

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR PERMIT**

**ORIGINAL**

**SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**

**RECEIVED**

15-041

This Section must be completed for all projects.

AUG 21 2015

**Facility/Project Identification**

Facility Name: Winchester House	<b>HEALTH FACILITIES &amp; SERVICES REVIEW BOARD</b>	
Street Address: 1125 N. Milwaukee Ave		
City and Zip Code: Libertyville, IL 60048		
County: Lake	Health Service Area 8	Health Planning Area: 097

**Applicant /Co-Applicant Identification**

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: Transitional Care of Lake County, LLC
Address: 1125 N. Milwaukee Ave, Libertyville, IL 60048
Name of Registered Agent: Steven L. Baerson, 1 N La Salle St., Ste 1350, Chicago, IL 60602
Name of Chief Executive Officer: Brian Cloch, CEO
CEO Address: 3333 Warrenville Rd, Suite 200, Lisle, IL 60532
Telephone Number: 847-309-6000

**Type of Ownership of Applicant/Co-Applicant**

<input type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership	
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental	
<input checked="" type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Other

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing**.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

**APPEND DOCUMENTATION AS ATTACHMENT-1 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**Primary Contact**

[Person to receive ALL correspondence or inquiries)

Name: Charles Sheets
Title: Attorney
Company Name: Polsinelli P.C.
Address: 161 North Clark Street, Suite 4200, Chicago, IL 60601
Telephone Number: 312-873-3605
E-mail Address: csheets@polsinelli.com
Fax Number: 312-873-3793

**Additional Contact**

[Person who is also authorized to discuss the application for permit]

Name: Nicholas J. Lynn
Title: Attorney
Company Name: Duane Morris LLP
Address: 190 South LaSalle Street, Suite 3700
Telephone Number: 312-499-6731
E-mail Address: NJLynn@duanemorris.com
Fax Number: 312-499-6701

**ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD  
APPLICATION FOR PERMIT**

**SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION**

This Section must be completed for all projects.

**Facility/Project Identification**

Facility Name: Winchester House		
Street Address: 1125 N. Milwaukee Ave		
City and Zip Code: Libertyville, IL 60048		
County: Lake	Health Service Area 8	Health Planning Area: 097

**Applicant /Co-Applicant Identification**

[Provide for each co-applicant [refer to Part 1130.220].

Exact Legal Name: County of Lake
Address: 18 N. County Street, 10th Floor, Waukegan, IL 60085
Name of Registered Agent:
Name of Chief Executive Officer: Aaron Lawlor, County Board Chair
CEO Address: 18 N. County Street, 10th Floor, Waukegan, IL 60085
Telephone Number: 847-377-2300

**Type of Ownership of Applicant/Co-Applicant**

<input type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership	
<input type="checkbox"/> For-profit Corporation	<input checked="" type="checkbox"/> Governmental	
<input type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Other

- o Corporations and limited liability companies must provide an **Illinois certificate of good standing**.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.

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Address: 190 South LaSalle Street, Suite 3700
Telephone Number: 312-499-6731
E-mail Address: NJLynn@duanemorris.com
Fax Number: 312-499-6701

**Post Permit Contact**

[Person to receive all correspondence subsequent to permit issuance-THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960

Name: Brian Cloch
Title: CEO
Company Name: Transitional Care of Lake County, LLC
Address: 3333 Warrenville Rd, Suite 200, Lisle, IL 60532
Telephone Number: 847-309-6000
E-mail Address: bcloch@tc-mgmt.com
Fax Number:

**Site Ownership**

[Provide this information for each applicable site]

Exact Legal Name of Site Owner: County of Lake
Address of Site Owner: 18 N. County Street, 10th Floor, Waukegan, IL 60085
Street Address or Legal Description of Site: 1125 N Milwaukee Ave, Libertyville, IL 60048
Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statement, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease or a lease.

APPEND DOCUMENTATION AS ATTACHMENT-2 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Operating Identity/Licensee**

[Provide this information for each applicable facility, and insert after this page.]

Exact Legal Name: Transitional Care of Lake County, LLC
Address: 1125 N. Milwaukee Ave, Libertyville, IL 60048

<input type="checkbox"/> Non-profit Corporation	<input type="checkbox"/> Partnership
<input type="checkbox"/> For-profit Corporation	<input type="checkbox"/> Governmental
<input checked="" type="checkbox"/> Limited Liability Company	<input type="checkbox"/> Sole Proprietorship
	<input type="checkbox"/> Other

- o Corporations and limited liability companies must provide an Illinois Certificate of Good Standing.
- o Partnerships must provide the name of the state in which organized and the name and address of each partner specifying whether each is a general or limited partner.
- o **Persons with 5 percent or greater interest in the licensee must be identified with the % of ownership.**

APPEND DOCUMENTATION AS ATTACHMENT-3 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Organizational Relationships**

Provide (for each co-applicant) an organizational chart containing the name and relationship of any person or entity who is related (as defined in Part 1130.140). If the related person or entity is participating in the development or funding of the project, describe the interest and the amount and type of any financial contribution.

APPEND DOCUMENTATION AS ATTACHMENT-4 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Flood Plain Requirements**

[Refer to application instructions.]

Provide documentation that the project complies with the requirements of Illinois Executive Order #2005-5 pertaining to construction activities in special flood hazard areas. As part of the flood plain requirements please provide a map of the proposed project location showing any identified floodplain areas. Floodplain maps can be printed at [www.FEMA.gov](http://www.FEMA.gov) or [www.illinoisfloodmaps.org](http://www.illinoisfloodmaps.org). **This map must be in a readable format.** In addition please provide a statement attesting that the project complies with the requirements of Illinois Executive Order #2005-5 (<http://www.hfsrb.illinois.gov>).

APPEND DOCUMENTATION AS ATTACHMENT-5, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Historic Resources Preservation Act Requirements**

[Refer to application instructions.]

Provide documentation regarding compliance with the requirements of the Historic Resources Preservation Act.

APPEND DOCUMENTATION AS ATTACHMENT-6, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**DESCRIPTION OF PROJECT**

**1. Project Classification**

[Check those applicable - refer to Part 1110.40 and Part 1120.20(b)]

Part 1110 Classification:

- Substantive
- Non-substantive

**2. Narrative Description**

Provide in the space below, a brief narrative description of the project. Explain **WHAT** is to be done in **State Board defined terms**, **NOT WHY** it is being done. If the project site does **NOT** have a street address, include a legal description of the site. Include the rationale regarding the project's classification as substantive or non-substantive.

The County of Lake ("Lake County" or "County") has been the operator and licensee of Winchester House since 1847. The proposed project contemplates a transfer of the operational control of the facility from Lake County to Transitional Care of Lake County, LLC ("Transitional Care"). Upon HFSRB approval, Transitional Care will apply to the Illinois Department of Public Health ("IDPH") to become the licensee, necessitating a change of ownership, while Lake County will remain the owner of the site and structure. As this is currently a County-owned and -operated facility, it is not exempt from obtaining HFSRB approval for the change of ownership.

The anticipated date for this transaction to occur is as soon after receiving HFSRB approval that IDPH issues the license to Transitional Care. Transitional Care has already taken over the operation of the facility pursuant to a management agreement.

Pursuant to 77 Ill. Admin. Code 1110.40(b), the proposed change of ownership constitutes a non-substantive project.

**Project Costs and Sources of Funds**

Complete the following table listing all costs (refer to Part 1120.110) associated with the project. When a project or any component of a project is to be accomplished by lease, donation, gift, or other means, the fair market or dollar value (refer to Part 1130.140) of the component must be included in the estimated project cost. If the project contains non-reviewable components that are not related to the provision of health care, complete the second column of the table below. Note, the use and sources of funds must equal.

Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs			
Site Survey and Soil Investigation			
Site Preparation			
Off Site Work			
New Construction Contracts			
Modernization Contracts			
Contingencies			
Architectural/Engineering Fees			
Consulting and Other Fees			
Movable or Other Equipment (not in construction contracts)			
Bond Issuance Expense (project related)			
Net Interest Expense During Construction (project related)			
Fair Market Value of Leased Space or Equipment	\$1,236,960		\$1,236,960
Other Costs To Be Capitalized			
Acquisition of Building or Other Property (excluding land)			
<b>TOTAL USES OF FUNDS</b>	<b>\$1,236,960</b>		<b>\$1,236,960</b>
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities			
Pledges			
Gifts and Bequests			
Bond Issues (project related)			
Mortgages			
Leases (fair market value)	\$1,236,960		\$1,236,960
Governmental Appropriations			
Grants			
Other Funds and Sources			
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$1,236,960</b>		<b>\$1,236,960</b>
<b>NOTE: ITEMIZATION OF EACH LINE ITEM MUST BE PROVIDED AT ATTACHMENT-7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>			

**Related Project Costs**

Provide the following information, as applicable, with respect to any land related to the project that will be or has been acquired during the last two calendar years:

Land acquisition is related to project	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Purchase Price:	\$ _____	
Fair Market Value:	\$ _____	
The project involves the establishment of a new facility or a new category of service		
	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If yes, provide the dollar amount of all <b>non-capitalized</b> operating start-up costs (including operating deficits) through the first full fiscal year when the project achieves or exceeds the target utilization specified in Part 1100.		
Estimated start-up costs and operating deficit cost is \$ _____.		

**Project Status and Completion Schedules**

<b>For facilities in which prior permits have been issued please provide the permit numbers.</b>	
Indicate the stage of the project's architectural drawings:	
<input checked="" type="checkbox"/> None or not applicable	<input type="checkbox"/> Preliminary
<input type="checkbox"/> Schematics	<input type="checkbox"/> Final Working
Anticipated project completion date (refer to Part 1130.140): <u>January 31, 2016</u>	
Indicate the following with respect to project expenditures or to obligation (refer to Part 1130.140):	
<input type="checkbox"/> Purchase orders, leases or contracts pertaining to the project have been executed.	
<input type="checkbox"/> Project obligation is contingent upon permit issuance. Provide a copy of the contingent "certification of obligation" document, highlighting any language related to CON Contingencies	
<input checked="" type="checkbox"/> Project obligation will occur after permit issuance.	
<b>APPEND DOCUMENTATION AS ATTACHMENT-8, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.</b>	

**State Agency Submittals**

Are the following submittals up to date as applicable:
<input type="checkbox"/> Cancer Registry
<input type="checkbox"/> APORS
<input checked="" type="checkbox"/> All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
<input type="checkbox"/> All reports regarding outstanding permits
<b>Failure to be up to date with these requirements will result in the application for permit being deemed incomplete.</b>

**Cost Space Requirements**

Provide in the following format, the department/area **DGSF** or the building/area **BGSF** and cost. The type of gross square footage either **DGSF** or **BGSF** must be identified. The sum of the department costs **MUST** equal the total estimated project costs. Indicate if any space is being reallocated for a different purpose. Include outside wall measurements plus the department's or area's portion of the surrounding circulation space. **Explain the use of any vacated space.**

Dept. / Area	Cost	Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
		Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
<b>REVIEWABLE</b>							
Medical Surgical							
Intensive Care							
Diagnostic Radiology							
MRI							
Total Clinical							
<b>NON REVIEWABLE</b>							
Administrative							
Parking							
Gift Shop							
Total Non-clinical							
<b>TOTAL</b>							

APPEND DOCUMENTATION AS ATTACHMENT-9 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Facility Bed Capacity and Utilization**

Complete the following chart, as applicable. Complete a separate chart for each facility that is a part of the project and insert following this page. Provide the existing bed capacity and utilization data for the latest **Calendar Year for which the data are available**. Include **observation days in the patient day totals for each bed service**. Any bed capacity discrepancy from the Inventory will result in the application being deemed **incomplete**.

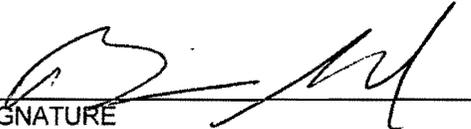
<b>FACILITY NAME:</b>		<b>CITY:</b>			
<b>REPORTING PERIOD DATES:</b>					
		<b>From:</b>		<b>to:</b>	
<b>Category of Service</b>	<b>Authorized Beds</b>	<b>Admissions</b>	<b>Patient Days</b>	<b>Bed Changes</b>	<b>Proposed Beds</b>
Medical/Surgical					
Obstetrics					
Pediatrics					
Intensive Care					
Comprehensive Physical Rehabilitation					
Acute/Chronic Mental Illness					
Neonatal Intensive Care					
General Long Term Care					
Specialized Long Term Care					
Long Term Acute Care					
Other ((identify)					
<b>TOTALS:</b>					

**CERTIFICATION**

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of Transitional Care of Lake County, LLC \*  
 in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

  
 \_\_\_\_\_  
 SIGNATURE

Brian Cloch

\_\_\_\_\_  
PRINTED NAME

Manager

\_\_\_\_\_  
PRINTED TITLE

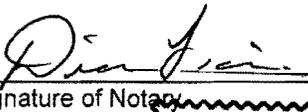
\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
PRINTED NAME

\_\_\_\_\_  
PRINTED TITLE

Notarization:  
 Subscribed and sworn to before me  
 this 8<sup>th</sup> day of AUGUST

Notarization:  
 Subscribed and sworn to before me  
 this \_\_\_\_\_ day of \_\_\_\_\_

  
 \_\_\_\_\_  
 Signature of Notary

Seal



\*Insert EXACT legal name of the applicant

**CERTIFICATION**

The application must be signed by the authorized representative(s) of the applicant entity. The authorized representative(s) are:

- o in the case of a corporation, any two of its officers or members of its Board of Directors;
- o in the case of a limited liability company, any two of its managers or members (or the sole manger or member when two or more managers or members do not exist);
- o in the case of a partnership, two of its general partners (or the sole general partner, when two or more general partners do not exist);
- o in the case of estates and trusts, two of its beneficiaries (or the sole beneficiary when two or more beneficiaries do not exist); and
- o in the case of a sole proprietor, the individual that is the proprietor.

This Application for Permit is filed on the behalf of County of Lake \*  
 in accordance with the requirements and procedures of the Illinois Health Facilities Planning Act. The undersigned certifies that he or she has the authority to execute and file this application for permit on behalf of the applicant entity. The undersigned further certifies that the data and information provided herein, and appended hereto, are complete and correct to the best of his or her knowledge and belief. The undersigned also certifies that the permit application fee required for this application is sent herewith or will be paid upon request.

[Signature]  
 SIGNATURE  
ARON LAWLER  
 PRINTED NAME

[Signature]  
 SIGNATURE  
STEPHEN E. CARLSON  
 PRINTED NAME  
CHAIRMAN - HEALTH AND COMMUNITY SERVICES COM.  
 PRINTED TITLE

COUNTY BOARD CHAIRMAN  
 PRINTED TITLE

Notarization:  
 Subscribed and sworn to before me  
 this 18 day of August

Notarization:  
 Subscribed and sworn to before me  
 this 11 day of August 2015

[Signature]  
 Signature of Notary  
 Seal  
 "OFFICIAL SEAL"  
 J R RICE  
 NOTARY PUBLIC, STATE OF ILLINOIS  
 MY COMMISSION EXPIRES 01-22-18  
 \*Insert EXACT legal name of the applicant

[Signature]  
 Signature of Notary  
 Seal  
 "OFFICIAL SEAL"  
 J R RICE  
 NOTARY PUBLIC, STATE OF ILLINOIS  
 MY COMMISSION EXPIRES 01-22-18

**SECTION II. DISCONTINUATION**

This Section is applicable to any project that involves discontinuation of a health care facility or a category of service. **NOTE:** If the project is solely for discontinuation and if there is no project cost, the remaining Sections of the application are not applicable.

**Criterion 1110.130 - Discontinuation**

READ THE REVIEW CRITERION and provide the following information:

**GENERAL INFORMATION REQUIREMENTS**

1. Identify the categories of service and the number of beds, if any that is to be discontinued.
2. Identify all of the other clinical services that are to be discontinued.
3. Provide the anticipated date of discontinuation for each identified service or for the entire facility.
4. Provide the anticipated use of the physical plant and equipment after the discontinuation occurs.
5. Provide the anticipated disposition and location of all medical records pertaining to the services being discontinued, and the length of time the records will be maintained.
6. For applications involving the discontinuation of an entire facility, certification by an authorized representative that all questionnaires and data required by HFSRB or DPH (e.g., annual questionnaires, capital expenditures surveys, etc.) will be provided through the date of discontinuation, and that the required information will be submitted no later than 60 days following the date of discontinuation.

**REASONS FOR DISCONTINUATION**

The applicant shall state the reasons for discontinuation and provide data that verifies the need for the proposed action. See criterion 1110.130(b) for examples.

**IMPACT ON ACCESS**

1. Document that the discontinuation of each service or of the entire facility will not have an adverse effect upon access to care for residents of the facility's market area.
2. Document that a written request for an impact statement was received by all existing or approved health care facilities (that provide the same services as those being discontinued) located within 45 minutes travel time of the applicant facility.
3. Provide copies of impact statements received from other resources or health care facilities located within 45 minutes travel time, that indicate the extent to which the applicant's workload will be absorbed without conditions, limitations or discrimination.

**APPEND DOCUMENTATION AS ATTACHMENT-10, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

### SECTION III – BACKGROUND, PURPOSE OF THE PROJECT, AND ALTERNATIVES - INFORMATION REQUIREMENTS

This Section is applicable to all projects except those that are solely for discontinuation with no project costs.

#### Criterion 1110.230 – Background, Purpose of the Project, and Alternatives

READ THE REVIEW CRITERION and provide the following required information:

##### BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application.
3. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
4. If, during a given calendar year, an applicant submits more than one application for permit, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest the information has been previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

**APPEND DOCUMENTATION AS ATTACHMENT-11, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 11.**

##### PURPOSE OF PROJECT

1. Document that the project will provide health services that improve the health care or well-being of the market area population to be served.
2. Define the planning area or market area, or other, per the applicant's definition.
3. Identify the existing problems or issues that need to be addressed, as applicable and appropriate for the project. [See 1110.230(b) for examples of documentation.]
4. Cite the sources of the information provided as documentation.
5. Detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being.
6. Provide goals with quantified and measurable objectives, with specific timeframes that relate to achieving the stated goals as appropriate.

For projects involving modernization, describe the conditions being upgraded if any. For facility projects, include statements of age and condition and regulatory citations if any. For equipment being replaced, include repair and maintenance records.

**NOTE: Information regarding the "Purpose of the Project" will be included in the State Board Report.**

**APPEND DOCUMENTATION AS ATTACHMENT-12, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-6) MUST BE IDENTIFIED IN ATTACHMENT 12.**

**ALTERNATIVES**

- 1) Identify **ALL** of the alternatives to the proposed project:

Alternative options **must** include:

- A) Proposing a project of greater or lesser scope and cost;
  - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;
  - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and
  - D) Provide the reasons why the chosen alternative was selected.
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of total costs, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation. **FOR EVERY ALTERNATIVE IDENTIFIED THE TOTAL PROJECT COST AND THE REASONS WHY THE ALTERNATIVE WAS REJECTED MUST BE PROVIDED.**
- 3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

**APPEND DOCUMENTATION AS ATTACHMENT 13, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**SECTION VI - MERGERS, CONSOLIDATIONS AND ACQUISITIONS/CHANGES OF OWNERSHIP**

This Section is applicable to projects involving merger, consolidation or acquisition/change of ownership.

**NOTE: For all projects involving a change of ownership THE COMPLETE TRANSACTION DOCUMENT must be submitted with the application for permit. The transaction document must be signed dated and contain the appropriate contingency language.**

**A. Criterion 1110.240(b), Impact Statement**

Read the criterion and provide an impact statement that contains the following information:

1. Any change in the number of beds or services currently offered.
2. Who the operating entity will be.
3. The reason for the transaction.
4. Any anticipated additions or reductions in employees now and for the two years following completion of the transaction.
5. A cost-benefit analysis for the proposed transaction.

**B. Criterion 1110.240(c), Access**

Read the criterion and provide the following:

1. The current admission policies for the facilities involved in the proposed transaction.
2. The proposed admission policies for the facilities.
3. A letter from the CEO certifying that the admission policies of the facilities involved will not become more restrictive.

**C. Criterion 1110.240(d), Health Care System**

Read the criterion and address the following:

1. Explain what the impact of the proposed transaction will be on the other area providers.
2. List all of the facilities within the applicant's health care system and provide the following for each facility.
  - a. the location (town and street address);
  - b. the number of beds;
  - c. a list of services; and
  - d. the utilization figures for each of those services for the last 12 month period.
3. Provide copies of all present and proposed referral agreements for the facilities involved in this transaction.
4. Provide time and distance information for the proposed referrals within the system.
5. Explain the organization policy regarding the use of the care system providers over area providers.
6. Explain how duplication of services within the care system will be resolved.
7. Indicate what services the proposed project will make available to the community that are not now available.

APPEND DOCUMENTATION AS ATTACHMENT 19 IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

The following Sections **DO NOT** need to be addressed by the applicants or co-applicants responsible for funding or guaranteeing the funding of the project if the applicant has a bond rating of A- or better from Fitch's or Standard and Poor's rating agencies, or A3 or better from Moody's (the rating shall be affirmed within the latest 18 month period prior to the submittal of the application):

- Section 1120.120 Availability of Funds – Review Criteria
- Section 1120.130 Financial Viability – Review Criteria
- Section 1120.140 Economic Feasibility – Review Criteria, subsection (a)

**VIII. - 1120.120 - Availability of Funds**

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable: **Indicate the dollar amount to be provided from the following sources:**

	a)	Cash and Securities – statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:
	1)	the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and
	2)	interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;
	b)	Pledges – for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience.
	c)	Gifts and Bequests – verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;
\$1,236,960	d)	Debt – a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:
	1)	For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;
	2)	For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;
	3)	For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;
	4)	For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital improvements to the property and provision of capital equipment;
	5)	For any option to lease, a copy of the option, including all terms and conditions.
	e)	Governmental Appropriations – a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;
	f)	Grants – a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;
	g)	All Other Funds and Sources – verification of the amount and type of any other funds that will be used for the project.
<b>\$1,236,960</b>	<b>TOTAL FUNDS AVAILABLE</b>	

**APPEND DOCUMENTATION AS ATTACHMENT-36, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**IX. 1120.130 - Financial Viability**

All the applicants and co-applicants shall be identified, specifying their roles in the project funding or guaranteeing the funding (sole responsibility or shared) and percentage of participation in that funding.

**Financial Viability Waiver**

The applicant is not required to submit financial viability ratios if:

1. "A" Bond rating or better
2. All of the projects capital expenditures are completely funded through internal sources
3. The applicant's current debt financing or projected debt financing is insured or anticipated to be insured by MBIA (Municipal Bond Insurance Association Inc.) or equivalent
4. The applicant provides a third party surety bond or performance bond letter of credit from an A rated guarantor.

See Section 1120.130 Financial Waiver for information to be provided

**APPEND DOCUMENTATION AS ATTACHMENT 37, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards.

Provide Data for Projects Classified as:	Category A or Category B (last three years)			Category B (Projected)
Enter Historical and/or Projected Years:				
Current Ratio				
Net Margin Percentage				
Percent Debt to Total Capitalization				
Projected Debt Service Coverage				
Days Cash on Hand				
Cushion Ratio				

Provide the methodology and worksheets utilized in determining the ratios detailing the calculation and applicable line item amounts from the financial statements. Complete a separate table for each co-applicant and provide worksheets for each.

2. Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

**APPEND DOCUMENTATION AS ATTACHMENT 38, IN NUMERICAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.**

**X. 1120.140 - Economic Feasibility**

This section is applicable to all projects subject to Part 1120.

**A. Reasonableness of Financing Arrangements**

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

- 1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or
- 2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:
  - A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or
  - B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

**B. Conditions of Debt Financing**

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

- 1) That the selected form of debt financing for the project will be at the lowest net cost available;
- 2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;
- 3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

**C. Reasonableness of Project and Related Costs**

Read the criterion and provide the following:

- 1. Identify each department or area impacted by the proposed project and provide a cost and square footage allocation for new construction and/or modernization using the following format (insert after this page).

COST AND GROSS SQUARE FEET BY DEPARTMENT OR SERVICE									
Department (list below)	A	B	C	D	E	F	G	H	Total Cost (G + H)
	Cost/Square Foot New Mod.		Gross Sq. Ft. New Circ.*		Gross Sq. Ft. Mod. Circ.*		Const. \$ (A x C)	Mod. \$ (B x E)	
Contingency									
TOTALS									

\* Include the percentage (%) of space for circulation

**D. Projected Operating Costs**

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

**E. Total Effect of the Project on Capital Costs**

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

APPEND DOCUMENTATION AS ATTACHMENT 39, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**XI. Safety Net Impact Statement**

**SAFETY NET IMPACT STATEMENT** that describes all of the following must be submitted for **ALL SUBSTANTIVE AND DISCONTINUATION PROJECTS**:

1. The project's material impact, if any, on essential safety net services in the community, to the extent that it is feasible for an applicant to have such knowledge.
2. The project's impact on the ability of another provider or health care system to cross-subsidize safety net services, if reasonably known to the applicant.
3. How the discontinuation of a facility or service might impact the remaining safety net providers in a given community, if reasonably known by the applicant.

**Safety Net Impact Statements shall also include all of the following:**

1. For the 3 fiscal years prior to the application, a certification describing the amount of charity care provided by the applicant. The amount calculated by hospital applicants shall be in accordance with the reporting requirements for charity care reporting in the Illinois Community Benefits Act. Non-hospital applicants shall report charity care, at cost, in accordance with an appropriate methodology specified by the Board.
2. For the 3 fiscal years prior to the application, a certification of the amount of care provided to Medicaid patients. Hospital and non-hospital applicants shall provide Medicaid information in a manner consistent with the information reported each year to the Illinois Department of Public Health regarding "Inpatients and Outpatients Served by Payor Source" and "Inpatient and Outpatient Net Revenue by Payor Source" as required by the Board under Section 13 of this Act and published in the Annual Hospital Profile.
3. Any information the applicant believes is directly relevant to safety net services, including information regarding teaching, research, and any other service.

A table in the following format must be provided as part of Attachment 43.

Safety Net Information per PA 96-0031			
CHARITY CARE			
Charity (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			
Charity (cost in dollars)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			
MEDICAID			
Medicaid (# of patients)	Year	Year	Year
Inpatient			
Outpatient			
<b>Total</b>			

<b>Medicaid (revenue)</b>			
Inpatient			
Outpatient			
<b>Total</b>			

APPEND DOCUMENTATION AS ATTACHMENT 40, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**XII. Charity Care Information**

Charity Care information **MUST** be furnished for **ALL** projects.

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.
2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.
3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

Charity care" means care provided by a health care facility for which the provider does not expect to receive payment from the patient or a third-party payer. (20 ILCS 3960/3) Charity Care **must** be provided at cost.

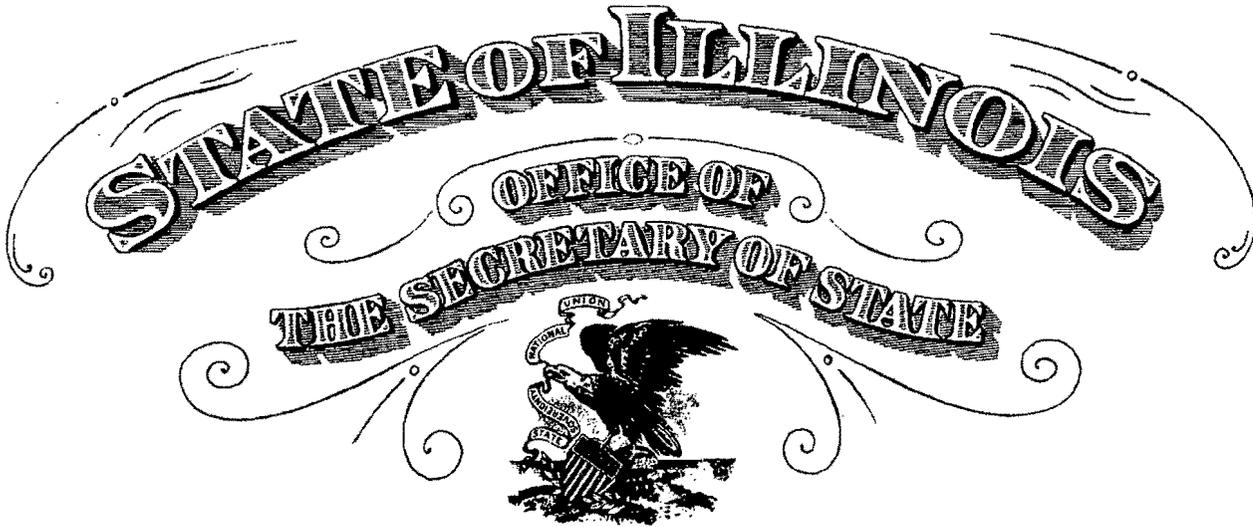
A table in the following format must be provided for all facilities as part of Attachment 44.

CHARITY CARE			
	Year	Year	Year
<b>Net Patient Revenue</b>			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT 41, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

**Section I, Identification, General Information, and Certification**  
**Applicants**

A Certificate of Good Standing for the applicant, Transitional Care of Lake County, LLC is attached at Attachment – 1.



**To all to whom these Presents Shall Come, Greeting:**

*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

TRANSITIONAL CARE OF LAKE COUNTY, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON MAY 08, 2015, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.

***In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 20TH day of JULY A.D. 2015 .***



*Jesse White*

SECRETARY OF STATE

Authentication #: 1520102054 verifiable until 07/20/2016  
Authenticate at: <http://www.cyberdriveillinois.com>

**Section I, Identification, General Information, and Certification**  
**Site Ownership**

The Lease and Management Agreement between County of Lake and Transitional Care of Lake County, LLC to lease the facility at 1125 N. Milwaukee Ave, Libertyville, IL 60048 is attached at Attachment – 2.

---

**LEASE AND MANAGEMENT AGREEMENT**

*between*

**COUNTY OF LAKE**  
*an Illinois municipal corporation*

*Landlord*

*and*

**TRANSITIONAL CARE OF LAKE COUNTY, LLC**  
*an Illinois Limited Liability Company*

*Tenant*

**May 12, 2015**

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## LEASE AND MANAGEMENT AGREEMENT

This Lease and Management Agreement ("**Agreement**") is made and entered into as of the 12<sup>th</sup> day of May, 2015 (the "**Signing Date**"), between the **COUNTY OF LAKE**, an Illinois unit of local government ("**Landlord**"), and , **TRANSITIONAL CARE OF LAKE COUNTY, LLC**, an Illinois Limited Liability Company ("**Tenant**").

### **RECITALS:**

**WHEREAS**, Landlord is the owner of that certain tract of land, improved with a 224 licensed bed skilled nursing facility commonly known as Winchester House and located at 1125 North Milwaukee Avenue, Libertyville, Illinois 60048, as more particularly described in **Exhibit A** attached hereto and made a part hereof (the "**Premises**");

**WHEREAS**, Landlord is the licensed operator and owner of the Premises, including all of the furnishings, furniture, equipment, supplies and fixtures used in or about, and required for the use of the Premises as a 224 licensed bed skilled nursing facility (the "**Facility**");

**WHEREAS**, the County Board of the County of Lake (the "**County Board**") established the Winchester House Advisory Board (the "**WHAB**") to, among other things, recommend the best option for constructing a new skilled nursing facility;

**WHEREAS**, the WHAB recommended the Landlord issue a Request for Proposal (attached as **Exhibit J**) to solicit proposals from qualified entities in the private sector to lease the Facility, to become the licensee, and to provide for a replacement facility (the "**Replacement Facility**") by the end of the term of the lease;

**WHEREAS**, part of the Illinois Counties Code, 55 Ill. Comp. Stat. § 5/5-21001, authorizes Landlord to establish and maintain a county nursing home, as well as to sell, dispose of or lease for any term, any part of the home properties in such manner and upon such terms as it deems best for the interest of Lake County;

**WHEREAS**, Tenant submitted a proposal to lease the Facility and to construct a Replacement Facility suitable to house the existing residents in a fully operational skilled nursing facility at the conclusion of the Term of this Agreement;

**WHEREAS**, Landlord desires to lease the Facility to Tenant, to relinquish its IDPH Facility license in favor of Tenant, and to have Tenant lease, manage and operate the Facility;

**WHEREAS**, Tenant desires to lease, manage and operate the Facility;

**WHEREAS**, Tenant desires to construct a Replacement Facility suitable to house the existing residents in a fully operational skilled nursing facility at the conclusion of the Term;

**WHEREAS**, the parties hereto have agreed to the terms and conditions of this Agreement;

**WHEREAS**, contemporaneously with entering into this Agreement, the parties are entering into an operations transfer agreement (the “**Operations Transfer Agreement**”) to facilitate the orderly transition of the operations of the Facility to Tenant;

**WHEREAS**, this Agreement and the transactions contemplated herein were authorized by the County Board at its regular meeting on May 12, 2015; and

**NOW THEREFORE**, in consideration of the promises and mutual agreements contained herein and for consideration received by the parties, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, agree that the use and occupancy of the Facility and construction of the Replacement Facility shall be subject to and in accordance with the terms, conditions and provisions of this Agreement as follows:

## **ARTICLE 1**

### **PREAMBLES AND INTRODUCTION**

1.1 Incorporation of Recitals. The preceding recitals are hereby made a part of the contractual provisions of this Agreement to the same extent as if specifically set forth in full in this Article 1.

1.2 Three Phases. By way of introduction, the parties agree that this Agreement shall be comprised of three essential phases, each having a distinct operating schedule and requirements for the Tenant. The actions to occur during each of the three phases are summarized below, and are further described throughout this Agreement. Collectively, the actions contemplated by this Agreement to occur during each of the three phases are referred to in this Agreement as the “**Transaction**.”

#### ***Phase I: Interim Operation & Management Under Landlord's License:***

Phase I shall commence as of the Effective Date (as defined in Article 2). During Phase I, Tenant shall take all commercially reasonable actions necessary to secure all Healthcare Licenses and Approvals needed to operate the Facility. During the pendency of Tenant's receipt of the Healthcare Licenses and Approvals, Tenant shall assist Landlord (or Landlord's agent) by becoming the interim manager of the Facility. Tenant shall manage the provision of services at the Facility for the health, safety, nursing care, and welfare of all Facility residents in accordance with the Lake County Mission (as defined in Article 2), utilizing Landlord's existing nursing facility license issued by IDPH.

During Phase I, Tenant shall work cooperatively with Landlord to assure a smooth transition to Phase II. Such transition shall include, but not be limited to, installation of systems and procedures by Tenant needed to operate and sustain operations, performing inventory of existing movable equipment and supplies, establishing cut-off procedures for accounts receivable and accounts payable, assembling a workforce, transferring applicable contractual obligations to Tenant and such other practices necessary for the transition of the Facility operation to Tenant. In addition,

during Phase I, Tenant shall use its best efforts to meet the milestones set forth and established in the Phase I Milestones, attached hereto and incorporated herein as Exhibit C.

Phase I shall terminate upon Tenant's receipt of both: (a) the CHOW CON Approval (as defined in Section 1.3); and (b) the Healthcare Licenses and Approvals (as defined in Article 2) to become the new licensee of Facility. Should Tenant not obtain the CHOW CON and Healthcare Licenses & Approvals for any reason, the parties shall proceed as set forth in Section 1.3 of this Agreement.

***Phase II: Operation & Management under Tenant's New License:***

Phase II shall commence upon Tenant's receipt of the Healthcare Licenses and Approvals to become the new Licensee of Facility. During Phase II, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents, and shall be the sole operator of the Facility pursuant to the terms of this Agreement and pursuant to any and all applicable Legal Requirements. In addition, during Phase II, Tenant shall diligently prepare and submit an application to obtain the Replacement Facility CON (as defined in Article 2). In addition, during Phase II, Tenant shall use its best efforts to meet the milestones set forth and established in the Phase II Milestones, attached hereto and incorporated herein as Exhibit D.

Phase II shall terminate upon Tenant's receipt of both: (a) the Replacement Facility CON Approval (as defined in Section 1.4); and (b) the Healthcare Licenses and Approvals. Should Tenant not obtain the Replacement Facility CON for any reason, the parties shall proceed as set forth in Section 1.4 of this Agreement.

***Phase III: Transfer to Replacement Facility:***

Phase III shall commence upon Tenant's receipt of both: (a) the Replacement Facility CON Approval; and (b) the Healthcare Licenses and Approvals. During Phase III, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents. Promptly following Tenant's receipt of the Replacement Facility CON Approval, Tenant shall diligently pursue construction of the Replacement Facility in accordance with the terms of the Replacement Facility CON Approval, followed by relocation of the residents. In addition, during Phase III, Tenant shall use its best efforts to meet the milestones set forth and established in the Phase III Milestones, attached hereto and incorporated herein as Exhibit E.

Phase III shall terminate upon transfer of the last then current resident to the Replacement Facility, or to such other suitable location within Lake

County, in accordance with the laws, rules and regulations of the State of Illinois regarding the transfer of residents.

1.3 Healthcare Licenses and Approvals. Notwithstanding anything to the contrary contained in this Agreement, it shall in all events and circumstances of any and every nature whatsoever be an express condition precedent to the commencement of Phase II that Tenant shall have received the Healthcare Licenses and Approvals, including, without limitation that the Illinois Health Facilities and Services Review Board or its successor regulatory agency (“IHFSRB”) grant its permission, approval and/or consent to the implementation of Phase II of the Transaction, and/or issue an exemption from the requirement of obtaining a Certificate of Need with respect to Phase II, or that it grant and/or issue said Certificate of Need pursuant to 77 Ill. Admin. Code Sections 1130.110 *et seq* (collectively, the “CHOW CON Approval”).

In the event that Tenant fails to obtain the Healthcare Licenses and Approvals, including if IHFSRB fails or refuses to grant the CHOW CON Approval, any actions taken by the parties hereto with respect to Phase II of this Agreement shall immediately and forthwith be unwound/undone, and thereafter, this Agreement shall remain in effect with the parties continuing Phase I, and the parties shall cooperate to determine an appropriate course of action for moving forward. Landlord and Tenant shall cooperate with one another in good faith with respect to the preparation and filing of the application(s) necessary to obtain the CHOW CON Approval, and the parties shall diligently pursue the approval of such application.

1.4 Replacement Facility CON Approval. Notwithstanding anything to the contrary contained in this Agreement, it shall in all events and circumstances of any and every nature whatsoever be an express condition precedent to the commencement of Phase III that the IHFSRB grant its permission, approval and/or consent to the implementation of Phase III of the Transaction, and/or issue an exemption from the requirement of obtaining a Certificate of Need, or that it grant and/or issue said Certificate of Need pursuant to 77 Ill. Admin. Code Sections 1130.110 *et seq*. in conjunction with an approval of the discontinuation of the Facility pursuant to a Certificate of Need for Discontinuation (collectively, the “Replacement Facility CON Approval”).

In the event that IHFSRB fails or refuses to grant the Replacement Facility CON Approval, any actions taken by the parties hereto with respect to Phase III of this Agreement shall immediately and forthwith be unwound/undone, and thereafter, this Agreement shall remain in effect with the parties continuing Phase I or Phase II (as applicable), and the parties shall cooperate to determine an appropriate course of action for moving forward. Landlord and Tenant shall cooperate with one another in good faith with respect to the preparation and filing of the application(s) necessary to obtain the Replacement Facility CON Approval, and the parties shall diligently pursue the approval of such application.

1.5 Operations Transfer Agreement. Notwithstanding anything to the contrary contained herein, it shall in all events be a condition precedent to the effectiveness and enforceability of this Agreement that the parties shall have entered into and executed the Operations Transfer Agreement, on terms acceptable to each of the parties hereto.

## ARTICLE 2 DEFINITIONS

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

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

2.2 CHOW CON. The Change of Ownership ("Change of Ownership") Certificate of Need ("CON") permit or the CHOW Certificate of Exemption ("COE") from the requirement of obtaining a CON that is required under the Illinois Health Facilities Planning Act, 20 Ill. Comp. Stat. § 3960/1 *et seq.*, and the IHFSRB rules, 77 Ill. Admin. Code Sections 1130.110 *et seq.*

2.3 Contingency Amount. The amount set forth on the Pro Forma to allow for items, conditions or events for which the occurrence or effect of is uncertain and will result in additional costs.

2.4 Effective Date. The date upon which Phase I commences, which shall occur contemporaneously with satisfaction of each of the following: (a) the Agreement is approved by the County Board; and (b) the termination of the management agreement between Landlord and the exiting operator; and (c) Tenant has commenced its management of the Facility.

2.5 Facility Operating Costs. All costs of operating the Facility identified as set forth on the Pro Forma, including, without limitation: (i) Taxes and Assessments; (ii) Rent; (iii) Start-Up Capital; (iv) insurance; (v) all employee and employee related costs, including payroll, payroll taxes, and employee benefits, (vi) the Contingency Amount, and (vii) all other costs needed to operate and/or maintain the Facility in accordance with the terms of this Agreement and applicable Legal Requirements. Notwithstanding the foregoing, the Facility Operating Costs shall not include any costs/expenses associated with services provided by the Lake County Facilities Operations Staff at the Facility.

2.6 Healthcare Licenses & Approvals. All licenses, approvals, certifications, demonstration certifications or approvals, permits, exemptions or other regulatory approvals necessary or desirable to operate the Facility, including but not limited to: (i) those approvals required under the Nursing Home Care Act, 210 Ill. Comp. Stat. 45/1-101 *et seq.* and all associated regulations and rules, including without limitation the Skilled Nursing and Intermediate Care Facilities Code, 77 Ill. Admin Code Part 300, governing the Illinois Department of Public Health ("IDPH") oversight of skilled nursing facilities; (ii) the supportive

living facilities program under the Public Aid Code, 305 Ill. Comp Stat. 5/5-5.01a, governing the Illinois Department of Healthcare and Family Services (“IDHFS”) oversight of the program of supportive living facilities (“SLFs”), and all associated regulations and rules, including without limitation the Supportive Living Facilities Code, 89 Ill. Admin Code Sections 146.200, *et seq.*; (iii) the Illinois Health Facilities Planning Act, 20 Ill. Comp. Stat. 3960, and the rules promulgated by the IHFSRB, 77 Ill. Admin. Code Parts 1100, 1120, 1125, 1130, 1140, 1180, 1190, and 1250, including, without limitation, receipt of the CON CHOW Approval; (iv) requirements of the Centers for Medicare and Medicaid Services (“CMS”) Rules, 42 C.F.R. Part 483, governing certification of skilled nursing facilities under Title XVIII of the Social Security Act and the Medicare Program, including without limitation, Tenant’s receipt of a Medicare provider agreement and Medicare provider number; and (v) requirements of the IDHFS under the Medicaid Long Term Care Program in Illinois for certification as a Medicaid provider under Title XIX of the Social Security Act, including without limitation, Tenant’s receipt of a Medicaid provider agreement and Medicaid provider number.

2.7 Lake County Facilities Operations Staff. Individuals who are employed directly by the Landlord, but not by the operator of the Facility or any other party, including Tenant.

2.8 Lake County Mission. To provide needed health care services in long term care. This mission includes providing skilled nursing facility services, intermediate care services, and activities for the physical, mental, social and recreational needs for the wellbeing of the elderly citizens of Lake County in a setting that is compassionate, loving and a place to call home.

2.9 Lake County Marketplace. The geographic boundaries of Lake County, Illinois, as shown on the map attached as Exhibit H.

2.10 Landlord’s Designated Representative. Landlord’s County Administrator or his designee, or such other individual or individuals as will be designated by Landlord.

2.11 Legal Requirements. All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Facility or the use thereof, including but not limited to Healthcare Licenses & Approvals, whether now or hereafter enacted and in force.

2.12 Pro Forma. Tenant’s estimated budget with respect to the costs of operating the Facility during the Term, as set forth on Exhibit B attached hereto and made part hereof.

2.13 Progress Payment(s). Funds payable to Tenant pursuant to Article 6 of this Agreement, in the amounts set forth on lines G45 of the Pro Forma.

