Business Associate, provided that disclosures are authorized by law and Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will remain confidential and

used or further disclosed only as required by law and for the purpose for which it was disclosed.

- D. Except as otherwise permitted by the HIPAA Standards, when using or disclosing PHI or responding to a request for PHI, Business Associate must limit such PHI, to the extent practicable, to a Limited Data Set or, if more information than a Limited Data Set is required, to the minimum necessary to accomplish the intended purpose of such use, disclosure or request. The term "Limited Data Set" is defined in 45 C.F.R. § 164.514 (e).
- E. Except as otherwise permitted by the HIPAA Standards, Business Associate will not directly or indirectly receive remuneration in exchange for any PHI unless Covered Entity has obtained from the subject individual a valid authorization that includes a specification that PHI may be further exchanged for remuneration by the entity receiving the individual's PHI. Business Associate shall comply with any and all such federal or state laws regulations with respect to receiving remuneration in exchange for any PHI.
- F. Except as otherwise permitted by the HIPAA Standards, Business Associate will not use or disclose PHI in connection with any fundraising and/or marketing communication for or on behalf of Covered Entity unless Covered Entity has obtained a valid authorization from each individual who will be a recipient of any such communication.
- G. If an individual requests that Business Associate restrict the disclosure of the individual's PHI to carry out treatment, payment or health care operations, Business Associate will comply with the requested restriction if, except as otherwise required by law, the disclosure is to a health plan for purposes of carrying out payment or health care operations (and is not for purposes of carrying out treatment), and the PHI pertains solely to a health care item or service for which the health care provider involved has been paid out of pocket in full.

3. Obligations of Covered Entity

- A. Covered Entity has provided Business Associate with a copy of its Notice of Privacy Practices which is attached to this BAA and Business Associate shall comply with such Notice of Privacy Practices.
- B. Covered Entity shall provide Business with notice of any changes in, or revocation, permission by an individual to use or disclose the individual's PHI if such changes affect Business Associate's permitted or required uses and disclosures.
- C. Covered Entity shall notify Business Associate of any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522 if such restrictions affect Business Associate's permitted or required uses and disclosures.
- D. Covered Entity shall not request Business Associate use or disclose PHI in any manner that would not be permissible under the HIPAA Standards or state law if done by Covered Entity.

4. Term and Termination

- A. The Term of this Business Associate Agreement shall be effective as set forth above and shall terminate when all of the PHI provided by Covered Entity to Business Associate or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity or, if it is infeasible to return or destroy PHI, protections are extended to such information, in accordance with the termination provisions in this Section.
- B. Termination for Cause. Upon Covered Entity's knowledge of a material breach of this BAA by Business Associate, Covered Entity shall provide an opportunity for Business Associate to cure the breach or end the violation, and Covered Entity shall terminate the Service Agreement if Business Associate does not cure the breach or end the violation within the time specified by Covered Entity, or immediately terminate the Service Agreement if Business Associate has breached a material term of this Business Associate Agreement and cure is not possible, as determined by the Covered Entity in its reasonable discretion.
- C. Effect of Termination
 - 1. Except as provided in subparagraph (2) of this subsection, upon termination of the Service Agreement or this BAA for any reason, Business Associate shall return or destroy all PHI received from Covered Entity or created or received by Business Associate on behalf of Covered Entity. This provision shall apply to PHI that is in the possession of agents or subcontractors of Business Associate. Business Associate shall retain no copies of the PHI.
 - 2. In the event that Business Associate determines that returning or destroying the PHI is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the Parties that return or destruction of PHI is not feasible, Business Associate shall extend the protections of this BAA to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible, for so long as Business Associate maintains such PHI.
 - 3. The Parties hereto agree that the terms of this BAA are reasonable and necessary to protect the interests of the Covered Entity and the Business Associate. The Parties further agree that the Covered Entity would suffer irreparable harm if the Business Associate breached this BAA. Thus, in addition to any other rights or remedies, all of which shall be deemed cumulative, the Covered Entity shall be entitled to obtain injunctive relief to enforce the terms of this BAA.

5. Miscellaneous

- A. Covered Entity. For purposes of this Agreement, Covered Entity may include the additional entities listed in the attached Exhibit A, if any.
- B. Survival. The respective rights and obligations of Business Associate under this BAA shall survive the termination of this BAA.
- C. Interpretation. Any ambiguity in this BAA shall be resolved in favor of a meaning that permits the Parties to comply with the HIPAA Standards.

- D. No Private Cause of Action. This BAA is not intended to and does not create a private cause of action by any individual, other than the Parties to this BAA, as a result of any claim arising out of the breach of this BAA, the HIPAA Standards or other state or federal law or regulation relating to privacy or confidentiality.
- E. Amendment. In the event that any law or regulation is enacted or promulgated regarding the protection of health information that is in any way inconsistent with the terms of this BAA or that interferes with either Party's obligations with respect to the protection of health information so as to warrant a modification to this BAA or in the event any HIPAA Standard is amended or modified, either Party shall have the right to amend this BAA so as to bring it into compliance with any such change by providing written notice thereof to the other Party but without having to obtain the other Party's consent thereto. Except as set forth above in this Section 5(d), this BAA shall only be amended or modified upon written consent of the Parties.
- F. Application of State Law. Where any applicable provision of state law relates to the privacy of health information and is not preempted by HIPAA, as determined by application of the HIPAA Standards, the Parties shall comply with the applicable provisions of state law.
- G. Severability. If any provision of this BAA shall be declared invalid or illegal for any reason whatsoever, then notwithstanding such invalidity or illegality, the remaining terms and provisions of this BAA shall remain in full force and effect in the same manner as if the invalid or illegal provision had not been contained herein, and such invalid, unenforceable or illegal provision shall be valid, enforceable and legal to the maximum extent permitted by law.
- H. Governing Law. The BAA shall be interpreted, construed and governed according to the laws of the state in which the Covered Entity maintains its principal place of business. The Parties agree that venue shall lie in federal and state courts in the state in which the Covered Entity maintains its principal place of business, without regard to its conflicts of law principles, regarding any and all disputes arising from this BAA.
- I. Notices. Any notice of other communication given pursuant to this Business Associate Agreement must be in writing and (i) delivered personally, (ii) delivered by overnight express, or (iii) sent by registered or certified mail, postage prepaid, to the address set forth below and shall be considered given upon delivery. A copy of any notice to Covered Entity shall be sent to Sonoma Valley Health Care District, dba Sonoma Valley Hospital 347 Andrieux Street, Sonoma, CA 95476. A copy of any notice sent to the Business Associate shall be sent to Bouverie Healthcare Services, Inc. c/o Ensign Services, Inc. 27101 Puerta Real, Suite 450 Mission Viejo, CA 92691 Attn: General Counsel. A Party may change its address and/or representative for notice by the giving of notice thereof on the manner hereinabove provided.
- J. Indemnification. Without limitation to any indemnification obligation that Business Associate may have under the Service Agreement, Business Associate shall indemnify, hold harmless and defend Covered Entity from and against any and all [third party](#) claims, losses, liabilities, costs and other expenses resulting from, or relating to, the acts or omissions of Business Associate, its employees, agents, and subcontractors, in connection

with any use or disclosure of PHI, Unsecured PHI or an Individual's information not provided for by this BAA, including without limitation any Breach of PHI, Unsecured PHI or an Individual's information ~~or any expenses incurred by Covered Entity in providing required breach notifications.~~

- K. Conflicts. In the event that any terms of this BAA are inconsistent with the terms of any underlying agreement, then the terms of this BAA shall control. Otherwise, this BAA shall be construed under, and in accordance with, the terms of such underlying agreement, and shall be considered a supplement to such underlying agreement.
- L. Equitable Relief. Business Associate understands and acknowledges that any disclosure or misappropriation of any PHI, Medical Information, or Personal Information in violation of this BAA may cause Covered Entity irreparable harm, the amount of which may be difficult to ascertain, and therefore agrees that Covered Entity shall have the right to apply to a court of competent jurisdiction for specific performance and/or an order restraining and enjoining any such further disclosure or State Breach or Breach and for such other relief as Covered Entity shall deem appropriate. Such right of Covered Entity is to be in addition to the remedies otherwise available to Covered Entity at law or in equity. Business Associate expressly waives ~~the defense that a remedy in damages will be adequate and further waives~~ any requirement in an action for specific performance or injunction for the posting of a bond by Covered Entity.
- M. Insurance. In addition to any general and/or professional liability insurance required of Business Associate, Business Associate agrees to obtain and maintain, at its sole expense, liability insurance on an occurrence basis, covering any and all claims, liabilities, demands, damages, losses, costs and expenses arising from the security and privacy obligations of Business Associate, its officers, employees, agents and Subcontractors under this BAA. Such insurance coverage will be maintained for the term of this BAA, and a copy of such policy or a certificate evidencing the policy shall be provided to Covered Entity at Covered Entity's request.
- N. Audits and Enforcement. To the extent Covered Entity determines that an examination of Business Associate's security practices is necessary to comply with Covered Entity's legal obligations regarding PHI, Medical Information, or PI, Covered Entity or its authorized agents or contractors may inspect the facilities, systems, books and records of Business Associate to monitor compliance with this BAA. Upon request of Covered Entity, Business Associate agrees to certify its compliance with the HIPAA Security Rule. Provide a copy of a third party audit of Business Associate's HIPAA security compliance and assessment of risks, or provide other information that would assist Covered Entity in assessing Business Associate's compliance with the HIPAA Rules. Covered Entity's failure to inspect or request information does not relieve Business Associate of its responsibility to comply with this BAA, nor does Covered Entity's failure to detect non-compliance waive Covered Entity's rights under this BAA.

[End]

EXHIBIT B
OPERATIONS TRANSFER PROVISIONS

DEFINITIONS

In addition to the other terms defined elsewhere in this Agreement, the following terms used in this Agreement shall have the meanings set forth in this Article 1, except as the context otherwise clearly requires:

1.1. “Accounts” means all Pre-Transfer Accounts and Post-Transfer Accounts.

1.2. “Assets” means, to the extent owned, leased, held or used by Operator in the operation of the Facility and not included in the Excluded Assets: (a) all machinery, tools, spare and replacement parts and similar property used in connection with the operation of the Facility; (b) all transferrable rights under Assumed Operating Contracts, Provider Agreements; (c) all Inventory; (d) all customer lists, resident files and records related to current residents and all books and records with respect to the operation of the Facility existing and physically located at the Facility as of the Transfer Date; (e) all telephone numbers, brochures, pamphlets, flyers, mailers and all other promotional materials related to the marketing and advertising of the business conducted at the Facility (excluding materials including the words “Covenant Care”); (f) to the extent transferable, all Licenses; (g) the General Intangibles, (h) the FF&E and (i) all other assets to the extent owned, leased, held or used by Operator in connection with the operation of the Facility.

1.3. “Assumed Operating Contracts” refers to the agreements identified in Exhibit A hereto, if any.

1.4. “Benefits” means all vacation, sick leave, comp time, health, dental, vision and similar employer-sponsored benefits plans, 401(k), Keogh and similar savings and retirement plans, in-lieu payments related to any of the foregoing benefit plans or any similar such benefit plan and each and every other employer benefit generally provided on a regular basis by Operator to its employees.

1.5. [Reserved].

1.6. “DHS” means the California Department of Public Health, California Department of Health Care Services, California Department of Social Services, or other applicable local or state agencies.

1.7. “Employee Schedule” means, for the Facility, a complete schedule which reflects, among other things the following: (i) the name and Social Security numbers of all employees of the Facility immediately prior to the Transfer Date, (ii) their positions, status (part or full time) and rates of pay, (iii) I-9 status and E-Verify status, (iv) current Benefits enrollment data, and (v) a reasonable estimate of all available Benefits owing from Operator to such employees as of the Transfer Date.

1.8. “Employment Claims” means all pending and, to the Operator’s Knowledge, threatened employee and employment-related claims, suits, charges, complaints and actions

against the Operator, a Facility or any of their employees in the context of their employment relationship with the Operator.

1.9. “Excluded Assets” means and refers to the items enumerated on Exhibit D, if any, which are to be retained by Operator; Operator shall promptly repair all damage to the Facility occasioned by the removal of the Excluded Assets from the Facility.

1.10. “Excluded Liabilities” means any and all costs, expenses and other liabilities and obligations arising from the ownership or operation of the Facility prior to the Transfer Date, including without limitation, accounts payable; any liability for overpayment relating to the Facility with respect to services performed prior to the Transfer Date; any resident-related claim arising from actions or omissions occurring prior to the Transfer Date; any Employment Claims or any other obligations under any employment agreement, pension or retirement plan, profit-sharing plan, stock purchase or stock option plan, medical or other benefits or insurance plan, compensation or bonus agreement, vacation or severance pay plan or agreement or any other employee benefit plan or collective bargaining agreement, in each case, relating to the Employees prior to the Transfer Date; or any costs, expenses, or obligations arising under any contracts not assumed by Manager.

1.9.1.11. “Facility” means the Facility identified in Schedule 1 attached hereto, together with all Licenses that are transferable under applicable law, Provider Agreements, FF&E, Inventory and other assets owned, leased, held or used by Operator in connection with the operation of the Facility, but not including any Excluded Assets.

1.10.1.12. “FF&E” refers to all Assets that are furnishings, fixtures, equipment, and every other item of personal property in place or in use at the Facility, excepting the Excluded Assets, if any, and excepting the personal property owned by the employees of the Operator that any such employee brings to the Facility.

1.11.1.13. “General Intangibles” means all of Operator's right to use any intangible property currently used exclusively in connection with the operation of the Facility including, without limitation, all of Operator's rights under all admission agreements, claims, contracts, leases, licenses, permits, plans, appraisals, studies, warranties, trade lists, mailing lists, charts, personnel records, property manuals, assignable guarantees and warranties in favor of any Operator, utility arrangements and other agreements relating to the ownership, operation or occupancy of the Facility, plus (without limiting the generality of the foregoing) all telephone numbers in use at or with respect to any of the Facility, and the Trade Name; but excluding any intangibles listed on Exhibit D.

1.12.1.14. “HIPAA” means the Health Insurance Portability and Accountability Act of 1996.

1.13.1.15. “Inventory” means all consumable inventories of every kind and nature whatsoever (specifically including but not limited to all pharmacy supplies, medical supplies, office supplies, maintenance supplies, housekeeping supplies, laundry supplies, foodstuffs and other supplies and consumables) owned by Operator and located at the Facility as of the date of this Agreement or the Transfer Date.

~~1.14.1.16.~~ 1.16. “Knowledge” means the actual knowledge of Kelly Mather, CEO; and Ken Jensen, CFO.

~~1.15.1.17.~~ 1.17. “License” shall mean and refer to a current and valid operating license(s) issued by DHS permitting the Facility’s operation as a distinct part skilled nursing facility in the state of California.

~~1.16.1.18.~~ 1.18. “Management Agreement” means the Management Agreement between Operator as Operator and Manager as Manager.

~~1.17.1.19.~~ 1.19. “Operating Contracts” means those vendor, service and supplier operating contracts, equipment leases and similar arrangements related to the operations of the Facility, but shall not include contracts relating to facilities other than the Facility.

~~1.18.1.20.~~ 1.20. “Permitted Encumbrances” means (a) Encumbrances created by or resulting from the actions of Owner or Manager, (b) statutory and contractual landlord liens incurred in the ordinary course of business for sums (i) not yet due and payable or (ii) being contested in good faith, (c) Encumbrances for Taxes not yet due and payable, (d) statutory mechanic's liens and materialmen's liens for services or materials and similar statutory liens for amounts not due and payable incident to construction and maintenance of real property, (e) the rights of residents in possession, (f) municipal and zoning ordinances, and (g) any other items listed on Exhibit E attached hereto.

~~1.19.1.21.~~ 1.21. “Pre-Transfer Accounts” means all revenues, monies, accounts, payments and other proceeds of the operation of the Facility and all rights to the foregoing, including without limitation Medicare and Medicaid-related general intangibles and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to the provision of resident services by the operation of the Facility before the Transfer Date.

~~1.20.1.22.~~ 1.22. “Post-Transfer Accounts” means all revenues, monies, accounts, payments and other proceeds of the operation of the Facility and all rights to the foregoing, including without limitation Medicare and Medicaid-related general intangibles and any other third party payor reimbursements, together with the products and proceeds of all of the foregoing, attributable to the provision of resident services by the operation of the Facility on or after the Transfer Date.

~~1.21.1.23.~~ 1.23. “Provider Agreements” means, collectively all Third Party Payor provider agreements and all other agreements with managed care organizations for the provision of services.

~~1.22.1.24.~~ 1.24. “Rehired Employee” refers to any employee of Operator who is offered and accepts employment with Manager on or before the Transfer Date, with such employment to commence as of the Transfer Date.

~~1.23.1.25.~~ 1.25. “Resident Trust Property” means and includes any and all resident trust funds or resident deposits and other property held by Operator immediately prior to the Transfer Date for past, present or future residents of the Facility.

~~1.24.~~1.26. _____ “State” means the state of California.

~~1.25.~~1.27. _____ “Terminated Operating Contracts” refers to all Operating Contracts in effect at the Facility prior to the Transfer Date which are not listed on Exhibit A.

~~1.26.~~1.28. _____ “Trade Name” refers to the name of the Facility as set forth on Schedule 1 attached hereto.

~~1.27.~~1.29. _____ “Third Party Payors” refers to all third-party payors, including Medicare, Medicaid, Veterans Affairs, managed care organizations and insurers, bundled payment initiatives and conveners, accountable care organizations, and other third party payors.

~~1.28.~~1.30. _____ “Third Party Payor Program” refers to all programs and provider agreements with Third Party Payors.

~~1.29.~~1.31. _____ “Transfer Date” shall be and mean, subject to the last sentence of Section 2.1.1 below, the effective date of the Transaction, which is contemplated to be July 1, 2019.

~~1.30.~~1.32. _____ “WARN Act” refers to the federal Worker Adjustment and Retraining Notification Act and any comparable State law or regulation.

ARTICLE 2. TRANSFER OF OPERATIONS; AGREEMENTS

2.1. Transfer of Operations.

2.1.1. Subject to Section 2.6 hereto and to the terms of the Management Agreement, as of the Transfer Date, but subject to the terms and conditions hereof, Operator hereby appoints Manager as the manager of the Facility and shall transfer operation of, other than the Excluded Assets, the Assets and the Facility, including without limitation all resident admission agreements, Provider Agreements (as assignable), transfer agreements, payor sources, and every other right, privilege, process and system in place and intact, as more fully set forth in this Agreement, effective as of the Transfer Date. Operator agrees not to refuse admissions or remove any resident from the Facility prior to the Transfer Date except for valid medical and other lawful reasons or as would otherwise occur in the normal course of its operation of the Facility in its commercially reasonable discretion. Operator agrees to operate the Facility in substantial compliance with all laws, statutes, orders and regulations applicable to and/or necessary for the lawful operation of the Facility and maintenance of licensure. Operator and Manager further agree that Operator will transfer management of the Facility and the Assets to Manager as of the Transfer Date. The right to operate from the Facility will be pursuant to the Management Agreement. For payroll purposes only, the Transfer shall be deemed to occur with the payroll for the Facility that begins at 12:01 a.m. on the Transfer Date. For operational purposes only, Operator and Manager agree that the transfer of operations shall occur at the Facility at 10:00 am on the Transfer Date.

2.1.2. NOTWITHSTANDING ANYTHING CONTAINED HEREIN OR IN ANY RELATED DOCUMENT OR AGREEMENT TO THE CONTRARY, OPERATOR IS ONLY TRANSFERRING MANAGEMENT OF CERTAIN OPERATING ASSETS OF THE FACILITY

AND IS NOT ASSIGNING TO MANAGER, NOR IS MANAGER ASSUMING FROM OPERATOR, OWNERSHIP OF ANY OPERATING ASSETS OR ANY LIABILITY FOR CLAIMS, COSTS, EXPENSES, CONTRACTUAL ARRANGEMENTS, DUTIES OR OBLIGATIONS, OPERATOR'S GENERAL, PROFESSIONAL AND OTHER OPERATIONAL LIABILITIES, ERRORS OR OMISSIONS, OR OTHER DUTIES, OBLIGATIONS OR LIABILITIES OF OPERATOR, ITS AFFILIATES OR ITS PREDECESSORS-IN-INTEREST, WHETHER KNOWN OR UNKNOWN, CONTINGENT OR OTHERWISE, TO THE EXTENT ARISING FROM OR RELATED IN ANY WAY TO THE OPERATION OF THE FACILITY PRIOR TO THE TRANSFER DATE.