2.14 Replacement Facility CON. The CON permit necessary for Tenant to begin construction on a Replacement Facility that is required under the Illinois Health Facilities Planning Act, 20 Ill. Comp. Stat. § 3960/1 *et seq.*, and the IHFSRB rules, 77 Ill. Admin. Code Sections 1130.110 *et seq.*

2.15 Start-up Capital. The amount set forth on lines G46 of the Pro Forma set forth in Exhibit B to be made available to Tenant for Tenant’s start-up and initial management costs for the day-to-day operations of the Facility in accordance with the terms of this Agreement, to

provide Tenant necessary capital to take over the facility at the beginning of Phase I, to account for payment delays from the State, and to provide other important start-up costs to help maintain continuity of care for the health, safety and well-being of the residents. The Start-Up Capital shall be subject to repayment by Tenant as set forth in Section 6.3.

2.16 State. The State of Illinois.

2.17 Tenant's Designated Representative. Mike Filippo or his designee, or such other individual or individuals as may be designated by Tenant.

2.18 Term. The period set forth in Article 4.

### ARTICLE 3 DEMISED PREMISES AND FACILITY

3.1 Demised Premises. Landlord, for and in consideration of the rents, and covenants and agreements hereinafter reserved, mentioned and contained on the part of Tenant, its successors and assigns, to be paid, kept and performed, does hereby lease unto Tenant the Facility for the Term, for use and operation as a 224 licensed bed skilled nursing facility. The lease under this Agreement shall not include the nurse's house or any other ancillary part of the Premises on which the Facility sits.

### ARTICLE 4 LEASE

4.1 Term. The term of this Agreement shall commence upon the Effective Date, and shall continue for an initial term of three years (the "**Initial Term**"). If the three Phases of this Agreement have not been completed upon the expiration of the Initial Term, then Tenant shall request Landlord in writing for an extension of the Term of this Lease for additional month-to-month periods ("**Month-to-Month Tenancy**"), provided that Tenant's request sets forth with specificity a revised timeline for the completion of the Milestones set forth in the three Phases, and provided further that Landlord approves of said Milestone revisions (any such periods, together with the Initial Term, are collectively referred to as the "**Term**"). Landlord staff will diligently work with Tenant and the Landlord to obtain Landlord approvals for reasonably requested modifications to the Term of this Agreement. Landlord approval of modifications to the Term shall not be unreasonably withheld. Prior to and during the possible Month-to-Month tenancy, the parties shall work together for the purpose of negotiating a new agreement in good faith, if necessary.

4.2 Rent. Commencing upon the Effective Date, Tenant shall pay to Landlord, or as Landlord shall direct, the amount of \$40,000 as fixed monthly rental (the "**Rent**") for each month during the Term. After the expiration of the Initial Term, the Rent shall increase by 3% on a quarterly basis, such that rent in months 1-3 after the initial three-year Term would be \$41,200 per month, months 4-6 would be \$42,436 per month, etc.

In the event the Effective Date shall be other than the first day of the month, Tenant shall pay to Landlord a pro rata portion of the Rent for such month. Unless otherwise notified in

writing by Landlord, all checks shall be made payable to Landlord and shall be sent as directed by Landlord.

4.3 Net Lease. This Agreement is and shall be deemed and construed to be a net-net-lease and the Rent specified herein shall be net to Landlord in each year during the Term.

#### TAXES AND ASSESSMENTS

4.4 Taxes and Assessments. Tenant shall pay all real estate taxes and assessments ("Taxes and Assessments") that arise during the term of this Agreement. All such Taxes and Assessments shall be a Facility Operating Cost. Nothing herein contained shall require Tenant to pay income taxes assessed against Landlord, or capital levy, franchise, estate, succession, inheritance or transfer taxes of Landlord. Tenant shall have the right to contest the amount or validity, in whole or in part, of any Taxes and Assessments by appropriate proceedings diligently conducted in good faith; but only after payment of such Taxes and Assessments, unless such payment would operate as a bar to such contest or interfere materially with the prosecution thereof, in which event, Tenant may postpone or defer such payment only if neither the Facility nor any part thereof would by reason of such postponement or deferment be in danger of being forfeited or lost. Upon the termination of any such proceedings, Tenant shall pay the amount of such Taxes and Assessments or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees, interest, penalties or other liabilities in connection therewith, and such payment, at Tenant's request, shall be made by Landlord out of the amount deposited with respect to such Taxes and Assessments. In the event such amount is insufficient, the balance due shall be paid by Tenant.

4.4.1 Landlord shall not be required to join in any proceedings referred to in Section 4.4 of this Agreement, unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by and/or in the name of Landlord in which event Landlord shall join in such proceedings or permit the same to be brought in its name. Landlord shall not ultimately be subjected to any liability for the payment of any costs or expenses in connection with any such proceedings, and Tenant will indemnify and save harmless Landlord from any such costs and expenses.

4.4.2 If any income, profits or revenue tax shall be levied, assessed or imposed upon the income, profits or revenue arising from rents payable hereunder, partially or totally in lieu of or as a substitute for real estate taxes imposed upon the Facility, then Tenant shall be responsible for the payment of such tax.

#### UTILITIES, MAINTENANCE AND REPAIRS

4.5 Landlord Responsibilities.

4.5.1 Landlord will be responsible for repairing and/or maintaining all major "Fixed Assets and Equipment." For purposes of this Agreement, "Fixed Assets and Equipment" shall be defined as building infrastructure, systems, and/or equipment which is built-in or permanently affixed to the Facility. Examples of Fixed Assets and Equipment, include, without limitation: the HVAC system, the fire suppression system, the fire alarm

system, the emergency generator, boilers, elevators, security system/door locks, roofing, Facility walls/foundation, electrical/lighting systems replacement, and all building infrastructure or systems maintenance/repairs necessary to ensure compliance with applicable Life Safety Code requirements of the IDPH and CMS.

4.5.2 Tenant shall promptly notify Landlord of the need to make any maintenance/repairs that are the responsibility of Landlord under Section 4.5.1 of this Agreement. In the event that Landlord fails to commence such maintenance/repairs that are the responsibility of Landlord within ten (10) Business Days (or such lesser period of time as may be required in the event such repairs must be made more quickly in order to ensure compliance with Legal Requirements) and/or Landlord fails to diligently pursue completion of the same, Tenant shall be entitled to make, at Landlord's cost and expense, and as mutually agreed by the parties, all such maintenance and repairs upon first receiving approval from Landlord, and Landlord shall compensate Tenant for the actual cost of such repairs/maintenance, plus an administrative fee of 10%, or a lesser percentage if otherwise agreed to by the parties, for Tenant's overhead costs with respect to such repairs/maintenance within ten (10) Business Days of Landlord's receipt of an invoice from Tenant for the cost of such repairs/maintenance.

4.5.3 Landlord shall assign a member or members of its Lake County Facilities Operations Staff to the Facility, at Landlord's sole cost and expense. The assigned Lake County Facilities Operations Staff member or members shall be responsible for performing and/or contracting the repair and maintenance responsibilities of Landlord under this Section 4.5.

4.5.4 Notwithstanding anything to the contrary that may be contained in this Agreement, under no circumstances shall any payment from Landlord for utilities, maintenance or repairs, or any payment tied to the Pro Forma (other than the management fee set forth in line G28 of the Pro Forma), be used by Tenant or paid to Tenant for the Replacement Facility or for predevelopment costs for the Replacement Facility.

#### 4.6 Tenant Responsibilities.

4.6.1 Maintenance and repair of items other than those specified in Section 4.5 shall be the Tenant's responsibility, including, without limitation, maintenance of all "Movable Equipment" as defined below. For purposes of this Section 4.6, "Movable Equipment" shall be defined as equipment which can be moved and is not permanently attached/affixed to the Facility. Examples of Movable Equipment includes, without limitation, computers, ovens, freezers, stoves, beds, lifts, furniture, wheelchairs, light bulbs, and chairs. In addition, to the extent that any Movable Equipment is purchased by Tenant during the Term, Tenant shall be entitled to remove such Movable Equipment from the Facility upon expiration of the Term.

4.6.2 Tenant will also arrange for payment of Facility natural gas, electric, water, waste, medical waste, cable/satellite TV, internet, and telephone service costs, all of which shall be a Facility Operating Cost. Throughout the Term of this Agreement, Tenant, at its sole cost and expense, will keep and maintain, or cause to be kept and maintained, the Facility (including the grounds, sidewalks and curbs abutting the same) in good order and condition without waste and in a suitable state of repair at least comparable to that which existed immediately prior to the Effective Date (ordinary wear and tear excepted), and will make or

cause to be made, subject to this Section 4.6, as and when the same shall become necessary, nonstructural, exterior and interior, replacing, repairing and restoring necessary to that end. All replacing, repairing and restoring required of Tenant shall be in compliance with Legal Requirements.

4.6.3 Tenant will also provide space at the Facility for the maintenance shop which contains tools and other equipment which shall remain the sole property of the Landlord. The maintenance shop shall be maintained by Landlord.

4.7 Casualty. Beginning at the commencement of Phase II, when Tenant obtains its license to operate the Facility, in the event that any part of the Facility shall be damaged or destroyed by fire or other casualty (any such event being called a "**Casualty**"), Landlord shall have the option to either: (a) cause Tenant to promptly replace, repair and restore the same as nearly as possible to the condition it was in immediately prior to such Casualty, but only to the extent of Tenant's available insurance proceeds (or, if insurance is unavailable, to the coverage limit identified in the insurance that the Tenant was to have maintained under Exhibit G); or (b) cause Tenant to remit to Landlord the insurance proceeds payable to Tenant as a result of Tenant's available insurance proceeds for such Casualty (or, if insurance is unavailable, up to the amount identified in Exhibit G), provided, however, that such action is permissible under applicable Legal Requirements. After either such event, Tenant shall have the option to terminate this Agreement. Notwithstanding anything to the contrary in this Agreement, pursuant to the Lake County Surplus Policy, Tenant shall not have the right, at any time, to remove and dispose of any personal property on the Facility which may have become obsolete or unfit for use, or which is no longer useful in the operation of the Facility.

4.8 Use of Premises. Tenant shall use the Premises for the following purpose and no other: operation of a skilled nursing facility operating under the name Winchester House. Tenant shall not use the name "Lake County," "County Facility," or "County of Lake" in referencing and marketing the Facility. Tenant shall utilize the same telephone number which shall remain the property of the Landlord.

4.9 Tenant Covenants. Tenant hereby covenants as follows:

(1) Tenant shall keep in good standing and in full force and effect all necessary Healthcare Licenses and Approvals;

(2) During the Term of this Agreement, Tenant will deliver to Landlord within three (3) Business Days following receipt thereof, copies of any and all notices of termination, revocation, suspension, receivership or mentorship from IDPH alleging a violation with a substandard quality of care determination, as defined by federal regulations (*i.e.*, deficiencies under 483.13 or 483.25, form 2567; or any notice from IDHFS or CMS threatening disqualification of the Facility from participation in the Medicare or Medicaid programs). Tenant will deliver to Landlord within ten (10) Business Days after written request from Landlord, copies of all other notices, exit interviews, inspection reports and surveys and notices of administrative hearing and/or court action from all state, federal and local governmental bodies regarding the Facility.

## INSURANCE

4.10 Insurance. Tenant will obtain the insurance described in Exhibit G. On or before the Effective Date and annually thereafter, Tenant will provide Landlord with a Certificate of Insurance for such policies. Upon Landlord's reasonable request, Tenant will provide a full copy of each such insurance policy to Landlord. The costs of all insurance required to be carried by Tenant under this Agreement shall be a Facility Operating Cost in accordance with the Pro Forma. Tenant shall also cause to be issued and shall maintain during the Term of this Agreement:

4.10.1 Fire, tornado and windstorm insurance with extended coverage endorsement on the Facility on the Illinois standard form with a responsible company or companies approved by Landlord, which approval will not be unreasonably withheld. Such insurance shall, at all times, be maintained (without any co-insurance clause, if possible) in an amount as may be required by any mortgagee of the Facility or, absent such requirement, in an amount sufficient to prevent Landlord and Tenant from becoming co-insurers under applicable provisions of the insurance policies. Such insurance shall at all times be payable to Landlord and Tenant as their interests may appear.

4.10.2 A public liability policy naming Landlord and Tenant, as insureds, and insuring them against claims for bodily injury, or property damage occurring upon, in or about the Facility, or in or upon the adjoining streets, sidewalks, passageways and areas, such insurance to afford protection to the limits of not less than \$1,000,000 per each occurrence and \$2,000,000 in the aggregate.

4.10.3 Boiler explosion insurance, if required, in the amount of not less than \$100,000, under the terms of which Landlord and Tenant will be indemnified, as their interests may appear, against any loss or damage which may result from any accident or casualty in connection with any boiler used in the Facility, whereby any person or persons may be injured or killed or property damaged in or about the Facility.

4.11 Insurance Provisions. All policies of insurance to the extent applicable shall provide that:

4.11.1 They are carried in favor of Landlord, Tenant and any mortgagee, as their respective interests may appear, and any loss shall be payable as therein provided, notwithstanding any act or negligence of Landlord or Tenant, which might otherwise result in forfeiture of insurance; and

4.11.2 They shall not be canceled, terminated, reduced or materially modified without at least twenty (20) days' prior written notice to Landlord.

4.11.3 All Tenant insurance required under Section 4.10 shall be primary insurance in the event of any claim.

## CONDITION OF PREMISES

4.12 Condition. Tenant has examined and accepts the Premises in its present "as is" condition as suitable for the purposes for which the same are leased as of the Effective Date.

4.13 Alterations. All alterations, additions and improvements installed at the expense of Tenant (except computer software) shall remain upon and be surrendered with the Premises as a part thereof upon Tenant vacating the Premises. Alterations, additions, and improvements to the Facility with a cost in excess of Five Thousand Dollars (\$5,000.00) per instance may be made by Tenant upon written notice to and approval by Landlord. Notwithstanding the foregoing, Landlord notice shall not be required in the event that immediate alterations, additions or improvements to the Facility are necessary to ensure compliance with applicable Life Safety Code requirements, in which case Tenant shall have the option of immediately making such necessary alterations, additions and/or improvements, and the parties respective rights and obligations shall be as set forth in Section 4.5 and Section 4.6. The making of alterations, additions, and/or improvements to the Premises shall not commence until Tenant has furnished to Landlord a certificate of insurance showing coverage in an amount satisfactory to Landlord which protects Landlord from liability for injury to any person and damage to any personal property, on or off the leased premises, in connection with the making of such alterations, additions, and improvements.

4.14 Landlord's Right to Perform. Subject to Section 4.21, should Tenant fail to perform any of its covenants herein agreed to be performed, Landlord may, but shall not be required to, make such payment or perform such covenants, and all sums so expended by Landlord thereon shall be reduced from the Progress Payments payable to Tenant, as applicable, under the terms of this Agreement, plus an administrative fee of 10% for Landlord's overhead costs with respect to performing such obligations. Performance of and/or payment to discharge said Tenant's obligations shall be optional with Landlord and such performance and payment shall in no way constitute a waiver of, or a limitation upon, Landlord's other rights hereunder.

4.15 Demolition. Tenant will not demolish the Facility or any portion thereof or allow it to be removed or demolished, in accordance with the Lake County Surplus Policy, without the prior written consent of Landlord.

4.16 Compliance with Laws & Ordinances. Throughout the Term of this Agreement, Tenant will use its best efforts to obey, observe and comply with all Legal Requirements. Tenant shall likewise observe and comply with the requirements of all policies of public liability and fire insurance and all other policies of insurance at any time in force with respect to the Facility.

4.17 Discharge of Liens. Tenant shall promptly discharge any lien, encumbrance or charge levied on account of any mechanic's, laborer's or materialman's lien upon the Facility for work or materials or personal property furnished or supplied to, or claimed to have been supplied to or at the request of Tenant, unless Tenant timely contests such lien or charge.

4.18 Inspection & Occupancy of Premises by Landlord. At any time, Landlord or its authorized representative shall have the right to enter and inspect the Facility. Landlord agrees that upon entering and inspecting the Facility, Landlord will cause as little inconvenience to

Tenant and the residents and operations of the Facility as may reasonably be possible under the circumstances, and in no event shall Landlord violate the terms of any resident agreement or other lease agreement at the Facility.

4.19 Inspection of Accounts. Following any Event of Default hereunder which remains uncured after the expiration of any applicable cure period, Landlord shall have the right, upon fifteen (15) days prior written notice, to inspect and copy all of Tenant's books, records and financial data relating to the Facility including, without limitation, Tenant's quarterly accounts receivable and payable. Tenant shall provide Landlord copies of all licensure and certification surveys conducted at the Facility.

4.20 Condemnation. If all of the Facility is taken by the exercise of the power of eminent domain, or sold under eminent domain proceedings, this Agreement shall terminate as of the date possession is taken by the condemnor. If less than all of the Facility is taken by the exercise of the power of eminent domain or sold under eminent domain proceedings and if such exercise affects the improvements located at the Facility, Landlord shall, with reasonable diligence, restore or rebuild to the extent reasonably practicable any improvements upon the Facility affected by the taking, but shall not be obligated to spend for such restoration any amount in excess of the amount awarded or paid to it by the condemnor for such purpose. In the event that all or less than all of the Facility is taken or sold, and this Agreement shall terminate as provided herein, then Landlord shall be entitled to the entire award for the Facility and improvements thereof. Tenant shall be entitled to any award that it can prove for damage to its leasehold interest, provided that such award is separately allocated to lease by the condemning authorities and does not diminish or reduce the award to Landlord for the Facility and improvements.

4.21 Reserved.

#### DEFAULT

4.22 Events of Default.

4.22.1 The following acts or events shall be deemed to be an "Event of Default":

(a) The failure of either party to pay when due, and as applicable, any sum or sums of money due or payable, other than Progress Payments withheld under the discretion of Landlord pursuant to the terms of this Agreement, by Landlord or Tenant under the provisions of this Agreement, when such failure shall continue for a period of ten (10) days after written notice to such party;

(b) Other than the failure to pay under Section 4.22.1(a), the failure of either party to perform, or the violation by either party of, any of the covenants, terms, conditions or provisions of this Agreement, if such failure or violation shall not be cured within thirty (30) days after notice thereof by the other party; provided, if within said thirty (30) days such party in good faith commences to correct such breach, and diligently proceeds therewith to completion, then such failure or violation shall not be considered an Event of Default. Notwithstanding anything to the contrary contained in this Agreement, either party's willful failure to perform, or

gross misconduct in the performance of its duties hereunder shall be a non-curable Event of Default;

(c) The making by either party or beneficiary of such party of an assignment for the benefit of creditors;

(d) The levying of a writ of execution or attachment on or against the property of either party utilized under this Agreement which is not discharged or stayed by action of such party contesting same, within ninety (90) days after such levy or attachment (provided if the stay is vacated or ended, this paragraph shall again apply);

(e) If proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation or involuntary dissolution of either party or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of either party, or beneficiary of such party and said proceedings are not dismissed and any receiver, trustee or liquidator appointed therein discharged within ninety (90) days after the institution of said proceedings;

(f) The sale of the interest of either party in the Facility under execution or other legal process;

(g) Tenant receives a final, non-appealable notice of license revocation from the IDPH; or

(h) The occurrence of any of the Special Defaults (as defined in Section 4.24).

In the event that any Event of Default under Section 4.22.1(a) or Section 4.22.1(b) is not cured within the applicable cure period, or in the event that any other Event of Default is not cured within thirty (30) days after notice thereof by the other party; then such Event of Default shall be deemed to be a "Default."

#### REMEDIES UPON DEFAULT

##### 4.23 Remedies.

4.23.1 The parties understand that the Facility constitutes the residence or home of each individual residing in it, and that any default or remedy must take into account an orderly transition that ensures the safety and wellbeing of the Facility's residents and public at large. In the event of any Default, the non-defaulting party may, if it so elects, forthwith terminate this Agreement. In the event of any material default on the part of Tenant, Landlord may, if it so elects, forthwith terminate this Agreement and Tenant's right to possession of the Facility, or, at the option of Landlord, terminate Tenant's right to possession of the Facility without terminating this Agreement. Upon any such termination of this Agreement, Tenant shall, in compliance with Legal Requirements, "Vacate the Facility" (and in the case of any Default occurring in Phase II or thereafter under this Agreement, "Vacate the Facility" shall mean the orderly transfer and transition of residents out of the Facility) in an orderly manner while ensuring the safety and wellbeing of the residents, and shall quietly and peaceably deliver possession thereof to

Landlord, and Tenant hereby grants to Landlord full and free license to enter into and upon the Facility in such event with or without process of law and to repossess the Facility as Landlord's former estate, subject to compliance with Legal Requirements. In the event of any such termination of this Agreement, Landlord shall again have the right to the possession and enjoyment of the Facility to the extent as if this Agreement had not been made, as allowed by applicable law, and thereupon this Agreement and everything herein contained on the part of Tenant to be done and performed shall cease and terminate.

4.23.2 Notwithstanding anything to the contrary in this Agreement, in the event of Tenant's Default, Tenant shall be responsible for all costs and expenses associated with Vacating the Facility, including but not limited to the orderly transition of residents from Facility to a comparable licensed, skilled nursing facility.

4.23.3 In the event that a Default occurs under Section 4.22.1(e) regarding a receivership by a bankruptcy court or the IDPH, the parties shall cooperate with respect to the management and transition of the operations of the Facility, and the defaulting party shall be responsible for any and all receivership fees, costs and expenses of the non-defaulting party associated with said receivership, including but not limited to receiver fees, resident transfer fees, monitor fees, or other staffing fees in accordance with Legal Requirements.

4.23.4 In the event that a Landlord Default occurs under Section 4.22.1(a) or Section 4.22.1(b) and Tenant elects to terminate this Agreement, Landlord shall reimburse Tenant for the actual amount of Tenant's Pre-Development Expenses incurred by Tenant as of the date of such termination.

4.24 Use of Phone Number and Name. In the event of any Default on the part of Tenant, and Landlord elects to terminate this Agreement, Landlord shall have the right to continue to utilize the telephone number and name used by Tenant.

#### SPECIAL DEFAULTS

4.25 Special Defaults. Upon the Effective Date, Tenant shall provide an irrevocable standby letter of credit in substantially similar form to the irrevocable standby letter of credit attached hereto and incorporated herein as Exhibit M, in an amount equal to Seven Hundred Thousand Dollars (\$700,000) (the "Letter of Credit") to be used for purposes of remedies to be paid to Landlord upon committing the acts or omissions listed in Sections 4.25.1 - Section 4.25.3 below (the "Special Defaults") which cannot be adequately covered by compensatory damages. In addition to any other remedies provided in this Agreement, and not in lieu thereof, Landlord shall have the option to draw upon the Letter of Credit upon the occurrence of any of the below listed Special Defaults. Notwithstanding the foregoing, Landlord shall not draw on or otherwise demand performance under the Letter of Credit unless and until there occurs a Special Default.

4.25.1 Tenant has its certification to participate in the Medicare and Medicaid programs revoked; provided that such suspension or revocation is not due to any action or inaction of Landlord;

4.25.2 If Tenant relinquishes the Facility to Landlord during the Term of the Agreement without adequately providing for the health, safety, or welfare of the residents of the Facility; or

4.25.3 If Tenant fails to commence construction by breaking ground and continuing thereafter with consistent progress toward the construction of the Replacement Facility within 24 months after receiving the Replacement Facility CON Approval, unless Landlord has otherwise granted Tenant an extension of such deadline, or Tenant is prevented from continuing construction due to acts beyond the reasonable control of Tenant.

4.26 Letter of Credit Draw Down. The parties agree herein, after consultation with their attorneys, that the Special Defaults are difficult to quantify in terms of money damages, and the parties agree that should any Special Default occur, that Landlord shall be entitled to demand performance under the Letter of Credit and the parties shall hereby allow for release of such Letter of Credit in the amount of such Letter of Credit that exists at the time of Special Default. The parties acknowledge that the amount of time, cost and expenses for Landlord to find a suitable tenant, licensee, and other regulatory approved operator for the Facility is unascertainable and unable to be quantified should Tenant commit the Special Default at the expense of Landlord, Facility residents, and LC Residents. The parties understand that the Facility constitutes the residence or home of each individual residing therein, and such abandonment or failure to act or commit any of the terms of the Special Default is a serious issue warranting Landlord to draw upon the Letter of Credit to protect the Facility residents and LC Residents.

4.26.1 Notwithstanding anything to the contrary contained in this Agreement, only after Tenant successfully completes Phase I and begins Phase II, the amount of the Letter of Credit upon which Landlord is permitted to draw on or otherwise demand performance under this Section 4.26 shall be reduced dollar for dollar upon Tenant's payment of the qualifying pre-development expenses set forth on Exhibit L (the "Pre-Development Expenses").

4.27 Cumulative Remedies of Landlord. The specific remedies to which Landlord may resort under the terms of this Lease are cumulative, except for Rent payments after termination if this Agreement is terminated prior to the end of the Term, and are not intended to be exclusive of any other remedies or means of redress to which Landlord may be lawfully entitled in case of any breach or threatened breach by Tenant of any provision or provisions of this Agreement. The failure of Landlord to insist, in any one or more cases, upon the strict performance of any of the terms, covenants, conditions, provisions or agreements of this Agreement, or to exercise any option herein contained, shall not be construed as a waiver or relinquishment for the future of any such term, covenant, condition, provisions, agreement or option. Furthermore, the exhaustion of Landlord's right to draw on or otherwise demand performance under the Letter of Credit, or unavailability of Landlord to draw or otherwise demand performance under the Letter of Credit due to Tenant's commencement of construction of the Replacement Facility under Section 4.26 shall not preclude Landlord from pursuing other remedies, including compensatory damages, for any Defaults or Special Defaults under this Agreement.

## INDEMNIFICATION

4.28 Indemnification by Tenant. Tenant shall protect, indemnify and save harmless Landlord from and against any and all claims, demands and causes of action of any nature whatsoever (including reasonable attorneys' fees) (collectively, "**Damages**") for injury to or death of persons or loss of or damage to property, occurring in the Facility or upon any adjoining sidewalks, or ways, or in any manner growing out of or connected with the use and occupation of the Facility or the condition thereof, or the use of any existing or future sewer system, or the use of any adjoining sidewalks or ways during the Term of this Agreement. Tenant further agrees to protect, indemnify and save harmless Landlord from and against any suits, arbitration proceedings, administrative actions or investigations to the extent relating to the lease and use of the Premises during the Term of this Agreement (including any Medicaid/Medicare overpayment obligations for such periods). Tenant shall provide adequate proof of insurance coverage to Landlord with Landlord named as an additional insured, in amounts acceptable and approved by Landlord per the parameters set forth in **Exhibit "G"**, prior to the Effective Date of this Agreement, with all Tenant insurance being the primary insurance in the event of any claim. For the avoidance of doubt, Tenant's insurance coverage for workers compensation and employer liability insurance shall be primary in the event of any claim. Furthermore, Tenant shall maintain adequate Business Interruption Insurance which shall also be primary in the event of any claim. Should Tenant fail to keep such insurance coverages in effect, Tenant shall be deemed in breach of this Agreement.

4.29 Indemnification by Landlord. Landlord shall protect, indemnify and save harmless Tenant from and against any and all Damages for injury to or death of persons or loss of or damage to property, occurring in the Facility or upon any adjoining sidewalks, or ways, or in any manner growing out of or connected with the use and occupation of the Facility or the condition thereof, or the use of any existing or future sewer system, or the use of any adjoining sidewalks or ways, to the extent any of the foregoing occurred or relates to the period of time prior to or after the expiration of the Term of this Agreement. Landlord further agrees to protect, indemnify and save harmless Tenant from and against any suits, arbitration proceedings, administrative actions or investigations to the extent relating to the ownership and use of the Premises on or before the Effective Date (including any Medicaid/Medicare overpayment obligations for such periods). In addition, Landlord further agrees to protect indemnify and save harmless Tenant from and against any and all Damages related to or arising out of any lawsuits, claims or other legal challenges concerning the validity or authority of Landlord to enter into and consummate the Transaction in accordance with the terms of this Agreement.

4.30 Financing. Tenant shall use its best efforts to obtain a written loan commitment for financing of the Transaction as soon as practicable during the Term. In the event that Tenant is unable to obtain such written loan commitment on terms reasonably acceptable to Tenant, Tenant shall promptly notify Landlord and the parties shall cooperate to determine an appropriate course of action for moving forward.

**ARTICLE 5  
OBLIGATIONS OF TENANT**

5.1 Services. Tenant will provide the following management services in connection with the operation of the Facility. Services to be provided under this Agreement shall include extraordinary items such as facilities development and planning services.

5.2 Administrator. Tenant will recruit, retain and provide an on-site, full-time administrator (“**Administrator**”) for the Facility. Under Tenant’s supervision, the Administrator will oversee on a day-to-day basis the Facility and execute policies governing the Facility’s operation. The Administrator will be employed or engaged by Tenant, and the salary or wages and cost of benefits of such Administrator shall be a Facility Operating Cost.

5.3 Personnel. Tenant will arrange for such staffing and employment as may be necessary or required for the efficient operation of the Facility, and as otherwise necessary to meet the applicable Legal Requirements, and the salary or wages and cost of benefits of such personnel shall be a Facility Operating Cost.

5.4 Certification, Licensure, Registration, Legal Requirements. Tenant will use its best efforts to adhere to all applicable State and federal rules and regulations applicable to the Facility, including without limitation the provisions of the Nursing Home Care Act, 210 Ill. Comp. Stat. 45/1-101 *et seq.* and all associated regulations and rules, including without limitation the Skilled Nursing and Intermediate Care Facilities Code, 77 Ill. Admin Code Part 300, and will cooperate fully with all legitimate State and federal requests for inspections and information. Tenant will oversee the preparation by Facility personnel of all materials necessary and compliance with procedures necessary for Tenant to obtain, (a) certification of the Facility as a provider of services under Titles XVIII (Medicare) and XIX (Medicaid) of the Social Security Act and (b) State licensure and registration of the Facility as a long term care facility under all applicable Legal Requirements. Tenant will oversee completion by Facility personnel of all reasonable steps necessary to keep the Facility fully licensed and registered by the State and duly accredited by applicable agencies and bodies. Tenant may engage legal counsel and accountants to accomplish the foregoing. Clinical Consulting, Staff Development, Program Implementation. Tenant will be responsible for clinical policymaking and provide general clinical support, staff development and implementation of resident programs and operational efficiencies.

5.6 Operational Policies. Tenant shall be responsible for the review of existing or development and implementation of new policies and procedures to reasonably conform with all applicable Legal Requirements and then-current industry standards in the areas of budgeting, business office management, quality assurance, human resources, dietary and nursing.

5.7 Reviews, Reports and Board Meetings. Tenant will periodically review the resident care policies, documentation procedures and operational policies used at the Facility to determine if they reasonably conform to then-current industry standards and applicable Legal Requirements. Tenant shall track and monitor resident satisfaction in a manner consistent with Landlord’s reasonable direction. Consistent with the requirements of Counties Code 55 Ill. Comp. Stat. § 5/5-21006, Tenant will provide monthly and annual written reports to the County Board or its designee setting forth its reviews of Facility operations and management to the

Landlord. The monthly and annual reports will include operations, management and financial updates for the Facility as compared to the Pro Forma. The content of the monthly and annual reports will include a detailed Facility financial report, census, updates as to regulatory surveys of the Facility, and resident satisfaction surveys. The content of the annual report will also include an annual financial audit (the cost of which shall be a Facility Operating Cost), and shall further include information concerning resident activities, satisfaction, quality ratings, monthly census by payor type, Medicare/Medicaid cost reports, a detailed Facility financial report, and a year-end financial report which will be submitted within one hundred twenty (120) days of the end of the Landlord's fiscal year. Tenant will meet with the Landlord at least once every two (2) months and will meet with the Landlord promptly upon the County Administrator's reasonable advance written request. Tenant will attend all reasonably requested County Board, or its designee, and any other Landlord meetings, upon receipt of reasonable advance written notice, which notice shall be not less than three (3) days. Tenant shall ensure, in accordance with 55 Ill. Comp. Stat. § 5/5-21006, that the facilities and records of the Facility shall be open for inspection by the Landlord at all times.

5.8 Intentionally Deleted.

5.9 Capital Improvements. An annual capital expenditure reserve for the Tenant of Five Hundred Dollars (\$500.00) per licensed bed shall be established in accordance with the terms of the Pro Forma. Tenant shall be responsible for determining the capital needs of the Facility, and shall communicate with and cooperate with Landlord in arranging for any necessary maintenance and repairs and/or capital improvements in accordance with Section 4.5 and 4.6. Any movable capital items procured during the Term shall be the property of the Tenant and it shall be the Tenant's responsibility to remove or dispose of items at the conclusion of this Agreement.

5.10 Billing and Third-Party Reimbursement. Tenant will oversee the billing for goods and services provided by the Facility in accordance with the terms of the Operations Transfer Agreement and in accordance with Legal Requirements.

5.11 Resident Trust Accounts. Tenant will oversee management of resident trust accounts by Facility personnel in accordance with the terms of the Operations Transfer Agreement and in accordance with Legal Requirements.

5.12 Cooperation. The parties shall cooperate with one another in good faith with respect to the coordination of all administrative and legal matters related to the operation of the Facility, and with respect to the implementation and achievement of each of Phase I, Phase II, and Phase III and the respective Milestones, including, without limitation, preparation of the application necessary to obtain the CON CHOW Approval and Replacement Facility CON Approval.

5.13 Legal Notices and Services to Residents. Tenant will provide legally required notice of this Agreement to residents of the Facility and to the State if required, but at all times upon prior approval of Landlord, which shall not be unreasonably withheld. Among other things, any notice will explain that Landlord continues to be the owner of the Facility and that

the licensed entity for the provision of services to residents will change in accordance with Phase II implementation.

5.14 Confidentiality of Facility Records. The parties to this Agreement recognize that the Landlord, as a public entity, is subject to laws such as the Illinois Freedom of Information Act and the Illinois Open Meetings Act, and that any attempt at providing confidentiality must conform with those laws. To the extent possible, the parties agree that the information, documents and instruments delivered to one party by another party or their respective agents and the information, documents and instruments delivered to a party by another party or their respective agents including this Agreement and all documents delivered hereunder are of a confidential and proprietary nature ("**Confidential Information**"). Each of the parties agrees that both prior and subsequent to the Term of this Agreement, it will maintain the confidentiality of all such Confidential information delivered to it by the other party or its agents in connection with the negotiation of this Agreement or in compliance with the terms, conditions and covenants hereof and only disclose such Confidential Information, documents and instruments to its duly authorized officers, directors, representatives and agents unless (i) compelled to disclose by judicial or administrative process (including in connection with obtaining the necessary approvals of this Agreement and the transactions contemplated hereby) or by other requirements of law or (ii) disclosed in an action or proceeding brought by a party in pursuit of its rights or in the exercise of its remedies hereunder; provided, however, that the parties hereto shall not disclose any Confidential Information not required to be disclosed as part of such permitted disclosure, or (iii) is public information or (iv) has become public through no fault of the disclosing party. Each of the parties hereto further agrees that if the Transaction is not consummated, it will return all such documents and instruments and all copies thereof in its possession to the other Party to this Agreement. Except as required by Legal Requirements, each of the parties hereto agree that any release to the public with respect to the matters set forth herein will be made only in the form and manner approved by the parties and their respective counsel. Each of the parties recognizes that any breach of this Section would result in irreparable harm to the other Party and that therefore either Tenant or Landlord shall be entitled to an injunction to prohibit any such breach or anticipated breach, without the necessity of posting a bond, cash or otherwise, in addition to all of their other legal and equitable remedies. Nothing in this Section, however, shall prohibit the use of such Confidential Information for such governmental filings as in the mutual opinion of Landlord's counsel and Tenant's counsel are: (i) required by Legal Requirements, or (ii) otherwise appropriate.

In accordance with Legal Requirements, including but not limited to the Health Insurance Portability and Accountability Act of 1996 ("**HIPAA**") and its attendant rules and regulations, as amended by the Health Information Technology for Education and Clinical Health Act ("**HITECH Act**") and the HITECH Act Final Rule, and as otherwise may be amended, Tenant will comply with Legal Requirements concerning confidentiality of health information of residents at the Facility, and will enter into and will cause any other person or entity required to do so under the Legal Requirements to enter into a Business Associate Agreement on terms and conditions mutually acceptable to the parties to such agreements. Additionally, the parties shall enter into a Business Associate Agreement, attached hereto and incorporated herein as **Exhibit F**, the final form of which will be agreed upon on or before the Effective Date.

5.15 Contracts, Supplies and Equipment. Tenant shall purchase such supplies and non-capital equipment necessary and appropriate for the operation of the Facility in accordance with the terms of the Pro Forma. Tenant shall inform Landlord of the contracts it wishes to continue or terminate, as the case may be, in accordance with the Operations Transfer Agreement.

5.16 Ancillary Services. Tenant will either provide or arrange for the provision of ancillary services not covered by this Agreement to the Facility as needed, including without limitation marketing and promotion, training, construction, and care-related consultants, which may include nurse consultants, dietary consultants, therapy health nurses, physician/medical director, and activities, social services and religious consultants.

5.17 Dietary Services. Tenant shall manage the dietary department of the Facility at Tenant's direction.

~~5.18 Marketing and Customer Relations. Tenant will oversee the development and implementation of marketing and customer relations programs for the Facility, in consultation with established groups representing Facility constituencies, such as family, residents and care providers.~~

5.19 Advisory Support. At no cost to Landlord, Tenant will provide timely assistance to Landlord with respect to reasonable requests for graphs, market analysis, business plans, program planning, and analysis charts and information assimilation relating to the Facility.

5.20 Occupancy. Tenant will use commercially reasonable efforts to achieve and maintain Landlord's historical census and payor mix with respect to Facility occupancy, subject to compliance with applicable Legal Requirements concerning discrimination based on payor type, and as needed to meet the financial performance set forth in Tenant's pro forma estimates in Exhibit B. Nothing in this Agreement affects the powers of the Landlord contained in 55 Ill. Comp. Stat. §§ 5/5-21009 and 5/5-21010, which are powers Landlord maintains, to the extent those Landlord powers do not conflict with the Service Covenant set forth in Section 6.5.

5.21 Tenant's Designated Representative. For any situation in which pursuant to the terms of this Agreement, Tenant is required or permitted to take any action, give any report or make any request to or of Landlord, Tenant will act by and through Tenant's Designated Representative.

5.22 Primary Goals & Quality Care. The primary goals of Tenant under this Agreement shall be to:

(a) at all times acknowledge and implement, through the oversight of the Landlord, the Lake County Mission;

(b) provide an accurate and objective reporting and approval channel for the Facility to the Landlord; and

(c) maintain and strive to continually improve the operations of the Facility to:

- (i) Provide quality nursing and rehabilitation services for the benefit of the community;
- (ii) Maintain programs to promote the effective utilization of Facility's services;
- (iii) Maintain the current public image for the Facility;
- (iv) Maintain quality and proper staffing of the Facility;
- (v) Operate the Facility on a sound financial basis;
- (vi) Institute sound financial accounting systems and internal fiscal controls through effective budgeting procedures, all in accordance with GAAP, with accounting performed on an accrual basis;
- (vii) Provide sound operating and billing procedures;
- (viii) Control the cash position of the Facility through sound collection methods;
- (ix) Take such other steps as are necessary to provide quality care to all residents of the Facility; and
- (x) Adhere to and fully cooperate with all applicable Legal Requirements.

5.23 Offer of Beds to Current Residents in the Replacement Facility. Prior to the transfer of residents from Facility to the Replacement Facility at the end of the Term of this Agreement, Tenant shall first offer all then current residents of Facility admission to the Replacement Facility and Tenant shall make all reasonable efforts to maintain that bed for those current residents of Facility that choose to be admitted to the Replacement Facility. The Tenant obligation under this Section 5.23 shall survive the termination of this Agreement.

## ARTICLE 6 PAYMENTS

6.1 Payments. Landlord shall make Progress Payments and Start-Up Capital Payments to Tenant for the Term of this Lease in accordance with the provisions of this Article and the Pro Forma. Landlord shall be permitted to withhold Progress Payments in accordance with the provisions of Section 6.2 of this Agreement. Notwithstanding the foregoing, Landlord's obligation to make the Start-Up Capital Payments shall be unconditional, provided that Tenant submits written invoices to Landlord at least thirty (30) days in advance for each monthly Start-Up Capital Payment. Each such Start-Up Capital Payment shall be paid by Landlord to Tenant in the amount set forth on the Pro Forma, at least ten (10) Business Days prior to the first day of each such month, provided that Tenant submits written invoices timely in accordance with this Section 6.1.

6.2 Amount and Conditions for Progress Payments:

6.2.1 Landlord shall make the Progress Payments to Tenant on a monthly basis, beginning on the Effective Date, in the amounts set forth for each respective month on line G45 of the Pro Forma. Provided that Tenant submits written invoices to Landlord at least thirty (30) days in advance for each monthly Progress Payment, Progress Payments shall be paid by Landlord to Tenant accordingly. Progress Payments shall be paid by Landlord to Tenant at least ten (10) Business Days prior to the first day of the respective month to which such payment relates, provided that Tenant submits written invoices timely in accordance with this Section 6.2. The parties understand that Progress Payments are expressly conditioned on Tenant meeting the milestones set forth in Exhibits C, D, and E (individually, a "Milestone" and collectively, the "Milestones"). Should Tenant fail to satisfy any Milestone, Landlord shall be permitted, in its discretion, to withhold the Progress Payment for such month, along with Progress Payments for subsequent months, until such time as Tenant has completed the task/objective covered by such Milestone. Notwithstanding the foregoing, if Tenant subsequently completes the task/objective covered by a Milestone that was previously unsatisfied, Landlord shall not be permitted to withhold further Progress Payments.

6.2.2 Landlord shall have no obligation to make Progress Payments: (a) beyond the Initial Term; or (b) in an amount greater than the aggregate amount of the Progress Payments set forth on the Pro Forma. Upon expiration of the Term, and within ten (10) calendar days following Tenant's delivery of the final annual financial report at the end of the Term contemplated under Section 5.7 of this Agreement, Landlord and Tenant shall conduct a reconciliation (the "**Reconciliation**") with respect to the Progress Payments paid to Tenant by Landlord and the actual Facility Operating Expenses paid by Tenant in operating the Facility. If the Reconciliation indicates that the Progress Payments utilized by Tenant are less than the amounts estimated in the Pro Forma attached as Exhibit B, then such difference shall be referred to as the "**Shared Savings**", and such Shared Savings shall be treated as follows:

(a) Tenant shall be eligible to retain up to 50% of the Shared Savings (the "**Quality Incentive Payment**"), subject to Tenant's satisfaction of the following standards:

(i) Provided that Tenant improves the overall star rating of the Facility by showing that the star rating for the last 24 months of this Agreement is on average a higher rating than when Tenant took over (Effective Date), and the star rating is higher than it was on the Effective Date when the tenant exits the building after successfully accomplishing Phase III, as such rating is published on <http://medicare.gov/nursinghomecompare/search.html> (or its successor entity/publication location), Tenant shall be entitled to retain 1/3 of the Quality Incentive Payment, with the remainder of the Shared Savings remitted back to Landlord;

(ii) Provided that Tenant maintains an average resident satisfaction level equal to or greater than 3.75 out of 5 on the Pinnacle Customer Satisfaction Surveys and the TCM employee surveys commencing on the Effective Date through the end of the Term, Tenant shall be entitled to retain 1/3 of the Quality Incentive Payment with the remainder of the Shared Savings remitted back to Landlord; and

(iii) Provided that Tenant achieves Shared Savings in its management and operation of the Facility commencing on the Effective Date through the end of the Term, Tenant shall be entitled to retain 1/3 of the Quality Incentive Payment with the remainder of the Shared Savings remitted back to Landlord.

(b) Any Quality Incentive Payment, if applicable, shall be retained by Tenant at the end of the Term of this Agreement. Otherwise, any Shared Savings that does not constitute a Quality Incentive Payment shall be remitted back to Landlord.

### 6.3 Start-Up Capital.

6.3.1 Landlord shall make the Start-Up Capital Payments to Tenant on a monthly basis, beginning on the Effective Date of this Agreement, in the amounts set forth for each respective month on line G46 of the Pro Forma, provided that Tenant complies with the requirements and timeframes set forth in Section 6.1.