2.2. Best Efforts. Promptly upon execution of this Agreement by the parties, the Manager and Operator shall proceed with all commercially reasonable diligence to submit an application to DHS for a subacute License and shall proceed with all reasonable diligence following the date of such submission to obtain the same.

2.3. Public Announcements. Each of Manager and Operator agrees that it shall not announce or disclose, and shall employ reasonable efforts to prevent its officers, employees and agents from announcing or disclosing, the negotiations and transaction which are the subject of this Agreement without the prior consent of Manager or Operator, as applicable, unless a public announcement or any other notice to any third party is required by law (including for example, and not by way of limitation, WARN Act or comparable State law requirements, which are covered under Article VI below), prior to the Transfer Date.

2.4. Cooperation.

2.4.1. Each party agrees to cooperate in all reasonable respects with the other party in effecting a change in operation of the Facility to ensure the continuous and uninterrupted operation of the Facility, including without limitation by the execution of any documents that may be necessary or desirable to effect the orderly and uninterrupted transition of the operations to Manager. Operator agrees not to take any action or commit any omission that will or could be reasonably expected to result in the termination or suspension of the existing License or provider agreements. For the avoidance of doubt, Operator shall be required to fulfill, at its sole cost and expense, all requirements of any governmental authority having jurisdiction of the Facility as contained in any survey (including a change of ownership survey), report, citation, plan of correction, judgment, order or other directive relating to the operation of the Facility prior to the Transfer Date, and the official acceptance thereof as may be required to obtain the License and as otherwise set forth in this Agreement.

2.4.2. Operator agrees not to take any action or commit any omission that would result in the termination or suspension of the existing License or Provider Agreements.

2.4.3. Operator agrees to cure all matters which may be identified by DHS regarding the operations of the Facility prior to the Transfer Date, including, but not limited to, those matters which pertain to administrative forfeitures or other enforcement actions imposed against Operator by DHS for violations occurring prior to the Transfer Date. Such cure(s) will be at Operator's sole cost and expense. Operator agrees to cure any and all such matters within three (3) business days of Operator's receipt of notice from DHS or within the timeframes specified by DHS (provided, however, that if any such matter is not capable of cure within such three (3)

business day period, Operator shall commence to cure such matter within the three (3) business day period (or such earlier period of time as may be required by DHS) and thereafter shall promptly proceed to complete the cure of such matter prior to the earlier to occur of (a) twenty (20) days after Operator's receipt of a copy of the notice from DHS or (b) such earlier period of time as may be required by DHS.

2.4.4. Operator hereby covenants to notify Manager by electronic mail of (i) the occurrence of a survey at the Facility within seven (7) days (but in any case prior to the Transfer Date) of any such survey at the Facility, (ii) the communications from any state surveyor during the exit interview within three (3) business days (but in any case prior to the Transfer Date) and (iii) any citations or deficiencies identified in a survey report related to the Facility within three (3) business days of the receipt thereof (but in any case prior to the Transfer Date).

2.4.5. Prior to the Transfer Date as mutually agreed to by Manager and Operator, but in no event later than three (3) weeks prior to the Transfer Date, Manager and Operator shall hold a joint meeting at the Facility to announce that the Facility will be transferred to Manager. At any time after this joint meeting, Manager and its affiliates will be entitled to meet with and interview any and all employees and make offers of employment to such employees in accordance with this Agreement, with such interviews and meetings to take place at such times and locations as are acceptable to Operator in its reasonable discretion to ensure no disruption of operations of the Facility.

2.4.6. The Manager hereby agrees to meet together with the Operator on a quarterly basis, upon the reasonable request of the Operator and at a time and place to be mutually agreed, to discuss the operations, quality and financials of the Facility.

2.5. Transfer of Operations to Operator. Subject to the provisions of the Management Agreement, at the end of the Term (as defined in the Management Agreement), the Manager will reasonably cooperate with Operator to transfer the operations and Assets of the Facility back to the Operator. At the end of the Term and upon transfer from Manager to Operator of the Assets, the Operator shall pay to Manager an amount equal to the depreciated value of any Assets purchased by Manager as replacements of existing equipment during the Term, as set forth in a bill of sale.

2.6. [Reserved]

2.7. Due Diligence

2.7.1. Manager shall have the right until the day that is thirty (30) days from the Effective Date (the "**Due Diligence Deadline**," and the period ending on the Due Diligence Deadline, the "**Due Diligence Period**") to enter upon the Facility at such times as may be mutually convenient and as may be scheduled by Operator to conduct such inspections, investigations, tests and studies as Manager shall deem necessary, including, without limitation, environmental site assessments, engineering tests and studies, and physical examinations of the Facility. Manager may perform other due diligence investigations and feasibility studies, including a review of the financial condition and operations of the Facility and of any litigation, bankruptcy, judgment and security interests in the name of the Operator and the Facility (the "**Due Diligence Investigation**"). To the extent Manager hires any third party site inspectors, engineers or other parties that will

invasively inspect and/or test the Facility, Manager will secure the prior written consent of Operator to any such inspections or tests, which consent may not be unreasonably withheld, conditioned or delayed, and will ensure that any such third party has adequate insurance covering any potential damage done to the Facility as a result of such inspection/testing and shall provide Operator with evidence thereof upon request. During the Due Diligence Period, Manager shall also have the right to tour the Facility at such mutually convenient times as may be arranged by Operator, to review the books and records related to the financial condition and the operations thereof and to observe the day-to-day operations and management thereof subject to Manager's obligation not to disrupt the day-to-day operations at the Facility and to perform any such inspections of the books and records of the Facility in compliance with applicable local, state or federal laws governing the confidentiality of resident and/or employee records. To maintain the confidentiality of this pending transaction, Manager will require that any third parties who will need access to the Facility or information from the Facility will not contact the Facility directly, and will only inspect or visit the Facility while accompanied by a representative of Operator designated for this purpose. Notwithstanding any conflicting provision of this Agreement, Manager shall not contact any employee, resident or vendor of the Facility except for communications that are coordinated by Operator through appointments that are mutually convenient to the parties; provided that Manager or its affiliates shall have the right during the Due Diligence Period to meet and interview key corporate-level personnel and facility-level leaders at a place and time agreed upon by Operator or its affiliates.

2.7.2. Operator has previously provided or within five (5) days after the Effective Date will provide, Manager with the materials listed on the attached Exhibit L (the "**Initial Due Diligence Materials**"). Subject to availability, Operator will endeavor to provide for Manager's review within five (5) business days after receipt of a request therefor from Manager, copies of any additional due diligence documents as may be reasonably requested by Manager during the Due Diligence Period (the "**Supplemental Due Diligence Materials**" and together with the Initial Due Diligence Materials, the "**Due Diligence Materials**"). Manager shall notify Operator in writing of any Due Diligence Materials which they deem to be necessary for its Due Diligence Investigation and which it has reason to believe have not been made available to it by Operator.

2.7.3. If, during the Due Diligence Period, Manager, as a matter of its sole discretion, determines for any or no reason whatsoever that the Assets are not suitable for Manager's use, Manager, by written notice given to Operator before the Due Diligence Deadline, shall have the right to terminate this Agreement. If this Agreement is terminated as provided in this Section 2.7.3, except as otherwise expressly provided in this Agreement, the Parties shall have no further obligations hereunder.

ARTICLE 3. TRANSFER OF OPERATING ASSETS

3.1. Inventory. Operator hereby grants to Manager the right to manage and use the Inventory free of all liens and encumbrances to Manager on the Transfer Date. Operator agrees to maintain the Inventory at least at normal operating levels (but in no event less than statutorily-required levels) at all times up to and including the Transfer Date. Operator shall have no obligation to deliver the Inventory to any location other than the Facility, it being understood and

agreed that the presence of the Inventory at the Facility on the Transfer Date shall constitute delivery thereof.

3.2. Furnishings, Fixtures and Equipment. Operator and Manager acknowledge and agree that, except as specifically noted on Exhibit C, the FF&E is the property of Owner and only the right to management thereof shall be transferred to the Manager pursuant to this Agreement on the Transfer Date, and as such, Operator agrees not to remove any FF&E from the Facility except as noted on Exhibit D, and in the event of any such permitted removal to repair any damage to the Facility occasioned thereby. Except as noted on Exhibit D and except for the disposal of obsolete or worn-out assets and replacement thereof in the ordinary course of business, the FF&E not belonging to Operator, if any, shall be transferred to Manager under the Bill of Sale. Operator shall have no obligation to deliver the FF&E to any location other than the Facility, it being understood and agreed that the presence of the FF&E at the Facility on the Transfer Date shall constitute delivery thereof.

3.3. [Reserved].

3.4. [Reserved].

3.5. Provider Agreements.

3.5.1. Operator acknowledges that, in accordance with all applicable law and regulation and under certain Third Party Payor Programs (to the extent permitted by the relevant Third Party Payor Program contract or regulation), Manager will bill any Third Party Payor Program for services furnished to any Facility residents from and after the Transfer Date, utilizing the provider number or Third Party Payor Provider Agreement issued to Operator, as applicable, and Operator hereby consents (i) to the use of Operator's Federal Tax ID Number and provider numbers under all Third Party Payor Programs solely for the purpose of billing any such Third Party Payor Program and (ii) subject to the provisions set forth in the Management Agreement, the direct or indirect payment of Post-Transfer Accounts to an account or accounts titled in the name of Manager or any other entity designated by Manager for such purpose in accordance with Section 4.4. Operator further agrees to promptly provide such letters, consents, verifications, information and other documents, as is reasonably necessary or required by applicable law or regulation, to the applicable governmental authority, Third Party Payors and/or banking institutions necessary to obtain all necessary approvals for the assignment of said Provider Agreements or Third Party Payor Programs and to effectuate the collection process set forth in Section 4.4 and the direct or indirect payment of Post-Transfer Accounts as set forth above in this Section 3.5 and in Section 4.4 and Section 4.5. If so requested by Manager, Operator shall promptly execute written and electronic notifications to the payors under the applicable governmental program in which the Facility participates so that resident payments for services rendered following the Transfer Date are sent to a bank account designated by Manager or to the Facility via paper check. Manager shall be responsible for the preparation of such written notification(s); Operator agrees to execute and return the notification(s) to Manager within five (5) business days of receipt. In addition, Operator agrees to provide to Manager prior to the Transfer Date the contact information of its representative(s) at such Third Party Payor Programs and to facilitate the direct communication between Manager and such representatives to coordinate the implementation of this Section 3.5.1.

3.5.2. Operator shall prepare and file any OSHPD and any Medicare and/or Medicaid cost reports and complete any open and discharge Medical Data Set records related to the period prior to the Transfer Date and during the Term of the Management Agreement, including all Medicare or Medicaid cost reports, not later than the date each such report is due. Following the Closing, Operator shall be authorized to have reasonable contact with Manager's business office manager or other persons with access to the information at the Facility during normal business hours in order to obtain information needed to prepare the OSHPD, Medicare and/or Medicaid cost reports with respect to claims filed with Medicare and/or Medicaid for the Facility, and Manager shall provide Operator with reasonable access, upon prior notice and during normal business hours to such Facility Records, as it requests, to complete such reports. All proceeds from Operator's cost reports received after the Transfer Date that relate to Pre-Transfer Accounts shall remain the property of Operator as and when received. Additionally, since Manager will utilize Operator's Medicare provider number and provider agreement, Manager shall, in connection with the preparation and filing of its cost reports, include in all such cost reports an amount equal to the amount of bad debt carried on the books of Operator that relate to Pre-Transfer Accounts or Post-Transfer Accounts, as applicable, arising from services provided to Medicare beneficiaries. Upon settlement of such amount under the Medicare program, Manager shall promptly forward all amounts that relate to Pre-Transfer Accounts, if any, back to Operator.

3.5.3. Notwithstanding any other provisions in this Agreement, Manager shall indemnify Operator for any Losses relating to (i) Manager's furnishing of items or services, on or after the Transfer Date, to Medicare, Medicaid or Third Party Payor beneficiaries, (ii) Manager's financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payors, Medicare, Medicaid or other government program, on or after the Transfer Date, and (iii) Manager's retention of payments for the furnishing of such items and services.

3.5.4. Notwithstanding any other provisions in this Agreement, in no event shall Manager have any liability whatsoever with respect to Losses relating to (i) Operator's furnishing of items or services, prior to the Transfer Date, to Medicare, Medicaid or Third Party Payor beneficiaries, (ii) Operator's financial accounting, coding, billing, cost reporting or claims submissions activities for its own account with respect to Third Party Payors, Medicare, Medicaid or other government program, prior to the Transfer Date, or (iii) Operator's retention of payments for the furnishing of such items and services, and Operator shall indemnify, defend and hold Manager harmless against and with respect to any Losses arising therefrom (without any limitation).

3.6. General Intangibles. General Intangibles used or held in connection with the operation of the business in the Facility shall be transferred to Manager on the Transfer Date by execution and delivery of the Bill of Sale. Operator agrees to grant the right to use the Trade Name to Manager and agrees to cease all usage of the Trade Name from and after the Transfer Date (except as required by law) and to file an abandonment of such business name to the extent necessary to relinquish its rights therein. Notwithstanding anything to the contrary in this Section 3.6, Operator shall have the right to continue to use the Trade Name in connection with the following: (a) any existing employee health care plans; (b) any existing employee Internal Revenue Code Section 125 or "cafeteria" plan; (c) collecting Pre-Transfer Accounts; (d) resolving any

disputes that may arise regarding Pre-Transfer Accounts; and (e) winding up of its affairs and business with respect to the Facility, subject to all applicable laws and statutes of limitation.

3.7. Excluded Assets. The Excluded Assets are not included in this transaction and shall be retained by or delivered to Operator in accordance with the terms, conditions, and procedures, including without limitation proration procedures, set forth in Exhibit D.

3.8. [Reserved].

3.9. Transfer of Resident Trust Property. No later than three (3) business days following the Transfer Date, Operator agrees to (i) remit to the parties entitled thereto all Resident Trust Property which Operator or the Facility is no longer entitled or permitted to hold, and (ii) transfer all remaining Resident Trust Property to Manager, and Manager hereby agrees that it will hold such remaining Resident Trust Property in trust for the residents entitled thereto, in accordance with applicable statutory and regulatory requirements.

3.10. Indemnification for Resident Trust Property.

3.10.1. Operator will indemnify, defend and hold Manager harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, for claims that the Resident Trust Property transferred to Manager does not represent all of the Resident Trust Property delivered to Operator as custodian, and for claims which arise from the alleged acts or omissions of Operator with respect to the Resident Trust Property held or handled by Operator at any time.

3.10.2. Manager will indemnify, defend and hold Operator harmless for, from and against all liabilities, claims and demands, including reasonable attorneys' fees and costs, in the event a claim is made against Operator by a resident for his/her Resident Trust Property where such resident's funds or other property were validly transferred to Manager pursuant to the terms hereof.

ARTICLE 4. RECEIVABLES & REIMBURSEMENTS

4.1. Operator's Cost Reports. Operator shall timely prepare and file with the applicable governmental agency its cost reports for the fiscal year ending immediately preceding the fiscal year in which the Transfer Date occurs, and all cost reports up to and following the Transfer Date in respect to its operation of the Facility which are required to be filed by law under the terms of the Medicare and Medicaid programs or any other Third Party Payor Program that settles on a cost report basis. Operator will provide the appropriate agencies with any information needed to support claims for reimbursement made by Operator either in such final cost reports or in any cost reports filed for prior or subsequent cost reporting periods. Operator shall promptly provide Manager with copies of such reports and supporting documentation. In the event Operator fails to timely, accurately or completely file any cost report for the Facility, Manager shall have the right but not the responsibility, and Operator hereby irrevocably appoints Manager as its agent and attorney in-fact for such purpose, to prepare, file, and otherwise process such cost reports for Operator's name and behalf and at Operator's expense. If Manager elects to prepare, file, complete,

correct and/or process any such report, it shall do so without any legal liability for any errors or omissions therein, and Operator hereby forever releases, waives, and discharges Manager from any liability, known or unknown, for its handling of any cost report hereunder.

4.2. Bad Debt. After the Transfer Date, Operator shall promptly and diligently provide Manager with reasonable and appropriate documentation regarding Operator Bad Debt.

4.2.1. Operator shall timely prepare and file with the Center for Medicare and Medicaid Services and the appropriate state agency for the Facility, the cost report for the fiscal year commencing with the fiscal year in which the Transfer Date occurs, and will include in its cost report the Medicare bad debts incurred by Operator prior to the Transfer Date (the "Operator Bad Debt") promptly after receipt of the same from Operator. Following the Transfer Date, Manager shall promptly provide to Operator all information necessary to file required cost reports.

4.2.2. Manager shall notify Operator within five (5) business days of receipt of any notice of adverse audit adjustments, overpayment, recoupment, fine, penalty, late charge or assessment accruing in relation to the Operator Bad Debt. Manager agrees to appeal at the request of, on behalf of, and at the sole expense of Operator, any Medicare claims audit, cost report audit, overpayment, recoupment, fines, penalties, late charges and assessment accruing in relation to the Operator Bad Debt. Operator and Manager shall each reasonably cooperate with the other respective party, with respect to any such matters, including but not limited to timely providing any requested documentation within the other party's possession or control. Manager is not responsible for (i) the actual results of any such appeal, or (ii) Operator's failure to provide information and/or documents necessary to process any such appeal.

4.3. Adjustments and Appeals. Operator and Manager shall each notify the other respective party within five (5) business days of receipt of any notice of adverse audit adjustments, overpayment, recoupment, fine, penalty, late charge or assessment accruing for any period prior to the Transfer Date and which adversely affects Manager's Medicare or Medicaid future reimbursement rates. Operator hereby agrees to appeal at the request of, on behalf of, and at the sole expense of Manager, including any reasonable internal corporate expense, of Manager any Medicare or Medicaid claims audit, cost report audit, overpayment, recoupment, fines, penalties, late charges and assessment accruing for any period prior to the Transfer Date and which adversely affects Manager's Medicare or Medicaid future reimbursement rates after Operator advises Manager, in writing, of its intent not to contest or appeal any such matters; provided, that, Manager makes such a request a minimum of seven (7) days prior to the expiration of the contest or appeal period. Operator and Manager shall each reasonably cooperate with the other respective party, with respect to any such matters, including but not limited to timely providing any requested documentation within the other party's possession or control. Operator is not responsible for (i) the actual results of any such appeal or (ii) Manager's failure to provide information and/or documents necessary to process any such appeal.

4.4. Accounts Receivable.

4.4.1. Schedule of Pre-Transfer Accounts. Operator shall deliver to Manager a complete and accurate patient/resident roster with account status, responsible party, payor source

and agings not less than fifteen (15) days prior to the Transfer Date, and shall update such roster as of the Transfer Date (the “Pre-Transfer Accounts Schedule”).

4.4.2. Pre-Transfer Accounts Receivable. Operator shall retain its right, title and interest in and to all Pre-Transfer Accounts, including, but not limited to, accounts receivable and other rights to payment generated from the operation of the Facility prior to the Transfer Date (including accounts receivable arising from rate adjustments which relate to periods prior to the Transfer Date even if such adjustments occur after the Transfer Date), and Operator shall remain liable for any overpayments (including, without limitation, recapture of pass-throughs) made to Operator for periods prior to the Transfer Date for which payment is due to (or for which subsequent reimbursements are offset or denied by) Medicare, Medicaid or any other Third Party Payor after the Transfer Date. On the Transfer Date, Operator shall provide Manager with a schedule setting forth by patient/resident its outstanding Pre-Transfer Accounts as of the Transfer Date. Operator agrees to timely and properly bill and collect all such Pre-Transfer Accounts. Operator and Manager agree that the “pay to” address for Medicare and Medicaid payments shall continue to be the Facility address. Manager further agrees to authorize Operator to endorse checks made payable to the Trade Name or its present or past lawful owners or any similar names or payees, and deposit same in Operator’s account, subject to Operator’s complying with the accounting, notification, distribution and other provisions of this Agreement with respect to such Pre-Transfer Accounts. The parties expressly agree that Manager shall have no ownership interest in or responsibility for the collection of Pre-Transfer Accounts.