6.3.2 Start-Up Capital, shall be repaid by Tenant to Landlord as follows: 50% of the amount of the Start-Up Capital shall be repaid within 90 days of the first to occur of the following, and the remaining 50% shall be repaid within 180 days of the first to occur of the following: (a) termination of Phase III; or (b) any other termination of this Agreement. Notwithstanding the foregoing, the aggregate amount of the Start-Up Capital which Tenant is obligated to repay shall be reduced, only by a maximum of \$900,000.00, only if Tenant provides evidence to Landlord of the following, and only to the extent of any of the following:

(a) any material decrease in Medicaid reimbursement for services provided by Tenant to residents of the Facility, calculated by subtracting the aggregate Medicaid reimbursement received by Tenant from such payor during the Term from the aggregate Medicaid reimbursement that would have been received by Tenant from such payor if the respective Medicaid reimbursement rate(s) remained consistent with the Medicaid reimbursement rate(s) effective as of the Effective Date throughout the Term;

(b) any Damages incurred by Tenant that relate, directly or indirectly, to the union that is currently providing services at the Facility pursuant to the agreement with Exiting Operator, including, without limitation, pension obligations related to such union and/or any claim made by the union regarding outstanding payment obligations, backpay obligations, or other benefits owed by Exiting Operator; provided, however, that for purposes of this Section 6.3.2(b), Damages shall not include Damages incurred by Tenant that relate, directly or indirectly to future union agreements or future union relationships with Tenant;

(c) the aggregate amount by which the actual real estate taxes payable by Tenant exceeds the amount set forth on the Pro Forma for real estate taxes;

(d) any Damages incurred by Tenant as a result of any Change in Law;

or

(e) any other Damages incurred by Tenant, which are mutually agreed upon by the parties, that relate to a material adverse event(s) not reasonably foreseeable by Tenant and not caused by any action or inaction of Tenant.

6.4 Changes in Law. Notwithstanding anything herein to the contrary, if during the Term hereof any Change in Law results in an Adverse Consequence (as such terms are defined in this Section 6.4), the parties agree to cooperate in making reasonable revisions to this Agreement and the Pro Forma in order to avoid and/or mitigate the effect of such Adverse Consequence. If the parties through good faith negotiations fail to agree to such revisions after thirty (30) days following written notice by either party to the other party requesting renegotiation, then this Agreement may be immediately terminated by either party upon written notice to the other party. In such event, the parties shall promptly proceed to unwind their relationship and place the other party in substantially the same position as such party was in prior to the Effective Date. During such unwinding, Tenant shall remain as manager of the Facility in accordance with Phase I of this Agreement.

As used herein, "**Change in Law**" shall mean: (i) any new legislation or rulemaking enacted by the federal or any state or local government; (ii) any governmental, judicial or administrative order, decree or decision that would affect the nursing home industry generally and not such orders, decrees or decisions applying to the Facility itself as a result of actions or omissions of Tenant; or (iii) any interpretation of (i) or (ii) above by a court of competent jurisdiction or by a formal written opinion issued by legal counsel to either party. As used herein, "**Adverse Consequence**" shall mean a Change in Law that prohibits, restricts, limits or otherwise affects either party's rights or obligations hereunder in a material manner or otherwise makes it desirable for the parties to restructure the relationship established hereunder because of material legal or financial consequences expected to result from such Change in Law.

6.5 Service Covenant. In recognition of the role the Facility has played in caring for residents of Lake County, and with the intention of maintaining that level of commitment to Lake County residents and otherwise supporting the County's interest in Lake County residents receiving services, Tenant shall comply with the following covenant:

6.5.1 In a simple majority of certain referrals to the Facility of prospective facility residents who are residents of Lake County ("**LC Resident**") by Referral Sources (defined below) which do not result in an admission because Tenant cannot satisfy the resident's needs (e.g., advanced psychotic, schizophrenic, or suicidal conditions), Tenant shall use commercially reasonable efforts to undertake the following actions ("**Service Covenant**"): Within five (5) Business Days of declining to admit such LC Resident, Tenant will either identify available services to meet the needs of the LC Resident or identify an alternative nursing facility located preferably within the Lake County Marketplace, offering the types of services required by the resident ("**Alternate Placement**"), and Tenant will identify the Alternate Placement to the Referral Source by providing written or verbal notice. For purposes of this Section 6.4, "**Referral Source**" means a referral source, other than other facilities, that has referred a LC Resident to the Facility for admission, and the term "**LC Resident**" includes resident's decision-making proxy, where appropriate in a given context.

6.5.2 Limitations on the Service Covenant.

(a) Tenant shall not be obligated to admit to the Facility any LC Resident who requires or may foreseeably require any of the categories of services listed or is

otherwise described on Exhibit I ("Service Limitations") or whose needs may otherwise negatively affect then-current Facility residents. Such referrals are "Non-qualifying Referrals."

(b) If Tenant has notified a Referral Source in writing of the Facility's Service Limitations, and the Referral Source makes a referral to the Facility of a LC Resident whose needs fall within or foreseeably may fall within the Service Limitations, then Tenant may but shall have no obligation to identify an Alternate Placement, and such Non-qualifying Referral shall not be included in the assessment of Tenant's compliance with the Service Covenant.

(c) The following circumstances shall not be included in the assessment of Tenant's compliance with the Service Covenant:

(i) If Tenant is unable to admit a LC Resident due to insufficient staffing at the Facility, or discontinuation or planned discontinuation of a category of service, Tenant may, but shall not be obligated to identify an Alternate Placement.

(ii) If Tenant is unable to admit a LC Resident due to damage to the Facility, construction, renovation, equipment failure or loss, or other structural or physical cause, Tenant may, but shall not be obligated to identify an Alternate Placement.

(iii) Tenant shall not be obligated to identify an Alternate Placement for a LC Resident if none exists suitable for the LC Resident's needs within the Lake County Marketplace at the time of the referral to the Facility.

#### 6.5.3 Tenant Not a Referral Source.

Under no circumstances shall Tenant be deemed to have made a referral in identifying an Alternate Placement. Landlord shall not take or support the position that Tenant has made a referral in identifying an Alternate Placement.

#### 6.5.4 Certification by Tenant.

(a) At the end of each quarter beginning with the first three months after the Effective Date, and until the termination of this Agreement, Tenant shall certify ("**Quarterly Certification**") to the Landlord that it has or has not met the Service Covenant. The Quarterly Certification shall provide cumulative information for the preceding quarters, ending in the applicable quarter to date. The Landlord shall meet within ten (10) Business Days following delivery of each Quarterly Certification to the Landlord. Such delivery may be electronic, at Tenant's option. If for any quarter Tenant has not met the Service Covenant, the Landlord will notify the Tenant.

(b) Tenant shall deliver a cumulative annual certification to the Landlord as to whether Tenant has met the Service Covenant ("**Annual Certification**"), based on an annual cycle starting on the Effective Date. The Annual Certification shall be delivered within 10 Business Days of the end of each annual cycle. Such delivery may be electronic, at Tenant's option.

(c) Both the Quarterly Certification and Annual Certification will identify (1) compliance with the Service Covenant by specifically setting forth those LC Residents referred by Referral Sources who are not admitted to the Facility, and state the reason and list the Alternate Placement identified by Tenant; provided however, such information shall be provided to the Landlord in a manner that will not violate standards that protect health information and identities of such LC Residents, (2) actual census numbers for the Facility by payor type, and (3) progress reports with respect to compliance with the Phase I, II, and III Milestones with explanations and evidence of same that is reasonably satisfactory to Landlord.

(d) An Alternate Placement notification by Tenant shall not be invalidated by (i) the refusal or failure of the Referral Source to communicate the Alternate Placement to the LC Resident, (ii) the refusal or failure of the Alternate Placement to accept the LC Resident, (iii) the failure or refusal of the LC Resident to become a resident of the Alternate Placement, (iv) efforts by the LC Resident or Alternate Placement to relocate or relocation of such LC Resident following admission to Alternate Placement, or (v) refusal of admission to the Alternate Placement based on facts concerning the LC Resident or the Alternate Placement not previously known to Tenant.

6.5.5 Landlord's Remedies. If Tenant fails to meet the Service Covenant for any quarter, Tenant shall immediately submit a plan of correction to Landlord. In addition, Tenant shall pay to Landlord \$500 per day for each day in which Tenant is in violation of the Service Covenant. If Tenant fails to meet the Service Covenant a second time while this Agreement is in effect, in addition to the \$500 per day penalty set forth above, Landlord shall have the option of arranging for the administration of the Service Covenant by qualified experts chosen by Landlord, the cost of which shall be a Tenant expense, but which shall not be includable on the Pro Forma.

6.5.6 Lender's Criteria. Landlord acknowledges that Tenant's and Tenant's lenders may impose financial performance covenants ("**Criteria**") on Tenant's operation of the Facility, that Tenant's ability to continue to operate the Facility and provide services to LC Residents in Lake County is conditioned on achieving such Criteria and on receiving timely Progress Payments under this Agreement, and that achieving the Criteria and/or making payments to Landlord under this Agreement may require Tenant to deviate from the Objective from time to time. In such event, together with any Quarterly or Annual Certification so effected, Tenant shall provide to Landlord financial information to demonstrate Tenant's need to deviate from the Objective, and identify what Criteria is implicated, and the Tenant shall be entitled to suspend the provisions of Section 6.2, at the reasonable discretion of the Landlord, without waiving Tenant's requirements to abide by the Objective throughout the Term of this Lease. If Landlord's non-payment of the Progress Payment would cause Tenant to fail to comply with the Criteria or be unable to make timely payments under the Lease, withholding of such Progress Payment and any previously withheld Progress Payments may be deferred by Landlord at Landlord's discretion.

**ARTICLE 7**  
**REPRESENTATIONS AND WARRANTIES**

7.1 Landlord's Representations and Warranties.

7.1.1 Organization and Qualification; Authority; Binding Effect.

(a) Landlord is an Illinois municipal corporation, duly formed, validly existing and in good standing under the laws of the State of Illinois, and has all requisite power and authority to own, lease, operate, and consummate the Transaction contemplated under this Agreement. Landlord is the sole owner of the Facility and holds good and clear title to the Facility and all of the related assets to be leased to Tenant under this Agreement.

(b) Landlord has, and as of the Effective Date and at all times up to ~~and including termination of Phase III will have, the full and unrestricted right, power and authority~~ to execute, deliver and perform this Agreement and to consummate the Transactions and perform all obligations contemplated hereby and in all agreements, instruments and documents being or to be executed and delivered by it in connection with such transactions, including the Operations Transfer Agreement (collectively, the "**Landlord Related Documents**"). The execution and delivery of this Agreement and the Landlord Related Documents by Landlord, the performance of this Agreement and the Landlord Related Documents by Landlord, and the consummation of the Transaction contemplated hereby and thereby, have been duly authorized by Landlord and no other proceeding on the part of Landlord is necessary to authorize this Agreement or the Landlord Related Documents or to consummate the Transaction contemplated hereby or thereby. This Agreement has been duly executed and delivered by Landlord and constitutes the valid and binding obligation of Landlord, enforceable against Landlord in accordance with its terms. When each of the other Landlord Related Documents has been duly executed and delivered by Landlord, such Landlord Related Documents will constitute a legal and binding obligation of Landlord enforceable against it in accordance with its terms, except to the extent that enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar law as is now or hereinafter in effect relating to creditors' rights generally.

7.1.2 No Conflict; Required Filings and Consents.

(a) The execution and delivery by Landlord of this Agreement and the Landlord Related Documents to which it is a party, Landlord's performance of this Agreement and the Landlord Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not conflict with or violate or constitute, with or without notice or the lapse of time or both, a breach of or default under: (i) the governing or charter documents of Landlord, (ii) any Legal Requirement, (iii) any contract to which Landlord is a party, or (iv) any other instrument to which Landlord is a party or by which Landlord may be bound or to which Landlord or any portion of the Facility is subject.

(b) The execution and delivery by Landlord of this Agreement and the Landlord Related Documents to which it is a party, Landlord's performance of this Agreement and the Landlord Related Documents to which it is a party, and the consummation of the

Transaction contemplated hereby and thereby will not with or without notice or the lapse of time or both, give to others any rights of termination, amendment, acceleration or cancellation of, or require payment under, or result in the creation of any lien or adversely affect the Facility.

(c) The execution and delivery by Landlord of this Agreement and the Landlord Related Documents to which it is a party, Landlord's performance of this Agreement and the Landlord Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not require Landlord to obtain any consents, authorizations, orders and approvals of, or to make any filing with or notification to, any governmental entity or any other person or entity, except with respect to the approval of the County Board.

7.1.3 Compliance with Laws. Landlord is, and has been, in material compliance with all Legal Requirements applicable to the Facility. Landlord has not received, and to Landlord's knowledge, no other party has received, any written notice alleging non-compliance with any material Legal Requirements within the five year period preceding the Signing Date.

7.1.4 Environmental Matters. Landlord has not received any notice of any violation or alleged violation of any Environmental Law, and Landlord and the Facility are in compliance with all Environmental Laws. Neither Landlord nor the Facility are subject to any outstanding or threatened Environmental Action. The Facility has not been used by Landlord or any other person for the generation, storage, manufacture, use, transportation, disposal or treatment of Hazardous Substances, except for medical waste in the ordinary course of operating the Facility. There has been no Hazardous Discharge on or from the Premises by Landlord, or, to Landlord's knowledge, by any other person or entity. As used in this Agreement, "**Environmental Law**" means each and every applicable federal, state, local and foreign law, statute, ordinance, regulation, rule, judicial or administrative order or decree, permit, license, approval, authorization or similar requirement of each and every governmental entity and the common law, pertaining to the protection of human health, safety the environment, or natural resources, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act ("**CERCLA**"), 42 U.S.C. 9601, *et seq.*, the Resource Conservation and Recovery Act ("**RCRA**"), 42 U.S.C. 6901, *et seq.*, the Toxic Substances Control Act ("**TSCA**"), 15 U.S.C. 2601, *et seq.*, the Water Pollution Control Act ("**FWPCA**"), 33 U.S.C. 1251, *et seq.*, the Occupational Safety and Health Act ("**OSHA**"), 42 U.S.C. 655, all as amended. As used in this Agreement, "**Hazardous Discharge**" shall mean any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping of Hazardous Substances. As used in this Agreement, "**Hazardous Substance**" shall mean any substance, compound, chemical or element which is: (i) defined as a hazardous substance, hazardous material, toxic substance, hazardous waste, medical waste, pollutant or contaminant under any Environmental Law; (ii) a petroleum hydrocarbon, including crude oil or any fraction thereof; (iii) asbestos in any form; or (iv) radon, mold, lead, or other toxic compounds or substances. As used in this Agreement, "**Environmental Action**" means any Actions and Proceedings under or by virtue of any Environmental Law or in connection with any Hazardous Discharge or Hazardous Substance.

7.1.5 Full Disclosure. No representation or warranty by Landlord in this Agreement contains any untrue statement of a material fact, or omits to state a material fact

necessary to make the representation or warranty contained therein, in light of the circumstances in which they are made.

7.2 Tenant's Representations and Warranties.

7.2.1 Organization and Qualification; Authority; Binding Effect.

(a) Tenant is a limited liability company, duly formed, validly existing and in good standing under the laws of the State of Illinois, and has all requisite power and authority to own, lease, operate, and consummate the Transaction contemplated under this Agreement.

(b) Tenant has, and as of the Effective Date and at all times up to and including termination of Phase III will have, the full and unrestricted right, power and authority ~~to execute, deliver and perform this Agreement and to consummate the Transactions and perform~~ all obligations contemplated hereby and in all agreements, instruments and documents being or to be executed and delivered by it in connection with such transactions, including the Operations Transfer Agreement (collectively, the "Tenant Related Documents"). The execution and delivery of this Agreement and the Tenant Related Documents by Tenant, the performance of this Agreement and the Tenant Related Documents by Tenant, and the consummation of the Transaction contemplated hereby and thereby, have been duly authorized by Tenant and no other proceeding on the part of Tenant is necessary to authorize this Agreement or the Tenant Related Documents or to consummate the Transaction contemplated hereby or thereby. This Agreement has been duly executed and delivered by Tenant and constitutes the valid and binding obligation of Tenant, enforceable against Tenant in accordance with its terms. When each of the other Tenant Related Documents has been duly executed and delivered by Tenant, such Tenant Related Documents will constitute a legal and binding obligation of Tenant enforceable against it in accordance with its terms, except to the extent that enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar law as is now or hereinafter in effect relating to creditors' rights generally.

7.2.2 No Conflict; Required Filings and Consents.

(a) The execution and delivery by Tenant of this Agreement and the Tenant Related Documents to which it is a party, Tenant's performance of this Agreement and the Tenant Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not conflict with or violate or constitute, with or without notice or the lapse of time or both, a breach of or default under: (i) the governing or charter documents of Tenant, (ii) any Legal Requirement, (iii) any contract to which Tenant is a party, or (iv) any other instrument to which Tenant is a party or by which Tenant may be bound or to which Tenant is subject.

(b) The execution and delivery by Tenant of this Agreement and the Tenant Related Documents to which it is a party, Tenant's performance of this Agreement and the Tenant Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not with or without notice or the lapse of time or both,

give to others any rights of termination, amendment, acceleration or cancellation of, or require payment under, or result in the creation of any lien or adversely affect the Facility.

(c) The execution and delivery by Tenant of this Agreement and the Tenant Related Documents to which it is a party, Tenant's performance of this Agreement and the Tenant Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not require Tenant to obtain any consents, authorizations, orders and approvals of, or to make any filing with or notification to, any governmental entity or any other person or entity.

7.2.3 Compliance with Laws. Tenant is, and has been, in material compliance with all Legal Requirements to allow Tenant to fulfill its obligations under this Agreement. Tenant has not received, and to Tenant's knowledge, no other party has received, any written notice alleging non-compliance with any material Legal Requirements, including but not limited to any pending compliance action(s) with the IHFSRB.

## ARTICLE 8 MISCELLANEOUS

8.1 Quiet Enjoyment. Tenant, upon paying the Rent and all other charges herein provided, and for observing and keeping the covenants, agreements, terms and conditions of this Agreement on its part to be performed, shall lawfully and quietly hold, occupy and enjoy the Facility during the Term of this Agreement, and subject to its terms, without hindrance by Landlord or by any other person or persons claiming under Landlord.

8.2 Notices. All notices, approvals or other communications that a party may desire or be required to give to another party under the terms of this Agreement shall be in writing and shall be deemed to have been properly given, served and received: (i) if delivered by messenger, when delivered; (ii) if mailed in the United States certified or registered mail, postage prepaid, return receipt requested, on the third (3<sup>rd</sup>) postal delivery day after mailing; or (iii) if sent for next Business Day delivery by reputable, national next business day express carrier, freight prepaid, the next business day after dispatch to such carrier, addressed to such party as follows:

<i>If to Tenant:</i>	Transitional Care of Lake County, LLC 6400 Shafer Court, Suite 600 Rosemont, IL 60018 Attention: Mike Filippo
<i>With copies to:</i>	Benesch, Friedlander, Coplan & Aronoff LLP 200 Public Square, Suite 2300 Cleveland, OH 44114-2378 Attention: Daniel J. O'Brien
<i>If to Landlord:</i>	County of Lake 18 N. County Street 9 <sup>th</sup> floor Waukegan, IL 60085 Attn: County Administrator

*With copies to:* County of Lake  
18 N. County Street 9<sup>th</sup> floor  
Waukegan, IL 60085  
Attn: Deputy of the Civil Division

*Additional Copies To:* Duane Morris LLP  
190 South LaSalle Street  
Suite 3700  
Chicago, IL 60603  
Attn: Nicholas J. Lynn

8.3 Memorandum of Lease. Upon demand by either party, Landlord and Tenant agree to execute and deliver a short form lease in recordable form so that the same may be recorded by either party.

8.4 Estoppel. Each party agrees that any time, and from time to time, upon not less than ten (10) days prior written request from the other party, to execute, acknowledge and deliver to the other party a statement in writing, certifying that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), the dates to which the Rent has been paid, and whether any events have occurred which, with the giving of notice or the passage of time, or both, could or do constitute a Default hereunder.

8.5 Fair Market Value. In determining the payments to be paid under this Agreement, including but not limited to the Progress Payments, the parties have agreed to the fair market value of the payments in light of the time, energies, training, experience and skills required, and experience and general economic conditions. The parties agree that the payments, including the Progress Payments set forth herein reflect fair market value and have not been determined by taking into account in any way the volume or value of any referrals or business generated between the parties which is reimbursed under Medicare, Medicaid or any private health insurance.

8.6 No Requirement to Refer. Nothing in this Agreement shall constitute an agreement for referrals or an agreement to offer or receive anything of value as an inducement for referrals. The terms of this Agreement are not dependent upon the amount or volume of referrals. Nothing in this Agreement is intended to be, nor will it be construed as, an offer, inducement or payment, whether directly or indirectly, overtly or covertly, for the referral of residents or patients, or for the recommending or arranging of the purchase, lease or order of any item or service. No referrals are required under this Agreement.

8.7 Change in Legal Requirements. Upon either party's good faith determination, on the basis of events occurring subsequent to the date of this Agreement, that the Agreement fails to comply in a material way with any applicable Legal Requirements, the parties agree to take no action deemed to be in violation of such law and, after notice has been given, the parties shall promptly meet within a period of thirty (30) days and using good faith and due diligence shall

attempt to agree upon a new structure that will satisfy the business objectives of the Agreement and applicable Legal Requirements. If, by the end of the thirty (30) day period the parties have agreed upon a new structure, then the parties may amend this Agreement.

8.8 Interpretation. All of the provisions of this Agreement shall be deemed and construed to be "conditions" and "covenants" as though the words specifically expressing or importing covenants and conditions were used in each separate provision hereof. Any reference herein to the termination of this Agreement shall be deemed to include any termination thereof by expiration, or pursuant to Articles referring to earlier termination. All nouns and pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons, firm or firms, corporation or corporations, entity or entities or any other thing or things may require.

8.9 Headings. The headings and titles in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Agreement, nor in any way affect this Agreement.

8.10 Entire Agreement. This Agreement contains the entire agreement between the parties, but arises from the Lake County RFP dated July 23, 2014, (attached to this Agreement as Exhibit J), and approved by the Landlord on May 12, 2015, and a Transitional Care Management Proposal dated August 14, 2014 (attached to this Agreement as Exhibit K). In the event of a conflict between these three documents, the order of precedence shall be (1) this Agreement; (2) the RFP; (3) the Transitional Care & Management Proposal. No oral modifications to this Agreement shall be valid, but rather all modifications must be made in writing and signed by both parties.

8.11 Assignment. Neither party shall be permitted to assign or sublet, whether by operation of law or otherwise, all or any portion of this Agreement without the prior written consent of the other party.

8.12 Force Majeure. Neither party shall be liable nor deemed to be in Default for any delay or failure in performance under this Agreement or other interruption of service resulting, directly or indirectly, from acts of God, acts of public enemy, war, accidents, fires, explosions, earthquakes, floods, failure of transportation, strikes or other work interruptions by either parties' employees, legislative changes or rulemakings, or any similar or dissimilar cause beyond the reasonable control of either party.

8.13 Severability. If any term or provision of this Agreement shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this Agreement shall not be affected thereby, but each term and provision shall be valid and be enforced to the fullest extent permitted by law.

8.14 Survival. The provisions of Sections 4.28 and 4.29 of this Agreement shall survive the termination of this Agreement for a period of one (1) year.

8.15 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if the parties hereto had signed the same document. Signatures transmitted by facsimile or PDF shall have the same effect as original signatures.

8.16 Dates. If a party signs but fails to date a signature, the date that the other party receives the signing party's signature will be deemed to be the date that the signing party signed this agreement, and the other party may inscribe that date as the date associated with the signing party's signature.

**[SIGNATURE PAGE FOLLOWS ON NEXT PAGE]**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by persons authorized to do so on behalf of each of them respectively the day and year just above written.

Landlord:

COUNTY OF LAKE, an Illinois municipal corporation

By:   
Its: \_\_\_\_\_

Consented to this      day of May,  
2015

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Tenant:

TRANSITIONAL CARE OF LAKE  
COUNTY, LLC, an Illinois Limited Liability  
Company

By:   
Its:     Manager    

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DM215540662.9

**EXHIBIT A**

**PREMISES**

Winchester House  
1125 North Milwaukee Avenue  
Libertyville, Illinois 60048

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**EXHIBIT B**

**TENANT'S PRO FORMA ESTIMATES FOR OPERATION OF FACILITY**

See attached.

## EXHIBIT C

### PHASE I MILESTONES

Phase I shall commence as of the Effective Date. During Phase I, Tenant shall take all commercially reasonable actions necessary to secure all Healthcare Licenses and Approvals needed to operate the Facility. During the pendency of Tenant's receipt of the Healthcare Licenses and Approvals, Tenant shall assist Landlord (or Landlord's agent) in Landlord's provision of services for the health, safety, nursing care, and welfare of all Facility residents. During this Phase I, Tenant shall work cooperatively with Landlord to assure a smooth transition to Phase II. Such transition shall include, but not be limited to, installation of systems and procedures needed to operate and sustain operations, performing inventory of existing movable equipment and supplies, establishing cut-off procedures for accounts receivable and accounts payable, assembling a workforce, transferring applicable contractual obligations to Tenant and such other practices necessary for the transition of the Facility operation to Tenant. Phase I shall terminate upon Tenant's receipt of the Healthcare Licenses and Approvals.

- Filing of CHOW CON Application within thirty (30) days of the Effective Date.
- Filing of Application for Licensure ("**Licensure Application**") with IDPH within ten (10) days of receipt of the CHOW CON Approval.
- Filing of documents for Medicare Certification fourteen (14) days after approval by IDPH of the Licensure Application.
- Filing of documents for Medicaid Certification fourteen (14) days after approval by IDPH of the Licensure Application.

## EXHIBIT D

### PHASE II MILESTONES

Phase II shall commence upon Tenant's receipt of the Healthcare Licenses and Approvals. During Phase II, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents, and shall be the sole operator of the Facility pursuant to the terms of this Agreement and pursuant to any and all applicable Legal Requirements. In addition, during Phase II, Tenant shall diligently prepare and submit an application to obtain the Replacement Facility CON Approval. Phase II shall terminate upon Tenant's receipt of both: (a) the Replacement Facility CON Approval; and (b) the Healthcare Licenses and Approvals.

- (A) Contract to secure land for construction of Replacement Facility – ten (10) months from Effective Date.
- (B) Presentation of master design, architectural drawings, and master plan for Replacement Facility to Landlord – nine (9) months from Effective Date.
- (C) Preparation by Tenant of CON for Replacement Facility and discontinuation CON, and presentation to Landlord of Replacement Facility CON and any discontinuation CON in DRAFT form – nine (9) months from Effective Date.
- (D) Preparation by Tenant of construction schedule and list of contractors for building of Replacement Facility; presentation of same to Landlord – sixteen (16) months from Effective Date.
- (E) Filing of Replacement Facility CON Application by Tenant for Replacement Facility (to be coordinated by Tenant with Landlord discontinuation of Landlord CON) with IHFSRB – ten (10) months from Effective Date.

EXHIBIT E

**PHASE III MILESTONES**

Phase III shall commence upon Tenant's receipt of both: (a) the Replacement Facility CON Approval; and (b) the Healthcare Licenses and Approvals. During Phase III, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents. Promptly following Tenant's receipt of the Replacement Facility CON Approval, Tenant shall diligently pursue construction of the Replacement Facility in accordance with the terms of the Replacement Facility CON Approval, followed by relocation of the residents. Phase III shall terminate upon transfer of the last then current resident to the Replacement Facility, in accordance with the laws, rules and regulations of the State of Illinois regarding the transfer of residents.

- 
- (A) Tenant to begin construction of Replacement Facility project pursuant to Replacement Facility CON Approval - 24 months from Effective Date.
  - (B) Filing of discontinuation of Facility CON with the IHFSRB – 24 months from Effective Date.
  - (C) Completion of construction and submission of Final Project Report by Tenant to IHFSRB - 36 months from Effective Date.
  - (D) Filing of Facility Closure Plan, with input from IDPH that is gathered by Tenant, including details of transfer of residents to replacement facility; presentation of same to Landlord – 30 months from Effective Date.
  - (E) Filing of Application for Licensure (“**Licensure Application**”) for Replacement Facility with IDPH – 30 months from Effective Date.
  - (F) Tenant to provide to Landlord a draft transition and communication plan for families and residents regarding transfer of residents into Replacement Facility – 30 months from Effective Date.
-

**EXHIBIT F**

**BUSINESS ASSOCIATE AGREEMENT**

See attached.

**EXHIBIT G**

**INSURANCE COVERAGES**

*[Include requirements for insurance coverage for Tenant]*

See attached.

EXHIBIT H

LAKE COUNTY MARKETPLACE

See attached.

**EXHIBIT I**

**SERVICE LIMITATIONS ON SERVICE COVENANT**

Assisted Living Services

Hospital Services

Mental Health Services

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**EXHIBIT J**

**RFP**

See attached.

EXHIBIT K  
TCM PROPOSAL

See attached.

**EXHIBIT L**

**PRE-DEVELOPMENT COSTS**

See attached.

**EXHIBIT M**

**IRREVOCABLE STANDBY LETTER OF CREDIT**

ISSUING BANK:

\_\_\_\_\_  
\_\_\_\_\_

[date]

Letter of Credit No. \_\_\_\_\_

Letter of Credit Amount \$700,000.00

Issuing Bank Letter of Credit Reference No. \_\_\_\_\_

Confirming Bank Name: \_\_\_\_\_

Confirming Bank Address: \_\_\_\_\_

Account Party: \_\_\_\_\_

BENEFICIARY:

County of Lake

18 North County Street - 9th Floor

Waukegan, IL 60085-4334

Attn: County Administrator

Ladies and Gentlemen:

We hereby confirm the enclosed Irrevocable Letter of Credit No. \_\_\_\_\_ and amendments thereto, if any, issued in favor of the Beneficiary by \_\_\_\_\_ [insert name of issuing bank] for drawings up to the aggregate principal amount of \$700,000.00, effective immediately. This confirmation is issued, presentable and payable at our office at \_\_\_\_\_, \_\_\_\_\_, and expires with our close of business on \_\_\_\_\_ [insert same expiration date as Letter of Credit]. The expiration date of this Letter of Credit shall be automatically extended for successive one (1) year periods unless we notify the Beneficiary by certified mail or other receipted means of delivery sent to Beneficiary's above stated address sixty (60) or more calendar days before the then current expiration date. The expiration date is not subject to automatic extension beyond \_\_\_\_\_, and pending automatic extension shall be ineffective beyond that date. The expiration date shall also be extended in accordance with the terms of an amendment issued by Issuer to which Beneficiary consents and in accordance with ISP98 Rules on closure of the place for presentation on the expiration date.

We hereby undertake to fully and promptly honor within three (3) business days any drawings made by Beneficiary hereunder and presented at our office specified above on or before the expiration date of this confirmation or any automatically extended expiration date which is made by a completed drawing certificate in the form attached hereto as Attachment A.

M-1

Attachment - 2

Except as expressly stated herein, our undertaking is not subject to any agreement, condition or qualification. The obligation of the undersigned under this confirmation is the individual obligation of the undersigned and is in no way contingent upon reimbursement with respect thereto.

This Letter of Credit is transferable one or more times, in each instance to a single transferee and only in the full amount available to be drawn under the Letter of Credit at the time of such transfer. Any such transfer may be affected only through ourselves and only upon presentation to us at our above-specified office of a duly executed instrument of transfer in the format attached hereto as **Attachment B** together with the original of this Letter of Credit. Any transfer of this Letter of Credit may not change the place of expiration of this Letter of Credit from our above-specified office. Each transfer shall be evidenced by our endorsement on the reverse of the original of this Letter of Credit, and we shall deliver the original of this Letter of Credit so endorsed to the transferee.

The term "Beneficiary" as used in this Letter of Credit means the beneficiary named in this Letter of Credit and any person who succeeds to substantially all of the rights of such beneficiary by operation of law or, in the event of a transfer of this Letter of Credit, the transfer beneficiary named in our advice of transfer of this Letter of Credit and any person who succeeds to substantially all of the rights of such transfer beneficiary by operation of law.

This confirmation is issued subject to the International Standby Practices 1998 ("ISP98") and the laws of the State of \_\_\_\_\_, and in the event of any conflict, the laws of the State of \_\_\_\_\_ shall control.

\_\_\_\_\_ [Issuer's name]

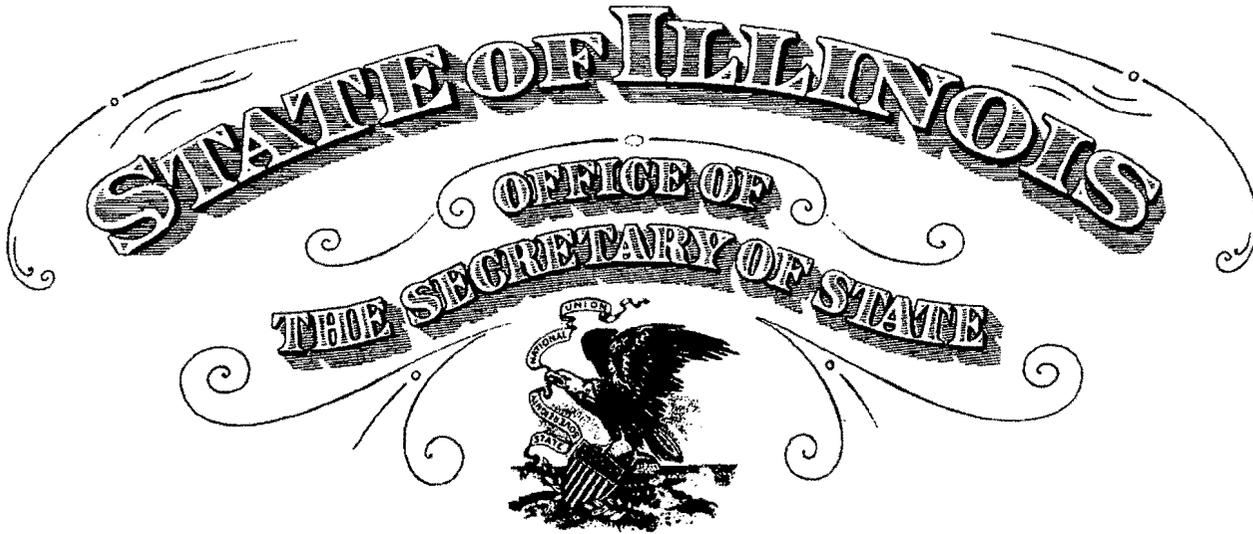
By:

\_\_\_\_\_ [Authorized signature]

**Section I, Identification, General Information, and Certification**  
**Operating Identity/Licensee**

A Certificate of Good Standing for the applicant, Transitional Care of Lake County, LLC is attached at Attachment – 3.

<b>Name</b>	<b>Ownership</b>
Brian Cloch	60%
Denise Norman	10%
Charles Ross	10%
Sarah Glumm	10%
Michael Filippo	10%



**To all to whom these Presents Shall Come, Greeting:**

*I, Jesse White, Secretary of State of the State of Illinois, do hereby certify that I am the keeper of the records of the Department of Business Services. I certify that*

TRANSITIONAL CARE OF LAKE COUNTY, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON MAY 08, 2015, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.



***In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this 20TH day of JULY A.D. 2015 .***

*Jesse White*

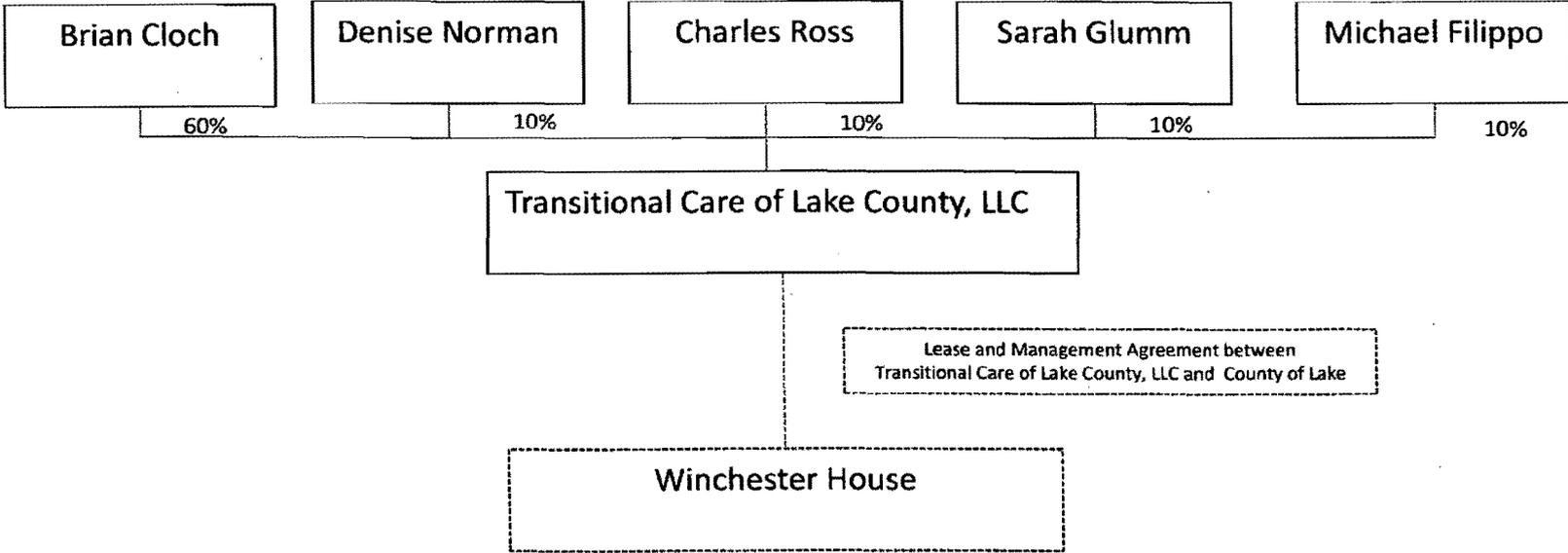
SECRETARY OF STATE

Authentication #: 1520102054 verifiable until 07/20/2016  
Authenticate at: <http://www.cyberdriveillinois.com>

**Section I, Identification, General Information, and Certification**  
**Organizational Relationships**

The organizational chart for Transitional Care of Lake County, LLC is attached at Attachment – 4.

**Organizational Structure  
Winchester House**



**Section I, Identification, General Information, and Certification**  
**Flood Plain Requirements**

The Applicants propose a change of ownership of Winchester House. The proposed project involves no construction or modernization. Accordingly, this criterion is not applicable.

**Section I, Identification, General Information, and Certification**  
**Historic Resources Preservation Act Requirements**

The Applicants propose a change of ownership of Winchester House. The proposed project involves no construction or modernization. Accordingly, this criterion is not applicable.

**Section I, Identification, General Information, and Certification  
Cost Space Requirements**

<b>Cost Space Table</b>							
<b>Dept. / Area</b>	<b>Cost</b>	<b>Gross Square Feet</b>		<b>Amount of Proposed Total Gross Square Feet That Is:</b>			
		<b>Existing</b>	<b>Proposed</b>	<b>New Const.</b>	<b>Modernized</b>	<b>As Is</b>	<b>Vacated Space</b>
<b>CLINICAL</b>							
Nursing	\$1,236,960	140,650				140,650	
<b>Total Clinical</b>	<b>\$1,236,960</b>	<b>140,650</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>140,650</b>	<b>0</b>
<b>NON CLINICAL</b>	<b>\$0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Non-clinical</b>	<b>\$0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>\$1,236,960</b>	<b>140,650</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>140,650</b>	<b>0</b>

**Section III, Project Purpose, Background and Alternatives – Information Requirements**  
**Criterion 1110.230, Project Purpose, Background and Alternatives**

Background of the Applicant

1. The County of Lake currently owns and operates Winchester House. A copy of Winchester House's license issued by the Illinois Department of Public Health ("IDPH") is attached at Attachment – 11A.
2. Certified listings of any adverse action taken against any facility owned and/or operated by the Applicants are attached at Attachments – 11B and 11C.
3. Authorizations permitting the State Board and IDPH access to any documents necessary to verify information submitted, including, but not limited to: official records of IDPH or other State agencies and the records of nationally recognized accreditation organizations are attached at Attachment – 11B and 11C.
4. The Applicants have not previously submitted an application for permit during this calendar year. Accordingly, this criterion is not applicable.



State of Illinois 2201139

Department of Public Health

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

NIRAV D. SHAH, M.D., J.D.  
DIRECTOR

Issued under the authority of  
The State of Illinois  
Department of Public Health

EXPIRATION DATE	CATEGORY	ID. NUMBER
01/01/2016	868E	0010678
LONG TERM CARE LICENSE SKILLED 224		
UNRESTRICTED 224 TOTAL BEDS		

BUSINESS ADDRESS

LICENSEE

COUNTY OF LAKE

WINCHESTER HOUSE  
1125 NORTH MILWAUKEE AVENUE  
LIBERTYVILLE IL 60048

EFFECTIVE DATE: 01/02/15

The fees in this license has a certified background check by authority of the State of Illinois • 4/97 •



Kathryn Olson, Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

18 North County Street - 10th Floor  
Waukegan, Illinois 60085-4351  
Phone 847 377 2300  
Fax 847 360 7322  
Web <http://www.lakecountyil.gov>

Dear Chairwoman Olson:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that no adverse actions as defined in 77 Ill. Admin. Code 1130.140 have been taken against Winchester House, the only health care facility owned or operated by the County of Lake in the State of Illinois, during the three year period prior to filing this application, other than noted below:

NH 12-C0442, Type B violation of the Nursing Home Care Act ("Act") with a \$1,100 fine.  
NH 13-S0537/NH 13-C0538. Type B Violation of the Act with a \$2,200 fine.

There are also two pending allegations that, dependent upon their resolution, could constitute adverse actions. Since they remain pending, these matters do not qualify as adverse actions and, in both circumstances, Lake County has requested administrative hearings so as to dispute the claims and present the appropriate challenges. However, in the interest of transparency, Lake County wanted to disclose the existence of these circumstances so as to provide a complete and truthful accounting of Winchester House's regulatory history. They are:

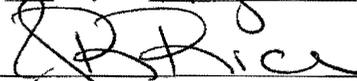
NH 14-S0484 alleging a Type A violation of the Act; and  
NH 15-C0323 alleging a Type B violation of the Act.

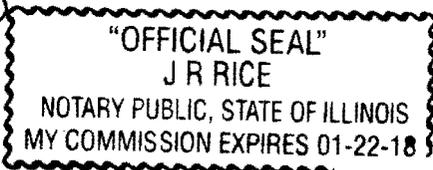
Additionally, pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the HFSRB and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for permit.

Sincerely,

  
County of Lake

Subscribed and sworn to me  
This 19<sup>th</sup> day of August, 2015

  
\_\_\_\_\_  
Notary Public



Transitional Care of Lake County

August 18, 2015

Kathryn Olson  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

Dear Chairwoman Olson:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that no adverse action as defined in 77 IAC 1130.140 has been taken against any in-center dialysis facility owned or operated by Transitional Care of Lake County, LLC in the State of Illinois during the three year period prior to filing this application.

Additionally, pursuant to 77 Ill. Admin. Code § 1110.230(a)(3)(C), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for permit. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for permit.

Sincerely,



Brian Cloch  
Manager  
Transitional Care of Lake County, LLC

Subscribed and sworn to me  
This 18<sup>th</sup> day of August, 2015

  
Notary Public

**Section III, Project Purpose, Background and Alternatives – Information Requirements.**  
**Criterion 1110.230(b), Project Purpose, Background and Alternatives**

Purpose of the Project

1. The purpose of this project is to ensure that the residents of Lake County continue to have access to quality long-term care services, and to ensure that there will be a continued commitment to the provision of care to the underserved and indigent residents of Lake County. The purpose of changing the licensee for Winchester House to Transitional Care is to maintain access to high quality skilled nursing home services for residents of Lake County.

Several years ago, Lake County realized that the financial impact upon the community of continuing to operate Winchester House was untenable. The issues related, in part, to the overwhelming financial losses being experienced, along with the need for constructing an entirely new replacement facility. Nevertheless, Lake County has been continuously committed to providing care to its underprivileged and elderly at this site since 1847. Thus, the County set out to explore every available option of how to continue the provision of care at Winchester House in a fiscally responsible manner.

Winchester House opened in 1847 as a poor farm and has since evolved into a long-term care facility providing 24-hour care. The existing buildings that make up the Winchester House complex date back to 1942, and the five-story care center dates back to 1970. To identify what possible options existed to allow for the continued provision of care, the County Board commissioned several studies relating to the Winchester House management and financial performance, its position in the skilled nursing services market, projections regarding future senior care demand, and the feasibility of a new replacement facility.