4.4.3. Post-Transfer Accounts. As of the Transfer Date, Operator hereby irrevocably assigns to Manager any and all interest it may have in the Post-Transfer Accounts with the authority and power to bill and collect same, and disclaims all right, title and interest therein and thereto, except for its rights for compensation pursuant to the terms of the Management Agreement. Operator and Manager agree that the “pay to” address for payments shall continue to be the Facility address. Pursuant to this Agreement, Operator authorizes Manager to endorse checks made payable to the Trade Name for Post-Transfer Accounts and deposit same, subject to Manager complying with the accounting, notification, distribution and other provisions of this Agreement. This Section 4.4.3 is subject to the provisions of the Management Agreement.

4.5. Handling of Receipts by Manager. Payments received by Manager after the Transfer Date from Third Party Payors, such as the VA, self-pay, HMO, private insurance payors and others, shall be handled as follows:

4.5.1. If such payments either specifically indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods prior to the Transfer Date, they shall be forwarded to Operator by Manager, along with the applicable remittance advice, on the first business day of each week and on the last business day of each month;

4.5.2. If such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods on or after the Transfer Date, they shall be retained by Manager; and

4.5.3. If such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods both prior to and after the Transfer Date, the portion thereof which relates to the period on and after the Transfer Date shall be retained by Manager and the

balance shall be remitted to Operator by check on the first business day of each week and on the last business day of each month, with a copy of the remittance advice.

4.5.4. Except as otherwise specified herein, if such payments fail to indicate the period to which they relate, then all such unidentified payments received by Manager within seventy-five (75) days following the Transfer Date shall be deemed to relate first to unpaid Pre-Transfer Accounts (if any) as set forth on the Pre-Transfer Accounts Schedule and applied by Manager to reduce such resident's account until the balance is zero, and the balance of each payment, if any, will then be applied to reduce any balances due for services rendered by Manager on and after the Transfer Date. Unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts for the resident covered, and handled as set forth in Section 4.5.2. Notwithstanding the foregoing, the parties acknowledge that any payment from the Social Security Administration to Operator as the representative payee for a current resident on or after the Effective Date (the "Social Security Payment") shall be deemed the payment of a Post-Transfer Account and shall be used for the resident's current needs (including the current month's rent and care) as required by law and handled as set forth in Section 4.5.2. In the event the Social Security Payment includes amounts in excess of the resident's current needs, then as permitted by law, the excess shall be deemed to relate to the resident's unpaid Pre-Transfer Account, if any, and shall be handled as set forth in Section 4.5.1.

4.6. Handling of Receipts by Operator. Payments received by Operator after the Transfer Date from Third Party Payors, such as the VA, self-pay, HMO, private insurance payors and others, if any, shall be handled as follows:

4.6.1. If such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods prior to the Transfer Date, they shall be retained by Operator;

4.6.2. If such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods on or after the Transfer Date, they shall be forwarded to Manager by Operator via check, along with the applicable remittance advice, on the first business day of each week and on the last business day of each month; and

4.6.3. If such payments indicate on the accompanying remittance advice, or if the parties agree, that they relate to periods both prior to and after the Transfer Date, the portion thereof which relates to the period prior to the Transfer Date shall be retained by Operator and the balance shall be remitted to Manager on the first business day of each week and on the last business day of each month, with a copy of the remittance advice.

4.6.4. Except as otherwise specified herein, if such payments fail to indicate the period to which they relate, then all such unidentified payments received by Operator within seventy-five (75) days following the Transfer Date shall be deemed to relate to unpaid Pre-Transfer Accounts (if any) as set forth on the Pre-Transfer Accounts Schedule and applied by Operator to reduce such resident's account until the balance is zero, and the balance of each payment, if any, will then be applied to reduce any balances due for services rendered by Manager on and after the Transfer Date. Unidentified payments received thereafter shall be deemed to relate to Post-Transfer Accounts for the resident covered, and handled as set forth in Section 4.6.2. Notwithstanding the foregoing, the parties acknowledge that any Social Security Payment shall be

deemed the payment of a Post-Transfer Account and shall be delivered to Manager and used for the resident's current needs (including the current month's rent and care) as required by law and handled as set forth in Section 4.6.2. In the event the Social Security Payment includes amounts in excess of the resident's current needs, then as permitted by law, the excess shall be deemed to relate to the resident's unpaid Pre-Transfer Account, if any, and shall be handled as set forth in Section 4.6.1.

4.6.5. Simultaneous with the execution of this Agreement, Operator agrees to execute a letter in a form mutually agreed upon to each of the payors receiving or administering diversion monies for any similar government program for residents of the Facility and to request (to the extent permitted by the relevant program regulation) that all payments for room, board and care to the extent provided on or after the Transfer Date be paid by paper check and sent to the Facility. By signing this Agreement, Operator authorizes Manager to deposit such checks into the Manager's bank account.

4.7. Private Pay. Any payments received by either party from or on behalf of private pay patients (including without limitation self-pay, HMO and other private insurance payors) shall be treated in the same manner as described in Sections 4.5 and 4.6 above; provided that any payment received by either party during the first seventy-five (75) days after the Transfer Date for a private pay patient or resident, which fails to designate the period to which it relates, will first be applied to reduce the patient's Pre-Transfer Account balances (if any) as set forth on the Pre-Transfer Accounts Schedule until such amounts are reduced to zero, with any balance to be applied to reduce Post-Transfer Accounts. All unidentified payments received thereafter shall be deemed to relate first to Post-Transfer Accounts until such amounts are reduced to zero, with any balance to be applied to reduce Pre-Transfer Accounts.

4.8. Misapplication of Payments. In the event that any payment hereunder is misapplied by the parties, except as otherwise provided herein, the party which erroneously received said payment shall remit the same to the other within five (5) days after such determination is conclusively made by mutual agreement of the parties.

4.9. Cooperation in Processing of Claims. If necessary, Manager and Operator agree to provide each other, upon reasonable request and in a timely manner, with copies of all Medicare and Medicaid or Third Party Payor Program reimbursement requests pertaining to the Facility submitted to any applicable fiscal intermediary whether before or after the Transfer Date. Each party agrees to take all reasonable steps to assist the other in processing claims and obtaining payments for services rendered under such applicable programs in which the Facility participates (i) in the case of Manager, from and after the Transfer Date, and (ii) in the case of Operator, prior to the Transfer Date. The party being assisted agrees to reimburse the party rendering assistance for any reasonable documented out-of-pocket expenses incurred by the assisting party in rendering such assistance. In furtherance of the obligations pursuant to this Section 5.9, the Parties agree as follows: (i) Operator shall provide current access codes and passwords to Manager for all third party payors which participate in electronic billing so that Manager may do the billing for the Facility for residential care and services provided throughout the duration of this Agreement; (ii) unless specifically requested by Manager, Operator will not do any billing for any residential care and services provided by Manager; and (iii) neither Operator nor Manager shall change any of the

access codes or passwords without first notifying the other and providing it with the new (updated) access codes and passwords.

4.10. Access. For the period of seven (7) years following the Transfer Date (or longer if Operator is subject to a government investigation with respect to which such records and documents are relevant), after providing five (5) business days advance notice to Manager in each instance, Operator and its agents and representatives shall have reasonable access during business hours to such medical records, resident contracts, resident status reports, medical necessity documentation, services documentation, account documentation, remittance advice documentation, Nursing Services Statements (CMS-3616), and other documents and records as reasonably necessary to confirm the division of the accounts receivable, payments or accounts payable, to facilitate billing and collection of Operator's receivables, to handle any of Operator's accounts payable or reconcile any financial information.

4.11. Overpayment Claims. In the event that federal or state agencies or any private insurer or other payor making payments to Operator for services performed prior to Transfer Date make any claim for reimbursements, fines, civil money penalties, recoupment of fraudulent charges or overpayments (including without limitation recapture of pass-throughs) occurring for any such period, then Operator agrees to save, indemnify, defend and hold Manager harmless for, from and against any and all loss, damage, injury or expense incurred by Manager because of any actual loss resulting from such claim, and Operator shall promptly reimburse Manager for the full amount of any such claim, offset, chargeback or other attempted recovery of such reimbursements, fines, civil money penalties, fraudulent payments and overpayments upon demand. In the event Operator successfully appeals any such overpayment claim and Manager receives funds or credits as result thereof, Manager shall promptly remit to Operator the full amount of any such funds or credits, less the amount of any uncompensated losses, damages, injuries or expenses incurred by Manager because of such claim; provided Manager shall promptly notify Operator in writing of the offset and the reason therefor.

ARTICLE 5. EMPLOYEES; INSURANCE

5.1. Current Employees; Payroll & Benefits. Operator shall deliver the current Employee Schedule to Manager within fifteen (15) days prior to the Transfer Date, and shall update such Employee Schedule three (3) business days before the Transfer Date. Operator shall not solicit or offer to employ any current employee of the Facility at any of its affiliated operations for a period of one (1) year following the Transfer Date without the prior written consent of Manager. Operator also agrees to provide to Manager, promptly following the execution and delivery of this Agreement, copies of Operator's current employee handbook, detailed benefits information including carriers, brokers and participating employees, contact information and cost information and a roster of enrolled employees, and such other documentation of current terms and conditions of employment as Manager may reasonably request, to the extent not disclosed in the Employee Schedule. All information disclosed or provided to Manager hereunder shall be deemed confidential.

5.2. Employee Status.

5.2.1 Termination of Employees. Operator shall terminate the employment of each of the Facility's employees as of the Transfer Date. Operator agrees to issue and deliver its final payroll checks (including sums due for accrued Benefits, to the extent applicable, as required by applicable State and federal laws and Operator's existing policies and procedures) to the Operator's employees, and to timely and fully pay all payroll taxes and similar obligations due in connection therewith in accordance with the requirements of applicable law. Operator agrees to indemnify, defend and hold Manager harmless for, from and against any and all claims, suits, actions, proceedings, costs, fees, and other liabilities arising from or in connection with the non-payment, untimely payment, or incomplete or inaccurate payment to Operator's employees for wages, Pre-Transfer Benefits (to the extent the amount paid by Operator to Operator's employees proves insufficient) and other sums due employees for pre-Transfer Date periods.