To properly evaluate this information, in 2007, the County Board established the Winchester House Advisory Board ("Advisory Board") to recommend, among other things, the best option(s) for constructing a new skilled nursing facility. The Advisory Board was comprised of Lake County residents who are industry professionals and also included two current Lake County Board members.

The Advisory Board spent a significant amount of time researching the changing healthcare environment in Illinois, the trends in utilization and reimbursement. With the help of the Advisory Board, Lake County analyzed available data to determine the best available options to ensure high quality care for current/future residents of Winchester House.

One of the first conclusions reached was that Winchester House was outdated and that the cost involved with renovating the existing facility or building a new replacement facility would not be fiscally responsible to the Lake County taxpayers. The operation of Winchester House has consistently yielded a substantial financial loss for the County. To ensure that the issue was not related to the limited experience the County had in managing a long-term care facility, the County took the step of bringing in a management company with experience operating long-term care facilities. The notion was that allowing an existing provider to utilize its experience might reduce the financial burden to an acceptable level. This proved not to be the case.

The Advisory Board further concluded that trends in healthcare, such as the Affordable Care Act ("ACA"), the State's transition to a managed care model, and the existence of other State and federally funded agencies and/or programs (e.g., Illinois Department on Aging, Northeast Area Agency on Aging, Catholic Charities) that are designed to fulfill the same mission as Winchester House, specifically ensuring access to quality care for those who may not be able to afford it, would minimize any impact of Lake County exiting the marketplace. These

programs and agencies will be able to continue to achieve this goal without Lake County continuing to operate Winchester House.

Furthermore, the Advisory Board found that consumer preference continues to show a desire to stay at home for the provision of care, which strongly suggests the potential that nursing home utilization will continue to decline due to economic constraints. Additionally, the State continues to explore lower cost options other than nursing home placement, such as increased utilization of home care and other home and community based services.

After all of the information was gathered, analyzed, and discussed, the Advisory Board presented its recommendation that the County issue a Request for Proposal ("RFP") to solicit proposals from qualified entities in the private sector looking to: (1) enter into a lease to operate Winchester House for a term certain; (2) go through the Certificate of Need process to become the licensee; and (3) pursue regulatory approval for the establishment of a replacement facility by the end of the term of the lease. This plan of action was the Advisory Board's plan to ensure that the existing residents of Winchester House would continue to receive quality care, that a quality operator could be identified which would commit to ensuring that every resident of Winchester House would continue to have a facility in which to receive care, and that the residents of Lake County would continue to have access to quality care at a new facility in the future.

RFPs were extended to 80 potential vendors and, despite the volume of initial inquiries, sealed proposals were received from only two vendors. Based on the criteria set forth in the RFP for the Lease and Replacement of Winchester House, the conclusion was reached that the proposal submitted by Transitional Care was the most favorable for Lake County.

Lake County has coordinated with the staff of the Health Facilities and Services Review Board ("HFSRB") regarding the design and results of the RFP process by seeking technical assistance. In May 2014, the County met with George Roate, Courtney Avery, and Frank Urso to ensure that all of the relevant considerations related to the potential of a County stepping out of the operation of a long-term care facility were being considered. Great insight was obtained which was then factored into the RFP process. In May 2015, another technical assistance meeting took place with Michael Constantino, George Roate, and Juan Morado to discuss the practical steps to be taken to execute the plan of action designed by the Advisory Board in a manner consistent with the requirements of the HFSRB.

As part of the lease, an agreement has been reached regarding Transitional Care maintaining a continued commitment to serving a Medicaid population. In the event Transitional Care receives regulatory approval to establish a replacement facility, it has committed that every resident of Winchester House wanting to reside in the new facility will have the opportunity to do so. The project outlined is the best path forward to ensure that when Lake County steps out of its role as a provider of long-term care services, that it has the least impact upon the community. Lake County's partnership with Transitional Care is the best means of achieving that goal.

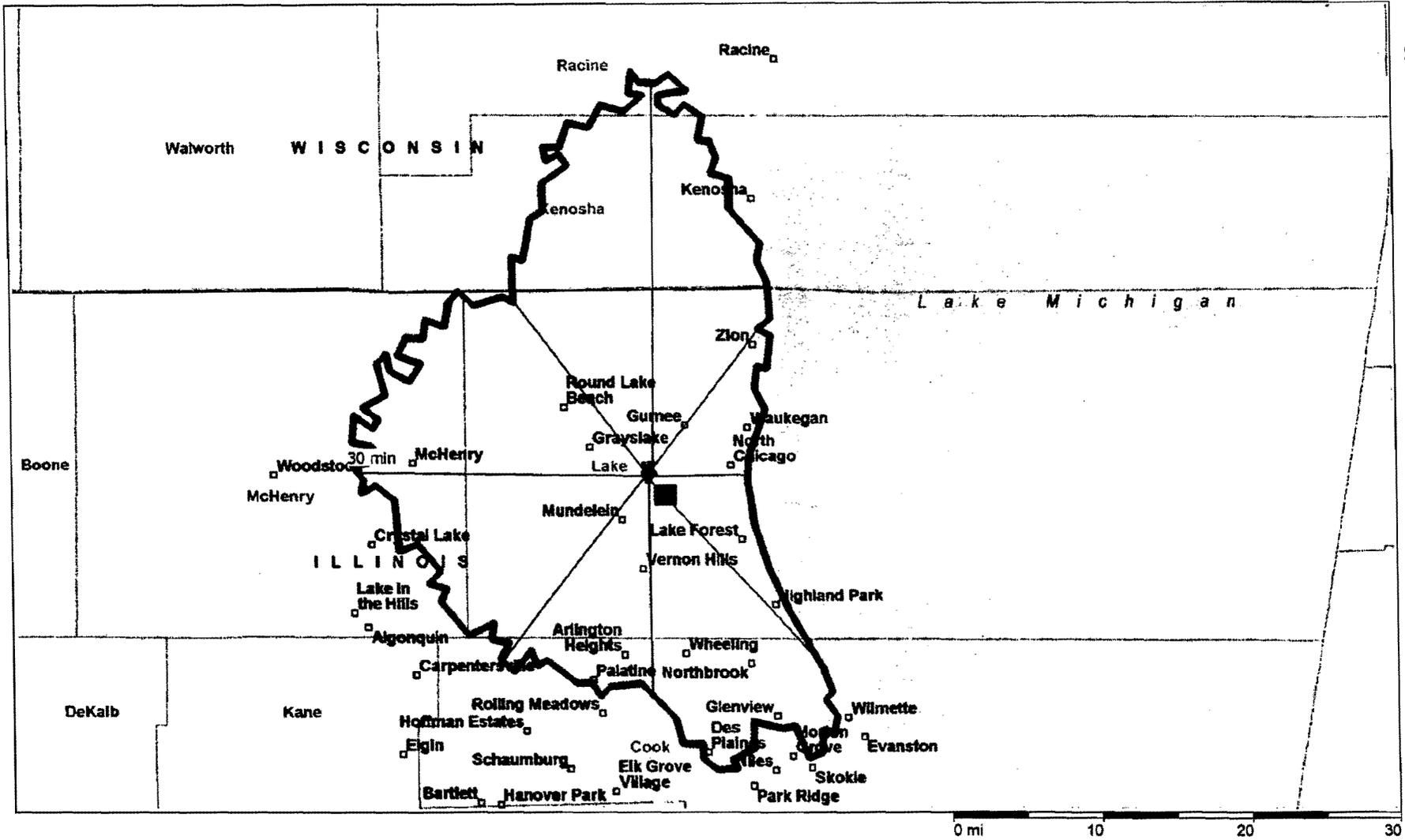
Transitional Care has expertise in value engineering and can implement programs designed to improve quality and reduce costs that are not available to Lake County. Through value engineering, Transitional Care will redesign resident care and eliminate functional redundancies to ensure that the residents of Lake County continue to have access to high quality skilled nursing home services in the future.

2. A map of the market area for Winchester House is attached at Attachment – 12. The market area encompasses approximately an 18 mile radius around the proposed facility. The boundaries of the market area of are as follows:

- North approximately 30 minutes normal travel time to Wisconsin border.
- Northwest approximately 30 minutes normal travel time to Wisconsin border.

- West approximately 30 minutes normal travel time to McHenry.
- Southwest approximately 30 minutes normal travel time to Palatine.
- South approximately 30 minutes normal travel time to Rolling Meadows.
- Southeast approximately 30 minutes normal travel time to Northbrook.
- East approximately 12 minutes to North Chicago.
- Northeast approximately 30 minutes to Zion.

# Illinois, United States, North America



Notes



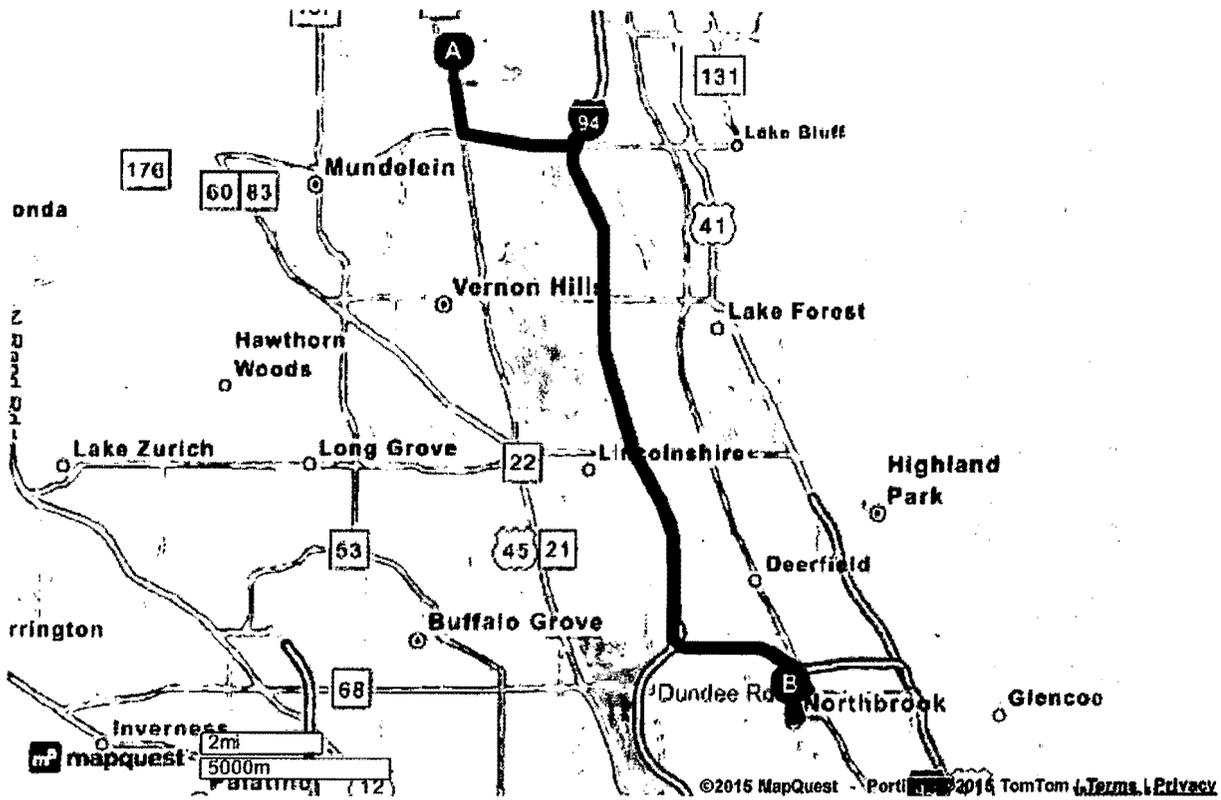
Trip to:

**Northbrook, IL**

16.32 miles / 21 minutes

- |          |  |                              |
|----------|--|------------------------------|
|          | <b>1125 N Milwaukee Ave, Libertyville, IL 60048-1304</b>   | <b>Download<br/>Free App</b> |
|          | 1. Start out going south on N Milwaukee Ave / IL-21 toward W Winchester Rd / County Hwy-69 / County Hwy-A34. <a href="#">Map</a> | 0.9 MI<br>0.9 Mi Total       |
|          | 2. Turn left onto E Park Ave / IL-176. <a href="#">Map</a>   | 2.0 MI<br>2.9 Mi Total       |
|          | 3. Merge onto I-94 E / Tri State Tollway S via the ramp on the left (Portions toll). <a href="#">Map</a>                         | 9.3 MI<br>12.2 Mi Total      |
|          | 4. Keep left to take I-94 E / Tri State Tollway S toward Chicago (Portions toll). <a href="#">Map</a>                            | 2.5 MI<br>14.7 Mi Total      |
| EXIT<br> | 5. Take the IL-43 / Waukegan Rd exit. <a href="#">Map</a>  | 0.2 MI<br>14.9 Mi Total      |
|          | 6. Merge onto IL-43 / Waukegan Rd. <a href="#">Map</a>   | 0.5 MI<br>15.4 Mi Total      |
|          | 7. Turn right onto Dundee Rd / IL-68. <a href="#">Map</a>  | 0.3 MI<br>15.7 Mi Total      |
|          | 8. Turn left onto Meadow Rd. <a href="#">Map</a>   | 0.5 MI<br>16.2 Mi Total      |
|          | 9. Take the 1st right onto Cherry Ln. <a href="#">Map</a>  | 0.2 MI<br>16.3 Mi Total      |
|          | 10. Welcome to NORTHBROOK, IL. <a href="#">Map</a>   |                              |
|          | <b>Northbrook, IL</b>  |                              |

Total Travel Estimate: 16.32 miles - about 21 minutes



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Notes



Trip to:

**Palatine, IL**

16.79 miles / 28 minutes



**1125 N Milwaukee Ave, Libertyville, IL 60048-1304**

Download  
Free App



1. Start out going **south** on **N Milwaukee Ave / IL-21** toward **W Winchester Rd / County Hwy-69 / County Hwy-A34**. [Map](#)

**0.9 Mi**  
*0.9 Mi Total*



2. Turn **right** onto **W Park Ave / IL-176**. [Map](#)

**1.1 Mi**  
*2.0 Mi Total*



3. Turn **left** onto **County Hwy-57 / County Hwy-W11 / S Butterfield Rd**. [Map](#)

**2.8 Mi**  
*4.8 Mi Total*



4. Turn **right** onto **IL-60 / Townline Rd**. [Map](#)

**0.9 Mi**  
*5.7 Mi Total*



5. Turn **left** onto **S Lake St / US-45 S**. [Map](#)

**0.3 Mi**  
*5.9 Mi Total*



6. **S Lake St / US-45 S** becomes **N IL Route 83 / IL-83**. [Map](#)

**4.1 Mi**  
*10.1 Mi Total*



7. Turn **right** onto **IL-53**. [Map](#)

**3.1 Mi**  
*13.2 Mi Total*



8. Stay **straight** to go onto **N Hicks Rd**. [Map](#)

**2.5 Mi**  
*15.7 Mi Total*



9. Turn **left** onto **N Northwest Hwy / US-14 E**. [Map](#)

**0.6 Mi**  
*16.3 Mi Total*



10. Turn **right** onto **E Palatine Rd**. [Map](#)

**0.5 Mi**  
*16.8 Mi Total*

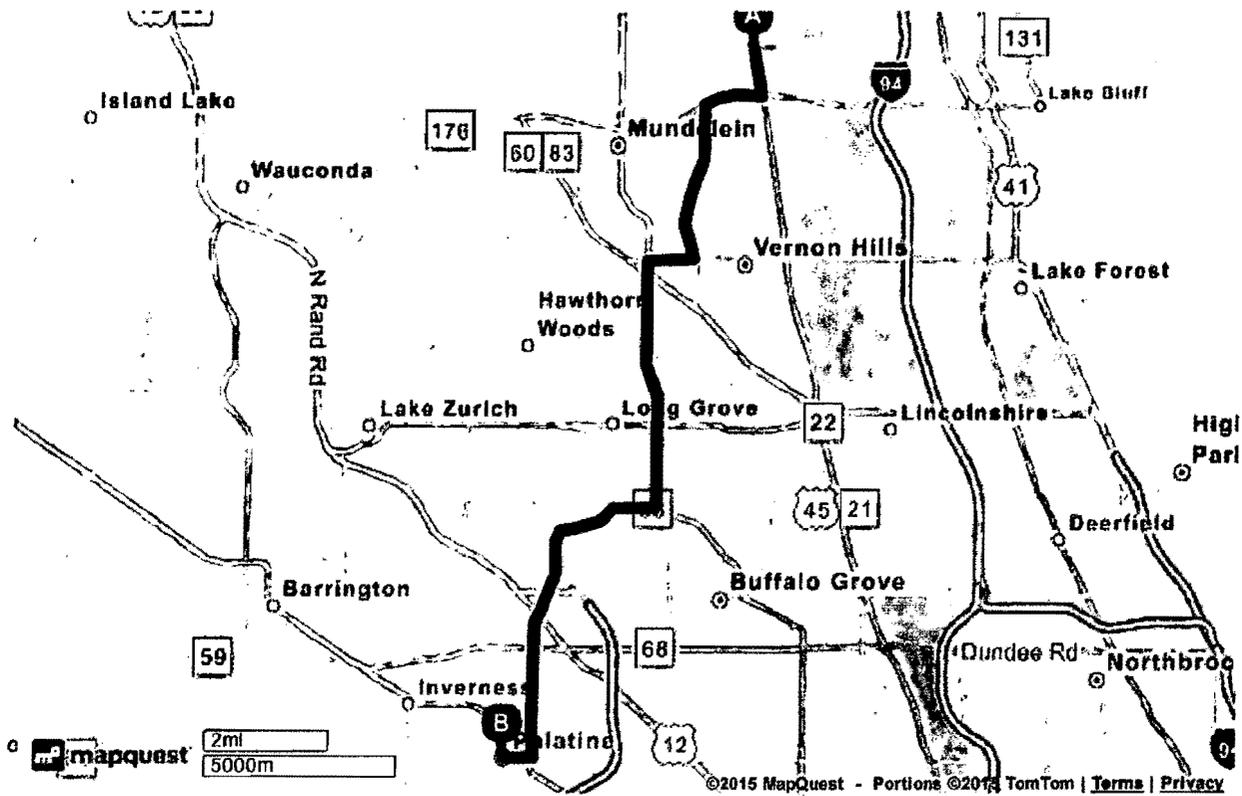


11. Welcome to **PALATINE, IL**. [Map](#)



**Palatine, IL**

Total Travel Estimate: 16.79 miles - about 28 minutes



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Trip to:  
**North Chicago, IL**  
7.16 miles / 12 minutes

Notes

**Find Your Graduating Class**



**classmates**

1935  
1985  
1975  
1965  
1955

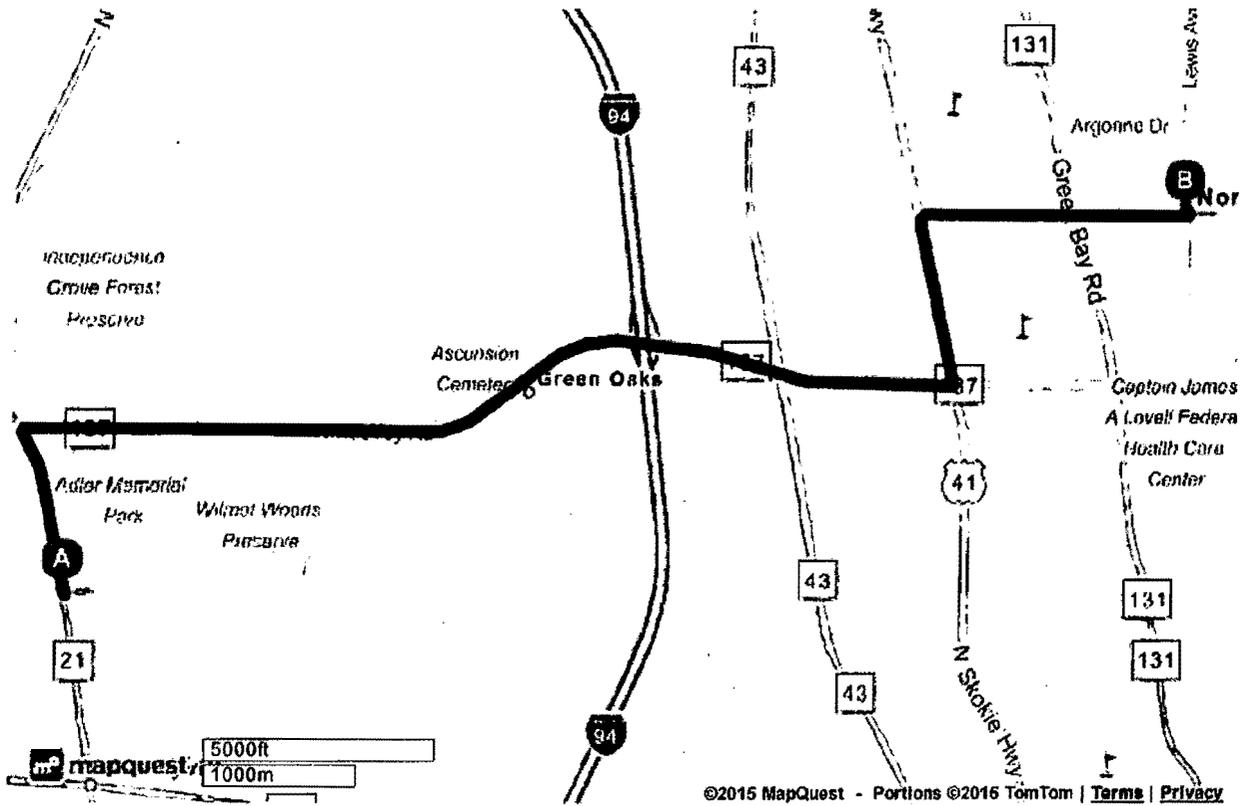
**A** 1125 N Milwaukee Ave, Libertyville, IL 60048-1304

Download  
Free App

- 1. Start out going north on N Milwaukee Ave / IL-21 toward Walnut St. [Map](#) 0.7 Mi  
0.7 Mi Total
- ➡  2. Turn right onto W Buckley Rd / IL-137. [Map](#) 4.4 Mi  
5.2 Mi Total
- ⬅  3. Turn left onto N Skokie Hwy / US-41 N. [Map](#) 0.7 Mi  
5.9 Mi Total
- ➡ 4. Take the 1st right onto Martin Luther King Jr Dr. [Map](#) 1.3 Mi  
7.2 Mi Total
- 5. Welcome to NORTH CHICAGO, IL. [Map](#)

**B** North Chicago, IL

Total Travel Estimate: 7.16 miles - about 12 minutes



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Trip to:  
**McHenry, IL**  
18.88 miles / 28 minutes

Notes



### Obama Increases Amount Seniors Can Get From Reverse Mortgages

**TAP YOUR AGE:**  
62-65      66-70  
71-75      Over 75

### Calculate New Payment

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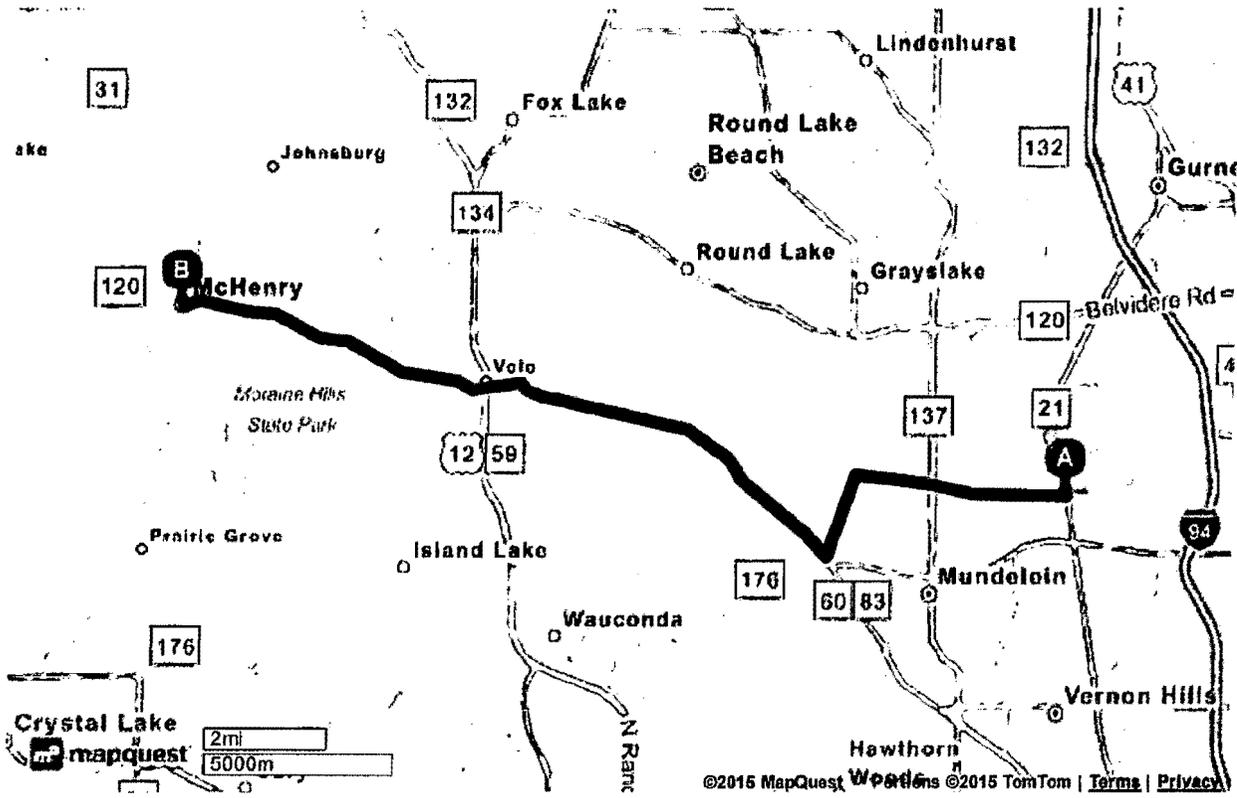
**A** 1125 N Milwaukee Ave, Libertyville, IL 60048-1304

Download Free App

- 1. Start out going south on N Milwaukee Ave / IL-21 toward E Winchester Rd. [Map](#) 0.04 MI  
0.04 Mi Total
- ➔ 2. Take the 1st right onto W Winchester Rd / County Hwy-69 / County Hwy-A34. [Map](#) 4.0 MI  
4.0 Mi Total
- ⬅️ 3. Turn left onto N IL Route 83 / IL-83. [Map](#) 1.6 MI  
5.5 Mi Total
- ➔ 4. Turn right onto W IL Route 60 / IL-60. [Map](#) 6.7 MI  
12.3 Mi Total
- ⬅️ 5. Turn left onto W Belvidere Rd / IL-120. Continue to follow IL-120. [Map](#) 6.6 MI  
18.9 Mi Total
- 6. Welcome to MCHENRY, IL. [Map](#)

**B** McHenry, IL

Total Travel Estimate: 18.88 miles - about 28 minutes



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Notes



Trip to:

**Kenosha, WI**

28.18 miles / 36 minutes



**1125 N Milwaukee Ave, Libertyville, IL 60048-1304**

Download  
Free App



1. Start out going north on **N Milwaukee Ave / IL-21** toward **Walnut St**. Continue to follow **IL-21**. [Map](#)

**4.9 Mi**  
*4.9 Mi Total*



2. Merge onto **I-94 W** via the ramp on the **left** toward **Milwaukee** (Portlons toll) (Crossing into **Wisconsin**). [Map](#)

**16.4 Mi**  
*21.3 Mi Total*



3. Take **EXIT 342** toward **WI-158 / Kenosha**. [Map](#)

**0.3 Mi**  
*21.6 Mi Total*



4. Turn **slight right** onto **52nd St / WI-158**. Continue to follow **52nd St**. [Map](#)

**6.6 Mi**  
*28.2 Mi Total*

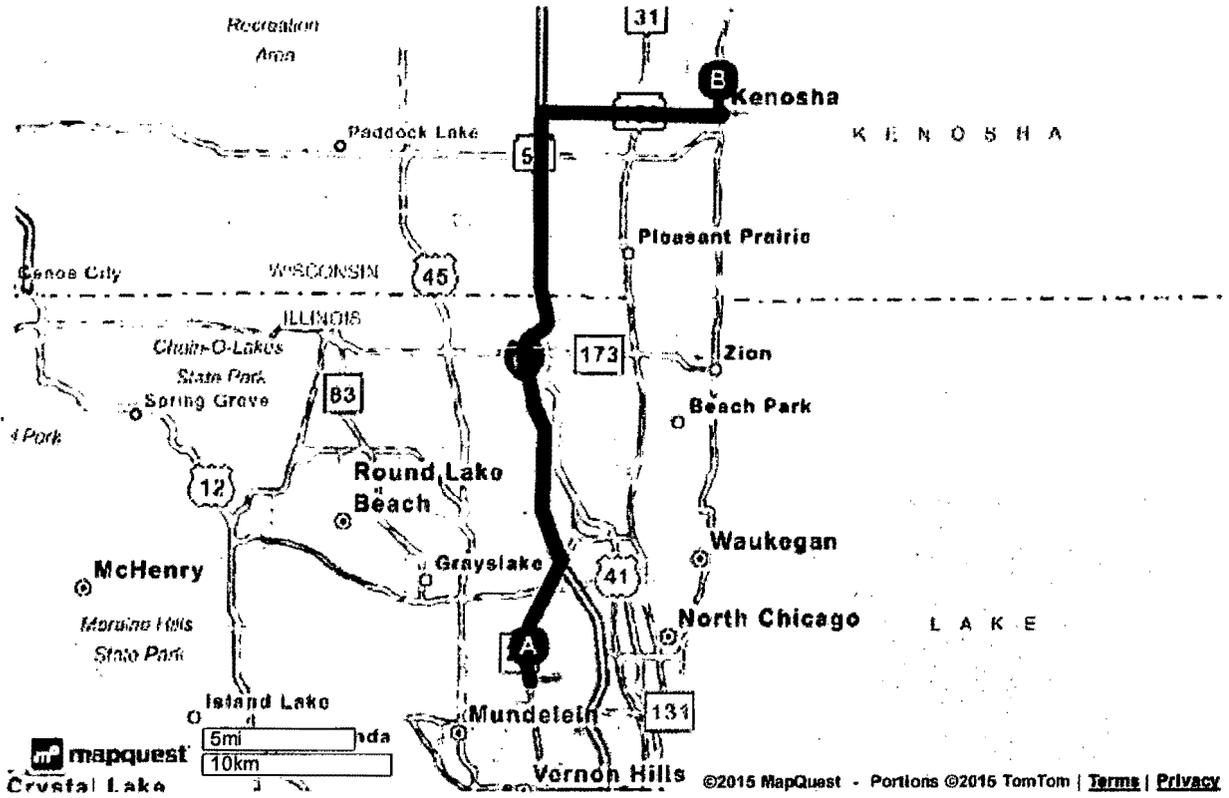


5. Welcome to **KENOSHA, WI**. [Map](#)



**Kenosha, WI**

Total Travel Estimate: 28.18 miles - about 36 minutes



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Notes



Trip to:

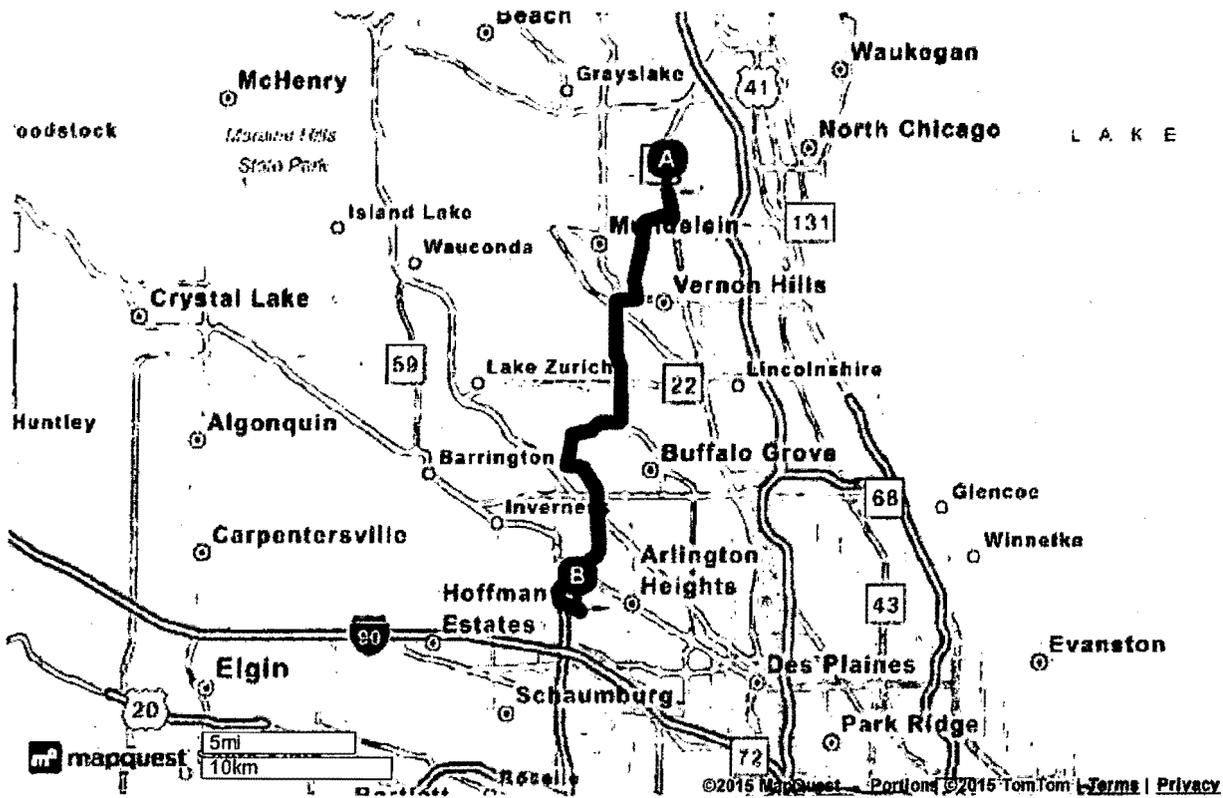
**Rolling Meadows, IL**

20.55 miles / 31 minutes

- |  |  |  |
|--|--|--|
|  | <b>1125 N Milwaukee Ave, Libertyville, IL 60048-1304</b>   | <b>Download Free App</b>               |
|  | 1. Start out going south on N Milwaukee Ave / IL-21 toward W Winchester Rd / County Hwy-69 / County Hwy-A34. <a href="#">Map</a> | <b>0.9 MI</b><br><i>0.9 Mi Total</i>   |
|  | 2. Turn right onto W Park Ave / IL-176. <a href="#">Map</a>  | <b>1.1 MI</b><br><i>2.0 Mi Total</i>   |
|  | 3. Turn left onto County Hwy-57 / County Hwy-W11 / S Butterfield Rd. <a href="#">Map</a>   | <b>2.8 MI</b><br><i>4.8 Mi Total</i>   |
|  | 4. Turn right onto IL-60 / Townline Rd. <a href="#">Map</a>  | <b>0.9 MI</b><br><i>5.7 Mi Total</i>   |
|  | 5. Turn left onto S Lake St / US-45 S. <a href="#">Map</a>   | <b>0.3 MI</b><br><i>5.9 Mi Total</i>   |
|  | 6. S Lake St / US-45 S becomes N IL Route 83 / IL-83. <a href="#">Map</a>  | <b>4.1 MI</b><br><i>10.1 Mi Total</i>  |
|  | 7. Turn right onto IL-53. <a href="#">Map</a>  | <b>3.1 MI</b><br><i>13.2 Mi Total</i>  |
|  | 8. Turn left onto Lake Cook Rd / IL-53. <a href="#">Map</a>  | <b>0.4 MI</b><br><i>13.7 Mi Total</i>  |
|  | 9. Merge onto IL-53 S toward West Suburbs. <a href="#">Map</a>   | <b>5.2 MI</b><br><i>18.9 Mi Total</i>  |
|  | 10. Take the Euclid Ave W exit. <a href="#">Map</a>  | <b>0.4 MI</b><br><i>19.2 Mi Total</i>  |
|  | 11. Merge onto Euclid Ave. <a href="#">Map</a>   | <b>0.04 MI</b><br><i>19.3 Mi Total</i> |
|  | 12. Take the 1st left onto Hicks Rd. <a href="#">Map</a>   | <b>0.4 MI</b><br><i>19.6 Mi Total</i>  |
|  | 13. Turn left onto Kirchoff Rd. <a href="#">Map</a>  | <b>0.9 MI</b><br><i>20.5 Mi Total</i>  |
|  | 14. Welcome to ROLLING MEADOWS, IL. <a href="#">Map</a>  |  |

**Rolling Meadows, IL**

Total Travel Estimate: 20.55 miles - about 31 minutes



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Notes



Trip to:

**Zion, IL**

19.03 miles / 28 minutes



**1125 N Milwaukee Ave, Libertyville, IL 60048-1304**

Download  
Free App



1. Start out going north on N Milwaukee Ave / IL-21 toward Walnut St. Continue to follow IL-21. [Map](#)

7.1 Mi

7.1 Mi Total



2. Turn left onto N Skokie Hwy / US-41 N. Continue to follow US-41 N. [Map](#)

5.5 Mi

12.6 Mi Total



3. Turn right onto W IL Route 173 / IL-173. Continue to follow W IL Route 173. [Map](#)

4.7 Mi

17.3 Mi Total



4. W IL Route 173 becomes IL-173. [Map](#)

1.7 Mi

19.0 Mi Total

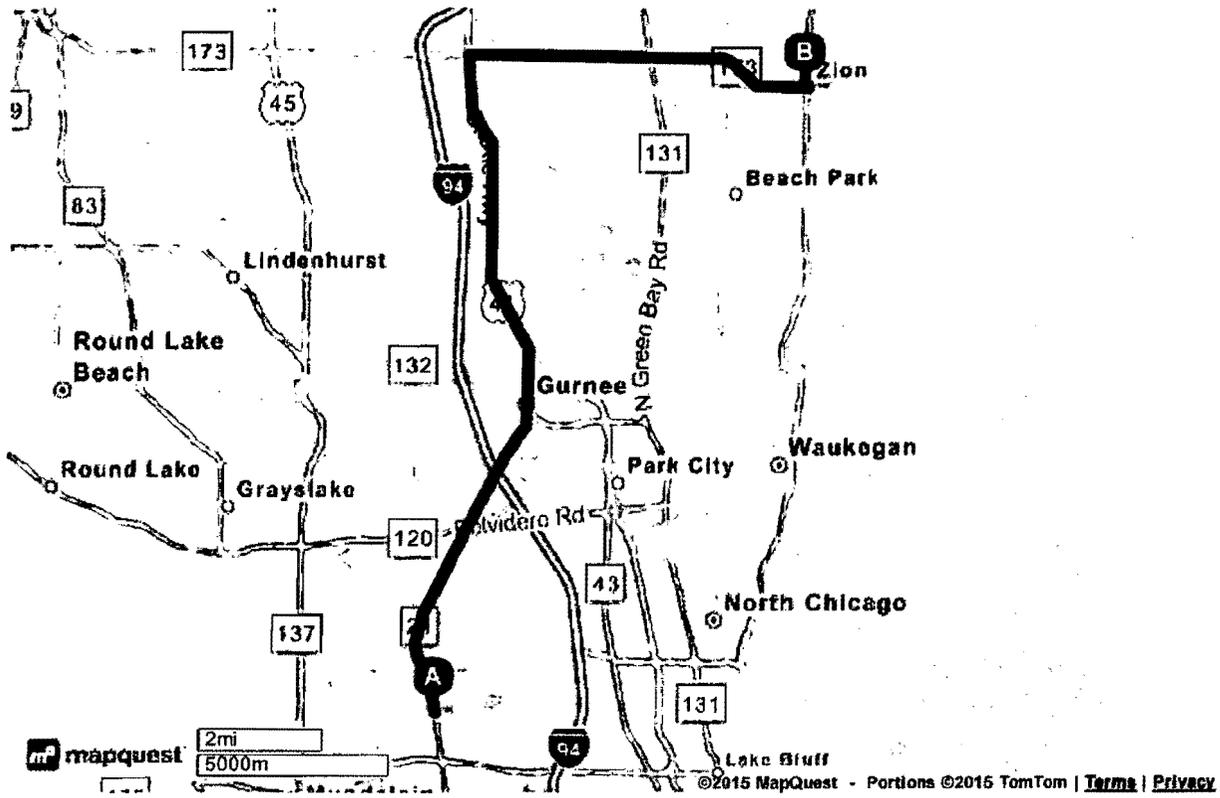


5. Welcome to ZION, IL. [Map](#)



**Zion, IL**

Total Travel Estimate: 19.03 miles - about 28 minutes



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**Section III, Project Purpose, Background and Alternatives – Information Requirements**  
**Criterion 1110.230(c), Project Purpose, Background and Alternatives**

Alternatives

**1. Do Nothing**

The Advisory Board concluded that notably adverse circumstances would eventually arise if Lake County did not take thoughtful and strategic action. The continued operation of Winchester House would be fiscally irresponsible when considering the obligations to the entire population of Lake County. The condition of the physical plant has been maintained by utilizing the on-site efforts of dedicated employees, but will soon reach a point where the functional utility of the structure will warrant replacement. The financial impact of that (or of implementing continued temporary solutions) would be ruinous. Finally, the long-term interests of those residents utilizing Winchester House would be compromised by not taking affirmative action to provide for their present, as well as their future health needs.

Cost: Technically, doing nothing would have no cost. However, the financial and social cost would be such that this alternative had to be disregarded as a viable option.

**2. Close Winchester House**

From a purely fiscal perspective, this alternative might make the most sense. However, Lake County takes its commitment to providing care to the underserved residents of Lake County seriously. History has shown that a County-run facility simply exiting the market without any organized plan on how to continue providing care to the residents dependent upon the County can have a notably adverse effect on access to care. For that reason, simply announcing the closure of the facility and transferring the existing residents to other facilities did not seem like the responsible option from either a social or a health planning perspective.

Cost: The cost of closing Winchester House would not be significant to Lake County. However, the cost to today's residents and the potential impact for not considering "tomorrow's" residents would be substantial. Lake County did not feel this option was consistent with its goal of identifying an orderly way to exit the marketplace and still providing for the future of Lake County residents.

**3. Lake County Continue to Operate Winchester House**

Lake County's operation of Winchester House has yielded substantial losses every year for an extended period of time. Lake County has commissioned studies and explored all of the commercially reasonable means to operate the facility more efficiently or effectively without sacrificing resident care. Lake County brought in external consultants and operators to assist in the operation without success. It is not feasible for Lake County to continue operating Winchester House.

Cost: The mounting losses would be harmful to the financial health of Lake County.

**4. Lake County Build a Replacement Facility**

There are two substantial obstacles to the feasibility of Lake County building a replacement facility itself: logistical and financial. The logistical issues relate to the location of the facility within the larger County complex. The available space to replace the facility adjacent to the existing facility does not exist. Therefore, if it were to be rebuilt on the same site, it would either require the replacement of the structure in stages or the temporary closure of the facility. The temporary closure to allow for demolition and reconstruction of the facility would be inappropriate because it would interfere with the provision of care and entirely cease the generation of income that helps minimize the already substantial losses. The phasing of the project would add cost and reduce census, also exacerbating the financial impact.

The alternative would be the acquisition of new land and the construction of an entirely new facility. This undertaking would involve the commitment of tens of millions of additional dollars with no reason to believe that the operational losses would cease, thereby exacerbating the financial strain caused by the County's operation of the facility.

Cost: This alternative has the highest possible cost with the least basis to believe it would yield a different financial result. For that reason it was dismissed as an alternative.

#### **5. Bring in an Experienced Management Company to Operate the Facility**

This option was tried and did not succeed. A reputable and experienced management company was identified and brought in to operate Winchester House. Despite their experience over that of the County's, the facility continued to operate at a substantial loss and necessitated the Advisory Committee's progression to explore additional alternatives.

Cost: The cost of this alternative was worth its trying – but having done so and having been unable to produce the necessary results, is not worth pursuing again.

#### **6. Pursue a Joint-Venture between the County of Lake and a Private Entity**

There is no incentive for a private operator to take on the risk involved with the ownership and operation of a long-term care facility without being able to enjoy the potential upside. There is no reason for Lake County to continue in its ownership capacity if all studies and efforts have yielded the conclusion that the County needs to exit the marketplace as a provider of long-term care services.

Cost: The cost would be similar to the current proposal, but with the guarantee of further fiscal strain. When compared to the current proposal which identifies a limited window of time in which Lake County will continue to carry the financial burden of this facility, a joint venture with continued ownership interest does not make any sense.

#### **7. Sell Winchester House Outright**

From a purely financial perspective, along with the possibility of simply closing Winchester House, selling it might make the most sense. However, it is not a practical solution, nor is it consistent with the priority identified by the Advisory Board of Lake County ensuring that the operator of Winchester House would remain committed to serving a Medicaid population and that these services would continue to be available for Lake County residents. The logistical concern is the location of the facility. As mentioned above, it is within a complex including multiple County buildings and services, and the notion of annexing and selling the facility is not feasible.

Cost: Despite being the one option that could be financially beneficial to the County, the cost of losing the ability to influence the continued operation of Winchester House, even on a temporary basis, was not worth pursuing.

#### **8. Transfer Operational Control of Winchester House to a Private Operator Committed to Building a Replacement Facility**

This option was selected because it proved to be the best balancing of the competing interests.

Transitional Care is a quality and experienced provider. Transitional Care was willing to agree to maintain a commitment to serving a Medicaid population during the period of time it would continue operating Winchester House. This allowed Lake County to ensure that its underserved and indigent residents would continue to have access to quality care. Transitional Care was willing to go before the HFSRB to eventually seek permission to build a replacement facility. This would ensure that Lake County had access to a new facility operated by quality care givers. Transitional Care was also willing to commit that every resident of Winchester House who wanted to reside in any new facility it was authorized to establish would be able to move into the new replacement facility. Transitional Care established itself as a committed partner to allow Lake

County to address its concerns in providing for the present and future health, safety and welfare of Winchester House's residents.

Moreover, this project allows Lake County, despite having explored every other alternative available, to exit the marketplace as a provider of long-term care services. In addition, this project allows Lake County to exit in a conscientious, strategic, and organized manner that minimizes the disruption to the community and the residents of Winchester House.

Those residents at Winchester House will be able to maintain access to high quality skilled nursing home services. The acquisition will create economies of scale, integrate clinical, administrative and support functions, and eliminate functional redundancies. Through the acquisition, Transitional Care will implement programs designed to improve quality of care while reducing costs.

The cost of this alternative has been established as the fair market value of the lease, \$1,236,960.

**Section VI, Mergers, Consolidations and Acquisitions/Changes of Ownership**  
**Criterion 1110.240(b), Impact Statement**

1. Transactional Documents

The executed Lease and Management Agreement between County of Lake and Transitional Care of Lake County, LLC for Winchester House is attached at Attachments 19A. Language conditioning the change of ownership upon HFSRB approval is included in Sections 1.3 and 1.4 of the Lease and Management Agreement.

2. Change in Services Currently Offered

There will be no change in the services currently offered at Winchester House.

3. Operating Entity

Transitional Care of Lake County, LLC will be the operating entity of Winchester House.

4. Reason for the Transaction

The purpose of the proposed acquisition of Winchester House is to maintain access to high quality skilled nursing home services to residents of Lake County. Transitional Care of Lake County, LLC has expertise in value engineering and can implement programs designed to improve quality and reduce costs that are not available to the County of Lake. Through value engineering Transitional Care of Lake County will redesign patient care and eliminate functional redundancies to ensure Winchester House remains viable in the future.

5. Anticipated Additions or Reductions of Employees

No significant additions or reductions in employees are anticipated. Transitional of Lake County, LLC determines its staffing needs according to its census. Going forward, staffing hours and/or positions will be added or reduced according to resident census and care needs. The Applicant anticipates no reduction in employees.

6. Cost-Benefit Analysis

The proposed transaction contemplates a change of ownership of Winchester House. Transitional Care of Lake County, LLC will lease substantially all of the hard assets of Winchester House for \$1,236,960. While the applicant will incur costs inherent in operating a skilled nursing facility, it will likely achieve costs savings through value engineering initiatives.

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**LEASE AND MANAGEMENT AGREEMENT**

*between*

**COUNTY OF LAKE**  
*an Illinois municipal corporation*

*Landlord*

*and*

**TRANSITIONAL CARE OF LAKE COUNTY, LLC**  
*an Illinois Limited Liability Company*

*Tenant*

**May 12, 2015**

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## LEASE AND MANAGEMENT AGREEMENT

This Lease and Management Agreement ("**Agreement**") is made and entered into as of the 12<sup>th</sup> day of May, 2015 (the "**Signing Date**"), between the COUNTY OF LAKE, an Illinois unit of local government ("**Landlord**"), and , TRANSITIONAL CARE OF LAKE COUNTY, LLC, an Illinois Limited Liability Company ("**Tenant**").

### RECITALS:

WHEREAS, Landlord is the owner of that certain tract of land, improved with a 224 licensed bed skilled nursing facility commonly known as Winchester House and located at 1125 North Milwaukee Avenue, Libertyville, Illinois 60048, as more particularly described in Exhibit A attached hereto and made a part hereof (the "**Premises**");

WHEREAS, Landlord is the licensed operator and owner of the Premises, including all of the furnishings, furniture, equipment, supplies and fixtures used in or about, and required for the use of the Premises as a 224 licensed bed skilled nursing facility (the "**Facility**");

WHEREAS, the County Board of the County of Lake (the "**County Board**") established the Winchester House Advisory Board (the "**WHAB**") to, among other things, recommend the best option for constructing a new skilled nursing facility;

WHEREAS, the WHAB recommended the Landlord issue a Request for Proposal (attached as Exhibit J) to solicit proposals from qualified entities in the private sector to lease the Facility, to become the licensee, and to provide for a replacement facility (the "**Replacement Facility**") by the end of the term of the lease;

WHEREAS, part of the Illinois Counties Code, 55 Ill. Comp. Stat. § 5/5-21001, authorizes Landlord to establish and maintain a county nursing home, as well as to sell, dispose of or lease for any term, any part of the home properties in such manner and upon such terms as it deems best for the interest of Lake County;

WHEREAS, Tenant submitted a proposal to lease the Facility and to construct a Replacement Facility suitable to house the existing residents in a fully operational skilled nursing facility at the conclusion of the Term of this Agreement;

WHEREAS, Landlord desires to lease the Facility to Tenant, to relinquish its IDPH Facility license in favor of Tenant, and to have Tenant lease, manage and operate the Facility;

WHEREAS, Tenant desires to lease, manage and operate the Facility;

WHEREAS, Tenant desires to construct a Replacement Facility suitable to house the existing residents in a fully operational skilled nursing facility at the conclusion of the Term;

WHEREAS, the parties hereto have agreed to the terms and conditions of this Agreement;

WHEREAS, contemporaneously with entering into this Agreement, the parties are entering into an operations transfer agreement (the "Operations Transfer Agreement") to facilitate the orderly transition of the operations of the Facility to Tenant;

WHEREAS, this Agreement and the transactions contemplated herein were authorized by the County Board at its regular meeting on May 12, 2015; and

NOW THEREFORE, in consideration of the promises and mutual agreements contained herein and for consideration received by the parties, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, agree that the use and occupancy of the Facility and construction of the Replacement Facility shall be subject to and in accordance with the terms, conditions and provisions of this Agreement as follows:

## ARTICLE 1 PREAMBLES AND INTRODUCTION

1.1 Incorporation of Recitals. The preceding recitals are hereby made a part of the contractual provisions of this Agreement to the same extent as if specifically set forth in full in this Article 1.

1.2 Three Phases. By way of introduction, the parties agree that this Agreement shall be comprised of three essential phases, each having a distinct operating schedule and requirements for the Tenant. The actions to occur during each of the three phases are summarized below, and are further described throughout this Agreement. Collectively, the actions contemplated by this Agreement to occur during each of the three phases are referred to in this Agreement as the "Transaction."

*Phase I: Interim Operation & Management Under Landlord's License:*

Phase I shall commence as of the Effective Date (as defined in Article 2). During Phase I, Tenant shall take all commercially reasonable actions necessary to secure all Healthcare Licenses and Approvals needed to operate the Facility. During the pendency of Tenant's receipt of the Healthcare Licenses and Approvals, Tenant shall assist Landlord (or Landlord's agent) by becoming the interim manager of the Facility. Tenant shall manage the provision of services at the Facility for the health, safety, nursing care, and welfare of all Facility residents in accordance with the Lake County Mission (as defined in Article 2), utilizing Landlord's existing nursing facility license issued by IDPH.

During Phase I, Tenant shall work cooperatively with Landlord to assure a smooth transition to Phase II. Such transition shall include, but not be limited to, installation of systems and procedures by Tenant needed to operate and sustain operations, performing inventory of existing movable equipment and supplies, establishing cut-off procedures for accounts receivable and accounts payable, assembling a workforce, transferring applicable contractual obligations to Tenant and such other practices necessary for the transition of the Facility operation to Tenant. In addition,

during Phase I, Tenant shall use its best efforts to meet the milestones set forth and established in the Phase I Milestones, attached hereto and incorporated herein as Exhibit C.

Phase I shall terminate upon Tenant's receipt of both: (a) the CHOW CON Approval (as defined in Section 1.3); and (b) the Healthcare Licenses and Approvals (as defined in Article 2) to become the new licensee of Facility. Should Tenant not obtain the CHOW CON and Healthcare Licenses & Approvals for any reason, the parties shall proceed as set forth in Section 1.3 of this Agreement.

***Phase II: Operation & Management under Tenant's New License:***

Phase II shall commence upon Tenant's receipt of the Healthcare Licenses and Approvals to become the new Licensee of Facility. During Phase II, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents, and shall be the sole operator of the Facility pursuant to the terms of this Agreement and pursuant to any and all applicable Legal Requirements. In addition, during Phase II, Tenant shall diligently prepare and submit an application to obtain the Replacement Facility CON (as defined in Article 2). In addition, during Phase II, Tenant shall use its best efforts to meet the milestones set forth and established in the Phase II Milestones, attached hereto and incorporated herein as Exhibit D.

Phase II shall terminate upon Tenant's receipt of both: (a) the Replacement Facility CON Approval (as defined in Section 1.4); and (b) the Healthcare Licenses and Approvals. Should Tenant not obtain the Replacement Facility CON for any reason, the parties shall proceed as set forth in Section 1.4 of this Agreement.

***Phase III: Transfer to Replacement Facility:***

Phase III shall commence upon Tenant's receipt of both: (a) the Replacement Facility CON Approval; and (b) the Healthcare Licenses and Approvals. During Phase III, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents. Promptly following Tenant's receipt of the Replacement Facility CON Approval, Tenant shall diligently pursue construction of the Replacement Facility in accordance with the terms of the Replacement Facility CON Approval, followed by relocation of the residents. In addition, during Phase III, Tenant shall use its best efforts to meet the milestones set forth and established in the Phase III Milestones, attached hereto and incorporated herein as Exhibit E.

Phase III shall terminate upon transfer of the last then current resident to the Replacement Facility, or to such other suitable location within Lake

County, in accordance with the laws, rules and regulations of the State of Illinois regarding the transfer of residents.

1.3 Healthcare Licenses and Approvals. Notwithstanding anything to the contrary contained in this Agreement, it shall in all events and circumstances of any and every nature whatsoever be an express condition precedent to the commencement of Phase II that Tenant shall have received the Healthcare Licenses and Approvals, including, without limitation that the Illinois Health Facilities and Services Review Board or its successor regulatory agency (“IHFSRB”) grant its permission, approval and/or consent to the implementation of Phase II of the Transaction, and/or issue an exemption from the requirement of obtaining a Certificate of Need with respect to Phase II, or that it grant and/or issue said Certificate of Need pursuant to 77 Ill. Admin. Code Sections 1130.110 *et seq* (collectively, the “**CHOW CON Approval**”).

In the event that Tenant fails to obtain the Healthcare Licenses and Approvals, including if IHFSRB fails or refuses to grant the CHOW CON Approval, any actions taken by the parties hereto with respect to Phase II of this Agreement shall immediately and forthwith be unwound/undone, and thereafter, this Agreement shall remain in effect with the parties continuing Phase I, and the parties shall cooperate to determine an appropriate course of action for moving forward. Landlord and Tenant shall cooperate with one another in good faith with respect to the preparation and filing of the application(s) necessary to obtain the CHOW CON Approval, and the parties shall diligently pursue the approval of such application.

1.4 Replacement Facility CON Approval. Notwithstanding anything to the contrary contained in this Agreement, it shall in all events and circumstances of any and every nature whatsoever be an express condition precedent to the commencement of Phase III that the IHFSRB grant its permission, approval and/or consent to the implementation of Phase III of the Transaction, and/or issue an exemption from the requirement of obtaining a Certificate of Need, or that it grant and/or issue said Certificate of Need pursuant to 77 Ill. Admin. Code Sections 1130.110 *et seq.* in conjunction with an approval of the discontinuation of the Facility pursuant to a Certificate of Need for Discontinuation (collectively, the “**Replacement Facility CON Approval**”).

In the event that IHFSRB fails or refuses to grant the Replacement Facility CON Approval, any actions taken by the parties hereto with respect to Phase III of this Agreement shall immediately and forthwith be unwound/undone, and thereafter, this Agreement shall remain in effect with the parties continuing Phase I or Phase II (as applicable), and the parties shall cooperate to determine an appropriate course of action for moving forward. Landlord and Tenant shall cooperate with one another in good faith with respect to the preparation and filing of the application(s) necessary to obtain the Replacement Facility CON Approval, and the parties shall diligently pursue the approval of such application.

1.5 Operations Transfer Agreement. Notwithstanding anything to the contrary contained herein, it shall in all events be a condition precedent to the effectiveness and enforceability of this Agreement that the parties shall have entered into and executed the Operations Transfer Agreement, on terms acceptable to each of the parties hereto.

## ARTICLE 2 DEFINITIONS

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

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

2.2 CHOW CON. The Change of Ownership ("Change of Ownership") Certificate of Need ("CON") permit or the CHOW Certificate of Exemption ("COE") from the requirement of obtaining a CON that is required under the Illinois Health Facilities Planning Act, 20 Ill. Comp. Stat. § 3960/1 *et seq.*, and the IHFSRB rules, 77 Ill. Admin. Code Sections 1130.110 *et seq.*

2.3 Contingency Amount. The amount set forth on the Pro Forma to allow for items, conditions or events for which the occurrence or effect of is uncertain and will result in additional costs.

2.4 Effective Date. The date upon which Phase I commences, which shall occur contemporaneously with satisfaction of each of the following: (a) the Agreement is approved by the County Board; and (b) the termination of the management agreement between Landlord and the exiting operator; and (c) Tenant has commenced its management of the Facility.

2.5 Facility Operating Costs. All costs of operating the Facility identified as set forth on the Pro Forma, including, without limitation: (i) Taxes and Assessments; (ii) Rent; (iii) Start-Up Capital; (iv) insurance; (v) all employee and employee related costs, including payroll, payroll taxes, and employee benefits, (vi) the Contingency Amount, and (vii) all other costs needed to operate and/or maintain the Facility in accordance with the terms of this Agreement and applicable Legal Requirements. Notwithstanding the foregoing, the Facility Operating Costs shall not include any costs/expenses associated with services provided by the Lake County Facilities Operations Staff at the Facility.

2.6 Healthcare Licenses & Approvals. All licenses, approvals, certifications, demonstration certifications or approvals, permits, exemptions or other regulatory approvals necessary or desirable to operate the Facility, including but not limited to: (i) those approvals required under the Nursing Home Care Act, 210 Ill. Comp. Stat. 45/1-101 *et seq.* and all associated regulations and rules, including without limitation the Skilled Nursing and Intermediate Care Facilities Code, 77 Ill. Admin Code Part 300, governing the Illinois Department of Public Health ("IDPH") oversight of skilled nursing facilities; (ii) the supportive

living facilities program under the Public Aid Code, 305 Ill. Comp Stat. 5/5-5.01a, governing the Illinois Department of Healthcare and Family Services ("IDHFS") oversight of the program of supportive living facilities ("SLFs"), and all associated regulations and rules, including without limitation the Supportive Living Facilities Code, 89 Ill. Admin Code Sections 146.200, *et seq.*; (iii) the Illinois Health Facilities Planning Act, 20 Ill. Comp. Stat. 3960, and the rules promulgated by the IHFSRB, 77 Ill. Admin. Code Parts 1100, 1120, 1125, 1130, 1140, 1180, 1190, and 1250, including, without limitation, receipt of the CON CHOW Approval; (iv) requirements of the Centers for Medicare and Medicaid Services ("CMS") Rules, 42 C.F.R. Part 483, governing certification of skilled nursing facilities under Title XVIII of the Social Security Act and the Medicare Program, including without limitation, Tenant's receipt of a Medicare provider agreement and Medicare provider number; and (v) requirements of the IDHFS under the Medicaid Long Term Care Program in Illinois for certification as a Medicaid provider under Title XIX of the Social Security Act, including without limitation, Tenant's receipt of a Medicaid provider agreement and Medicaid provider number.

2.7 Lake County Facilities Operations Staff. Individuals who are employed directly by the Landlord, but not by the operator of the Facility or any other party, including Tenant.

2.8 Lake County Mission. To provide needed health care services in long term care. This mission includes providing skilled nursing facility services, intermediate care services, and activities for the physical, mental, social and recreational needs for the wellbeing of the elderly citizens of Lake County in a setting that is compassionate, loving and a place to call home.

2.9 Lake County Marketplace. The geographic boundaries of Lake County, Illinois, as shown on the map attached as Exhibit H.

2.10 Landlord's Designated Representative. Landlord's County Administrator or his designee, or such other individual or individuals as will be designated by Landlord.

2.11 Legal Requirements. All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Facility or the use thereof, including but not limited to Healthcare Licenses & Approvals, whether now or hereafter enacted and in force.

2.12 Pro Forma. Tenant's estimated budget with respect to the costs of operating the Facility during the Term, as set forth on Exhibit B attached hereto and made part hereof.

2.13 Progress Payment(s). Funds payable to Tenant pursuant to Article 6 of this Agreement, in the amounts set forth on lines G45 of the Pro Forma.

2.14 Replacement Facility CON. The CON permit necessary for Tenant to begin construction on a Replacement Facility that is required under the Illinois Health Facilities Planning Act, 20 Ill. Comp. Stat. § 3960/1 *et seq.*, and the IHFSRB rules, 77 Ill. Admin. Code Sections 1130.110 *et seq.*

2.15 Start-up Capital. The amount set forth on lines G46 of the Pro Forma set forth in Exhibit B to be made available to Tenant for Tenant's start-up and initial management costs for the day-to-day operations of the Facility in accordance with the terms of this Agreement, to

provide Tenant necessary capital to take over the facility at the beginning of Phase I, to account for payment delays from the State, and to provide other important start-up costs to help maintain continuity of care for the health, safety and well-being of the residents. The Start-Up Capital shall be subject to repayment by Tenant as set forth in Section 6.3.

2.16 State. The State of Illinois.

2.17 Tenant's Designated Representative. Mike Filippo or his designee, or such other individual or individuals as may be designated by Tenant.

2.18 Term. The period set forth in Article 4.

### ARTICLE 3 DEMISED PREMISES AND FACILITY

3.1 Demised Premises. Landlord, for and in consideration of the rents, and covenants and agreements hereinafter reserved, mentioned and contained on the part of Tenant, its successors and assigns, to be paid, kept and performed, does hereby lease unto Tenant the Facility for the Term, for use and operation as a 224 licensed bed skilled nursing facility. The lease under this Agreement shall not include the nurse's house or any other ancillary part of the Premises on which the Facility sits.

### ARTICLE 4 LEASE

4.1 Term. The term of this Agreement shall commence upon the Effective Date, and shall continue for an initial term of three years (the "**Initial Term**"). If the three Phases of this Agreement have not been completed upon the expiration of the Initial Term, then Tenant shall request Landlord in writing for an extension of the Term of this Lease for additional month-to-month periods ("Month-to-Month Tenancy"), provided that Tenant's request sets forth with specificity a revised timeline for the completion of the Milestones set forth in the three Phases, and provided further that Landlord approves of said Milestone revisions (any such periods, together with the Initial Term, are collectively referred to as the "**Term**"). Landlord staff will diligently work with Tenant and the Landlord to obtain Landlord approvals for reasonably requested modifications to the Term of this Agreement. Landlord approval of modifications to the Term shall not be unreasonably withheld. Prior to and during the possible Month-to-Month tenancy, the parties shall work together for the purpose of negotiating a new agreement in good faith, if necessary.

4.2 Rent. Commencing upon the Effective Date, Tenant shall pay to Landlord, or as Landlord shall direct, the amount of \$40,000 as fixed monthly rental (the "**Rent**") for each month during the Term. After the expiration of the Initial Term, the Rent shall increase by 3% on a quarterly basis, such that rent in months 1-3 after the initial three-year Term would be \$41,200 per month, months 4-6 would be \$42,436 per month, etc.

In the event the Effective Date shall be other than the first day of the month, Tenant shall pay to Landlord a pro rata portion of the Rent for such month. Unless otherwise notified in

writing by Landlord, all checks shall be made payable to Landlord and shall be sent as directed by Landlord.

4.3 Net Lease. This Agreement is and shall be deemed and construed to be a net-net-net lease and the Rent specified herein shall be net to Landlord in each year during the Term.

#### TAXES AND ASSESSMENTS

4.4 Taxes and Assessments. Tenant shall pay all real estate taxes and assessments ("Taxes and Assessments") that arise during the term of this Agreement. All such Taxes and Assessments shall be a Facility Operating Cost. Nothing herein contained shall require Tenant to pay income taxes assessed against Landlord, or capital levy, franchise, estate, succession, inheritance or transfer taxes of Landlord. Tenant shall have the right to contest the amount or validity, in whole or in part, of any Taxes and Assessments by appropriate proceedings diligently conducted in good faith; but only after payment of such Taxes and Assessments, unless such payment would operate as a bar to such contest or interfere materially with the prosecution thereof, in which event, Tenant may postpone or defer such payment only if neither the Facility nor any part thereof would by reason of such postponement or deferment be in danger of being forfeited or lost. Upon the termination of any such proceedings, Tenant shall pay the amount of such Taxes and Assessments or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees, interest, penalties or other liabilities in connection therewith, and such payment, at Tenant's request, shall be made by Landlord out of the amount deposited with respect to such Taxes and Assessments. In the event such amount is insufficient, the balance due shall be paid by Tenant.

4.4.1 Landlord shall not be required to join in any proceedings referred to in Section 4.4 of this Agreement, unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by and/or in the name of Landlord in which event Landlord shall join in such proceedings or permit the same to be brought in its name. Landlord shall not ultimately be subjected to any liability for the payment of any costs or expenses in connection with any such proceedings, and Tenant will indemnify and save harmless Landlord from any such costs and expenses.

4.4.2 If any income, profits or revenue tax shall be levied, assessed or imposed upon the income, profits or revenue arising from rents payable hereunder, partially or totally in lieu of or as a substitute for real estate taxes imposed upon the Facility, then Tenant shall be responsible for the payment of such tax.

#### UTILITIES, MAINTENANCE AND REPAIRS

4.5 Landlord Responsibilities.

4.5.1 Landlord will be responsible for repairing and/or maintaining all major "Fixed Assets and Equipment." For purposes of this Agreement, "Fixed Assets and Equipment" shall be defined as building infrastructure, systems, and/or equipment which is built-in or permanently affixed to the Facility. Examples of Fixed Assets and Equipment, include, without limitation: the HVAC system, the fire suppression system, the fire alarm

system, the emergency generator, boilers, elevators, security system/door locks, roofing, Facility walls/foundation, electrical/lighting systems replacement, and all building infrastructure or systems maintenance/repairs necessary to ensure compliance with applicable Life Safety Code requirements of the IDPH and CMS.

4.5.2 Tenant shall promptly notify Landlord of the need to make any maintenance/repairs that are the responsibility of Landlord under Section 4.5.1 of this Agreement. In the event that Landlord fails to commence such maintenance/repairs that are the responsibility of Landlord within ten (10) Business Days (or such lesser period of time as may be required in the event such repairs must be made more quickly in order to ensure compliance with Legal Requirements) and/or Landlord fails to diligently pursue completion of the same, Tenant shall be entitled to make, at Landlord's cost and expense, and as mutually agreed by the parties, all such maintenance and repairs upon first receiving approval from Landlord, and Landlord shall compensate Tenant for the actual cost of such repairs/maintenance, plus an administrative fee of 10%, or a lesser percentage if otherwise agreed to by the parties, for Tenant's overhead costs with respect to such repairs/maintenance within ten (10) Business Days of Landlord's receipt of an invoice from Tenant for the cost of such repairs/maintenance.

4.5.3 Landlord shall assign a member or members of its Lake County Facilities Operations Staff to the Facility, at Landlord's sole cost and expense. The assigned Lake County Facilities Operations Staff member or members shall be responsible for performing and/or contracting the repair and maintenance responsibilities of Landlord under this Section 4.5.

4.5.4 Notwithstanding anything to the contrary that may be contained in this Agreement, under no circumstances shall any payment from Landlord for utilities, maintenance or repairs, or any payment tied to the Pro Forma (other than the management fee set forth in line G28 of the Pro Forma), be used by Tenant or paid to Tenant for the Replacement Facility or for predevelopment costs for the Replacement Facility.

#### 4.6 Tenant Responsibilities.

4.6.1 Maintenance and repair of items other than those specified in Section 4.5 shall be the Tenant's responsibility, including, without limitation, maintenance of all "Movable Equipment" as defined below. For purposes of this Section 4.6, "Movable Equipment" shall be defined as equipment which can be moved and is not permanently attached/affixed to the Facility. Examples of Movable Equipment includes, without limitation, computers, ovens, freezers, stoves, beds, lifts, furniture, wheelchairs, light bulbs, and chairs. In addition, to the extent that any Movable Equipment is purchased by Tenant during the Term, Tenant shall be entitled to remove such Movable Equipment from the Facility upon expiration of the Term.

4.6.2 Tenant will also arrange for payment of Facility natural gas, electric, water, waste, medical waste, cable/satellite TV, internet, and telephone service costs, all of which shall be a Facility Operating Cost. Throughout the Term of this Agreement, Tenant, at its sole cost and expense, will keep and maintain, or cause to be kept and maintained, the Facility (including the grounds, sidewalks and curbs abutting the same) in good order and condition without waste and in a suitable state of repair at least comparable to that which existed immediately prior to the Effective Date (ordinary wear and tear excepted), and will make or

cause to be made, subject to this Section 4.6, as and when the same shall become necessary, nonstructural, exterior and interior, replacing, repairing and restoring necessary to that end. All replacing, repairing and restoring required of Tenant shall be in compliance with Legal Requirements.

4.6.3 Tenant will also provide space at the Facility for the maintenance shop which contains tools and other equipment which shall remain the sole property of the Landlord. The maintenance shop shall be maintained by Landlord.

4.7 Casualty. Beginning at the commencement of Phase II, when Tenant obtains its license to operate the Facility, in the event that any part of the Facility shall be damaged or destroyed by fire or other casualty (any such event being called a "Casualty"), Landlord shall have the option to either: (a) cause Tenant to promptly replace, repair and restore the same as nearly as possible to the condition it was in immediately prior to such Casualty, but only to the extent of Tenant's available insurance proceeds (or, if insurance is unavailable, to the coverage limit identified in the insurance that the Tenant was to have maintained under Exhibit G); or (b) cause Tenant to remit to Landlord the insurance proceeds payable to Tenant as a result of Tenant's available insurance proceeds for such Casualty (or, if insurance is unavailable, up to the amount identified in Exhibit G), provided, however, that such action is permissible under applicable Legal Requirements. After either such event, Tenant shall have the option to terminate this Agreement. Notwithstanding anything to the contrary in this Agreement, pursuant to the Lake County Surplus Policy, Tenant shall not have the right, at any time, to remove and dispose of any personal property on the Facility which may have become obsolete or unfit for use, or which is no longer useful in the operation of the Facility.

4.8 Use of Premises. Tenant shall use the Premises for the following purpose and no other: operation of a skilled nursing facility operating under the name Winchester House. Tenant shall not use the name "Lake County," "County Facility," or "County of Lake" in referencing and marketing the Facility. Tenant shall utilize the same telephone number which shall remain the property of the Landlord.

4.9 Tenant Covenants. Tenant hereby covenants as follows:

(1) Tenant shall keep in good standing and in full force and effect all necessary Healthcare Licenses and Approvals;

(2) During the Term of this Agreement, Tenant will deliver to Landlord within three (3) Business Days following receipt thereof, copies of any and all notices of termination, revocation, suspension, receivership or mentorship from IDPH alleging a violation with a substandard quality of care determination, as defined by federal regulations (*i.e.*, deficiencies under 483.13 or 483.25, form 2567; or any notice from IDHFS or CMS threatening disqualification of the Facility from participation in the Medicare or Medicaid programs). Tenant will deliver to Landlord within ten (10) Business Days after written request from Landlord, copies of all other notices, exit interviews, inspection reports and surveys and notices of administrative hearing and/or court action from all state, federal and local governmental bodies regarding the Facility.

## INSURANCE

4.10 Insurance. Tenant will obtain the insurance described in Exhibit G. On or before the Effective Date and annually thereafter, Tenant will provide Landlord with a Certificate of Insurance for such policies. Upon Landlord's reasonable request, Tenant will provide a full copy of each such insurance policy to Landlord. The costs of all insurance required to be carried by Tenant under this Agreement shall be a Facility Operating Cost in accordance with the Pro Forma. Tenant shall also cause to be issued and shall maintain during the Term of this Agreement:

4.10.1 Fire, tornado and windstorm insurance with extended coverage endorsement on the Facility on the Illinois standard form with a responsible company or companies approved by Landlord, which approval will not be unreasonably withheld. Such insurance shall, at all times, be maintained (without any co-insurance clause, if possible) in an amount as may be required by any mortgagee of the Facility or, absent such requirement, in an amount sufficient to prevent Landlord and Tenant from becoming co-insurers under applicable provisions of the insurance policies. Such insurance shall at all times be payable to Landlord and Tenant as their interests may appear.

4.10.2 A public liability policy naming Landlord and Tenant, as insureds, and insuring them against claims for bodily injury, or property damage occurring upon, in or about the Facility, or in or upon the adjoining streets, sidewalks, passageways and areas, such insurance to afford protection to the limits of not less than \$1,000,000 per each occurrence and \$2,000,000 in the aggregate.

4.10.3 Boiler explosion insurance, if required, in the amount of not less than \$100,000, under the terms of which Landlord and Tenant will be indemnified, as their interests may appear, against any loss or damage which may result from any accident or casualty in connection with any boiler used in the Facility, whereby any person or persons may be injured or killed or property damaged in or about the Facility.

4.11 Insurance Provisions. All policies of insurance to the extent applicable shall provide that:

4.11.1 They are carried in favor of Landlord, Tenant and any mortgagee, as their respective interests may appear, and any loss shall be payable as therein provided, notwithstanding any act or negligence of Landlord or Tenant, which might otherwise result in forfeiture of insurance; and

4.11.2 They shall not be canceled, terminated, reduced or materially modified without at least twenty (20) days' prior written notice to Landlord.

4.11.3 All Tenant insurance required under Section 4.10 shall be primary insurance in the event of any claim.

## CONDITION OF PREMISES

4.12 Condition. Tenant has examined and accepts the Premises in its present "as is" condition as suitable for the purposes for which the same are leased as of the Effective Date.

4.13 Alterations. All alterations, additions and improvements installed at the expense of Tenant (except computer software) shall remain upon and be surrendered with the Premises as a part thereof upon Tenant vacating the Premises. Alterations, additions, and improvements to the Facility with a cost in excess of Five Thousand Dollars (\$5,000.00) per instance may be made by Tenant upon written notice to and approval by Landlord. Notwithstanding the foregoing, Landlord notice shall not be required in the event that immediate alterations, additions or improvements to the Facility are necessary to ensure compliance with applicable Life Safety Code requirements, in which case Tenant shall have the option of immediately making such necessary alterations, additions and/or improvements, and the parties respective rights and obligations shall be as set forth in Section 4.5 and Section 4.6. The making of alterations, additions, and/or improvements to the Premises shall not commence until Tenant has furnished to Landlord a certificate of insurance showing coverage in an amount satisfactory to Landlord which protects Landlord from liability for injury to any person and damage to any personal property, on or off the leased premises, in connection with the making of such alterations, additions, and improvements.

4.14 Landlord's Right to Perform. Subject to Section 4.21, should Tenant fail to perform any of its covenants herein agreed to be performed, Landlord may, but shall not be required to, make such payment or perform such covenants, and all sums so expended by Landlord thereon shall be reduced from the Progress Payments payable to Tenant, as applicable, under the terms of this Agreement, plus an administrative fee of 10% for Landlord's overhead costs with respect to performing such obligations. Performance of and/or payment to discharge said Tenant's obligations shall be optional with Landlord and such performance and payment shall in no way constitute a waiver of, or a limitation upon, Landlord's other rights hereunder.

4.15 Demolition. Tenant will not demolish the Facility or any portion thereof or allow it to be removed or demolished, in accordance with the Lake County Surplus Policy, without the prior written consent of Landlord.

4.16 Compliance with Laws & Ordinances. Throughout the Term of this Agreement, Tenant will use its best efforts to obey, observe and comply with all Legal Requirements. Tenant shall likewise observe and comply with the requirements of all policies of public liability and fire insurance and all other policies of insurance at any time in force with respect to the Facility.

4.17 Discharge of Liens. Tenant shall promptly discharge any lien, encumbrance or charge levied on account of any mechanic's, laborer's or materialman's lien upon the Facility for work or materials or personal property furnished or supplied to, or claimed to have been supplied to or at the request of Tenant, unless Tenant timely contests such lien or charge.

4.18 Inspection & Occupancy of Premises by Landlord. At any time, Landlord or its authorized representative shall have the right to enter and inspect the Facility. Landlord agrees that upon entering and inspecting the Facility, Landlord will cause as little inconvenience to

Tenant and the residents and operations of the Facility as may reasonably be possible under the circumstances, and in no event shall Landlord violate the terms of any resident agreement or other lease agreement at the Facility.

4.19 Inspection of Accounts. Following any Event of Default hereunder which remains uncured after the expiration of any applicable cure period, Landlord shall have the right, upon fifteen (15) days prior written notice, to inspect and copy all of Tenant's books, records and financial data relating to the Facility including, without limitation, Tenant's quarterly accounts receivable and payable. Tenant shall provide Landlord copies of all licensure and certification surveys conducted at the Facility.

4.20 Condemnation. If all of the Facility is taken by the exercise of the power of eminent domain, or sold under eminent domain proceedings, this Agreement shall terminate as of the date possession is taken by the condemnor. If less than all of the Facility is taken by the exercise of the power of eminent domain or sold under eminent domain proceedings and if such exercise affects the improvements located at the Facility, Landlord shall, with reasonable diligence, restore or rebuild to the extent reasonably practicable any improvements upon the Facility affected by the taking, but shall not be obligated to spend for such restoration any amount in excess of the amount awarded or paid to it by the condemnor for such purpose. In the event that all or less than all of the Facility is taken or sold, and this Agreement shall terminate as provided herein, then Landlord shall be entitled to the entire award for the Facility and improvements thereof. Tenant shall be entitled to any award that it can prove for damage to its leasehold interest, provided that such award is separately allocated to lease by the condemning authorities and does not diminish or reduce the award to Landlord for the Facility and improvements.

4.21 Reserved.

#### DEFAULT

4.22 Events of Default.

4.22.1 The following acts or events shall be deemed to be an "Event of Default":

(a) The failure of either party to pay when due, and as applicable, any sum or sums of money due or payable, other than Progress Payments withheld under the discretion of Landlord pursuant to the terms of this Agreement, by Landlord or Tenant under the provisions of this Agreement, when such failure shall continue for a period of ten (10) days after written notice to such party;

(b) Other than the failure to pay under Section 4.22.1(a), the failure of either party to perform, or the violation by either party of, any of the covenants, terms, conditions or provisions of this Agreement, if such failure or violation shall not be cured within thirty (30) days after notice thereof by the other party; provided, if within said thirty (30) days such party in good faith commences to correct such breach, and diligently proceeds therewith to completion, then such failure or violation shall not be considered an Event of Default. Notwithstanding anything to the contrary contained in this Agreement, either party's willful failure to perform, or

gross misconduct in the performance of its duties hereunder shall be a non-curable Event of Default;

(c) The making by either party or beneficiary of such party of an assignment for the benefit of creditors;

(d) The levying of a writ of execution or attachment on or against the property of either party utilized under this Agreement which is not discharged or stayed by action of such party contesting same, within ninety (90) days after such levy or attachment (provided if the stay is vacated or ended, this paragraph shall again apply);

(e) If proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation or involuntary dissolution of either party or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of either party, or beneficiary of such party and said proceedings are not dismissed and any receiver, trustee or liquidator appointed therein discharged within ninety (90) days after the institution of said proceedings;

(f) The sale of the interest of either party in the Facility under execution or other legal process;

(g) Tenant receives a final, non-appealable notice of license revocation from the IDPH; or

(h) The occurrence of any of the Special Defaults (as defined in Section 4.24).

In the event that any Event of Default under Section 4.22.1(a) or Section 4.22.1(b) is not cured within the applicable cure period, or in the event that any other Event of Default is not cured within thirty (30) days after notice thereof by the other party; then such Event of Default shall be deemed to be a "Default."

#### REMEDIES UPON DEFAULT

##### 4.23 Remedies.

4.23.1 The parties understand that the Facility constitutes the residence or home of each individual residing in it, and that any default or remedy must take into account an orderly transition that ensures the safety and wellbeing of the Facility's residents and public at large. In the event of any Default, the non-defaulting party may, if it so elects, forthwith terminate this Agreement. In the event of any material default on the part of Tenant, Landlord may, if it so elects, forthwith terminate this Agreement and Tenant's right to possession of the Facility, or, at the option of Landlord, terminate Tenant's right to possession of the Facility without terminating this Agreement. Upon any such termination of this Agreement, Tenant shall, in compliance with Legal Requirements, "Vacate the Facility" (and in the case of any Default occurring in Phase II or thereafter under this Agreement, "Vacate the Facility" shall mean the orderly transfer and transition of residents out of the Facility) in an orderly manner while ensuring the safety and wellbeing of the residents, and shall quietly and peaceably deliver possession thereof to

Landlord, and Tenant hereby grants to Landlord full and free license to enter into and upon the Facility in such event with or without process of law and to repossess the Facility as Landlord's former estate, subject to compliance with Legal Requirements. In the event of any such termination of this Agreement, Landlord shall again have the right to the possession and enjoyment of the Facility to the extent as if this Agreement had not been made, as allowed by applicable law, and thereupon this Agreement and everything herein contained on the part of Tenant to be done and performed shall cease and terminate.

4.23.2 Notwithstanding anything to the contrary in this Agreement, in the event of Tenant's Default, Tenant shall be responsible for all costs and expenses associated with Vacating the Facility, including but not limited to the orderly transition of residents from Facility to a comparable licensed, skilled nursing facility.

4.23.3 In the event that a Default occurs under Section 4.22.1(e) regarding a receivership by a bankruptcy court or the IDPH, the parties shall cooperate with respect to the management and transition of the operations of the Facility, and the defaulting party shall be responsible for any and all receivership fees, costs and expenses of the non-defaulting party associated with said receivership, including but not limited to receiver fees, resident transfer fees, monitor fees, or other staffing fees in accordance with Legal Requirements.

4.23.4 In the event that a Landlord Default occurs under Section 4.22.1(a) or Section 4.22.1(b) and Tenant elects to terminate this Agreement, Landlord shall reimburse Tenant for the actual amount of Tenant's Pre-Development Expenses incurred by Tenant as of the date of such termination.

4.24 Use of Phone Number and Name. In the event of any Default on the part of Tenant, and Landlord elects to terminate this Agreement, Landlord shall have the right to continue to utilize the telephone number and name used by Tenant.

#### SPECIAL DEFAULTS

4.25 Special Defaults. Upon the Effective Date, Tenant shall provide an irrevocable standby letter of credit in substantially similar form to the irrevocable standby letter of credit attached hereto and incorporated herein as Exhibit M, in an amount equal to Seven Hundred Thousand Dollars (\$700,000) (the "Letter of Credit") to be used for purposes of remedies to be paid to Landlord upon committing the acts or omissions listed in Sections 4.25.1 - Section 4.25.3 below (the "Special Defaults") which cannot be adequately covered by compensatory damages. In addition to any other remedies provided in this Agreement, and not in lieu thereof, Landlord shall have the option to draw upon the Letter of Credit upon the occurrence of any of the below listed Special Defaults. Notwithstanding the foregoing, Landlord shall not draw on or otherwise demand performance under the Letter of Credit unless and until there occurs a Special Default.

4.25.1 Tenant has its certification to participate in the Medicare and Medicaid programs revoked; provided that such suspension or revocation is not due to any action or inaction of Landlord;

4.25.2 If Tenant relinquishes the Facility to Landlord during the Term of the Agreement without adequately providing for the health, safety, or welfare of the residents of the Facility; or

4.25.3 If Tenant fails to commence construction by breaking ground and continuing thereafter with consistent progress toward the construction of the Replacement Facility within 24 months after receiving the Replacement Facility CON Approval, unless Landlord has otherwise granted Tenant an extension of such deadline, or Tenant is prevented from continuing construction due to acts beyond the reasonable control of Tenant.

4.26 Letter of Credit Draw Down. The parties agree herein, after consultation with their attorneys, that the Special Defaults are difficult to quantify in terms of money damages, and the parties agree that should any Special Default occur, that Landlord shall be entitled to demand performance under the Letter of Credit and the parties shall hereby allow for release of such Letter of Credit in the amount of such Letter of Credit that exists at the time of Special Default. The parties acknowledge that the amount of time, cost and expenses for Landlord to find a suitable tenant, licensee, and other regulatory approved operator for the Facility is unascertainable and unable to be quantified should Tenant commit the Special Default at the expense of Landlord, Facility residents, and LC Residents. The parties understand that the Facility constitutes the residence or home of each individual residing therein, and such abandonment or failure to act or commit any of the terms of the Special Default is a serious issue warranting Landlord to draw upon the Letter of Credit to protect the Facility residents and LC Residents.

4.26.1 Notwithstanding anything to the contrary contained in this Agreement, only after Tenant successfully completes Phase I and begins Phase II, the amount of the Letter of Credit upon which Landlord is permitted to draw on or otherwise demand performance under this Section 4.26 shall be reduced dollar for dollar upon Tenant's payment of the qualifying pre-development expenses set forth on Exhibit L (the "Pre-Development Expenses").

4.27 Cumulative Remedies of Landlord. The specific remedies to which Landlord may resort under the terms of this Lease are cumulative, except for Rent payments after termination if this Agreement is terminated prior to the end of the Term, and are not intended to be exclusive of any other remedies or means of redress to which Landlord may be lawfully entitled in case of any breach or threatened breach by Tenant of any provision or provisions of this Agreement. The failure of Landlord to insist, in any one or more cases, upon the strict performance of any of the terms, covenants, conditions, provisions or agreements of this Agreement, or to exercise any option herein contained, shall not be construed as a waiver or relinquishment for the future of any such term, covenant, condition, provisions, agreement or option. Furthermore, the exhaustion of Landlord's right to draw on or otherwise demand performance under the Letter of Credit, or unavailability of Landlord to draw or otherwise demand performance under the Letter of Credit due to Tenant's commencement of construction of the Replacement Facility under Section 4.26 shall not preclude Landlord from pursuing other remedies, including compensatory damages, for any Defaults or Special Defaults under this Agreement.

## INDEMNIFICATION

4.28 Indemnification by Tenant. Tenant shall protect, indemnify and save harmless Landlord from and against any and all claims, demands and causes of action of any nature whatsoever (including reasonable attorneys' fees) (collectively, "**Damages**") for injury to or death of persons or loss of or damage to property, occurring in the Facility or upon any adjoining sidewalks, or ways, or in any manner growing out of or connected with the use and occupation of the Facility or the condition thereof, or the use of any existing or future sewer system, or the use of any adjoining sidewalks or ways during the Term of this Agreement. Tenant further agrees to protect, indemnify and save harmless Landlord from and against any suits, arbitration proceedings, administrative actions or investigations to the extent relating to the lease and use of the Premises during the Term of this Agreement (including any Medicaid/Medicare overpayment obligations for such periods). Tenant shall provide adequate proof of insurance coverage to Landlord with Landlord named as an additional insured, in amounts acceptable and approved by Landlord per the parameters set forth in **Exhibit "G"**, prior to the Effective Date of this Agreement, with all Tenant insurance being the primary insurance in the event of any claim. For the avoidance of doubt, Tenant's insurance coverage for workers compensation and employer liability insurance shall be primary in the event of any claim. Furthermore, Tenant shall maintain adequate Business Interruption Insurance which shall also be primary in the event of any claim. Should Tenant fail to keep such insurance coverages in effect, Tenant shall be deemed in breach of this Agreement.