5.2.2 Hiring of Employees. On the Transfer Date Manager shall use commercially reasonable efforts to (a) offer employment to substantially all of the employees employed by Operator in good standing at the facility as of the day prior to the Transfer Date, whether such employees are in active or inactive status. Prior to the Transfer Date, Operator will provide Manager with access to, and commercially reasonable assistance in the conduct of the interviewing and hiring of, such employees, including the distribution of pre-employment applications. Such employment shall be on an "at-will" basis, subject to a 90 day probationary period. Manager shall perform all payroll activities for Rehired Employees from and after the Transfer Date. Any such employment of Rehired Employees by Manager shall be on terms which require said Rehired Employees to perform comparable services in a comparable position and at substantially the same base wage and benefits in the aggregate as such Rehired Employees enjoyed with the Facility prior to the Transfer Date.

5.2.3 Eligibility for Benefits. Manager and its affiliates shall treat prior service with Operator as service with the Manager for purposes of determining eligibility to receive and participate in all Benefits programs maintained by Manager. Without limiting the foregoing, Manager shall permit Rehired Employees to enroll in Manager's group health plan on or as soon as practicable after the Transfer Date, with no eligibility waiting period for participation in such plan, so long as the Rehired Employee has been continuously employed by Operator for at least ninety (90) days immediately prior to the Transfer Date. In the event the Transfer Date falls on a date other than the first (1st) day of a calendar month, Operator and Manager acknowledge and agree that Rehired Employees shall be eligible to participate in Manager's group health plan and similar Benefits from and after the first (1st) day of the calendar month following the Transfer Date. Any Rehired Employee who has not been continuously employed by Operator for at least ninety (90) days immediately prior to the Transfer Date shall become eligible for Benefits as of the first (1st) day of the calendar month following the ninetieth (90th) day of combined continued employment with Operator and Manager. Manager shall use commercially reasonable efforts to have any preexisting conditions limitations waived with respect to any health and welfare benefit plans offered to Rehired Employees, other than limitations or waiting periods that are already in effect with respect to such Rehired Employees and that have not been satisfied as of the Transfer Date under any welfare plan maintained for such employees immediately prior to the Transfer Date and to give effect, in determining any deductible and maximum out-of-pocket limitations, to amounts paid by such Rehired Employees under the comparable benefit plans of the Operator.

5.2.4 Accrued Employee Benefits. Subject to the provisions of Section 6.2.1 above, Operator acknowledges that all vacation, sick time, paid time off, and all other employee benefits provided to Operator's employees accrued prior to the Transfer Date ("Pre-Transfer Benefits") are the sole obligation and liability of Operator. The cash value of all accrued employee benefits will be paid to Operator's employees by Operator as provided in Section 6.2.1 above.

5.2.5 WARN Act Compliance. Manager and Operator acknowledge and agree that the provisions of Section 5.2.2 are designed solely to ensure that Operator is not required to give notice to current Facility employees of the "closure" thereof or of a "mass layoff" under the WARN Act or under any comparable state law. Given Manager's reasonable intent to offer employment to substantially all of the employees employed by Operator in good standing at the facility as of the day prior to the Transfer Date, Manager and Operator do not anticipate that the transfer of operations under this Agreement will result in a plant closing or mass layoff or otherwise trigger any notice obligations under the WARN Act or any comparable state law. Accordingly, Manager agrees to indemnify, defend and hold harmless Operator for, from and against any liability which it may incur under the WARN Act in the event of a violation by Operator or Manager of any obligations under Section 5.2.2 arising out of the transfer of operations; provided, however, that nothing herein shall be construed as imposing any obligation on Manager to indemnify, defend or hold harmless Operator for, from or against any liability which it may incur under the WARN Act or comparable state laws as a result of the acts or omissions of Operator prior to the Transfer Date, it being understood and agreed that Manager shall only be liable for the failure to give notice under the WARN Act or comparable state law, and for its own acts or omissions after the Transfer Date.

5.3. Employee Records. To the extent allowable under applicable state law (and subject to requirements to obtain consent of such employees, if any), Operator shall allow Manager to retain Operator's employee files of Rehired Employees, including without limitation originally executed employee applications and original Form I-9s, but excluding all notes, reprimands and comments regarding Rehired Employees, for a period of ninety (90) days from the Transfer Date. Immediately thereafter Manager shall deliver the original documents to Operator; notwithstanding the foregoing, during such retention period, Manager shall allow Operator access, upon prior notice and during normal business hours, to such employee files and the ability to copy the same, as Operator may require in its reasonable discretion.

5.4. No Employment Rights or Contract. Notwithstanding anything in this Agreement to the contrary, nothing in this Article VI or any other provision of this Agreement shall be interpreted to (i) create any rights in favor of any person not a party hereto, including, without limitation, Operator's employees or (ii) constitute an employment agreement or condition of employment for any employee of Operator or any Rehired Employee.

5.5. Foreign Workers. Operator has included, as part of Exhibit F hereto, a list of all foreign nationals employed at the Facility who are working under a visa or other work authorization. Operator represents that, to the best of Operator's knowledge after appropriate inquiry, (i) all of Operator's employees are either citizens or legal residents of the United States, (ii) all foreign workers have provided to Operator copies of valid identity and work authorization documents, (iii) no such work authorizations have expired or been revoked, and (iv) Operator has in its possession original I-9 forms and copies of valid supporting documentation for all of Operator's employees.

5.6. Employment Claims and Complaints. Except as disclosed in Exhibit G, Operator represents and warrants that there are no Employment Claims as of the date of execution of this Agreement and that it is aware of no pending or threatened Employment Claims by Operator's employees. Operator acknowledges that Manager does not and shall not assume under this Agreement or any related agreement, any liability for any pending or threatened Employment Claims. Manager hereby disclaims any and all liability for all Employment Claims arising from or in connection with the employment of any of Operator's employees prior to the Transfer Date, and Operator hereby agrees to indemnify, defend and hold Manager harmless for, from and against any and all Employment Claims to the extent arising from or in connection with the employment of any of Operator's employees prior to the Transfer Date; and Manager hereby agrees to indemnify, defend and hold Operator harmless for, from and against any and all Employment Claims to the extent arising from or in connection with the employment of any of Manager's employees from and after the Transfer Date..

5.7. Insurance. On the Transfer Date, Manager shall maintain insurance coverage for the Facility as required by the Management Agreement.

5.8. Payroll-Based Journal Data. Operator represents that it has submitted to CMS, or will submit to CMS prior to the Transfer Date, prior to any deadlines set by CMS applicable to such filing, all Payroll-Based Journal ("**PBJ**") data related to the period of time beginning on July 1, 2016 and ending on the Transfer Date in accordance with Section 6106 of the Affordable Care Act (ACA) and related regulations. Within ten (10) days following the Transfer Date, Operator shall deliver to Manager either (i) the PBJ Acceptance Report received by Operator upon successful submission of PBJ data, or (ii) the raw data file submitted by Operator, in either case covering the six (6) month period of time ending on the Transfer Date. In the event Operator fails to timely, accurately and completely submit any PBJ data for the Facility prior to any applicable deadline, Manager shall have the right but not the responsibility, and Operator hereby irrevocably appoints Manager as its agent and attorney in-fact for such purpose, to prepare, file, complete, correct and otherwise process, at Operator's expense, such PBJ submissions in Operator's name and on its behalf. If Manager elects to prepare, file, complete, correct and/or process any such submission, it shall do so without any legal liability for any errors or omissions therein, and Operator hereby forever releases, waives, and discharges Manager from any liability, known or unknown, for its handling of any submission hereunder. Upon request of Manager, Operator shall promptly deliver to Manager, in the format requested by Manager, any information necessary for Manager to submit PBJ data for the Facility to CMS prior to the deadline applicable to any such submission.

ARTICLE 6. PRORATIONS

6.1. Prorations. Revenues and expenses pertaining to Assumed Operating Contracts, water, electricity, sewer, gas, telephone and other charges for the billing period(s) in which the Transfer Date occurs, personal property taxes, licensing fees, insurance premiums, prepaid expenses and other related items of revenue or expense attributable to the Facility shall be prorated between Operator and Manager as of the Transfer Date. In general, prorations shall be made so as to reimburse Operator for prepaid expense items and to charge Operator for prepaid revenue items or accrued but unpaid expenses to the extent that said expenses are attributable to periods before the Transfer Date. The intent of this provision shall be implemented by Manager remitting to

Operator any invoices which reflect a service or delivery date before the Transfer Date and by Manager assuming responsibility for the payment of any invoices which reflect a service or delivery date on and after the Transfer Date and by Operator remitting to Manager any invoices which reflect the prepayment for goods and services by Operator that are for periods on or after the Transfer Date and Manager assuming responsibility for such amounts (including reimbursing Operator if already paid by Operator); provided that in the event of any nonpayment of amounts due for pre-Transfer Date periods which threatens the availability of goods or services to the Facility, then in addition to all other rights and remedies available to Manager, Manager shall have the right to pay amounts due and Operator shall reimburse Manager for the cost thereof upon demand; *provided further that*, if Operator's nonpayment threatens the health and safety of any residents or the operation of the Facility in the ordinary course of business, Manager shall have the right to pay such amounts due without the need to provide prior notice or a chance to cure to Operator, and Operator shall reimburse Manager for the cost thereof upon demand.

6.2. Calculation. All such prorations shall be made on the basis of actual days elapsed in the relevant accounting or revenue period and shall be based on the most recent information available. Without limiting the foregoing, water, electricity, sewer, gas, telephone and other utility charges shall be based, to the extent practicable, on final meter readings and invoices covering the period of time through the Transfer Date. Utility charges which are not metered and read on the Transfer Date shall be estimated based on prior charges, and shall be re-prorated upon receipt of statements therefor.

6.3. Adjustments. All amounts owing from one party hereto to the other party hereto that require adjustment after the Transfer Date shall be settled within thirty (30) days after the Transfer Date or, in the event the information necessary for such adjustment is not available within said thirty (30) day period, then as soon thereafter as practicable.

6.4. Petty Cash. On the Transfer Date, Manager shall remit to Operator a cashier's check in the amount equal to petty cash maintained at the Facility.