4.29 Indemnification by Landlord. Landlord shall protect, indemnify and save harmless Tenant from and against any and all Damages for injury to or death of persons or loss of or damage to property, occurring in the Facility or upon any adjoining sidewalks, or ways, or in any manner growing out of or connected with the use and occupation of the Facility or the condition thereof, or the use of any existing or future sewer system, or the use of any adjoining sidewalks or ways, to the extent any of the foregoing occurred or relates to the period of time prior to or after the expiration of the Term of this Agreement. Landlord further agrees to protect, indemnify and save harmless Tenant from and against any suits, arbitration proceedings, administrative actions or investigations to the extent relating to the ownership and use of the Premises on or before the Effective Date (including any Medicaid/Medicare overpayment obligations for such periods). In addition, Landlord further agrees to protect indemnify and save harmless Tenant from and against any and all Damages related to or arising out of any lawsuits, claims or other legal challenges concerning the validity or authority of Landlord to enter into and consummate the Transaction in accordance with the terms of this Agreement.

4.30 Financing. Tenant shall use its best efforts to obtain a written loan commitment for financing of the Transaction as soon as practicable during the Term. In the event that Tenant is unable to obtain such written loan commitment on terms reasonably acceptable to Tenant, Tenant shall promptly notify Landlord and the parties shall cooperate to determine an appropriate course of action for moving forward.

**ARTICLE 5  
OBLIGATIONS OF TENANT**

5.1 Services. Tenant will provide the following management services in connection with the operation of the Facility. Services to be provided under this Agreement shall include extraordinary items such as facilities development and planning services.

5.2 Administrator. Tenant will recruit, retain and provide an on-site, full-time administrator ("**Administrator**") for the Facility. Under Tenant's supervision, the Administrator will oversee on a day-to-day basis the Facility and execute policies governing the Facility's operation. The Administrator will be employed or engaged by Tenant, and the salary or wages and cost of benefits of such Administrator shall be a Facility Operating Cost.

5.3 Personnel. Tenant will arrange for such staffing and employment as may be ~~necessary or required for the efficient operation of the Facility, and as otherwise necessary to~~ meet the applicable Legal Requirements, and the salary or wages and cost of benefits of such personnel shall be a Facility Operating Cost.

5.4 Certification, Licensure, Registration, Legal Requirements. Tenant will use its best efforts to adhere to all applicable State and federal rules and regulations applicable to the Facility, including without limitation the provisions of the Nursing Home Care Act, 210 Ill. Comp. Stat. 45/1-101 *et seq.* and all associated regulations and rules, including without limitation the Skilled Nursing and Intermediate Care Facilities Code, 77 Ill. Admin Code Part 300, and will cooperate fully with all legitimate State and federal requests for inspections and information. Tenant will oversee the preparation by Facility personnel of all materials necessary and compliance with procedures necessary for Tenant to obtain, (a) certification of the Facility as a provider of services under Titles XVIII (Medicare) and XIX (Medicaid) of the Social Security Act and (b) State licensure and registration of the Facility as a long term care facility under all applicable Legal Requirements. Tenant will oversee completion by Facility personnel of all reasonable steps necessary to keep the Facility fully licensed and registered by the State and duly accredited by applicable agencies and bodies. Tenant may engage legal counsel and accountants to accomplish the foregoing. Clinical Consulting, Staff Development, Program Implementation. Tenant will be responsible for clinical policymaking and provide general clinical support, staff development and implementation of resident programs and operational efficiencies.

5.6 Operational Policies. Tenant shall be responsible for the review of existing or development and implementation of new policies and procedures to reasonably conform with all applicable Legal Requirements and then-current industry standards in the areas of budgeting, business office management, quality assurance, human resources, dietary and nursing.

5.7 Reviews, Reports and Board Meetings. Tenant will periodically review the resident care policies, documentation procedures and operational policies used at the Facility to determine if they reasonably conform to then-current industry standards and applicable Legal Requirements. Tenant shall track and monitor resident satisfaction in a manner consistent with Landlord's reasonable direction. Consistent with the requirements of Counties Code 55 Ill. Comp. Stat. § 5/5-21006, Tenant will provide monthly and annual written reports to the County Board or its designee setting forth its reviews of Facility operations and management to the

Landlord. The monthly and annual reports will include operations, management and financial updates for the Facility as compared to the Pro Forma. The content of the monthly and annual reports will include a detailed Facility financial report, census, updates as to regulatory surveys of the Facility, and resident satisfaction surveys. The content of the annual report will also include an annual financial audit (the cost of which shall be a Facility Operating Cost), and shall further include information concerning resident activities, satisfaction, quality ratings, monthly census by payor type, Medicare/Medicaid cost reports, a detailed Facility financial report, and a year-end financial report which will be submitted within one hundred twenty (120) days of the end of the Landlord's fiscal year. Tenant will meet with the Landlord at least once every two (2) months and will meet with the Landlord promptly upon the County Administrator's reasonable advance written request. Tenant will attend all reasonably requested County Board, or its designee, and any other Landlord meetings, upon receipt of reasonable advance written notice, which notice shall be not less than three (3) days. Tenant shall ensure, in accordance with 55 Ill. Comp. Stat. § 5/5-21006, that the facilities and records of the Facility shall be open for inspection by the Landlord at all times.

5.8 Intentionally Deleted.

5.9 Capital Improvements. An annual capital expenditure reserve for the Tenant of Five Hundred Dollars (\$500.00) per licensed bed shall be established in accordance with the terms of the Pro Forma. Tenant shall be responsible for determining the capital needs of the Facility, and shall communicate with and cooperate with Landlord in arranging for any necessary maintenance and repairs and/or capital improvements in accordance with Section 4.5 and 4.6. Any movable capital items procured during the Term shall be the property of the Tenant and it shall be the Tenant's responsibility to remove or dispose of items at the conclusion of this Agreement.

5.10 Billing and Third-Party Reimbursement. Tenant will oversee the billing for goods and services provided by the Facility in accordance with the terms of the Operations Transfer Agreement and in accordance with Legal Requirements.

5.11 Resident Trust Accounts. Tenant will oversee management of resident trust accounts by Facility personnel in accordance with the terms of the Operations Transfer Agreement and in accordance with Legal Requirements.

5.12 Cooperation. The parties shall cooperate with one another in good faith with respect to the coordination of all administrative and legal matters related to the operation of the Facility, and with respect to the implementation and achievement of each of Phase I, Phase II, and Phase III and the respective Milestones, including, without limitation, preparation of the application necessary to obtain the CON CHOW Approval and Replacement Facility CON Approval.

5.13 Legal Notices and Services to Residents. Tenant will provide legally required notice of this Agreement to residents of the Facility and to the State if required, but at all times upon prior approval of Landlord, which shall not be unreasonably withheld. Among other things, any notice will explain that Landlord continues to be the owner of the Facility and that

the licensed entity for the provision of services to residents will change in accordance with Phase II implementation.

5.14 Confidentiality of Facility Records. The parties to this Agreement recognize that the Landlord, as a public entity, is subject to laws such as the Illinois Freedom of Information Act and the Illinois Open Meetings Act, and that any attempt at providing confidentiality must conform with those laws. To the extent possible, the parties agree that the information, documents and instruments delivered to one party by another party or their respective agents and the information, documents and instruments delivered to a party by another party or their respective agents including this Agreement and all documents delivered hereunder are of a confidential and proprietary nature ("**Confidential Information**"). Each of the parties agrees that both prior and subsequent to the Term of this Agreement, it will maintain the confidentiality of all such Confidential information delivered to it by the other party or its agents in connection with the negotiation of this Agreement or in compliance with the terms, conditions and covenants hereof and only disclose such Confidential Information, documents and instruments to its duly authorized officers, directors, representatives and agents unless (i) compelled to disclose by judicial or administrative process (including in connection with obtaining the necessary approvals of this Agreement and the transactions contemplated hereby) or by other requirements of law or (ii) disclosed in an action or proceeding brought by a party in pursuit of its rights or in the exercise of its remedies hereunder; provided, however, that the parties hereto shall not disclose any Confidential Information not required to be disclosed as part of such permitted disclosure, or (iii) is public information or (iv) has become public through no fault of the disclosing party. Each of the parties hereto further agrees that if the Transaction is not consummated, it will return all such documents and instruments and all copies thereof in its possession to the other Party to this Agreement. Except as required by Legal Requirements, each of the parties hereto agree that any release to the public with respect to the matters set forth herein will be made only in the form and manner approved by the parties and their respective counsel. Each of the parties recognizes that any breach of this Section would result in irreparable harm to the other Party and that therefore either Tenant or Landlord shall be entitled to an injunction to prohibit any such breach or anticipated breach, without the necessity of posting a bond, cash or otherwise, in addition to all of their other legal and equitable remedies. Nothing in this Section, however, shall prohibit the use of such Confidential Information for such governmental filings as in the mutual opinion of Landlord's counsel and Tenant's counsel are: (i) required by Legal Requirements, or (ii) otherwise appropriate.

In accordance with Legal Requirements, including but not limited to the Health Insurance Portability and Accountability Act of 1996 ("**HIPAA**") and its attendant rules and regulations, as amended by the Health Information Technology for Education and Clinical Health Act ("**HITECH Act**") and the HITECH Act Final Rule, and as otherwise may be amended, Tenant will comply with Legal Requirements concerning confidentiality of health information of residents at the Facility, and will enter into and will cause any other person or entity required to do so under the Legal Requirements to enter into a Business Associate Agreement on terms and conditions mutually acceptable to the parties to such agreements. Additionally, the parties shall enter into a Business Associate Agreement, attached hereto and incorporated herein as Exhibit F, the final form of which will be agreed upon on or before the Effective Date.

5.15 Contracts, Supplies and Equipment. Tenant shall purchase such supplies and non-capital equipment necessary and appropriate for the operation of the Facility in accordance with the terms of the Pro Forma. Tenant shall inform Landlord of the contracts it wishes to continue or terminate, as the case may be, in accordance with the Operations Transfer Agreement.

5.16 Ancillary Services. Tenant will either provide or arrange for the provision of ancillary services not covered by this Agreement to the Facility as needed, including without limitation marketing and promotion, training, construction, and care-related consultants, which may include nurse consultants, dietary consultants, therapy health nurses, physician/medical director, and activities, social services and religious consultants.

5.17 Dietary Services. Tenant shall manage the dietary department of the Facility at Tenant's direction.

~~5.18 Marketing and Customer Relations. Tenant will oversee the development and implementation of marketing and customer relations programs for the Facility, in consultation with established groups representing Facility constituencies, such as family, residents and care providers.~~

5.19 Advisory Support. At no cost to Landlord, Tenant will provide timely assistance to Landlord with respect to reasonable requests for graphs, market analysis, business plans, program planning, and analysis charts and information assimilation relating to the Facility.

5.20 Occupancy. Tenant will use commercially reasonable efforts to achieve and maintain Landlord's historical census and payor mix with respect to Facility occupancy, subject to compliance with applicable Legal Requirements concerning discrimination based on payor type, and as needed to meet the financial performance set forth in Tenant's pro forma estimates in Exhibit B. Nothing in this Agreement affects the powers of the Landlord contained in 55 Ill. Comp. Stat. §§ 5/5-21009 and 5/5-21010, which are powers Landlord maintains, to the extent those Landlord powers do not conflict with the Service Covenant set forth in Section 6.5.

5.21 Tenant's Designated Representative. For any situation in which pursuant to the terms of this Agreement, Tenant is required or permitted to take any action, give any report or make any request to or of Landlord, Tenant will act by and through Tenant's Designated Representative.

5.22 Primary Goals & Quality Care. The primary goals of Tenant under this Agreement shall be to:

(a) at all times acknowledge and implement, through the oversight of the Landlord, the Lake County Mission;

(b) provide an accurate and objective reporting and approval channel for the Facility to the Landlord; and

(c) maintain and strive to continually improve the operations of the Facility  
to:

- of the community;
- (i) Provide quality nursing and rehabilitation services for the benefit of the community;
  - (ii) Maintain programs to promote the effective utilization of Facility's services;
  - (iii) Maintain the current public image for the Facility;
  - (iv) Maintain quality and proper staffing of the Facility;
  - (v) Operate the Facility on a sound financial basis;
  - (vi) Institute sound financial accounting systems and internal fiscal controls through effective budgeting procedures, all in accordance with GAAP, with accounting performed on an accrual basis;
  - (vii) Provide sound operating and billing procedures;
  - (viii) Control the cash position of the Facility through sound collection methods;
  - (ix) Take such other steps as are necessary to provide quality care to all residents of the Facility; and
  - (x) Adhere to and fully cooperate with all applicable Legal Requirements.

5.23 Offer of Beds to Current Residents in the Replacement Facility. Prior to the transfer of residents from Facility to the Replacement Facility at the end of the Term of this Agreement, Tenant shall first offer all then current residents of Facility admission to the Replacement Facility and Tenant shall make all reasonable efforts to maintain that bed for those current residents of Facility that choose to be admitted to the Replacement Facility. The Tenant obligation under this Section 5.23 shall survive the termination of this Agreement.

## ARTICLE 6 PAYMENTS

6.1 Payments. Landlord shall make Progress Payments and Start-Up Capital Payments to Tenant for the Term of this Lease in accordance with the provisions of this Article and the Pro Forma. Landlord shall be permitted to withhold Progress Payments in accordance with the provisions of Section 6.2 of this Agreement. Notwithstanding the foregoing, Landlord's obligation to make the Start-Up Capital Payments shall be unconditional, provided that Tenant submits written invoices to Landlord at least thirty (30) days in advance for each monthly Start-Up Capital Payment. Each such Start-Up Capital Payment shall be paid by Landlord to Tenant in the amount set forth on the Pro Forma, at least ten (10) Business Days prior to the first day of each such month, provided that Tenant submits written invoices timely in accordance with this Section 6.1.

6.2 Amount and Conditions for Progress Payments:

6.2.1 Landlord shall make the Progress Payments to Tenant on a monthly basis, beginning on the Effective Date, in the amounts set forth for each respective month on line G45 of the Pro Forma. Provided that Tenant submits written invoices to Landlord at least thirty (30) days in advance for each monthly Progress Payment, Progress Payments shall be paid by Landlord to Tenant accordingly. Progress Payments shall be paid by Landlord to Tenant at least ten (10) Business Days prior to the first day of the respective month to which such payment relates, provided that Tenant submits written invoices timely in accordance with this Section 6.2. The parties understand that Progress Payments are expressly conditioned on Tenant meeting the milestones set forth in Exhibits C, D, and E (individually, a "Milestone" and collectively, the "Milestones"). Should Tenant fail to satisfy any Milestone, Landlord shall be permitted, in its discretion, to withhold the Progress Payment for such month, along with Progress Payments for subsequent months, until such time as Tenant has completed the task/objective covered by such Milestone. Notwithstanding the foregoing, if Tenant subsequently completes the task/objective covered by a Milestone that was previously unsatisfied, Landlord shall not be permitted to withhold further Progress Payments.

6.2.2 Landlord shall have no obligation to make Progress Payments: (a) beyond the Initial Term; or (b) in an amount greater than the aggregate amount of the Progress Payments set forth on the Pro Forma. Upon expiration of the Term, and within ten (10) calendar days following Tenant's delivery of the final annual financial report at the end of the Term contemplated under Section 5.7 of this Agreement, Landlord and Tenant shall conduct a reconciliation (the "**Reconciliation**") with respect to the Progress Payments paid to Tenant by Landlord and the actual Facility Operating Expenses paid by Tenant in operating the Facility. If the Reconciliation indicates that the Progress Payments utilized by Tenant are less than the amounts estimated in the Pro Forma attached as Exhibit B, then such difference shall be referred to as the "**Shared Savings**", and such Shared Savings shall be treated as follows:

(a) Tenant shall be eligible to retain up to 50% of the Shared Savings (the "**Quality Incentive Payment**"), subject to Tenant's satisfaction of the following standards:

(i) Provided that Tenant improves the overall star rating of the Facility by showing that the star rating for the last 24 months of this Agreement is on average a higher rating than when Tenant took over (Effective Date), and the star rating is higher than it was on the Effective Date when the tenant exits the building after successfully accomplishing Phase III, as such rating is published on <http://medicare.gov/nursinghomecompare/search.html> (or its successor entity/publication location), Tenant shall be entitled to retain 1/3 of the Quality Incentive Payment, with the remainder of the Shared Savings remitted back to Landlord;

(ii) Provided that Tenant maintains an average resident satisfaction level equal to or greater than 3.75 out of 5 on the Pinnacle Customer Satisfaction Surveys and the TCM employee surveys commencing on the Effective Date through the end of the Term, Tenant shall be entitled to retain 1/3 of the Quality Incentive Payment with the remainder of the Shared Savings remitted back to Landlord; and

(iii) Provided that Tenant achieves Shared Savings in its management and operation of the Facility commencing on the Effective Date through the end of the Term, Tenant shall be entitled to retain 1/3 of the Quality Incentive Payment with the remainder of the Shared Savings remitted back to Landlord.

(b) Any Quality Incentive Payment, if applicable, shall be retained by Tenant at the end of the Term of this Agreement. Otherwise, any Shared Savings that does not constitute a Quality Incentive Payment shall be remitted back to Landlord.

### 6.3 Start-Up Capital.

6.3.1 Landlord shall make the Start-Up Capital Payments to Tenant on a monthly basis, beginning on the Effective Date of this Agreement, in the amounts set forth for each respective month on line G46 of the Pro Forma, provided that Tenant complies with the requirements and timeframes set forth in Section 6.1.

6.3.2 Start-Up Capital, shall be repaid by Tenant to Landlord as follows: 50% of the amount of the Start-Up Capital shall be repaid within 90 days of the first to occur of the following, and the remaining 50% shall be repaid within 180 days of the first to occur of the following: (a) termination of Phase III; or (b) any other termination of this Agreement. Notwithstanding the foregoing, the aggregate amount of the Start-Up Capital which Tenant is obligated to repay shall be reduced, only by a maximum of \$900,000.00, only if Tenant provides evidence to Landlord of the following, and only to the extent of any of the following:

(a) any material decrease in Medicaid reimbursement for services provided by Tenant to residents of the Facility, calculated by subtracting the aggregate Medicaid reimbursement received by Tenant from such payor during the Term from the aggregate Medicaid reimbursement that would have been received by Tenant from such payor if the respective Medicaid reimbursement rate(s) remained consistent with the Medicaid reimbursement rate(s) effective as of the Effective Date throughout the Term;

(b) any Damages incurred by Tenant that relate, directly or indirectly, to the union that is currently providing services at the Facility pursuant to the agreement with Exiting Operator, including, without limitation, pension obligations related to such union and/or any claim made by the union regarding outstanding payment obligations, backpay obligations, or other benefits owed by Exiting Operator; provided, however, that for purposes of this Section 6.3.2(b), Damages shall not include Damages incurred by Tenant that relate, directly or indirectly to future union agreements or future union relationships with Tenant;

(c) the aggregate amount by which the actual real estate taxes payable by Tenant exceeds the amount set forth on the Pro Forma for real estate taxes;

(d) any Damages incurred by Tenant as a result of any Change in Law;

or

(e) any other Damages incurred by Tenant, which are mutually agreed upon by the parties, that relate to a material adverse event(s) not reasonably foreseeable by Tenant and not caused by any action or inaction of Tenant.

6.4 Changes in Law. Notwithstanding anything herein to the contrary, if during the Term hereof any Change in Law results in an Adverse Consequence (as such terms are defined in this Section 6.4), the parties agree to cooperate in making reasonable revisions to this Agreement and the Pro Forma in order to avoid and/or mitigate the effect of such Adverse Consequence. If the parties through good faith negotiations fail to agree to such revisions after thirty (30) days following written notice by either party to the other party requesting renegotiation, then this Agreement may be immediately terminated by either party upon written notice to the other party. In such event, the parties shall promptly proceed to unwind their relationship and place the other party in substantially the same position as such party was in prior to the Effective Date. During such unwinding, Tenant shall remain as manager of the Facility in accordance with Phase I of this Agreement.

As used herein, "**Change in Law**" shall mean: (i) any new legislation or rulemaking enacted by the federal or any state or local government; (ii) any governmental, judicial or administrative order, decree or decision that would affect the nursing home industry generally and not such orders, decrees or decisions applying to the Facility itself as a result of actions or omissions of Tenant; or (iii) any interpretation of (i) or (ii) above by a court of competent jurisdiction or by a formal written opinion issued by legal counsel to either party. As used herein, "**Adverse Consequence**" shall mean a Change in Law that prohibits, restricts, limits or otherwise affects either party's rights or obligations hereunder in a material manner or otherwise makes it desirable for the parties to restructure the relationship established hereunder because of material legal or financial consequences expected to result from such Change in Law.

6.5 Service Covenant. In recognition of the role the Facility has played in caring for residents of Lake County, and with the intention of maintaining that level of commitment to Lake County residents and otherwise supporting the County's interest in Lake County residents receiving services, Tenant shall comply with the following covenant:

6.5.1 In a simple majority of certain referrals to the Facility of prospective facility residents who are residents of Lake County ("**LC Resident**") by Referral Sources (defined below) which do not result in an admission because Tenant cannot satisfy the resident's needs (e.g., advanced psychotic, schizophrenic, or suicidal conditions), Tenant shall use commercially reasonable efforts to undertake the following actions ("**Service Covenant**"): Within five (5) Business Days of declining to admit such LC Resident, Tenant will either identify available services to meet the needs of the LC Resident or identify an alternative nursing facility located preferably within the Lake County Marketplace, offering the types of services required by the resident ("**Alternate Placement**"), and Tenant will identify the Alternate Placement to the Referral Source by providing written or verbal notice. For purposes of this Section 6.4, "**Referral Source**" means a referral source, other than other facilities, that has referred a LC Resident to the Facility for admission, and the term "**LC Resident**" includes resident's decision-making proxy, where appropriate in a given context.

6.5.2 Limitations on the Service Covenant.

(a) Tenant shall not be obligated to admit to the Facility any LC Resident who requires or may foreseeably require any of the categories of services listed or is

otherwise described on Exhibit I (“**Service Limitations**”) or whose needs may otherwise negatively affect then-current Facility residents. Such referrals are “**Non-qualifying Referrals**.”

(b) If Tenant has notified a Referral Source in writing of the Facility’s Service Limitations, and the Referral Source makes a referral to the Facility of a LC Resident whose needs fall within or foreseeably may fall within the Service Limitations, then Tenant may but shall have no obligation to identify an Alternate Placement, and such Non-qualifying Referral shall not be included in the assessment of Tenant’s compliance with the Service Covenant.

(c) The following circumstances shall not be included in the assessment of Tenant’s compliance with the Service Covenant:

(i) If Tenant is unable to admit a LC Resident due to insufficient staffing at the Facility, or discontinuation or planned discontinuation of a category of service, Tenant may, but shall not be obligated to identify an Alternate Placement.

(ii) If Tenant is unable to admit a LC Resident due to damage to the Facility, construction, renovation, equipment failure or loss, or other structural or physical cause, Tenant may, but shall not be obligated to identify an Alternate Placement.

(iii) Tenant shall not be obligated to identify an Alternate Placement for a LC Resident if none exists suitable for the LC Resident’s needs within the Lake County Marketplace at the time of the referral to the Facility.

#### 6.5.3 Tenant Not a Referral Source.

Under no circumstances shall Tenant be deemed to have made a referral in identifying an Alternate Placement. Landlord shall not take or support the position that Tenant has made a referral in identifying an Alternate Placement.

#### 6.5.4 Certification by Tenant.

(a) At the end of each quarter beginning with the first three months after the Effective Date, and until the termination of this Agreement, Tenant shall certify (“**Quarterly Certification**”) to the Landlord that it has or has not met the Service Covenant. The Quarterly Certification shall provide cumulative information for the preceding quarters, ending in the applicable quarter to date. The Landlord shall meet within ten (10) Business Days following delivery of each Quarterly Certification to the Landlord. Such delivery may be electronic, at Tenant’s option. If for any quarter Tenant has not met the Service Covenant, the Landlord will notify the Tenant.

(b) Tenant shall deliver a cumulative annual certification to the Landlord as to whether Tenant has met the Service Covenant (“**Annual Certification**”), based on an annual cycle starting on the Effective Date. The Annual Certification shall be delivered within 10 Business Days of the end of each annual cycle. Such delivery may be electronic, at Tenant’s option.

(c) Both the Quarterly Certification and Annual Certification will identify (1) compliance with the Service Covenant by specifically setting forth those LC Residents referred by Referral Sources who are not admitted to the Facility, and state the reason and list the Alternate Placement identified by Tenant; provided however, such information shall be provided to the Landlord in a manner that will not violate standards that protect health information and identities of such LC Residents, (2) actual census numbers for the Facility by payor type, and (3) progress reports with respect to compliance with the Phase I, II, and II Milestones with explanations and evidence of same that is reasonably satisfactory to Landlord.

(d) An Alternate Placement notification by Tenant shall not be invalidated by (i) the refusal or failure of the Referral Source to communicate the Alternate Placement to the LC Resident, (ii) the refusal or failure of the Alternate Placement to accept the LC Resident, (iii) the failure or refusal of the LC Resident to become a resident of the Alternate Placement, (iv) efforts by the LC Resident or Alternate Placement to relocate or relocation of such LC Resident following admission to Alternate Placement, or (v) refusal of admission to the Alternate Placement based on facts concerning the LC Resident or the Alternate Placement not previously known to Tenant.

6.5.5 Landlord's Remedies. If Tenant fails to meet the Service Covenant for any quarter, Tenant shall immediately submit a plan of correction to Landlord. In addition, Tenant shall pay to Landlord \$500 per day for each day in which Tenant is in violation of the Service Covenant. If Tenant fails to meet the Service Covenant a second time while this Agreement is in effect, in addition to the \$500 per day penalty set forth above, Landlord shall have the option of arranging for the administration of the Service Covenant by qualified experts chosen by Landlord, the cost of which shall be a Tenant expense, but which shall not be includable on the Pro Forma.

6.5.6 Lender's Criteria. Landlord acknowledges that Tenant's and Tenant's lenders may impose financial performance covenants ("Criteria") on Tenant's operation of the Facility, that Tenant's ability to continue to operate the Facility and provide services to LC Residents in Lake County is conditioned on achieving such Criteria and on receiving timely Progress Payments under this Agreement, and that achieving the Criteria and/or making payments to Landlord under this Agreement may require Tenant to deviate from the Objective from time to time. In such event, together with any Quarterly or Annual Certification so effected, Tenant shall provide to Landlord financial information to demonstrate Tenant's need to deviate from the Objective, and identify what Criteria is implicated, and the Tenant shall be entitled to suspend the provisions of Section 6.2, at the reasonable discretion of the Landlord, without waiving Tenant's requirements to abide by the Objective throughout the Term of this Lease. If Landlord's non-payment of the Progress Payment would cause Tenant to fail to comply with the Criteria or be unable to make timely payments under the Lease, withholding of such Progress Payment and any previously withheld Progress Payments may be deferred by Landlord at Landlord's discretion.

**ARTICLE 7**  
**REPRESENTATIONS AND WARRANTIES**

7.1 Landlord's Representations and Warranties.

7.1.1 Organization and Qualification; Authority; Binding Effect.

(a) Landlord in an Illinois municipal corporation, duly formed, validly existing and in good standing under the laws of the State of Illinois, and has all requisite power and authority to own, lease, operate, and consummate the Transaction contemplated under this Agreement. Landlord is the sole owner of the Facility and holds good and clear title to the Facility and all of the related assets to be leased to Tenant under this Agreement.

~~(b) Landlord has, and as of the Effective Date and at all times up to and including termination of Phase III will have, the full and unrestricted right, power and authority to execute, deliver and perform this Agreement and to consummate the Transactions and perform all obligations contemplated hereby and in all agreements, instruments and documents being or to be executed and delivered by it in connection with such transactions, including the Operations Transfer Agreement (collectively, the "Landlord Related Documents").~~ The execution and delivery of this Agreement and the Landlord Related Documents by Landlord, the performance of this Agreement and the Landlord Related Documents by Landlord, and the consummation of the Transaction contemplated hereby and thereby, have been duly authorized by Landlord and no other proceeding on the part of Landlord is necessary to authorize this Agreement or the Landlord Related Documents or to consummate the Transaction contemplated hereby or thereby. This Agreement has been duly executed and delivered by Landlord and constitutes the valid and binding obligation of Landlord, enforceable against Landlord in accordance with its terms. When each of the other Landlord Related Documents has been duly executed and delivered by Landlord, such Landlord Related Documents will constitute a legal and binding obligation of Landlord enforceable against it in accordance with its terms, except to the extent that enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar law as is now or hereinafter in effect relating to creditors' rights generally.

7.1.2 No Conflict; Required Filings and Consents.

(a) The execution and delivery by Landlord of this Agreement and the Landlord Related Documents to which it is a party, Landlord's performance of this Agreement and the Landlord Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not conflict with or violate or constitute, with or without notice or the lapse of time or both, a breach of or default under: (i) the governing or charter documents of Landlord, (ii) any Legal Requirement, (iii) any contract to which Landlord is a party, or (iv) any other instrument to which Landlord is a party or by which Landlord may be bound or to which Landlord or any portion of the Facility is subject.

(b) The execution and delivery by Landlord of this Agreement and the Landlord Related Documents to which it is a party, Landlord's performance of this Agreement and the Landlord Related Documents to which it is a party, and the consummation of the

Transaction contemplated hereby and thereby will not with or without notice or the lapse of time or both, give to others any rights of termination, amendment, acceleration or cancellation of, or require payment under, or result in the creation of any lien or adversely affect the Facility.

(c) The execution and delivery by Landlord of this Agreement and the Landlord Related Documents to which it is a party, Landlord's performance of this Agreement and the Landlord Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not require Landlord to obtain any consents, authorizations, orders and approvals of, or to make any filing with or notification to, any governmental entity or any other person or entity, except with respect to the approval of the County Board.

7.1.3 Compliance with Laws. Landlord is, and has been, in material compliance with all Legal Requirements applicable to the Facility. Landlord has not received, and to Landlord's knowledge, no other party has received, any written notice alleging non-compliance with any material Legal Requirements within the five year period preceding the Signing Date.

7.1.4 Environmental Matters. Landlord has not received any notice of any violation or alleged violation of any Environmental Law, and Landlord and the Facility are in compliance with all Environmental Laws. Neither Landlord nor the Facility are subject to any outstanding or threatened Environmental Action. The Facility has not been used by Landlord or any other person for the generation, storage, manufacture, use, transportation, disposal or treatment of Hazardous Substances, except for medical waste in the ordinary course of operating the Facility. There has been no Hazardous Discharge on or from the Premises by Landlord, or, to Landlord's knowledge, by any other person or entity. As used in this Agreement, "Environmental Law" means each and every applicable federal, state, local and foreign law, statute, ordinance, regulation, rule, judicial or administrative order or decree, permit, license, approval, authorization or similar requirement of each and every governmental entity and the common law, pertaining to the protection of human health, safety the environment, or natural resources, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), 42 U.S.C. 9601, *et seq.*, the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. 6901, *et seq.*, the Toxic Substances Control Act ("TSCA"), 15 U.S.C. 2601, *et seq.*, the Water Pollution Control Act ("FWPCA"), 33 U.S.C. 1251, *et seq.*, the Occupational Safety and Health Act ("OSHA"), 42 U.S.C. 655, all as amended. As used in this Agreement, "Hazardous Discharge" shall mean any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping of Hazardous Substances. As used in this Agreement, "Hazardous Substance" shall mean any substance, compound, chemical or element which is: (i) defined as a hazardous substance, hazardous material, toxic substance, hazardous waste, medical waste, pollutant or contaminant under any Environmental Law; (ii) a petroleum hydrocarbon, including crude oil or any fraction thereof; (iii) asbestos in any form; or (iv) radon, mold, lead, or other toxic compounds or substances. As used in this Agreement, "Environmental Action" means any Actions and Proceedings under or by virtue of any Environmental Law or in connection with any Hazardous Discharge or Hazardous Substance.

7.1.5 Full Disclosure. No representation or warranty by Landlord in this Agreement contains any untrue statement of a material fact, or omits to state a material fact

necessary to make the representation or warranty contained therein, in light of the circumstances in which they are made.

7.2 Tenant's Representations and Warranties.

7.2.1 Organization and Qualification; Authority; Binding Effect.

(a) Tenant is a limited liability company, duly formed, validly existing and in good standing under the laws of the State of Illinois, and has all requisite power and authority to own, lease, operate, and consummate the Transaction contemplated under this Agreement.

(b) Tenant has, and as of the Effective Date and at all times up to and including termination of Phase III will have, the full and unrestricted right, power and authority ~~to execute, deliver and perform this Agreement and to consummate the Transactions and perform~~ all obligations contemplated hereby and in all agreements, instruments and documents being or to be executed and delivered by it in connection with such transactions, including the Operations Transfer Agreement (collectively, the "Tenant Related Documents"). The execution and delivery of this Agreement and the Tenant Related Documents by Tenant, the performance of this Agreement and the Tenant Related Documents by Tenant, and the consummation of the Transaction contemplated hereby and thereby, have been duly authorized by Tenant and no other proceeding on the part of Tenant is necessary to authorize this Agreement or the Tenant Related Documents or to consummate the Transaction contemplated hereby or thereby. This Agreement has been duly executed and delivered by Tenant and constitutes the valid and binding obligation of Tenant, enforceable against Tenant in accordance with its terms. When each of the other Tenant Related Documents has been duly executed and delivered by Tenant, such Tenant Related Documents will constitute a legal and binding obligation of Tenant enforceable against it in accordance with its terms, except to the extent that enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar law as is now or hereinafter in effect relating to creditors' rights generally.

7.2.2 No Conflict; Required Filings and Consents.

(a) The execution and delivery by Tenant of this Agreement and the Tenant Related Documents to which it is a party, Tenant's performance of this Agreement and the Tenant Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not conflict with or violate or constitute, with or without notice or the lapse of time or both, a breach of or default under: (i) the governing or charter documents of Tenant, (ii) any Legal Requirement, (iii) any contract to which Tenant is a party, or (iv) any other instrument to which Tenant is a party or by which Tenant may be bound or to which Tenant is subject.

(b) The execution and delivery by Tenant of this Agreement and the Tenant Related Documents to which it is a party, Tenant's performance of this Agreement and the Tenant Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not with or without notice or the lapse of time or both,

give to others any rights of termination, amendment, acceleration or cancellation of, or require payment under, or result in the creation of any lien or adversely affect the Facility.

(c) The execution and delivery by Tenant of this Agreement and the Tenant Related Documents to which it is a party, Tenant's performance of this Agreement and the Tenant Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not require Tenant to obtain any consents, authorizations, orders and approvals of, or to make any filing with or notification to, any governmental entity or any other person or entity.

7.2.3 Compliance with Laws. Tenant is, and has been, in material compliance with all Legal Requirements to allow Tenant to fulfill its obligations under this Agreement. Tenant has not received, and to Tenant's knowledge, no other party has received, any written notice alleging non-compliance with any material Legal Requirements, including but not limited to any pending compliance action(s) with the IHFSRB.

## ARTICLE 8 MISCELLANEOUS

8.1 Quiet Enjoyment. Tenant, upon paying the Rent and all other charges herein provided, and for observing and keeping the covenants, agreements, terms and conditions of this Agreement on its part to be performed, shall lawfully and quietly hold, occupy and enjoy the Facility during the Term of this Agreement, and subject to its terms, without hindrance by Landlord or by any other person or persons claiming under Landlord.

8.2 Notices. All notices, approvals or other communications that a party may desire or be required to give to another party under the terms of this Agreement shall be in writing and shall be deemed to have been properly given, served and received: (i) if delivered by messenger, when delivered; (ii) if mailed in the United States certified or registered mail, postage prepaid, return receipt requested, on the third (3<sup>rd</sup>) postal delivery day after mailing; or (iii) if sent for next Business Day delivery by reputable, national next business day express carrier, freight prepaid, the next business day after dispatch to such carrier, addressed to such party as follows:

<i>If to Tenant:</i>	Transitional Care of Lake County, LLC 6400 Shafer Court, Suite 600 Rosemont, IL 60018 Attention: Mike Filippo
<i>With copies to:</i>	Benesch, Friedlander, Coplan & Aronoff LLP 200 Public Square, Suite 2300 Cleveland, OH 44114-2378 Attention: Daniel J. O'Brien
<i>If to Landlord:</i>	County of Lake 18 N. County Street 9 <sup>th</sup> floor Waukegan, IL 60085 Attn: County Administrator

*With copies to:* County of Lake  
18 N. County Street 9<sup>th</sup> floor  
Waukegan, IL 60085  
Attn: Deputy of the Civil Division

*Additional Copies To:* Duane Morris LLP  
190 South LaSalle Street  
Suite 3700  
Chicago, IL 60603  
Attn: Nicholas J. Lynn

8.3 Memorandum of Lease. Upon demand by either party, Landlord and Tenant agree to execute and deliver a short form lease in recordable form so that the same may be recorded by either party.

8.4 Estoppel. Each party agrees that any time, and from time to time, upon not less than ten (10) days prior written request from the other party, to execute, acknowledge and deliver to the other party a statement in writing, certifying that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), the dates to which the Rent has been paid, and whether any events have occurred which, with the giving of notice or the passage of time, or both, could or do constitute a Default hereunder.

8.5 Fair Market Value. In determining the payments to be paid under this Agreement, including but not limited to the Progress Payments, the parties have agreed to the fair market value of the payments in light of the time, energies, training, experience and skills required, and experience and general economic conditions. The parties agree that the payments, including the Progress Payments set forth herein reflect fair market value and have not been determined by taking into account in any way the volume or value of any referrals or business generated between the parties which is reimbursed under Medicare, Medicaid or any private health insurance.

8.6 No Requirement to Refer. Nothing in this Agreement shall constitute an agreement for referrals or an agreement to offer or receive anything of value as an inducement for referrals. The terms of this Agreement are not dependent upon the amount or volume of referrals. Nothing in this Agreement is intended to be, nor will it be construed as, an offer, inducement or payment, whether directly or indirectly, overtly or covertly, for the referral of residents or patients, or for the recommending or arranging of the purchase, lease or order of any item or service. No referrals are required under this Agreement.

8.7 Change in Legal Requirements. Upon either party's good faith determination, on the basis of events occurring subsequent to the date of this Agreement, that the Agreement fails to comply in a material way with any applicable Legal Requirements, the parties agree to take no action deemed to be in violation of such law and, after notice has been given, the parties shall promptly meet within a period of thirty (30) days and using good faith and due diligence shall

attempt to agree upon a new structure that will satisfy the business objectives of the Agreement and applicable Legal Requirements. If, by the end of the thirty (30) day period the parties have agreed upon a new structure, then the parties may amend this Agreement.

8.8 Interpretation. All of the provisions of this Agreement shall be deemed and construed to be "conditions" and "covenants" as though the words specifically expressing or importing covenants and conditions were used in each separate provision hereof. Any reference herein to the termination of this Agreement shall be deemed to include any termination thereof by expiration, or pursuant to Articles referring to earlier termination. All nouns and pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons, firm or firms, corporation or corporations, entity or entities or any other thing or things may require.

8.9 Headings. The headings and titles in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Agreement, nor in any way affect this Agreement.

8.10 Entire Agreement. This Agreement contains the entire agreement between the parties, but arises from the Lake County RFP dated July 23, 2014, (attached to this Agreement as Exhibit J), and approved by the Landlord on May 12, 2015, and a Transitional Care Management Proposal dated August 14, 2014 (attached to this Agreement as Exhibit K). In the event of a conflict between these three documents, the order of precedence shall be (1) this Agreement; (2) the RFP; (3) the Transitional Care & Management Proposal. No oral modifications to this Agreement shall be valid, but rather all modifications must be made in writing and signed by both parties.

8.11 Assignment. Neither party shall be permitted to assign or sublet, whether by operation of law or otherwise, all or any portion of this Agreement without the prior written consent of the other party.

8.12 Force Majeure. Neither party shall be liable nor deemed to be in Default for any delay or failure in performance under this Agreement or other interruption of service resulting, directly or indirectly, from acts of God, acts of public enemy, war, accidents, fires, explosions, earthquakes, floods, failure of transportation, strikes or other work interruptions by either parties' employees, legislative changes or rulemakings, or any similar or dissimilar cause beyond the reasonable control of either party.

8.13 Severability. If any term or provision of this Agreement shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this Agreement shall not be affected thereby, but each term and provision shall be valid and be enforced to the fullest extent permitted by law.

8.14 Survival. The provisions of Sections 4.28 and 4.29 of this Agreement shall survive the termination of this Agreement for a period of one (1) year.

8.15 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if the parties hereto had signed the same document. Signatures transmitted by facsimile or PDF shall have the same effect as original signatures.

8.16 Dates. If a party signs but fails to date a signature, the date that the other party receives the signing party's signature will be deemed to be the date that the signing party signed this agreement, and the other party may inscribe that date as the date associated with the signing party's signature.

[SIGNATURE PAGE FOLLOWS ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by persons authorized to do so on behalf of each of them respectively the day and year just above written.

**Landlord:**

**COUNTY OF LAKE**, an Illinois municipal corporation

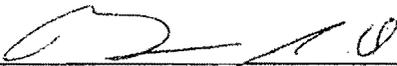
By:   
Its: \_\_\_\_\_

Consented to this      day of May,  
2015

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**Tenant:**

**TRANSITIONAL CARE OF LAKE  
COUNTY, LLC**, an Illinois Limited Liability  
Company

By:   
Its: Manager

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DM2\5540662.9

**EXHIBIT A**

**PREMISES**

Winchester House  
1125 North Milwaukee Avenue  
Libertyville, Illinois 60048

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**EXHIBIT B**

**TENANT'S PRO FORMA ESTIMATES FOR OPERATION OF FACILITY .**

See attached.

## EXHIBIT C

### PHASE I MILESTONES

Phase I shall commence as of the Effective Date. During Phase I, Tenant shall take all commercially reasonable actions necessary to secure all Healthcare Licenses and Approvals needed to operate the Facility. During the pendency of Tenant's receipt of the Healthcare Licenses and Approvals, Tenant shall assist Landlord (or Landlord's agent) in Landlord's provision of services for the health, safety, nursing care, and welfare of all Facility residents. During this Phase I, Tenant shall work cooperatively with Landlord to assure a smooth transition to Phase II. Such transition shall include, but not be limited to, installation of systems and procedures needed to operate and sustain operations, performing inventory of existing movable equipment and supplies, establishing cut-off procedures for accounts receivable and accounts payable, ~~assembling a workforce; transferring applicable contractual obligations to Tenant and~~ such other practices necessary for the transition of the Facility operation to Tenant. Phase I shall terminate upon Tenant's receipt of the Healthcare Licenses and Approvals.

- Filing of CHOW CON Application within thirty (30) days of the Effective Date.
- Filing of Application for Licensure ("**Licensure Application**") with IDPH within ten (10) days of receipt of the CHOW CON Approval.
- Filing of documents for Medicare Certification fourteen (14) days after approval by IDPH of the Licensure Application.
- Filing of documents for Medicaid Certification fourteen (14) days after approval by IDPH of the Licensure Application.

## EXHIBIT D

### PHASE II MILESTONES

Phase II shall commence upon Tenant's receipt of the Healthcare Licenses and Approvals. During Phase II, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents, and shall be the sole operator of the Facility pursuant to the terms of this Agreement and pursuant to any and all applicable Legal Requirements. In addition, during Phase II, Tenant shall diligently prepare and submit an application to obtain the Replacement Facility CON Approval. Phase II shall terminate upon Tenant's receipt of both: (a) the Replacement Facility CON Approval; and (b) the Healthcare Licenses and Approvals.

- (A) Contract to secure land for construction of Replacement Facility -- ten (10) months from Effective Date.
  - (B) Presentation of master design, architectural drawings, and master plan for Replacement Facility to Landlord -- nine (9) months from Effective Date.
  - (C) Preparation by Tenant of CON for Replacement Facility and discontinuation CON, and presentation to Landlord of Replacement Facility CON and any discontinuation CON in DRAFT form -- nine (9) months from Effective Date.
  - (D) Preparation by Tenant of construction schedule and list of contractors for building of Replacement Facility; presentation of same to Landlord -- sixteen (16) months from Effective Date.
  - (E) Filing of Replacement Facility CON Application by Tenant for Replacement Facility (to be coordinated by Tenant with Landlord discontinuation of Landlord CON) with IHFSRB -- ten (10) months from Effective Date.
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## EXHIBIT E

### PHASE III MILESTONES

Phase III shall commence upon Tenant's receipt of both: (a) the Replacement Facility CON Approval; and (b) the Healthcare Licenses and Approvals. During Phase III, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents. Promptly following Tenant's receipt of the Replacement Facility CON Approval, Tenant shall diligently pursue construction of the Replacement Facility in accordance with the terms of the Replacement Facility CON Approval, followed by relocation of the residents. Phase III shall terminate upon transfer of the last then current resident to the Replacement Facility, in accordance with the laws, rules and regulations of the State of Illinois regarding the transfer of residents.

- (A) Tenant to begin construction of Replacement Facility project pursuant to Replacement Facility CON Approval - 24 months from Effective Date.
- (B) Filing of discontinuation of Facility CON with the IHFSRB – 24 months from Effective Date.
- (C) Completion of construction and submission of Final Project Report by Tenant to IHFSRB - 36 months from Effective Date.
- (D) Filing of Facility Closure Plan, with input from IDPH that is gathered by Tenant, including details of transfer of residents to replacement facility; presentation of same to Landlord – 30 months from Effective Date.
- (E) Filing of Application for Licensure (“**Licensure Application**”) for Replacement Facility with IDPH – 30 months from Effective Date.
- (F) Tenant to provide to Landlord a draft transition and communication plan for families and residents regarding transfer of residents into Replacement Facility – 30 months from Effective Date.

**EXHIBIT F**

**BUSINESS ASSOCIATE AGREEMENT**

See attached.

**EXHIBIT G**

**INSURANCE COVERAGES**

*[Include requirements for insurance coverage for Tenant]*

See attached.

**EXHIBIT H**

**LAKE COUNTY MARKETPLACE**

See attached.

**EXHIBIT I**

**SERVICE LIMITATIONS ON SERVICE COVENANT**

Assisted Living Services

Hospital Services

Mental Health Services

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**EXHIBIT J**

**RFP**

See attached.

**EXHIBIT K**  
**TCM PROPOSAL**

See attached.

**EXHIBIT L**

**PRE-DEVELOPMENT COSTS**

See attached.

**EXHIBIT M**

**IRREVOCABLE STANDBY LETTER OF CREDIT**

ISSUING BANK:

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ [date]

Letter of Credit No. \_\_\_\_\_

Letter of Credit Amount \$700,000.00

Issuing Bank Letter of Credit Reference No. \_\_\_\_\_

Confirming Bank Name: \_\_\_\_\_

Confirming Bank Address: \_\_\_\_\_

Account Party: \_\_\_\_\_

**BENEFICIARY:**

County of Lake

18 North County Street - 9th Floor

Waukegan, IL 60085-4334

Attn: County Administrator

Ladies and Gentlemen:

We hereby confirm the enclosed Irrevocable Letter of Credit No. \_\_\_\_\_ and amendments thereto, if any, issued in favor of the Beneficiary by \_\_\_\_\_ [insert name of issuing bank] for drawings up to the aggregate principal amount of \$700,000.00, effective immediately. This confirmation is issued, presentable and payable at our office at \_\_\_\_\_, \_\_\_\_\_, and expires with our close of business on \_\_\_\_\_ [insert same expiration date as Letter of Credit]. The expiration date of this Letter of Credit shall be automatically extended for successive one (1) year periods unless we notify the Beneficiary by certified mail or other receipted means of delivery sent to Beneficiary's above stated address sixty (60) or more calendar days before the then current expiration date. The expiration date is not subject to automatic extension beyond \_\_\_\_\_, and pending automatic extension shall be ineffective beyond that date. The expiration date shall also be extended in accordance with the terms of an amendment issued by Issuer to which Beneficiary consents and in accordance with ISP98 Rules on closure of the place for presentation on the expiration date.

We hereby undertake to fully and promptly honor within three (3) business days any drawings made by Beneficiary hereunder and presented at our office specified above on or before the expiration date of this confirmation or any automatically extended expiration date which is made by a completed drawing certificate in the form attached hereto as Attachment A.

M-1

Attachment - 19A

Except as expressly stated herein, our undertaking is not subject to any agreement, condition or qualification. The obligation of the undersigned under this confirmation is the individual obligation of the undersigned and is in no way contingent upon reimbursement with respect thereto.

This Letter of Credit is transferable one or more times, in each instance to a single transferee and only in the full amount available to be drawn under the Letter of Credit at the time of such transfer. Any such transfer may be affected only through ourselves and only upon presentation to us at our above-specified office of a duly executed instrument of transfer in the format attached hereto as **Attachment B** together with the original of this Letter of Credit. Any transfer of this Letter of Credit may not change the place of expiration of this Letter of Credit from our above-specified office. Each transfer shall be evidenced by our endorsement on the reverse of the original of this Letter of Credit, and we shall deliver the original of this Letter of Credit so endorsed to the transferee.

The term "Beneficiary" as used in this Letter of Credit means the beneficiary named in this Letter of Credit and any person who succeeds to substantially all of the rights of such beneficiary by operation of law or, in the event of a transfer of this Letter of Credit, the transfer beneficiary named in our advice of transfer of this Letter of Credit and any person who succeeds to substantially all of the rights of such transfer beneficiary by operation of law.

This confirmation is issued subject to the International Standby Practices 1998 ("ISP98") and the laws of the State of \_\_\_\_\_, and in the event of any conflict, the laws of the State of \_\_\_\_\_ shall control.

\_\_\_\_\_ [Issuer's name]

By: \_\_\_\_\_  
[Authorized signature]



**Section VI, Mergers, Consolidations and Acquisitions/Changes of Ownership**  
**Criterion 1110.240(c), Access**

1. Current Admissions Policy

A copy of the current admissions policy and financial assistance policy for Winchester House is attached as Attachment 19B.

2. Proposed Admissions Policy

A copy of the admissions policy and financial assistance policy for Winchester House is attached as Attachment 19C.

3. Admission Policy Certification

A letter from Brian Cloch, Manager Transitional Care of Lake County, LLC, certifying the admissions policies of Winchester House will not become more restrictive after acquisition by Transitional Care of Lake County, LLC is attached as Attachment 19D.

**ENCLOSURE #3**  
**MEDICAID COVERED AND NON-COVERED SERVICES**

**Eligibility.** Medicaid eligibility is established by state and federal guidelines. Eligibility criteria for Medicaid and services covered by Medicaid may change from time to time by actions of state or federal government. Facility will assist Resident to apply for Medicaid coverage, when appropriate. However, Facility does not guarantee either Medicaid eligibility or Medicaid coverage for services provided during Resident's stay at Facility. Resident is financially responsible for all non-covered services.

**Covered Services.** The following services and supplies are covered in the Medicaid Daily Rate:

Room and board, nursing services, social services, resident activities, dietary services, laundry services, housekeeping services, maintenance services, business office services, grooming and hygiene care, consultant services, medical direction, personal grooming and hygiene items (e.g., toothbrush, powder, denture care supplies, lotions, soap and shampoo) and routine body care products, dietary supplies and medical supplies.

**Services Covered by Medicaid But Billed by Resident's Individual Provider.** The following services are covered by Medicaid but billed by the Resident's individual provider:

Physician services, dental services, podiatry, medication charges (except for certain over-the-counter drugs), laboratory and x-ray, physical, occupational and speech therapy (as ordered by physician) and ambulance services.

**Non-Covered Services.** Any service or supply not listed above is NOT covered by Medicaid, including, but without limitation, certain drugs.

**Available Services.** Non-covered services as listed on Enclosure #4 are available for purchase from Facility for an additional fee. A list of current charges for Available Services is provided in the Rate Schedule. A list can also be obtained in the business office Monday through Friday from 8:00 a.m. to 4:00 p.m.

Attachment - 19B

**ENCLOSURE #5**  
**MEDICARE COVERED AND NON-COVERED SERVICES**

Eligibility. Medicare eligibility is established by federal guidelines. Eligibility criteria for Medicare and services covered by Medicare may change from time to time by actions of state or federal government. Facility will assist Resident to apply for Medicare coverage, when appropriate. However, Facility does not guarantee either Medicare eligibility or Medicare coverage for services provided during Resident's stay at Facility. Resident is financially responsible for all non-covered services.

Covered Services. The following services and supplies are covered by Medicare:

**Inpatient Skilled Nursing Facility Care (Part A)**

This includes all services that are medically necessary. 100 days of post-hospital care per benefit period. No coinsurance for the first 20 days. Federal guidelines mandate a coinsurance for the 21st through 100th day must be paid by a private source if Medicaid is not applicable.

**Medicare Part A**

Medicare Part A helps pay for the following services:

- Semi-Private Room
- Dietary Services
- Nursing Services
- Pharmaceuticals
- Laboratory Tests
- X-rays
- Medical Supplies
- Therapy
- Oxygen

**Medicare Part B**

Medicare Part B helps pay for the following outpatient services:

- Ambulance Transportation (medically necessary)
- Physician Visits
- Podiatry
- Optometry
- Laboratory
- Other Diagnostic Tests
- X-rays
- Medical Supplies (e.g., urological)
- Durable Medical Equipment
- Prosthetic Devices
- Therapy (Physical, Occupational, Speech and Nutritional)
- Audiology

There is a Part B deductible that must be met each year. Services covered under Part B are usually reimbursed at 80% after the deductible has been satisfied.

Your Medicare Part A status will be determined, documented and verified at the time of your admission / readmission. Our professional medical staff will continually apply the Part A principles for determining whether your services continue to meet Part A requirements.

The Medicare Intermediary serving this facility is Wisconsin Physicians Services

Non-Covered Services. Any service or supply not listed above is NOT covered by Medicare.

Available Services. Non-covered services as listed on Enclosure #4 are available for purchase from Facility for an additional fee. A list of current charges for Available Services is provided in the Rate Schedule. A list can also be obtained in the business office Monday through Friday from 8:00 a.m. to 4:00 p.m.

ENCLOSURE #6  
PRIVATE PAY COVERED AND NON-COVERED SERVICES

Covered Services. The following services are included in the Daily Rate:

Nursing and personal care services, lodging, meals, linens and bedding, a trust account for personal finances, regularly scheduled recreational and social activities, in-house laundry service, administration of prescription medications and other services as required by law or third-party payor.

Non-Covered Services. Any service or supply not listed above is NOT covered by the Daily Rate.

Available Services. Non-covered services as listed on Enclosure #4 are available for purchase from Facility for an additional fee. A list of current charges for Available Services is provided in the Rate Schedule. A list can also be obtained in the business office Monday through Friday from 8:00 a.m. to 4:00 p.m.

## Your Benefit Rights under Medicare

(2015)

Medicare is a health insurance program funded by the federal government. With certain exceptions, an individual must be 65 years of age or older to be eligible for Medicare. The program is administered by the federal Centers for Medicare and Medicaid Services through private intermediaries.

**Part A** of the Medicare program helps pay for certain services provided by a hospital, skilled nursing facility, hospice or home health agency. **Part B** of the Medicare program helps pay for physicians, therapists and other services not covered by Part A. **Part D** helps pay for some of your medications.

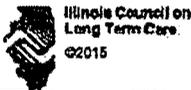
Unless you have been automatically enrolled in Medicare, you may be required to file an application at your local Social Security office. Once enrolled in Medicare, you should receive a Medicare card that will state your recipient claim number, and whether you are enrolled in Part A, Part B, or both. Health care providers may require you to produce this card in order for you to use your Medicare benefits to help pay for services or products. You must separately enroll for the Part D medications benefits.

Medicare Part A presently will pay, under certain conditions a portion of inpatient skilled nursing or rehabilitation services provided in a participating nursing facility for up to one hundred days after at least a three-day qualifying hospital stay. Medicare will pay all of the covered services for the first twenty days. During the last eighty days, the recipient is required to pay a daily co-insurance charge, and Medicare will pay the balance over and above the co-insurance amount. While the maximum Medicare Part A benefit for a nursing home stay is one hundred days, each resident's coverage will vary based on individual medical conditions.

As of January 1, 2015, the daily Medicare co-insurance amount for the 21st to 100th day of skilled nursing home care is \$157.50 per day. This amount is annually adjusted for inflation. Medicare Part B services are billed by the provider of the service. The Part B service provider is additionally responsible for providing you with the appropriate co-insurance amount to pay. Medicare Part B insurance requires a 20 percent co-payment after a \$147 annual deductible.

When you enroll in the Part D medication assistance program, you will be asked to choose a Prescription Drug Plan (PDP). You should confirm the PDP you choose covers the medications you need. Based on the PDP you choose, you may have different monthly premiums, deductibles and co-insurance. Your income level may also influence the amount of your premiums, deductibles and co-insurance. You may apply for Low Income Subsidy Assistance for your Part D expenses by calling your local Social Security Office.

If you have any questions about your Medicare benefits, call your local Social Security office or 800-MEDICARE or visit the website [www.medicare.gov](http://www.medicare.gov).



## **Your Benefit Rights and Eligibility Information under Medicaid**

### **Single Individuals (2015)**

Depending on your assets and level of income each month, you may be eligible to receive assistance for your medical bills, including your care in the nursing home. This assistance program is called Medicaid, and is administered through the Illinois Department of Healthcare and Family Services. The eligibility requirements for a nursing home resident are different, depending on whether you are an individual, or whether you are married with a spouse living in the community. This notice explains the eligibility requirements for a single individual.

If you are an individual, you may be eligible to receive assistance for your medical bills and nursing home care if your total assets do not exceed any of the following limits:

- No more than **\$2,000** in cash, bank assets, stocks, bonds or securities
- No more than **\$1,500** either for a revocable pre-paid burial plan or the cash value of your life insurance policy
- No more than **\$6,171** specifically and irrevocably set aside for funeral expenses (burial space, mausoleums, urns, caskets, grave-markers, and opening and closing of the gravesite are also exempt from consideration as assets, either under the **\$1,500** revocable or the **\$6,153** irrevocable burial plans).

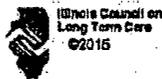
Trusts set up after August 11, 1993 are considered to be assets. Assets distributed over the last 60 months for less than fair-market value are considered countable assets.

#### **To apply for medical financial assistance under Medicaid:**

Contact your local Illinois Department of Human Services office. If you do not know where your local Human Services office is, or if you have further questions, you may call the Illinois Department of Healthcare and Family Services toll-free at 800-843-6154 or visit the website [www.dhs.state.il.us](http://www.dhs.state.il.us). At the point that you request financial assistance from the local Healthcare and Family Services office, you will be required to fill out a financial statement listing your assets and income. The agency will also be asking you, or a person helping you, to provide verification of your financial statement and supporting documentation.

The Illinois Department of Healthcare and Family Services will require the Applicant and/or Authorized Representative to provide copies of the following:

- Last five years of SAVINGS ACCOUNT statements
- Last five years of CHECKING ACCOUNT statements
- An explanation of deposits and withdrawals from either of the above if over \$500, excluding Social Security income
- Social Security card
- Medicare card
- Blue Cross/Blue Shield, AARP or other Health Insurance cards
- Proof (check, Benefit Letter, etc.) of Social Security income
- Proof of Pension income
- Proof of other income
- Health and life insurance policies with a statement of cash value of life insurance and cost of health insurance
- Any pre-paid burial plans, funeral arrangements or cemetery lots with an itemized statement of date of purchase and cash value
- Stocks, bonds, other securities and safe deposit box receipts
- Deeds and tax statements for property owned currently or sold in the last three years
- Verification of any accounts closed in the last five years
- Trusts and annuities



## **Your Benefit Rights and Eligibility Information under Medicaid Married Couples with One Person in the Community (as of January 2015)**

Depending on your assets and level of income each month, you may be eligible to receive assistance for your medical bills, including your care in the nursing home. This assistance program is called Medicaid, and is administered through the Illinois Department of Human Services. The eligibility requirements for a nursing home resident are different, depending on whether you are an individual, or whether you are married with a spouse living in the community. This notice explains the eligibility requirements if you are married with a spouse living in the community.

You may be eligible to receive assistance for your medical bills and nursing home care if your total assets do not exceed \$109,560 and the combined monthly income for both the husband and the wife do not exceed \$2,739 a month. In addition, when you go into a nursing home, your spouse may keep your home, your car and your household furnishings, and they are not counted toward the assets. Trusts set up after August 11, 1993 are considered to be assets. Assets distributed over the last 60 months for less than fair-market value are considered countable assets.

### **To apply for medical financial assistance under Medicaid:**

Contact your local Illinois Department of Human Services office. If you do not know where your local Human Services office is, or if you have further questions, you may call the Illinois Department of Human Services toll-free at 800-843-6154 or visit the website [www.dhs.state.il.us](http://www.dhs.state.il.us). At the point that you request financial assistance from the local Healthcare and Family Services office, you will be required to fill out a financial statement listing your assets and income. The agency will also be asking you or a person helping you, to provide verification of your financial statement and supporting documentation.

**The Illinois Department of Healthcare and Family Services will require the Applicant and/or family to provide copies of the following for BOTH spouses, indicating ownership:**

- Last five years of SAVINGS ACCOUNT statements
- Last five years of CHECKING ACCOUNT statements
- An explanation of deposits and withdrawals from either of the above if over \$500, excluding Social Security income
- Social Security card
- Medicare card
- Blue Cross/Blue Shield, AARP or other Health Insurance cards
- Proof (check, Benefit Letter, etc.) of Social Security income
- Proof of Pension income
- Proof of other income (e.g., spouse's income)
- Health and life insurance policies with a statement of cash value of life insurance and cost of health insurance
- Any pre-paid burial plans, funeral arrangements or cemetery lots with an itemized statement of date of purchase and cash value
- Stocks, bonds, other securities and safe deposit box receipts
- Deeds and tax statements for property owned currently or sold in the last three years
- Verification of any accounts closed in the last five years
- Marriage certificate
- Trusts and annuities



**Notice to Medicaid Residents**  
**Medicaid Services and Supplies Covered By the**  
**Illinois Medical Assistance Program**

**COVERED SERVICES** as promulgated by the Illinois Department of Health Care and Family Services, effective 11-17-05.

The Medical Assistance Program provides payment for receipt of documented long term care facility services that are determined essential, based on the attending physician's orders and the medical and/or social needs of the resident. All participating long term care facilities are to provide the following services at no additional charge, as they are recognized costs under the Department's cost-related reimbursement system:

1. All staff, routine equipment and supplies (including oxygen, if less than one tank has been furnished per resident during each service month) required to provide the services needed by residents accepted for care by a facility. (Examples of equipment and supplies to be provided include, but are not limited to: standard wheelchair, walker, floatation pad and mattress, intermittent positive pressure machine, and those included in the program as "Personal Care Items," listed below in Appendix C-26);
2. Room and board, supervision and oversight, and all laundry services;
3. Food substitutes and nutritional supplements;
4. Medications which are regularly available without prescription at a commercial pharmacy and which may be stocked by the facility under Department of Public Health regulations, including, but not limited to, those listed in Appendix C-26;
5. Over the counter drugs or items ordered by a physician (including, but not limited to, drugs and items listed in the Department's Long Term Care Provider Handbook, Appendix C-26 and excluding drugs and items reimbursed under the Department's Drug Program); and
6. All other services necessary for compliance with the requirements of the Department of Public Health as set forth in Skilled Nursing and Intermediate Care Facilities Code, Rules and Regulations (77 Ill. Adm. Code, Section 300).

**APPENDIX C-26: PERSONAL CARE AND GENERAL HEALTHCARE EQUIPMENT AND SUPPLIES**

Adhesive Tape	(i.e., walkers, wheelchairs, beds, etc.)	Rubber Gloves and Finger Cots
Administration equipment & Supplies for Parenteral Fluids-Intravenous or Subcutaneous (excluding TPN solution and administration equipment)	Dusting Powder	Sanitary Napkins and Related Items
Alcohol, Alcohol Swabs, Wipes, Sticks	Elbow and Heel Protectors	Scissors
Antiseptics	Emesis Basins	Shampoo, Non-prescription
Aspirator Bulbs	Emollients	Sharps Collectors
Atomizers	Enteral Therapy Equipment & Supplies	Shaving Cream
Band-Aids and Bandages	Eye Patches	Soaps and Soap Substitutes
Bedpans and Urinals	Gauzes	Suppositories
Bilevel Positive Airway Pressure (BiPAP)	Germicides	Syringes and Needles
Blood Pressure Kits	Hair Conditioner	Suction Catheters and Suction Machine
Body Lotion	Hearing Aid Batteries	Talcum Powder
Brushes	Heat Lamps	TENS Unit and Supplies
Underpads	Hot Water Bottles	Thermometers
Catheters	Hydrogen Peroxide	Tissues, Towels, and Washcloths
Combs	Ice Bags	Tongue Depressors
Comfort Lotions and Creams	Irrigation Solutions	Toothbrush and Toothpaste
Corn Starch	IV Poles and Supplies	Trach Supplies and Trach Care Kits
Cotton, Cotton Balls, Cotton Swabs	Jay Cushions	Urological Supplies
Continuous Positive Airway Pressure (CPAP)	Lubricating Jelly	Ventilators
Cushions, Non-Custom	Matrix Covers	Vinegar Douche
Dental Floss and Denture Supplies	Mouthwash	<b>Drugs and Medications:</b>
Deodorant, Antiperspirant	Nail Care Supplies	Acetaminophen and Pain Relief/Analgesics
Diabetic Testing Supplies	Nebulizers	Antacids/Acid Reducer
Diapers, Disposable and/or Non-disposable	Orthotics, Non-custom (i.e., helmets, elastic braces)	Aspirin (buffered, enteric coated)
Disinfectants	Oximeters and Oxygen Analyzers	Bicarbonate of Soda Powder
Disposable Enemas	Oxygen and Equipment and supplies necessary for its administration	General Multivitamins
Drainage Tubing and Receptacles	Pads (i.e., sheepskin, moleskin)	Iron Replacements
Dressings	Petroleum (i.e., Vaseline)	Laxatives and Lozenges
Durable Equipment Non-Custom	Razors	Lice Treatment
	Rectal Tubes	Milk of Magnesia
	Restraints	Non-Sedating Antihistamines
	Robo Cushions	Saline Nasal Spray



Transitional Care of Lake County

August 18, 2015

Kathryn Olson  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**Re: Admission Policies**

Dear Chairwoman Olson:

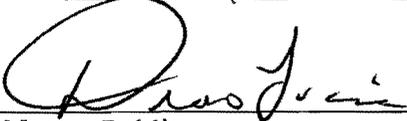
I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 that the admissions policy for Winchester House will not become more restrictive as a result of the proposed change of ownership.

Sincerely,



Brian Cloch  
Manager  
Transitional Care of Lake County, LLC

Subscribed and sworn to me  
This 18<sup>th</sup> day of AUGUST, 2015



Notary Public



**Section VI, Mergers, Consolidations and Acquisitions/Changes of Ownership**  
**Criterion 1110.240(d), Health Care System**

1. Impact on Other Area Providers

There will be no change in the scope of services as a result of the acquisition of Winchester House. The acquisition will not impact other unaffiliated long term care facilities as the transaction consists of a change of control of the operating entity.

2. Facilities within Applicant's Health Care System

Transitional Care of Lake County does not own and/or operate any other healthcare facilities in the State of Illinois.

3. Present and Proposed Referral Agreements

There are no current or proposed referral agreements for the facilities involved in this transaction. Therefore, this criterion is not applicable.

4. Time and Distance for Proposed Referrals

There are no current or proposed referral agreements for the facilities involved in this transaction. Therefore, this criterion is not applicable.

5. Use of Care System Providers

The change of operator of Winchester House will have no impact on area long term care facilities. The change of operator will not restrict the use of other area long term care providers, and Transitional Care of Lake County, LLC will admit residents pursuant to a non-discriminatory admission policy.

6. Duplication of Services

As set forth throughout this application, the proposed transaction contemplates a change of ownership of Winchester House. Accordingly, the proposed transaction involves the change of operator of an existing long term care facility; there will be no duplication of services.

7. Services Not Available to the Community

Transitional Care of Lake County, LLC will continue to provide long term care services currently provided at Winchester House. No new services are planned for the acquired facility.

**Section VIII, Financial Feasibility**  
**Criterion 1120.120 Availability of Funds**

The Lease and Management Agreement between County of Lake and Transitional Care of Lake County, LLC to lease the facility at 1125 N. Milwaukee Ave, Libertyville, IL 60048 is attached at Attachment – 36.

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**LEASE AND MANAGEMENT AGREEMENT**

*between*

**COUNTY OF LAKE**  
*an Illinois municipal corporation*

*Landlord*

*and*

**TRANSITIONAL CARE OF LAKE COUNTY, LLC**  
*an Illinois Limited Liability Company*

*Tenant*

**May 12, 2015**

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## LEASE AND MANAGEMENT AGREEMENT

This Lease and Management Agreement (“**Agreement**”) is made and entered into as of the 12<sup>th</sup> day of May, 2015 (the “**Signing Date**”), between the COUNTY OF LAKE, an Illinois unit of local government (“**Landlord**”), and , TRANSITIONAL CARE OF LAKE COUNTY, LLC, an Illinois Limited Liability Company (“**Tenant**”).

### **RECITALS:**

**WHEREAS**, Landlord is the owner of that certain tract of land, improved with a 224 licensed bed skilled nursing facility commonly known as Winchester House and located at 1125 North Milwaukee Avenue, Libertyville, Illinois 60048, as more particularly described in **Exhibit A** attached hereto and made a part hereof (the “**Premises**”);

**WHEREAS**, Landlord is the licensed operator and owner of the Premises, including all of the furnishings, furniture, equipment, supplies and fixtures used in or about, and required for the use of the Premises as a 224 licensed bed skilled nursing facility (the “**Facility**”);

**WHEREAS**, the County Board of the County of Lake (the “**County Board**”) established the Winchester House Advisory Board (the “**WHAB**”) to, among other things, recommend the best option for constructing a new skilled nursing facility;

**WHEREAS**, the WHAB recommended the Landlord issue a Request for Proposal (attached as **Exhibit J**) to solicit proposals from qualified entities in the private sector to lease the Facility, to become the licensee, and to provide for a replacement facility (the “**Replacement Facility**”) by the end of the term of the lease;

**WHEREAS**, part of the Illinois Counties Code, 55 Ill. Comp. Stat. § 5/5-21001, authorizes Landlord to establish and maintain a county nursing home, as well as to sell, dispose of or lease for any term, any part of the home properties in such manner and upon such terms as it deems best for the interest of Lake County;

**WHEREAS**, Tenant submitted a proposal to lease the Facility and to construct a Replacement Facility suitable to house the existing residents in a fully operational skilled nursing facility at the conclusion of the Term of this Agreement;

**WHEREAS**, Landlord desires to lease the Facility to Tenant, to relinquish its IDPH Facility license in favor of Tenant, and to have Tenant lease, manage and operate the Facility;

**WHEREAS**, Tenant desires to lease, manage and operate the Facility;

**WHEREAS**, Tenant desires to construct a Replacement Facility suitable to house the existing residents in a fully operational skilled nursing facility at the conclusion of the Term;

**WHEREAS**, the parties hereto have agreed to the terms and conditions of this Agreement;

**WHEREAS**, contemporaneously with entering into this Agreement, the parties are entering into an operations transfer agreement (the “**Operations Transfer Agreement**”) to facilitate the orderly transition of the operations of the Facility to Tenant;

**WHEREAS**, this Agreement and the transactions contemplated herein were authorized by the County Board at its regular meeting on May 12, 2015; and

**NOW THEREFORE**, in consideration of the promises and mutual agreements contained herein and for consideration received by the parties, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, agree that the use and occupancy of the Facility and construction of the Replacement Facility shall be subject to and in accordance with the terms, conditions and provisions of this Agreement as follows:

**ARTICLE I**  
**PREAMBLES AND INTRODUCTION**

1.1 Incorporation of Recitals. The preceding recitals are hereby made a part of the contractual provisions of this Agreement to the same extent as if specifically set forth in full in this Article 1.

1.2 Three Phases. By way of introduction, the parties agree that this Agreement shall be comprised of three essential phases, each having a distinct operating schedule and requirements for the Tenant. The actions to occur during each of the three phases are summarized below, and are further described throughout this Agreement. Collectively, the actions contemplated by this Agreement to occur during each of the three phases are referred to in this Agreement as the “**Transaction**.”

***Phase I: Interim Operation & Management Under Landlord’s License:***

Phase I shall commence as of the Effective Date (as defined in Article 2). During Phase I, Tenant shall take all commercially reasonable actions necessary to secure all Healthcare Licenses and Approvals needed to operate the Facility. During the pendency of Tenant’s receipt of the Healthcare Licenses and Approvals, Tenant shall assist Landlord (or Landlord’s agent) by becoming the interim manager of the Facility. Tenant shall manage the provision of services at the Facility for the health, safety, nursing care, and welfare of all Facility residents in accordance with the Lake County Mission (as defined in Article 2), utilizing Landlord’s existing nursing facility license issued by IDPH.

During Phase I, Tenant shall work cooperatively with Landlord to assure a smooth transition to Phase II. Such transition shall include, but not be limited to, installation of systems and procedures by Tenant needed to operate and sustain operations, performing inventory of existing movable equipment and supplies, establishing cut-off procedures for accounts receivable and accounts payable, assembling a workforce, transferring applicable contractual obligations to Tenant and such other practices necessary for the transition of the Facility operation to Tenant. In addition,

during Phase I, Tenant shall use its best efforts to meet the milestones set forth and established in the Phase I Milestones, attached hereto and incorporated herein as Exhibit C.

Phase I shall terminate upon Tenant's receipt of both: (a) the CHOW CON Approval (as defined in Section 1.3); and (b) the Healthcare Licenses and Approvals (as defined in Article 2) to become the new licensee of Facility. Should Tenant not obtain the CHOW CON and Healthcare Licenses & Approvals for any reason, the parties shall proceed as set forth in Section 1.3 of this Agreement.

***Phase II: Operation & Management under Tenant's New License:***

Phase II shall commence upon Tenant's receipt of the Healthcare Licenses and Approvals to become the new Licensee of Facility. During Phase II, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents, and shall be the sole operator of the Facility pursuant to the terms of this Agreement and pursuant to any and all applicable Legal Requirements. In addition, during Phase II, Tenant shall diligently prepare and submit an application to obtain the Replacement Facility CON (as defined in Article 2). In addition, during Phase II, Tenant shall use its best efforts to meet the milestones set forth and established in the Phase II Milestones, attached hereto and incorporated herein as Exhibit D.

Phase II shall terminate upon Tenant's receipt of both: (a) the Replacement Facility CON Approval (as defined in Section 1.4); and (b) the Healthcare Licenses and Approvals. Should Tenant not obtain the Replacement Facility CON for any reason, the parties shall proceed as set forth in Section 1.4 of this Agreement.

***Phase III: Transfer to Replacement Facility:***

Phase III shall commence upon Tenant's receipt of both: (a) the Replacement Facility CON Approval; and (b) the Healthcare Licenses and Approvals. During Phase III, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents. Promptly following Tenant's receipt of the Replacement Facility CON Approval, Tenant shall diligently pursue construction of the Replacement Facility in accordance with the terms of the Replacement Facility CON Approval, followed by relocation of the residents. In addition, during Phase III, Tenant shall use its best efforts to meet the milestones set forth and established in the Phase III Milestones, attached hereto and incorporated herein as Exhibit E.

Phase III shall terminate upon transfer of the last then current resident to the Replacement Facility, or to such other suitable location within Lake

County, in accordance with the laws, rules and regulations of the State of Illinois regarding the transfer of residents.

1.3 Healthcare Licenses and Approvals. Notwithstanding anything to the contrary contained in this Agreement, it shall in all events and circumstances of any and every nature whatsoever be an express condition precedent to the commencement of Phase II that Tenant shall have received the Healthcare Licenses and Approvals, including, without limitation that the Illinois Health Facilities and Services Review Board or its successor regulatory agency (“IHFSRB”) grant its permission, approval and/or consent to the implementation of Phase II of the Transaction, and/or issue an exemption from the requirement of obtaining a Certificate of Need with respect to Phase II, or that it grant and/or issue said Certificate of Need pursuant to 77 Ill. Admin. Code Sections 1130.110 *et seq* (collectively, the “**CHOW CON Approval**”).

In the event that Tenant fails to obtain the Healthcare Licenses and Approvals, including if IHFSRB fails or refuses to grant the CHOW CON Approval, any actions taken by the parties hereto with respect to Phase II of this Agreement shall immediately and forthwith be unwound/undone, and thereafter, this Agreement shall remain in effect with the parties continuing Phase I, and the parties shall cooperate to determine an appropriate course of action for moving forward. Landlord and Tenant shall cooperate with one another in good faith with respect to the preparation and filing of the application(s) necessary to obtain the CHOW CON Approval, and the parties shall diligently pursue the approval of such application.

1.4 Replacement Facility CON Approval. Notwithstanding anything to the contrary contained in this Agreement, it shall in all events and circumstances of any and every nature whatsoever be an express condition precedent to the commencement of Phase III that the IHFSRB grant its permission, approval and/or consent to the implementation of Phase III of the Transaction, and/or issue an exemption from the requirement of obtaining a Certificate of Need, or that it grant and/or issue said Certificate of Need pursuant to 77 Ill. Admin. Code Sections 1130.110 *et seq*. in conjunction with an approval of the discontinuation of the Facility pursuant to a Certificate of Need for Discontinuation (collectively, the “**Replacement Facility CON Approval**”).

In the event that IHFSRB fails or refuses to grant the Replacement Facility CON Approval, any actions taken by the parties hereto with respect to Phase III of this Agreement shall immediately and forthwith be unwound/undone, and thereafter, this Agreement shall remain in effect with the parties continuing Phase I or Phase II (as applicable), and the parties shall cooperate to determine an appropriate course of action for moving forward. Landlord and Tenant shall cooperate with one another in good faith with respect to the preparation and filing of the application(s) necessary to obtain the Replacement Facility CON Approval, and the parties shall diligently pursue the approval of such application.

1.5 Operations Transfer Agreement. Notwithstanding anything to the contrary contained herein, it shall in all events be a condition precedent to the effectiveness and enforceability of this Agreement that the parties shall have entered into and executed the Operations Transfer Agreement, on terms acceptable to each of the parties hereto.

## ARTICLE 2 DEFINITIONS

For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, (a) the capitalized terms used in this Agreement have the meanings assigned to them herein and include the plural as well as the singular, (b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with Generally Accepted Accounting Principles (“GAAP”) applicable at the time, (c) all references in this Agreement to designated “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and other subdivisions of this Agreement, and (d) the words “herein,” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Articles, Section or other subdivisions.

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

2.2 CHOW CON. The Change of Ownership (“Change of Ownership”) Certificate of Need (“CON”) permit or the CHOW Certificate of Exemption (“COE”) from the requirement of obtaining a CON that is required under the Illinois Health Facilities Planning Act, 20 Ill. Comp. Stat. § 3960/1 *et seq.*, and the IHFSRB rules, 77 Ill. Admin. Code Sections 1130.110 *et seq.*

2.3 Contingency Amount. The amount set forth on the Pro Forma to allow for items, conditions or events for which the occurrence or effect of is uncertain and will result in additional costs.

2.4 Effective Date. The date upon which Phase I commences, which shall occur contemporaneously with satisfaction of each of the following: (a) the Agreement is approved by the County Board; and (b) the termination of the management agreement between Landlord and the exiting operator; and (c) Tenant has commenced its management of the Facility.

2.5 Facility Operating Costs. All costs of operating the Facility identified as set forth on the Pro Forma, including, without limitation: (i) Taxes and Assessments; (ii) Rent; (iii) Start-Up Capital; (iv) insurance; (v) all employee and employee related costs, including payroll, payroll taxes, and employee benefits, (vi) the Contingency Amount, and (vii) all other costs needed to operate and/or maintain the Facility in accordance with the terms of this Agreement and applicable Legal Requirements. Notwithstanding the foregoing, the Facility Operating Costs shall not include any costs/expenses associated with services provided by the Lake County Facilities Operations Staff at the Facility.

2.6 Healthcare Licenses & Approvals. All licenses, approvals, certifications, demonstration certifications or approvals, permits, exemptions or other regulatory approvals necessary or desirable to operate the Facility, including but not limited to: (i) those approvals required under the Nursing Home Care Act, 210 Ill. Comp. Stat. 45/1-101 *et seq.* and all associated regulations and rules, including without limitation the Skilled Nursing and Intermediate Care Facilities Code, 77 Ill. Admin Code Part 300, governing the Illinois Department of Public Health (“IDPH”) oversight of skilled nursing facilities; (ii) the supportive

living facilities program under the Public Aid Code, 305 Ill. Comp Stat. 5/5-5.01a, governing the Illinois Department of Healthcare and Family Services (“IDHFS”) oversight of the program of supportive living facilities (“SLFs”), and all associated regulations and rules, including without limitation the Supportive Living Facilities Code, 89 Ill. Admin Code Sections 146.200, *et seq.*; (iii) the Illinois Health Facilities Planning Act, 20 Ill. Comp. Stat. 3960, and the rules promulgated by the IHFSRB, 77 Ill. Admin. Code Parts 1100, 1120, 1125, 1130, 1140, 1180, 1190, and 1250, including, without limitation, receipt of the CON CHOW Approval; (iv) requirements of the Centers for Medicare and Medicaid Services (“CMS”) Rules, 42 C.F.R. Part 483, governing certification of skilled nursing facilities under Title XVIII of the Social Security Act and the Medicare Program, including without limitation, Tenant’s receipt of a Medicare provider agreement and Medicare provider number; and (v) requirements of the IDHFS under the Medicaid Long Term Care Program in Illinois for certification as a Medicaid provider under Title XIX of the Social Security Act, including without limitation, Tenant’s receipt of a Medicaid provider agreement and Medicaid provider number.

2.7 Lake County Facilities Operations Staff. Individuals who are employed directly by the Landlord, but not by the operator of the Facility or any other party, including Tenant.

2.8 Lake County Mission. To provide needed health care services in long term care. This mission includes providing skilled nursing facility services, intermediate care services, and activities for the physical, mental, social and recreational needs for the wellbeing of the elderly citizens of Lake County in a setting that is compassionate, loving and a place to call home.

2.9 Lake County Marketplace. The geographic boundaries of Lake County, Illinois, as shown on the map attached as Exhibit H.

2.10 Landlord’s Designated Representative. Landlord’s County Administrator or his designee, or such other individual or individuals as will be designated by Landlord.

2.11 Legal Requirements. All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Facility or the use thereof, including but not limited to Healthcare Licenses & Approvals, whether now or hereafter enacted and in force.

2.12 Pro Forma. Tenant’s estimated budget with respect to the costs of operating the Facility during the Term, as set forth on Exhibit B attached hereto and made part hereof.

2.13 Progress Payment(s). Funds payable to Tenant pursuant to Article 6 of this Agreement, in the amounts set forth on lines G45 of the Pro Forma.

2.14 Replacement Facility CON. The CON permit necessary for Tenant to begin construction on a Replacement Facility that is required under the Illinois Health Facilities Planning Act, 20 Ill. Comp. Stat. § 3960/1 *et seq.*, and the IHFSRB rules, 77 Ill. Admin. Code Sections 1130.110 *et seq.*

2.15 Start-up Capital. The amount set forth on lines G46 of the Pro Forma set forth in Exhibit B to be made available to Tenant for Tenant’s start-up and initial management costs for the day-to-day operations of the Facility in accordance with the terms of this Agreement, to

provide Tenant necessary capital to take over the facility at the beginning of Phase I, to account for payment delays from the State, and to provide other important start-up costs to help maintain continuity of care for the health, safety and well-being of the residents. The Start-Up Capital shall be subject to repayment by Tenant as set forth in Section 6.3.

2.16 State. The State of Illinois.

2.17 Tenant's Designated Representative. Mike Filippo or his designee, or such other individual or individuals as may be designated by Tenant.

2.18 Term. The period set forth in Article 4.

### **ARTICLE 3 DEMISED PREMISES AND FACILITY**

3.1 Demised Premises. Landlord, for and in consideration of the rents, and covenants and agreements hereinafter reserved, mentioned and contained on the part of Tenant, its successors and assigns, to be paid, kept and performed, does hereby lease unto Tenant the Facility for the Term, for use and operation as a 224 licensed bed skilled nursing facility. The lease under this Agreement shall not include the nurse's house or any other ancillary part of the Premises on which the Facility sits.

### **ARTICLE 4 LEASE**

4.1 Term. The term of this Agreement shall commence upon the Effective Date, and shall continue for an initial term of three years (the "**Initial Term**"). If the three Phases of this Agreement have not been completed upon the expiration of the Initial Term, then Tenant shall request Landlord in writing for an extension of the Term of this Lease for additional month-to-month periods ("Month-to-Month Tenancy"), provided that Tenant's request sets forth with specificity a revised timeline for the completion of the Milestones set forth in the three Phases, and provided further that Landlord approves of said Milestone revisions (any such periods, together with the Initial Term, are collectively referred to as the "**Term**"). Landlord staff will diligently work with Tenant and the Landlord to obtain Landlord approvals for reasonably requested modifications to the Term of this Agreement. Landlord approval of modifications to the Term shall not be unreasonably withheld. Prior to and during the possible Month-to-Month tenancy, the parties shall work together for the purpose of negotiating a new agreement in good faith, if necessary.

4.2 Rent. Commencing upon the Effective Date, Tenant shall pay to Landlord, or as Landlord shall direct, the amount of \$40,000 as fixed monthly rental (the "**Rent**") for each month during the Term. After the expiration of the Initial Term, the Rent shall increase by 3% on a quarterly basis, such that rent in months 1-3 after the initial three-year Term would be \$41,200 per month, months 4-6 would be \$42,436 per month, etc.

In the event the Effective Date shall be other than the first day of the month, Tenant shall pay to Landlord a pro rata portion of the Rent for such month. Unless otherwise notified in

writing by Landlord, all checks shall be made payable to Landlord and shall be sent as directed by Landlord.

4.3 Net Lease. This Agreement is and shall be deemed and construed to be a net-net-lease and the Rent specified herein shall be net to Landlord in each year during the Term.

#### TAXES AND ASSESSMENTS

4.4 Taxes and Assessments. Tenant shall pay all real estate taxes and assessments ("Taxes and Assessments") that arise during the term of this Agreement. All such Taxes and Assessments shall be a Facility Operating Cost. Nothing herein contained shall require Tenant to pay income taxes assessed against Landlord, or capital levy, franchise, estate, succession, inheritance or transfer taxes of Landlord. Tenant shall have the right to contest the amount or validity, in whole or in part, of any Taxes and Assessments by appropriate proceedings diligently conducted in good faith, but only after payment of such Taxes and Assessments, unless such payment would operate as a bar to such contest or interfere materially with the prosecution thereof, in which event, Tenant may postpone or defer such payment only if neither the Facility nor any part thereof would by reason of such postponement or deferment be in danger of being forfeited or lost. Upon the termination of any such proceedings, Tenant shall pay the amount of such Taxes and Assessments or part thereof as finally determined in such proceedings, the payment of which may have been deferred during the prosecution of such proceedings, together with any costs, fees, interest, penalties or other liabilities in connection therewith, and such payment, at Tenant's request, shall be made by Landlord out of the amount deposited with respect to such Taxes and Assessments. In the event such amount is insufficient, the balance due shall be paid by Tenant.

4.4.1 Landlord shall not be required to join in any proceedings referred to in Section 4.4 of this Agreement, unless the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought by and/or in the name of Landlord in which event Landlord shall join in such proceedings or permit the same to be brought in its name. Landlord shall not ultimately be subjected to any liability for the payment of any costs or expenses in connection with any such proceedings, and Tenant will indemnify and save harmless Landlord from any such costs and expenses.