ARTICLE 7. RECORDS

7.1. Delivery of Records. On the Transfer Date, Operator shall deliver to Manager possession of all of the existing past and present records of the Facility, including, but not limited to, resident medical records, financial records, employee records (subject to Section 6.3) and other relevant records used or developed in connection with the business conducted at the Facility, including, but not limited to, all licenses, agreements, records, reports and information reasonably necessary to continue care for any residents remaining at the Facility after the Transfer Date. With respect to resident information, such transfer and delivery of possession shall be in accordance with all applicable laws, rules and regulations governing the transfer of medical and other resident records. Nothing herein shall be construed as precluding Operator from removing from the Facility on the Transfer Date the financial or tax records that relate to its operations at the Facility and/or to its overall corporate operations. Operator agrees to retain a copy of any inventory or list of such records to facilitate its access to such records as needed pursuant to Section 8.2, and Operator acknowledges that Manager shall have no obligation to retain any such inventory or list.

7.2. Access to Records.

7.2.1. Subsequent to the Transfer Date, Manager shall allow Operator and its agents and representatives to have reasonable access (upon reasonable prior notice and during normal business hours), to inspect and to make copies of, the books and records and supporting material of the Facility relating to the period prior to and including the Transfer Date, to the extent reasonably necessary to enable Operator to investigate and defend malpractice, employee or other claims, to file or defend cost reports and tax returns, to verify accounts receivable collections due Operator and to collect proceeds related to Pre-Transfer Accounts.

7.2.2. Operator shall be entitled to remove the originals of any records delivered to Manager, for purposes of litigation involving a resident or employee to whom such record relates, if (i) an officer of or counsel for Operator certifies that such original must be produced in order to comply with applicable law or the order of a court of competent jurisdiction in connection with such litigation, and (ii) Operator leaves a full and complete copy of such records in the Facility while the originals are in its possession. Any record so removed shall promptly be returned to Manager following its use.

7.2.3. Manager agrees to maintain such books, records and other material comprising records of the Facility's operations prior to the Transfer Date that have been received by Manager from Operator or otherwise, including, but not limited to, resident records and records of resident funds, to the extent required by law, but in no event less than three (3) years or the minimum period required by any applicable statute of limitations in force as of the Transfer Date, and shall allow Operator a reasonable opportunity to remove such documents, at Operator's expense, at such time as Manager shall decide to dispose of such documents.

7.3. HIPAA Compliance. On the Transfer Date, Manager and Operator shall each execute and deliver to the other mutual and reciprocal HIPAA Business Associate Agreements in form and substance compliant with HIPAA in the form attached hereto in Exhibit K.

ARTICLE 8. OPERATING AGREEMENTS

8.1. Operating Contracts. Operator has delivered, or within five (5) days from the date of this Agreement will deliver to Manager, true, complete and current copies of all Operating Contracts. Operator represents that there are no material Operating Contracts, oral or written, which have not been disclosed in writing, pursuant to the foregoing or otherwise, to Manager, and the Operating Contracts delivered and disclosed are in full force and effect and have not been modified, altered or amended in any way, except as disclosed to Manager. On and as of the Transfer Date, Operator and Manager agree to enter into an Assignment and Assumption Agreement in substantially the form attached hereto as Exhibit H (the "Assignment") regarding the assignment and assumption of the Assumed Operating Contracts. In furtherance of the foregoing, Operator shall reasonably cooperate with Manager in connection with the assignment of the Assumed Operating Contracts to Manager.

8.1.1. Nothing herein or in the Assignment shall be construed as imposing any liability on Manager with respect to any obligations under (a) the Assumed Operating Contracts

to the extent they relate to the period prior to the Transfer Date even if the same do not arise until after the Transfer Date (except to the extent that Manager receives and accepts goods or services under an Assumed Operating Contract, in which case its liability shall be determined by the proration of the cost of such benefit under such Assumed Operating Contract), it being specifically understood and agreed that Manager's liability shall be limited to its acts and omissions thereunder from and after the Transfer Date, or (b) any Terminated Operating Contracts, including without limitation any costs, fees or penalties incurred by Operator as a result of Operator's breach or early termination of the Terminated Operating Contracts.

8.1.2. Operator agrees to give formal notice of cancellation under each of the Terminated Operating Contracts within five (5) business days following receipt of Manager's list of Operating Contracts to be terminated from Manager, with the terminations to be effective on or before the Transfer Date or at the earliest possible date(s) thereafter.

9.1.3 In those cases where any of the Assets (which includes the Assumed Operating Contracts) are not by their terms assignable or which require the consent of a third party in connection with the transactions contemplated by this Agreement, Operator shall, prior to and after the Transfer Date, use its commercially reasonable efforts, and Manager shall cooperate in all reasonable respects with Operator, to obtain all consents and waivers necessary to convey any such owned Assets to Manager or, without cost or potential liability to Operator, give Manager the right to any leased Assets pursuant to the terms of any such leases covering such Assets. Anything contained herein to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any of the Assets if any actual or attempted assignment or transfer thereof without the consent of any party thereto other than Operator or any of its affiliates would constitute a breach thereof or otherwise not be permitted under applicable law, increase any obligation of Operator thereunder or create any additional obligation of Operator thereunder ("Non-Assignable Assets"). If any such consent or approval is not obtained prior to the Transfer Date, then Operator agrees to cooperate with Manager in any reasonable arrangement, but without additional cost or expense to Operator, designed to provide for Manager the benefits intended to be assigned to Manager under the relevant Non-Assignable Asset, including enforcement, at the cost and for the account of Manager, of any and all rights of Operator against the other party or person thereto arising out of the breach or cancellation thereof by such other party or otherwise and Manager shall indemnify, defend and hold Operator harmless from all costs and liabilities resulting therefrom. If and to the extent that such arrangement cannot be made (as reasonably determined by the parties), then Manager, upon written notice to Operator, shall have no obligation with respect to any contract underlying such Non-Assignable Asset and any such contract shall not be deemed to be assigned hereunder.

8.2. Utilities. If Manager is unable, despite the exercise of commercially reasonable efforts, to establish utility accounts for the providers referred to below by the Transfer Date, for a period of up to sixty (60) days following the Transfer Date, Operator shall continue as the named party on the following Terminated Operating Contracts: (a) any telephone service agreements; and (b) any cable or satellite television contracts. Such contracts shall continue following the Transfer Date in a manner and at levels consistent with how such services were provided to the Facility immediately prior to the Transfer Date. Manager shall pay Operator the "prevailing rate" (as defined herein) for the service provided to Manager (based on metered usage, where applicable). For purposes hereof, the term "prevailing rate" means the then current rate charged to Operator by

the provider of such utilities, including any applicable taxes and other charges, for such sixty (60) day period. Manager shall use its best efforts to obtain these services directly from the current service provider or another service provider prior to the end of the 60-day term.

8.3. Equipment Financing and Leases. Operator and Manager acknowledge and agree that the FF&E listed on Exhibit C, if any, are leased by Operator or otherwise encumbered under the terms of their corresponding equipment leases, true and complete copies of which have been provided to Manager and identified on Exhibit C. Manager shall take possession of such encumbered FF&E (the title thereto either residing in Operator or in the equipment lessor) subject to the equipment leases, and shall assume (to the extent the same can be assumed under the terms thereof) and be responsible for all payments and other charges accruing thereon from and after the Transfer Date and Manager shall indemnify, defend and hold Operator harmless from all costs and liabilities resulting therefrom. Operator represents and warrants that there are no Encumbrances (other than Permitted Encumbrances) affecting the Facility or any of the FF&E therein which have not been disclosed to Manager and identified on Exhibit D.

ARTICLE 9. INDEMNIFICATION

9.1. Operator. Without limiting its other duties and obligations hereunder, Operator agrees to indemnify, defend and hold harmless Manager, and its officers, directors, employees, shareholders and affiliates (“Manager Indemnified Parties”), for, from and against any and all damages, expenses, costs, claims, and liabilities of any kind, including without limitation reasonable attorneys’ fees (collectively, “Losses”) incurred or sustained by any Manager Indemnified Party as a result of (i) a breach by Operator of its obligations under this Agreement, (ii) the acts or omissions of the Operator under the Assumed Operating Contracts to the extent arising prior to the Transfer Date, (iii) the Terminated Operating Contracts whether the same relate to the period prior to or after the Transfer Date, (iv) the operation of the Facility prior to the Transfer Date, including but not limited to, any violations of applicable Medicare or Medicaid fraud abuse laws, any other State or federal law governing the operation of the Facility, including but not limited to laws relating to deficiencies under any surveys that occurred prior to the Transfer Date, and any Employment Claims that occurred prior to the Transfer Date, (v) any breach of or inaccuracy in any representation, warranty or covenant of Operator contained in this Agreement or in any certificate furnished to Manager hereunder, (vi) any claims against Operator, Manager or the Facility under Medicare, Medicaid or any other Third Party Payor Programs (a) with respect to the operation of the Facility by Operator prior to the Transfer Date, (b) for any fees, fines or penalties assessed against the Assets or the Provider Agreements of the Facility and attributable to periods prior to the Transfer Date, or (c) for repayment of any overpayments made to Operator under Medicare, Medicaid or any other Third Party Payor Program for services rendered at the Facility prior to the Transfer Date, including, but not limited to, claims against Manager in the form of offsets by Medicare, Medicaid or any other Third Party Payor against their payments due to any Manager or attributable to periods on and after the Transfer Date that relate to said overpayments made to Operator, (vii) in the event the amount of the Resident Trust Funds, if any, transferred to Manager does not represent the full amount of the Resident Trust Funds shown to have been delivered to Operator as custodian, and for claims which arise from actions or omissions of Operator with respect to the Resident Trust Funds prior to the Transfer Date and (viii) any Excluded Liability; provided, however, that nothing herein shall be construed as imposing any

liability on Operator to indemnify, defend or hold harmless Manager with respect to Manager's own acts or omissions.

9.2. Manager. Without limiting its other duties and obligations hereunder, Manager agrees to indemnify, defend and hold harmless Operator for, from and against any and all Losses incurred or sustained by Operator as a result of (i) a breach by Manager of its obligations under this Agreement, (ii) the acts or omissions of the Manager under the Assumed Operating Contracts to the extent arising from and after the Transfer Date, (iii) the operation of the Facility from and after the Transfer Date, including but not limited to, any violations of applicable Medicare or Medicaid fraud abuse laws, any other State or federal law governing the operation of the Facility, including but not limited to laws relating to deficiencies under any surveys that occurred on or after the Transfer Date, any Employment Claims that occurred on or after the Transfer Date and any use by Manager of Operator's provider numbers from and after the Transfer Date, (iv) any breach of or inaccuracy in any representation, warranty or covenant of Manager contained in this Agreement or in any certificate furnished to Operator hereunder, (v) any claims against Operator, Manager or the Facility under Medicare, Medicaid or any other Third Party Payor Programs (a) with respect to the operation of the Facility by Manager on and after the Transfer Date, (b) for any fees, fines or penalties assessed against the Assets or the Provider Agreements of the Facility and attributable to periods on and after the Transfer Date, or (c) for repayment of any overpayments made to Manager under Medicare, Medicaid or any other Third Party Payor Program for services rendered at the Facility on or after the Transfer Date, including, but not limited to, claims against Operator in the form of offsets by Medicare, Medicaid or any other Third Party Payor against their payments due to Operator or attributable to periods prior to the Transfer Date that relate to said overpayments made to Manager, or (vi) in the event the amount of the Resident Trust Funds, if any, transferred to Manager as custodian does not represent the full amount of the Resident Trust Funds shown to have been delivered by Operator as custodian, and for claims which arise from actions or omissions of Manager with respect to the Resident Trust Funds after the Transfer Date; provided, however, that nothing herein shall be construed as imposing any liability on Manager to indemnify, defend or hold harmless Operator with respect to Operator's own acts or omissions.

9.3. [Reserved].

9.4. Duty to Mitigate. Each indemnified party shall take, and cause its affiliates to take, all reasonable steps to mitigate any Loss upon becoming aware of any event or circumstance that would be reasonably expected to, or does, give rise thereto, including incurring costs to the extent necessary to remedy the breach that gives rise to such Loss.

9.5. Procedures. Notice must be given within a reasonable time after discovery of any fact or circumstance on which a party could claim indemnification ("Claim" or "Claims") hereunder; provided, however, that the failure to give such notice in such time period shall not relieve the indemnifying party of its obligations hereunder except to the extent the indemnifying party is adversely affected thereby, and then only to the extent of such adverse effect. The notice shall reasonably describe the nature of the Claim, if the Claim is determinable or liquidated, the amount of the Claim, or if not determinable or liquidated, an estimate of the amount of the Claim. Each party agrees to use its reasonable efforts to minimize the amount of the loss or injury for which it is entitled to indemnification. If the party, in order to fulfill its obligations to the other party, must take legal action or if the party is involved in legal action, the outcome of which could

give rise to its seeking indemnification, such party shall consult with the other party with respect to such legal action and allow it to participate therein. No Claim for which indemnification is asserted shall be settled or comprised without the written consent (which consent shall not be unreasonably withheld, delayed or conditioned) of the Operator or the Manager; provided, however, if a party does not consent to a bona fide settlement proposed by the other (provided such settlement contains a full release of such party), the other party shall be liable for indemnification only to the lesser of the final judgment or the amount to be paid in settlement.

ARTICLE 10. DEFAULT & REMEDIES

10.1. Remedies. Notwithstanding anything contained herein to the contrary, in the event of a default by either party hereunder, the other party shall have all remedies available to it at law, in equity and under this Agreement, which remedies shall be cumulative and not exclusive, and which remedies may be pursued singly, successively or simultaneously with any others.

ARTICLE 11. ~~[RESERVED]~~ REPRESENTATIONS AND WARRANTIES

~~11.1. Manager's Warranties. Manager hereby makes the following warranties, representations and covenants to Operator, which shall survive the termination hereof as set forth in Article 10:~~

~~11.1.1. Manager is, or as of the Transfer Date will be, a limited liability company duly formed and in good standing in the State of Nevada.~~

~~11.1.2. Manager has all requisite power and authority to execute and deliver this Agreement and to carry out its obligations hereunder and the transactions contemplated hereby, and all necessary action has been taken to authorize the individual executing this Agreement to do so. The documents contemplated hereby have been or will be duly authorized by all necessary action on Manager's part. This Agreement has been, and the documents contemplated hereby to be executed by Manager will be, duly executed and delivered by Manager and constitute its legal, valid and binding obligations enforceable against it in accordance with their terms (except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, moratorium and other principles relating to or limiting the rights of contracting parties generally), and the consummation and performance by Manager of the transactions contemplated herein will not result in a violation of or be in conflict with or constitute a default under any term or provision of the organizational documents of Manager, or any of the terms or provisions of any agreement or instrument to which it is a party or by which it is bound, or of any term of any applicable law, ordinance, rule or regulation of any governmental authority, or of any term of any applicable order, judgment or decree of any court, arbitrator or governmental authority.~~

~~11.1.3. As of the Transfer Date, Manager will qualify and will continue to qualify as a "covered entity" as such term is defined in HIPAA and will comply and will continue to comply with all requirements under HIPAA, including without limitation, the use or disclosure of protected health information.~~

~~11.1.4. There are currently no court orders, consent decrees, judgments or similar directives, including without limitation corporate integrity agreements under 42 USC Sec. 1320a-7b(f), affecting Manager or any affiliate of Manager.~~

ARTICLE 12. MISCELANEOUS

12.1. Schedules and Exhibits. The Schedules and Exhibits attached hereto at the time of this Agreement's execution and delivery may be updated and/or suppolemented by the Operator within ten (10) days following the Effective Date.

**[SCHEDULE 1
Transferor/Operator/Manager/Beds**

Facility	Address	Operator	Manager	Primary Use	No. Licensed Beds
Sonoma Valley Hospital Distinct Part Skilled Nursing Facility	347 Andrieux Street, Sonoma, CA 95476	Sonoma Valley Health Care District, dba Sonoma Valley Hospital	Bouverie Healthcare Services, Inc.	Distinct Part SNF	27

EXHIBIT A
ASSUMED OPERATING CONTRACTS

None.

EXHIBIT B
RESERVED

Exhibit B

EXHIBIT C

SCHEDULE OF ENCUMBERED FF&E AND ENCUMBRANCES THEREON

The copier at the Facility is subject to a lease.

EXHIBIT D

EXCLUDED ASSETS

The following assets ("Excluded Assets") of Operator are not included in this transaction and shall be retained by or delivered to Operator in accordance with the terms, conditions, and procedures, including without limitation proration procedures, set forth herein:

1. Cash and cash equivalents (excepting Resident Trust Property which shall be turned over to Manager as set forth in the Agreement);
2. Revenues of any nature including but not limited to governmental overpayments and any rights to prosecute any governmental underpayments and accounts receivable(s) and notes representing billings for services rendered and goods and supplies sold by Operator to any residents prior to the Transfer Date or representing bills to third party payors for reimbursement for services rendered and goods and supplies sold to any residents of Operator prior to the Transfer Date;
3. Accounts receivable and notes receivable prior to the Transfer Date;
4. Settlements, refunds or returns of any other monies from any source or rights of any nature arising from or connected to Operator's operation of the Facility prior to the Transfer Date, including related to any taxes;
5. Prepaids or deposits made by Operator;
6. Refunds, rebates and dividends paid in respect of Worker's Compensation or other insurance premiums paid by Operator prior to the Transfer Date and any refunds or additional recoveries by or payments to Operator from any person for services or sales of goods or supplies prior to the Transfer Date;
7. all employee benefit plans, programs, arrangements and other commitments of Operator and its affiliates relating to their employees or independent contractors, whether written or oral, express or implied and any trusts, insurance arrangements or other assets held pursuant, or set aside, to fund the obligations under any such employee benefit plans;
8. all insurance policies (including any key man life insurance policies owned by the Operator or one of its affiliates or of which Operator or any of its affiliates is beneficiary) and the rights and benefits thereunder (including any rights to proceeds thereof), arising prior to the Transfer Date from or relating to the Facility;
9. Assets of Operator disposed of in the ordinary course of business prior to the Transfer Date, provided that Operator shall not dispose of any asset without the prior written consent of Manager (other than Inventory used at the Facility in the ordinary course of business, which it shall also replenish to at least statutorily-required levels in normal course) in use at the Facility prior to the Transfer Date; and
10. The following specific items: None.

EXHIBIT E
PERMITTED ENCUMBRANCES

None.

EXHIBIT F
DISCLOSURE SCHEDULE

COLLECTIVE BARGAINING AGREEMENTS

None.

FOREIGN EMPLOYEE(S) WORKING UNDER VISA(S) OR OTHER WORK AUTHORIZATION(S)

1. Aparicio-Morales, Rosa E.
2. Guerrero-Garibo, Analine
3. Montoban, Bertha

EXHIBIT G
CLAIMS

None.

|

Exhibit H

EXHIBIT I

~~COPY OF OPERATOR'S FACILITY OPERATING LICENSE~~

~~(See attached)~~

Exhibit I

~~EXHIBIT J~~
~~COPY OF OPERATOR'S~~
~~CURRENT INSURANCE CERTIFICATE(S)~~

(See attached)

EXHIBIT L

Initial Due Diligence Materials

(See attached)

EXHIBIT M

PENDING MEDICAID

None.

Sonoma Valley Hospital
 Shared Services Revenue - Ensign, Inc.
 FY 2020 - Budget

	FY 2020 - Budgeted		
	Revenue	Expenses	Net
Gross Revenue - Skilled Nursing Facility	22,472,368		22,472,368
Revenue Deductions	(22,472,368)		(22,472,368)
Net Revenue	-		-
<u>Shared Services Revenue:</u>			
Food & Nutrition Services	164,250	(182,810)	(18,560)
Environmental Services	98,000	(98,000)	-
Plant Ops & Utilities	156,000	(156,000)	-
Common Areas	24,000	(24,000)	-
Lab & Imaging Diagnostics	107,750	(87,105)	20,645
	550,000	(547,915)	2,085

Notes:

- * Not projecting profit sharing revenue the first year - profit sharing not included in budget
- * Shared service revenue offsets existing expenses included in the operating budget and is a positive addition to FY 2020
- * Ensign shared service agreement not finalized