4.4.2 If any income, profits or revenue tax shall be levied, assessed or imposed upon the income, profits or revenue arising from rents payable hereunder, partially or totally in lieu of or as a substitute for real estate taxes imposed upon the Facility, then Tenant shall be responsible for the payment of such tax.

#### UTILITIES, MAINTENANCE AND REPAIRS

4.5 Landlord Responsibilities.

4.5.1 Landlord will be responsible for repairing and/or maintaining all major "Fixed Assets and Equipment." For purposes of this Agreement, "Fixed Assets and Equipment" shall be defined as building infrastructure, systems, and/or equipment which is built-in or permanently affixed to the Facility. Examples of Fixed Assets and Equipment, include, without limitation: the HVAC system, the fire suppression system, the fire alarm

system, the emergency generator, boilers, elevators, security system/door locks, roofing, Facility walls/foundation, electrical/lighting systems replacement, and all building infrastructure or systems maintenance/repairs necessary to ensure compliance with applicable Life Safety Code requirements of the IDPH and CMS.

4.5.2 Tenant shall promptly notify Landlord of the need to make any maintenance/repairs that are the responsibility of Landlord under Section 4.5.1 of this Agreement. In the event that Landlord fails to commence such maintenance/repairs that are the responsibility of Landlord within ten (10) Business Days (or such lesser period of time as may be required in the event such repairs must be made more quickly in order to ensure compliance with Legal Requirements) and/or Landlord fails to diligently pursue completion of the same, Tenant shall be entitled to make, at Landlord's cost and expense, and as mutually agreed by the parties, all such maintenance and repairs upon first receiving approval from Landlord, and Landlord shall compensate Tenant for the actual cost of such repairs/maintenance, plus an administrative fee of 10%, or a lesser percentage if otherwise agreed to by the parties, for Tenant's overhead costs with respect to such repairs/maintenance within ten (10) Business Days of Landlord's receipt of an invoice from Tenant for the cost of such repairs/maintenance.

4.5.3 Landlord shall assign a member or members of its Lake County Facilities Operations Staff to the Facility, at Landlord's sole cost and expense. The assigned Lake County Facilities Operations Staff member or members shall be responsible for performing and/or contracting the repair and maintenance responsibilities of Landlord under this Section 4.5.

4.5.4 Notwithstanding anything to the contrary that may be contained in this Agreement, under no circumstances shall any payment from Landlord for utilities, maintenance or repairs, or any payment tied to the Pro Forma (other than the management fee set forth in line G28 of the Pro Forma), be used by Tenant or paid to Tenant for the Replacement Facility or for predevelopment costs for the Replacement Facility.

#### 4.6 Tenant Responsibilities.

4.6.1 Maintenance and repair of items other than those specified in Section 4.5 shall be the Tenant's responsibility, including, without limitation, maintenance of all "Movable Equipment" as defined below. For purposes of this Section 4.6, "Movable Equipment" shall be defined as equipment which can be moved and is not permanently attached/affixed to the Facility. Examples of Movable Equipment includes, without limitation, computers, ovens, freezers, stoves, beds, lifts, furniture, wheelchairs, light bulbs, and chairs. In addition, to the extent that any Movable Equipment is purchased by Tenant during the Term, Tenant shall be entitled to remove such Movable Equipment from the Facility upon expiration of the Term.

4.6.2 Tenant will also arrange for payment of Facility natural gas, electric, water, waste, medical waste, cable/satellite TV, internet, and telephone service costs, all of which shall be a Facility Operating Cost. Throughout the Term of this Agreement, Tenant, at its sole cost and expense, will keep and maintain, or cause to be kept and maintained, the Facility (including the grounds, sidewalks and curbs abutting the same) in good order and condition without waste and in a suitable state of repair at least comparable to that which existed immediately prior to the Effective Date (ordinary wear and tear excepted), and will make or

cause to be made, subject to this Section 4.6, as and when the same shall become necessary, nonstructural, exterior and interior, replacing, repairing and restoring necessary to that end. All replacing, repairing and restoring required of Tenant shall be in compliance with Legal Requirements.

4.6.3 Tenant will also provide space at the Facility for the maintenance shop which contains tools and other equipment which shall remain the sole property of the Landlord. The maintenance shop shall be maintained by Landlord.

4.7 Casualty. Beginning at the commencement of Phase II, when Tenant obtains its license to operate the Facility, in the event that any part of the Facility shall be damaged or destroyed by fire or other casualty (any such event being called a "Casualty"), Landlord shall have the option to either: (a) cause Tenant to promptly replace, repair and restore the same as nearly as possible to the condition it was in immediately prior to such Casualty, but only to the extent of Tenant's available insurance proceeds (or, if insurance is unavailable, to the coverage limit identified in the insurance that the Tenant was to have maintained under Exhibit G); or (b) cause Tenant to remit to Landlord the insurance proceeds payable to Tenant as a result of Tenant's available insurance proceeds for such Casualty (or, if insurance is unavailable, up to the amount identified in Exhibit G), provided, however, that such action is permissible under applicable Legal Requirements. After either such event, Tenant shall have the option to terminate this Agreement. Notwithstanding anything to the contrary in this Agreement, pursuant to the Lake County Surplus Policy, Tenant shall not have the right, at any time, to remove and dispose of any personal property on the Facility which may have become obsolete or unfit for use, or which is no longer useful in the operation of the Facility.

4.8 Use of Premises. Tenant shall use the Premises for the following purpose and no other: operation of a skilled nursing facility operating under the name Winchester House. Tenant shall not use the name "Lake County," "County Facility," or "County of Lake" in referencing and marketing the Facility. Tenant shall utilize the same telephone number which shall remain the property of the Landlord.

4.9 Tenant Covenants. Tenant hereby covenants as follows:

(1) Tenant shall keep in good standing and in full force and effect all necessary Healthcare Licenses and Approvals;

(2) During the Term of this Agreement, Tenant will deliver to Landlord within three (3) Business Days following receipt thereof, copies of any and all notices of termination, revocation, suspension, receivership or mentorship from IDPH alleging a violation with a substandard quality of care determination, as defined by federal regulations (*i.e.*, deficiencies under 483.13 or 483.25, form 2567; or any notice from IDHFS or CMS threatening disqualification of the Facility from participation in the Medicare or Medicaid programs). Tenant will deliver to Landlord within ten (10) Business Days after written request from Landlord, copies of all other notices, exit interviews, inspection reports and surveys and notices of administrative hearing and/or court action from all state, federal and local governmental bodies regarding the Facility.

## INSURANCE

4.10 Insurance. Tenant will obtain the insurance described in Exhibit G. On or before the Effective Date and annually thereafter, Tenant will provide Landlord with a Certificate of Insurance for such policies. Upon Landlord's reasonable request, Tenant will provide a full copy of each such insurance policy to Landlord. The costs of all insurance required to be carried by Tenant under this Agreement shall be a Facility Operating Cost in accordance with the Pro Forma. Tenant shall also cause to be issued and shall maintain during the Term of this Agreement:

4.10.1 Fire, tornado and windstorm insurance with extended coverage endorsement on the Facility on the Illinois standard form with a responsible company or companies approved by Landlord, which approval will not be unreasonably withheld. Such insurance shall, at all times, be maintained (without any co-insurance clause, if possible) in an amount as may be required by any mortgagee of the Facility or, absent such requirement, in an amount sufficient to prevent Landlord and Tenant from becoming co-insurers under applicable provisions of the insurance policies. Such insurance shall at all times be payable to Landlord and Tenant as their interests may appear.

4.10.2 A public liability policy naming Landlord and Tenant, as insureds, and insuring them against claims for bodily injury, or property damage occurring upon, in or about the Facility, or in or upon the adjoining streets, sidewalks, passageways and areas, such insurance to afford protection to the limits of not less than \$1,000,000 per each occurrence and \$2,000,000 in the aggregate.

4.10.3 Boiler explosion insurance, if required, in the amount of not less than \$100,000, under the terms of which Landlord and Tenant will be indemnified, as their interests may appear, against any loss or damage which may result from any accident or casualty in connection with any boiler used in the Facility, whereby any person or persons may be injured or killed or property damaged in or about the Facility.

4.11 Insurance Provisions. All policies of insurance to the extent applicable shall provide that:

4.11.1 They are carried in favor of Landlord, Tenant and any mortgagee, as their respective interests may appear, and any loss shall be payable as therein provided, notwithstanding any act or negligence of Landlord or Tenant, which might otherwise result in forfeiture of insurance; and

4.11.2 They shall not be canceled, terminated, reduced or materially modified without at least twenty (20) days' prior written notice to Landlord.

4.11.3 All Tenant insurance required under Section 4.10 shall be primary insurance in the event of any claim.

## CONDITION OF PREMISES

4.12 Condition. Tenant has examined and accepts the Premises in its present "as is" condition as suitable for the purposes for which the same are leased as of the Effective Date.

4.13 Alterations. All alterations, additions and improvements installed at the expense of Tenant (except computer software) shall remain upon and be surrendered with the Premises as a part thereof upon Tenant vacating the Premises. Alterations, additions, and improvements to the Facility with a cost in excess of Five Thousand Dollars (\$5,000.00) per instance may be made by Tenant upon written notice to and approval by Landlord. Notwithstanding the foregoing, Landlord notice shall not be required in the event that immediate alterations, additions or improvements to the Facility are necessary to ensure compliance with applicable Life Safety Code requirements, in which case Tenant shall have the option of immediately making such necessary alterations, additions and/or improvements, and the parties respective rights and obligations shall be as set forth in Section 4.5 and Section 4.6. The making of alterations, additions, and/or improvements to the Premises shall not commence until Tenant has furnished to Landlord a certificate of insurance showing coverage in an amount satisfactory to Landlord which protects Landlord from liability for injury to any person and damage to any personal property, on or off the leased premises, in connection with the making of such alterations, additions, and improvements.

4.14 Landlord's Right to Perform. Subject to Section 4.21, should Tenant fail to perform any of its covenants herein agreed to be performed, Landlord may, but shall not be required to, make such payment or perform such covenants, and all sums so expended by Landlord thereon shall be reduced from the Progress Payments payable to Tenant, as applicable, under the terms of this Agreement, plus an administrative fee of 10% for Landlord's overhead costs with respect to performing such obligations. Performance of and/or payment to discharge said Tenant's obligations shall be optional with Landlord and such performance and payment shall in no way constitute a waiver of, or a limitation upon, Landlord's other rights hereunder.

4.15 Demolition. Tenant will not demolish the Facility or any portion thereof or allow it to be removed or demolished, in accordance with the Lake County Surplus Policy, without the prior written consent of Landlord.

4.16 Compliance with Laws & Ordinances. Throughout the Term of this Agreement, Tenant will use its best efforts to obey, observe and comply with all Legal Requirements. Tenant shall likewise observe and comply with the requirements of all policies of public liability and fire insurance and all other policies of insurance at any time in force with respect to the Facility.

4.17 Discharge of Liens. Tenant shall promptly discharge any lien, encumbrance or charge levied on account of any mechanic's, laborer's or materialman's lien upon the Facility for work or materials or personal property furnished or supplied to, or claimed to have been supplied to or at the request of Tenant, unless Tenant timely contests such lien or charge.

4.18 Inspection & Occupancy of Premises by Landlord. At any time, Landlord or its authorized representative shall have the right to enter and inspect the Facility. Landlord agrees that upon entering and inspecting the Facility, Landlord will cause as little inconvenience to

Tenant and the residents and operations of the Facility as may reasonably be possible under the circumstances, and in no event shall Landlord violate the terms of any resident agreement or other lease agreement at the Facility.

4.19 Inspection of Accounts. Following any Event of Default hereunder which remains uncured after the expiration of any applicable cure period, Landlord shall have the right, upon fifteen (15) days prior written notice, to inspect and copy all of Tenant's books, records and financial data relating to the Facility including, without limitation, Tenant's quarterly accounts receivable and payable. Tenant shall provide Landlord copies of all licensure and certification surveys conducted at the Facility.

4.20 Condemnation. If all of the Facility is taken by the exercise of the power of eminent domain, or sold under eminent domain proceedings, this Agreement shall terminate as of the date possession is taken by the condemnor. If less than all of the Facility is taken by the exercise of the power of eminent domain or sold under eminent domain proceedings and if such exercise affects the improvements located at the Facility, Landlord shall, with reasonable diligence, restore or rebuild to the extent reasonably practicable any improvements upon the Facility affected by the taking, but shall not be obligated to spend for such restoration any amount in excess of the amount awarded or paid to it by the condemnor for such purpose. In the event that all or less than all of the Facility is taken or sold, and this Agreement shall terminate as provided herein, then Landlord shall be entitled to the entire award for the Facility and improvements thereof. Tenant shall be entitled to any award that it can prove for damage to its leasehold interest, provided that such award is separately allocated to lease by the condemning authorities and does not diminish or reduce the award to Landlord for the Facility and improvements.

4.21 Reserved.

## DEFAULT

4.22 Events of Default.

4.22.1 The following acts or events shall be deemed to be an "Event of Default":

(a) The failure of either party to pay when due, and as applicable, any sum or sums of money due or payable, other than Progress Payments withheld under the discretion of Landlord pursuant to the terms of this Agreement, by Landlord or Tenant under the provisions of this Agreement, when such failure shall continue for a period of ten (10) days after written notice to such party;

(b) Other than the failure to pay under Section 4.22.1(a), the failure of either party to perform, or the violation by either party of, any of the covenants, terms, conditions or provisions of this Agreement, if such failure or violation shall not be cured within thirty (30) days after notice thereof by the other party; provided, if within said thirty (30) days such party in good faith commences to correct such breach, and diligently proceeds therewith to completion, then such failure or violation shall not be considered an Event of Default. Notwithstanding anything to the contrary contained in this Agreement, either party's willful failure to perform, or

gross misconduct in the performance of its duties hereunder shall be a non-curable Event of Default;

(c) The making by either party or beneficiary of such party of an assignment for the benefit of creditors;

(d) The levying of a writ of execution or attachment on or against the property of either party utilized under this Agreement which is not discharged or stayed by action of such party contesting same, within ninety (90) days after such levy or attachment (provided if the stay is vacated or ended, this paragraph shall again apply);

(e) If proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation or involuntary dissolution of either party or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of either party, or beneficiary of such party and said proceedings are not dismissed and any receiver, trustee or liquidator appointed therein discharged within ninety (90) days after the institution of said proceedings;

(f) The sale of the interest of either party in the Facility under execution or other legal process;

(g) Tenant receives a final, non-appealable notice of license revocation from the IDPH; or

(h) The occurrence of any of the Special Defaults (as defined in Section 4.24).

In the event that any Event of Default under Section 4.22.1(a) or Section 4.22.1(b) is not cured within the applicable cure period, or in the event that any other Event of Default is not cured within thirty (30) days after notice thereof by the other party; then such Event of Default shall be deemed to be a "Default."

#### REMEDIES UPON DEFAULT

##### 4.23 Remedies.

4.23.1 The parties understand that the Facility constitutes the residence or home of each individual residing in it, and that any default or remedy must take into account an orderly transition that ensures the safety and wellbeing of the Facility's residents and public at large. In the event of any Default, the non-defaulting party may, if it so elects, forthwith terminate this Agreement. In the event of any material default on the part of Tenant, Landlord may, if it so elects, forthwith terminate this Agreement and Tenant's right to possession of the Facility, or, at the option of Landlord, terminate Tenant's right to possession of the Facility without terminating this Agreement. Upon any such termination of this Agreement, Tenant shall, in compliance with Legal Requirements, "Vacate the Facility" (and in the case of any Default occurring in Phase II or thereafter under this Agreement, "Vacate the Facility" shall mean the orderly transfer and transition of residents out of the Facility) in an orderly manner while ensuring the safety and wellbeing of the residents, and shall quietly and peaceably deliver possession thereof to

Landlord, and Tenant hereby grants to Landlord full and free license to enter into and upon the Facility in such event with or without process of law and to repossess the Facility as Landlord's former estate, subject to compliance with Legal Requirements. In the event of any such termination of this Agreement, Landlord shall again have the right to the possession and enjoyment of the Facility to the extent as if this Agreement had not been made, as allowed by applicable law, and thereupon this Agreement and everything herein contained on the part of Tenant to be done and performed shall cease and terminate.

4.23.2 Notwithstanding anything to the contrary in this Agreement, in the event of Tenant's Default, Tenant shall be responsible for all costs and expenses associated with Vacating the Facility, including but not limited to the orderly transition of residents from Facility to a comparable licensed, skilled nursing facility.

4.23.3 In the event that a Default occurs under Section 4.22.1(e) regarding a receivership by a bankruptcy court or the IDPH, the parties shall cooperate with respect to the management and transition of the operations of the Facility, and the defaulting party shall be responsible for any and all receivership fees, costs and expenses of the non-defaulting party associated with said receivership, including but not limited to receiver fees, resident transfer fees, monitor fees, or other staffing fees in accordance with Legal Requirements.

4.23.4 In the event that a Landlord Default occurs under Section 4.22.1(a) or Section 4.22.1(b) and Tenant elects to terminate this Agreement, Landlord shall reimburse Tenant for the actual amount of Tenant's Pre-Development Expenses incurred by Tenant as of the date of such termination.

4.24 Use of Phone Number and Name. In the event of any Default on the part of Tenant, and Landlord elects to terminate this Agreement, Landlord shall have the right to continue to utilize the telephone number and name used by Tenant.

#### SPECIAL DEFAULTS

4.25 Special Defaults. Upon the Effective Date, Tenant shall provide an irrevocable standby letter of credit in substantially similar form to the irrevocable standby letter of credit attached hereto and incorporated herein as Exhibit M, in an amount equal to Seven Hundred Thousand Dollars (\$700,000) (the "**Letter of Credit**") to be used for purposes of remedies to be paid to Landlord upon committing the acts or omissions listed in Sections 4.25.1 - Section 4.25.3 below (the "**Special Defaults**") which cannot be adequately covered by compensatory damages. In addition to any other remedies provided in this Agreement, and not in lieu thereof, Landlord shall have the option to draw upon the Letter of Credit upon the occurrence of any of the below listed Special Defaults. Notwithstanding the foregoing, Landlord shall not draw on or otherwise demand performance under the Letter of Credit unless and until there occurs a Special Default.

4.25.1 Tenant has its certification to participate in the Medicare and Medicaid programs revoked; provided that such suspension or revocation is not due to any action or inaction of Landlord;

4.25.2 If Tenant relinquishes the Facility to Landlord during the Term of the Agreement without adequately providing for the health, safety, or welfare of the residents of the Facility; or

4.25.3 If Tenant fails to commence construction by breaking ground and continuing thereafter with consistent progress toward the construction of the Replacement Facility within 24 months after receiving the Replacement Facility CON Approval, unless Landlord has otherwise granted Tenant an extension of such deadline, or Tenant is prevented from continuing construction due to acts beyond the reasonable control of Tenant.

4.26 Letter of Credit Draw Down. The parties agree herein, after consultation with their attorneys, that the Special Defaults are difficult to quantify in terms of money damages, and the parties agree that should any Special Default occur, that Landlord shall be entitled to demand performance under the Letter of Credit and the parties shall hereby allow for release of such Letter of Credit in the amount of such Letter of Credit that exists at the time of Special Default. The parties acknowledge that the amount of time, cost and expenses for Landlord to find a suitable tenant, licensee, and other regulatory approved operator for the Facility is unascertainable and unable to be quantified should Tenant commit the Special Default at the expense of Landlord, Facility residents, and LC Residents. The parties understand that the Facility constitutes the residence or home of each individual residing therein, and such abandonment or failure to act or commit any of the terms of the Special Default is a serious issue warranting Landlord to draw upon the Letter of Credit to protect the Facility residents and LC Residents.

4.26.1 Notwithstanding anything to the contrary contained in this Agreement, only after Tenant successfully completes Phase I and begins Phase II, the amount of the Letter of Credit upon which Landlord is permitted to draw on or otherwise demand performance under this Section 4.26 shall be reduced dollar for dollar upon Tenant's payment of the qualifying pre-development expenses set forth on Exhibit L (the "Pre-Development Expenses").

4.27 Cumulative Remedies of Landlord. The specific remedies to which Landlord may resort under the terms of this Lease are cumulative, except for Rent payments after termination if this Agreement is terminated prior to the end of the Term, and are not intended to be exclusive of any other remedies or means of redress to which Landlord may be lawfully entitled in case of any breach or threatened breach by Tenant of any provision or provisions of this Agreement. The failure of Landlord to insist, in any one or more cases, upon the strict performance of any of the terms, covenants, conditions, provisions or agreements of this Agreement, or to exercise any option herein contained, shall not be construed as a waiver or relinquishment for the future of any such term, covenant, condition, provisions, agreement or option. Furthermore, the exhaustion of Landlord's right to draw on or otherwise demand performance under the Letter of Credit, or unavailability of Landlord to draw or otherwise demand performance under the Letter of Credit due to Tenant's commencement of construction of the Replacement Facility under Section 4.26 shall not preclude Landlord from pursuing other remedies, including compensatory damages, for any Defaults or Special Defaults under this Agreement.

## INDEMNIFICATION

4.28 Indemnification by Tenant. Tenant shall protect, indemnify and save harmless Landlord from and against any and all claims, demands and causes of action of any nature whatsoever (including reasonable attorneys' fees) (collectively, "**Damages**") for injury to or death of persons or loss of or damage to property, occurring in the Facility or upon any adjoining sidewalks, or ways, or in any manner growing out of or connected with the use and occupation of the Facility or the condition thereof, or the use of any existing or future sewer system, or the use of any adjoining sidewalks or ways during the Term of this Agreement. Tenant further agrees to protect, indemnify and save harmless Landlord from and against any suits, arbitration proceedings, administrative actions or investigations to the extent relating to the lease and use of the Premises during the Term of this Agreement (including any Medicaid/Medicare overpayment obligations for such periods). Tenant shall provide adequate proof of insurance coverage to Landlord with Landlord named as an additional insured, in amounts acceptable and approved by Landlord per the parameters set forth in **Exhibit "G"**, prior to the Effective Date of this Agreement, with all Tenant insurance being the primary insurance in the event of any claim. For the avoidance of doubt, Tenant's insurance coverage for workers compensation and employer liability insurance shall be primary in the event of any claim. Furthermore, Tenant shall maintain adequate Business Interruption Insurance which shall also be primary in the event of any claim. Should Tenant fail to keep such insurance coverages in effect, Tenant shall be deemed in breach of this Agreement.

4.29 Indemnification by Landlord. Landlord shall protect, indemnify and save harmless Tenant from and against any and all Damages for injury to or death of persons or loss of or damage to property, occurring in the Facility or upon any adjoining sidewalks, or ways, or in any manner growing out of or connected with the use and occupation of the Facility or the condition thereof, or the use of any existing or future sewer system, or the use of any adjoining sidewalks or ways, to the extent any of the foregoing occurred or relates to the period of time prior to or after the expiration of the Term of this Agreement. Landlord further agrees to protect, indemnify and save harmless Tenant from and against any suits, arbitration proceedings, administrative actions or investigations to the extent relating to the ownership and use of the Premises on or before the Effective Date (including any Medicaid/Medicare overpayment obligations for such periods). In addition, Landlord further agrees to protect indemnify and save harmless Tenant from and against any and all Damages related to or arising out of any lawsuits, claims or other legal challenges concerning the validity or authority of Landlord to enter into and consummate the Transaction in accordance with the terms of this Agreement.

4.30 Financing. Tenant shall use its best efforts to obtain a written loan commitment for financing of the Transaction as soon as practicable during the Term. In the event that Tenant is unable to obtain such written loan commitment on terms reasonably acceptable to Tenant, Tenant shall promptly notify Landlord and the parties shall cooperate to determine an appropriate course of action for moving forward.

**ARTICLE 5  
OBLIGATIONS OF TENANT**

5.1 Services. Tenant will provide the following management services in connection with the operation of the Facility. Services to be provided under this Agreement shall include extraordinary items such as facilities development and planning services.

5.2 Administrator. Tenant will recruit, retain and provide an on-site, full-time administrator (“**Administrator**”) for the Facility. Under Tenant’s supervision, the Administrator will oversee on a day-to-day basis the Facility and execute policies governing the Facility’s operation. The Administrator will be employed or engaged by Tenant, and the salary or wages and cost of benefits of such Administrator shall be a Facility Operating Cost.

5.3 Personnel. Tenant will arrange for such staffing and employment as may be necessary or required for the efficient operation of the Facility, and as otherwise necessary to meet the applicable Legal Requirements, and the salary or wages and cost of benefits of such personnel shall be a Facility Operating Cost.

5.4 Certification, Licensure, Registration, Legal Requirements. Tenant will use its best efforts to adhere to all applicable State and federal rules and regulations applicable to the Facility, including without limitation the provisions of the Nursing Home Care Act, 210 Ill. Comp. Stat. 45/1-101 *et seq.* and all associated regulations and rules, including without limitation the Skilled Nursing and Intermediate Care Facilities Code, 77 Ill. Admin Code Part 300, and will cooperate fully with all legitimate State and federal requests for inspections and information. Tenant will oversee the preparation by Facility personnel of all materials necessary and compliance with procedures necessary for Tenant to obtain, (a) certification of the Facility as a provider of services under Titles XVIII (Medicare) and XIX (Medicaid) of the Social Security Act and (b) State licensure and registration of the Facility as a long term care facility under all applicable Legal Requirements. Tenant will oversee completion by Facility personnel of all reasonable steps necessary to keep the Facility fully licensed and registered by the State and duly accredited by applicable agencies and bodies. Tenant may engage legal counsel and accountants to accomplish the foregoing. Clinical Consulting, Staff Development, Program Implementation. Tenant will be responsible for clinical policymaking and provide general clinical support, staff development and implementation of resident programs and operational efficiencies.

5.6 Operational Policies. Tenant shall be responsible for the review of existing or development and implementation of new policies and procedures to reasonably conform with all applicable Legal Requirements and then-current industry standards in the areas of budgeting, business office management, quality assurance, human resources, dietary and nursing.

5.7 Reviews, Reports and Board Meetings. Tenant will periodically review the resident care policies, documentation procedures and operational policies used at the Facility to determine if they reasonably conform to then-current industry standards and applicable Legal Requirements. Tenant shall track and monitor resident satisfaction in a manner consistent with Landlord’s reasonable direction. Consistent with the requirements of Counties Code 55 Ill. Comp. Stat. § 5/5-21006, Tenant will provide monthly and annual written reports to the County Board or its designee setting forth its reviews of Facility operations and management to the

Landlord. The monthly and annual reports will include operations, management and financial updates for the Facility as compared to the Pro Forma. The content of the monthly and annual reports will include a detailed Facility financial report, census, updates as to regulatory surveys of the Facility, and resident satisfaction surveys. The content of the annual report will also include an annual financial audit (the cost of which shall be a Facility Operating Cost), and shall further include information concerning resident activities, satisfaction, quality ratings, monthly census by payor type, Medicare/Medicaid cost reports, a detailed Facility financial report, and a year-end financial report which will be submitted within one hundred twenty (120) days of the end of the Landlord's fiscal year. Tenant will meet with the Landlord at least once every two (2) months and will meet with the Landlord promptly upon the County Administrator's reasonable advance written request. Tenant will attend all reasonably requested County Board, or its designee, and any other Landlord meetings, upon receipt of reasonable advance written notice, which notice shall be not less than three (3) days. Tenant shall ensure, in accordance with 55 Ill. Comp. Stat. § 5/5-21006, that the facilities and records of the Facility shall be open for inspection by the Landlord at all times.

5.8 Intentionally Deleted.

5.9 Capital Improvements. An annual capital expenditure reserve for the Tenant of Five Hundred Dollars (\$500.00) per licensed bed shall be established in accordance with the terms of the Pro Forma. Tenant shall be responsible for determining the capital needs of the Facility, and shall communicate with and cooperate with Landlord in arranging for any necessary maintenance and repairs and/or capital improvements in accordance with Section 4.5 and 4.6. Any movable capital items procured during the Term shall be the property of the Tenant and it shall be the Tenant's responsibility to remove or dispose of items at the conclusion of this Agreement.

5.10 Billing and Third-Party Reimbursement. Tenant will oversee the billing for goods and services provided by the Facility in accordance with the terms of the Operations Transfer Agreement and in accordance with Legal Requirements.

5.11 Resident Trust Accounts. Tenant will oversee management of resident trust accounts by Facility personnel in accordance with the terms of the Operations Transfer Agreement and in accordance with Legal Requirements.

5.12 Cooperation. The parties shall cooperate with one another in good faith with respect to the coordination of all administrative and legal matters related to the operation of the Facility, and with respect to the implementation and achievement of each of Phase I, Phase II, and Phase III and the respective Milestones, including, without limitation, preparation of the application necessary to obtain the CON CHOW Approval and Replacement Facility CON Approval.

5.13 Legal Notices and Services to Residents. Tenant will provide legally required notice of this Agreement to residents of the Facility and to the State if required, but at all times upon prior approval of Landlord, which shall not be unreasonably withheld. Among other things, any notice will explain that Landlord continues to be the owner of the Facility and that

the licensed entity for the provision of services to residents will change in accordance with Phase II implementation.

5.14 Confidentiality of Facility Records. The parties to this Agreement recognize that the Landlord, as a public entity, is subject to laws such as the Illinois Freedom of Information Act and the Illinois Open Meetings Act, and that any attempt at providing confidentiality must conform with those laws. To the extent possible, the parties agree that the information, documents and instruments delivered to one party by another party or their respective agents and the information, documents and instruments delivered to a party by another party or their respective agents including this Agreement and all documents delivered hereunder are of a confidential and proprietary nature (“**Confidential Information**”). Each of the parties agrees that both prior and subsequent to the Term of this Agreement, it will maintain the confidentiality of all such Confidential information delivered to it by the other party or its agents in connection with the negotiation of this Agreement or in compliance with the terms, conditions and covenants hereof and only disclose such Confidential Information, documents and instruments to its duly authorized officers, directors, representatives and agents unless (i) compelled to disclose by judicial or administrative process (including in connection with obtaining the necessary approvals of this Agreement and the transactions contemplated hereby) or by other requirements of law or (ii) disclosed in an action or proceeding brought by a party in pursuit of its rights or in the exercise of its remedies hereunder; provided, however, that the parties hereto shall not disclose any Confidential Information not required to be disclosed as part of such permitted disclosure, or (iii) is public information or (iv) has become public through no fault of the disclosing party. Each of the parties hereto further agrees that if the Transaction is not consummated, it will return all such documents and instruments and all copies thereof in its possession to the other Party to this Agreement. Except as required by Legal Requirements, each of the parties hereto agree that any release to the public with respect to the matters set forth herein will be made only in the form and manner approved by the parties and their respective counsel. Each of the parties recognizes that any breach of this Section would result in irreparable harm to the other Party and that therefore either Tenant or Landlord shall be entitled to an injunction to prohibit any such breach or anticipated breach, without the necessity of posting a bond, cash or otherwise, in addition to all of their other legal and equitable remedies. Nothing in this Section, however, shall prohibit the use of such Confidential Information for such governmental filings as in the mutual opinion of Landlord’s counsel and Tenant’s counsel are: (i) required by Legal Requirements, or (ii) otherwise appropriate.

In accordance with Legal Requirements, including but not limited to the Health Insurance Portability and Accountability Act of 1996 (“**HIPAA**”) and its attendant rules and regulations, as amended by the Health Information Technology for Education and Clinical Health Act (“**HITECH Act**”) and the HITECH Act Final Rule, and as otherwise may be amended, Tenant will comply with Legal Requirements concerning confidentiality of health information of residents at the Facility, and will enter into and will cause any other person or entity required to do so under the Legal Requirements to enter into a Business Associate Agreement on terms and conditions mutually acceptable to the parties to such agreements. Additionally, the parties shall enter into a Business Associate Agreement, attached hereto and incorporated herein as **Exhibit F**, the final form of which will be agreed upon on or before the Effective Date.

5.15 Contracts, Supplies and Equipment. Tenant shall purchase such supplies and non-capital equipment necessary and appropriate for the operation of the Facility in accordance with the terms of the Pro Forma. Tenant shall inform Landlord of the contracts it wishes to continue or terminate, as the case may be, in accordance with the Operations Transfer Agreement.

5.16 Ancillary Services. Tenant will either provide or arrange for the provision of ancillary services not covered by this Agreement to the Facility as needed, including without limitation marketing and promotion, training, construction, and care-related consultants, which may include nurse consultants, dietary consultants, therapy health nurses, physician/medical director, and activities, social services and religious consultants.

5.17 Dietary Services. Tenant shall manage the dietary department of the Facility at Tenant's direction.

5.18 Marketing and Customer Relations. Tenant will oversee the development and implementation of marketing and customer relations programs for the Facility, in consultation with established groups representing Facility constituencies, such as family, residents and care providers.

5.19 Advisory Support. At no cost to Landlord, Tenant will provide timely assistance to Landlord with respect to reasonable requests for graphs, market analysis, business plans, program planning, and analysis charts and information assimilation relating to the Facility.

5.20 Occupancy. Tenant will use commercially reasonable efforts to achieve and maintain Landlord's historical census and payor mix with respect to Facility occupancy, subject to compliance with applicable Legal Requirements concerning discrimination based on payor type, and as needed to meet the financial performance set forth in Tenant's pro forma estimates in Exhibit B. Nothing in this Agreement affects the powers of the Landlord contained in 55 Ill. Comp. Stat. §§ 5/5-21009 and 5/5-21010, which are powers Landlord maintains, to the extent those Landlord powers do not conflict with the Service Covenant set forth in Section 6.5.

5.21 Tenant's Designated Representative. For any situation in which pursuant to the terms of this Agreement, Tenant is required or permitted to take any action, give any report or make any request to or of Landlord, Tenant will act by and through Tenant's Designated Representative.

5.22 Primary Goals & Quality Care. The primary goals of Tenant under this Agreement shall be to:

(a) at all times acknowledge and implement, through the oversight of the Landlord, the Lake County Mission;

(b) provide an accurate and objective reporting and approval channel for the Facility to the Landlord; and

(c) maintain and strive to continually improve the operations of the Facility to:

- (i) Provide quality nursing and rehabilitation services for the benefit of the community;
- (ii) Maintain programs to promote the effective utilization of Facility's services;
- (iii) Maintain the current public image for the Facility;
- (iv) Maintain quality and proper staffing of the Facility;
- (v) Operate the Facility on a sound financial basis;
- (vi) Institute sound financial accounting systems and internal fiscal controls through effective budgeting procedures, all in accordance with GAAP, with accounting performed on an accrual basis;
- (vii) Provide sound operating and billing procedures;
- (viii) Control the cash position of the Facility through sound collection methods;
- (ix) Take such other steps as are necessary to provide quality care to all residents of the Facility; and
- (x) Adhere to and fully cooperate with all applicable Legal Requirements.

5.23 Offer of Beds to Current Residents in the Replacement Facility. Prior to the transfer of residents from Facility to the Replacement Facility at the end of the Term of this Agreement, Tenant shall first offer all then current residents of Facility admission to the Replacement Facility and Tenant shall make all reasonable efforts to maintain that bed for those current residents of Facility that choose to be admitted to the Replacement Facility. The Tenant obligation under this Section 5.23 shall survive the termination of this Agreement.

## ARTICLE 6 PAYMENTS

6.1 Payments. Landlord shall make Progress Payments and Start-Up Capital Payments to Tenant for the Term of this Lease in accordance with the provisions of this Article and the Pro Forma. Landlord shall be permitted to withhold Progress Payments in accordance with the provisions of Section 6.2 of this Agreement. Notwithstanding the foregoing, Landlord's obligation to make the Start-Up Capital Payments shall be unconditional, provided that Tenant submits written invoices to Landlord at least thirty (30) days in advance for each monthly Start-Up Capital Payment. Each such Start-Up Capital Payment shall be paid by Landlord to Tenant in the amount set forth on the Pro Forma, at least ten (10) Business Days prior to the first day of each such month, provided that Tenant submits written invoices timely in accordance with this Section 6.1.

6.2 Amount and Conditions for Progress Payments:

6.2.1 Landlord shall make the Progress Payments to Tenant on a monthly basis, beginning on the Effective Date, in the amounts set forth for each respective month on line G45 of the Pro Forma. Provided that Tenant submits written invoices to Landlord at least thirty (30) days in advance for each monthly Progress Payment, Progress Payments shall be paid by Landlord to Tenant accordingly. Progress Payments shall be paid by Landlord to Tenant at least ten (10) Business Days prior to the first day of the respective month to which such payment relates, provided that Tenant submits written invoices timely in accordance with this Section 6.2. The parties understand that Progress Payments are expressly conditioned on Tenant meeting the milestones set forth in Exhibits C, D, and E (individually, a "Milestone" and collectively, the "Milestones"). Should Tenant fail to satisfy any Milestone, Landlord shall be permitted, in its discretion, to withhold the Progress Payment for such month, along with Progress Payments for subsequent months, until such time as Tenant has completed the task/objective covered by such Milestone. Notwithstanding the foregoing, if Tenant subsequently completes the task/objective covered by a Milestone that was previously unsatisfied, Landlord shall not be permitted to withhold further Progress Payments.

6.2.2 Landlord shall have no obligation to make Progress Payments: (a) beyond the Initial Term; or (b) in an amount greater than the aggregate amount of the Progress Payments set forth on the Pro Forma. Upon expiration of the Term, and within ten (10) calendar days following Tenant's delivery of the final annual financial report at the end of the Term contemplated under Section 5.7 of this Agreement, Landlord and Tenant shall conduct a reconciliation (the "**Reconciliation**") with respect to the Progress Payments paid to Tenant by Landlord and the actual Facility Operating Expenses paid by Tenant in operating the Facility. If the Reconciliation indicates that the Progress Payments utilized by Tenant are less than the amounts estimated in the Pro Forma attached as Exhibit B, then such difference shall be referred to as the "**Shared Savings**", and such Shared Savings shall be treated as follows:

(a) Tenant shall be eligible to retain up to 50% of the Shared Savings (the "**Quality Incentive Payment**"), subject to Tenant's satisfaction of the following standards:

(i) Provided that Tenant improves the overall star rating of the Facility by showing that the star rating for the last 24 months of this Agreement is on average a higher rating than when Tenant took over (Effective Date), and the star rating is higher than it was on the Effective Date when the tenant exits the building after successfully accomplishing Phase III, as such rating is published on <http://medicare.gov/nursinghomecompare/search.html> (or its successor entity/publication location), Tenant shall be entitled to retain 1/3 of the Quality Incentive Payment, with the remainder of the Shared Savings remitted back to Landlord;

(ii) Provided that Tenant maintains an average resident satisfaction level equal to or greater than 3.75 out of 5 on the Pinnacle Customer Satisfaction Surveys and the TCM employee surveys commencing on the Effective Date through the end of the Term, Tenant shall be entitled to retain 1/3 of the Quality Incentive Payment with the remainder of the Shared Savings remitted back to Landlord; and

(iii) Provided that Tenant achieves Shared Savings in its management and operation of the Facility commencing on the Effective Date through the end of the Term, Tenant shall be entitled to retain 1/3 of the Quality Incentive Payment with the remainder of the Shared Savings remitted back to Landlord.

(b) Any Quality Incentive Payment, if applicable, shall be retained by Tenant at the end of the Term of this Agreement. Otherwise, any Shared Savings that does not constitute a Quality Incentive Payment shall be remitted back to Landlord.

### 6.3 Start-Up Capital.

6.3.1 Landlord shall make the Start-Up Capital Payments to Tenant on a monthly basis, beginning on the Effective Date of this Agreement, in the amounts set forth for each respective month on line G46 of the Pro Forma, provided that Tenant complies with the requirements and timeframes set forth in Section 6.1.

6.3.2 Start-Up Capital, shall be repaid by Tenant to Landlord as follows: 50% of the amount of the Start-Up Capital shall be repaid within 90 days of the first to occur of the following, and the remaining 50% shall be repaid within 180 days of the first to occur of the following: (a) termination of Phase III; or (b) any other termination of this Agreement. Notwithstanding the foregoing, the aggregate amount of the Start-Up Capital which Tenant is obligated to repay shall be reduced, only by a maximum of \$900,000.00, only if Tenant provides evidence to Landlord of the following, and only to the extent of any of the following:

(a) any material decrease in Medicaid reimbursement for services provided by Tenant to residents of the Facility, calculated by subtracting the aggregate Medicaid reimbursement received by Tenant from such payor during the Term from the aggregate Medicaid reimbursement that would have been received by Tenant from such payor if the respective Medicaid reimbursement rate(s) remained consistent with the Medicaid reimbursement rate(s) effective as of the Effective Date throughout the Term;

(b) any Damages incurred by Tenant that relate, directly or indirectly, to the union that is currently providing services at the Facility pursuant to the agreement with Exiting Operator, including, without limitation, pension obligations related to such union and/or any claim made by the union regarding outstanding payment obligations, backpay obligations, or other benefits owed by Exiting Operator; provided, however, that for purposes of this Section 6.3.2(b), Damages shall not include Damages incurred by Tenant that relate, directly or indirectly to future union agreements or future union relationships with Tenant;

(c) the aggregate amount by which the actual real estate taxes payable by Tenant exceeds the amount set forth on the Pro Forma for real estate taxes;

(d) any Damages incurred by Tenant as a result of any Change in Law;

or

(e) any other Damages incurred by Tenant, which are mutually agreed upon by the parties, that relate to a material adverse event(s) not reasonably foreseeable by Tenant and not caused by any action or inaction of Tenant.

6.4 Changes in Law. Notwithstanding anything herein to the contrary, if during the Term hereof any Change in Law results in an Adverse Consequence (as such terms are defined in this Section 6.4), the parties agree to cooperate in making reasonable revisions to this Agreement and the Pro Forma in order to avoid and/or mitigate the effect of such Adverse Consequence. If the parties through good faith negotiations fail to agree to such revisions after thirty (30) days following written notice by either party to the other party requesting renegotiation, then this Agreement may be immediately terminated by either party upon written notice to the other party. In such event, the parties shall promptly proceed to unwind their relationship and place the other party in substantially the same position as such party was in prior to the Effective Date. During such unwinding, Tenant shall remain as manager of the Facility in accordance with Phase I of this Agreement.

As used herein, “**Change in Law**” shall mean: (i) any new legislation or rulemaking enacted by the federal or any state or local government; (ii) any governmental, judicial or administrative order, decree or decision that would affect the nursing home industry generally and not such orders, decrees or decisions applying to the Facility itself as a result of actions or omissions of Tenant; or (iii) any interpretation of (i) or (ii) above by a court of competent jurisdiction or by a formal written opinion issued by legal counsel to either party. As used herein, “**Adverse Consequence**” shall mean a Change in Law that prohibits, restricts, limits or otherwise affects either party’s rights or obligations hereunder in a material manner or otherwise makes it desirable for the parties to restructure the relationship established hereunder because of material legal or financial consequences expected to result from such Change in Law.

6.5 Service Covenant. In recognition of the role the Facility has played in caring for residents of Lake County, and with the intention of maintaining that level of commitment to Lake County residents and otherwise supporting the County’s interest in Lake County residents receiving services, Tenant shall comply with the following covenant:

6.5.1 In a simple majority of certain referrals to the Facility of prospective facility residents who are residents of Lake County (“**LC Resident**”) by Referral Sources (defined below) which do not result in an admission because Tenant cannot satisfy the resident’s needs (*e.g.*, advanced psychotic, schizophrenic, or suicidal conditions), Tenant shall use commercially reasonable efforts to undertake the following actions (“**Service Covenant**”): Within five (5) Business Days of declining to admit such LC Resident, Tenant will either identify available services to meet the needs of the LC Resident or identify an alternative nursing facility located preferably within the Lake County Marketplace, offering the types of services required by the resident (“**Alternate Placement**”), and Tenant will identify the Alternate Placement to the Referral Source by providing written or verbal notice. For purposes of this Section 6.4, “**Referral Source**” means a referral source, other than other facilities, that has referred a LC Resident to the Facility for admission, and the term “**LC Resident**” includes resident’s decision-making proxy, where appropriate in a given context.

6.5.2 Limitations on the Service Covenant.

(a) Tenant shall not be obligated to admit to the Facility any LC Resident who requires or may foreseeably require any of the categories of services listed or is

otherwise described on **Exhibit I** (“**Service Limitations**”) or whose needs may otherwise negatively affect then-current Facility residents. Such referrals are “**Non-qualifying Referrals**.”

(b) If Tenant has notified a Referral Source in writing of the Facility’s Service Limitations, and the Referral Source makes a referral to the Facility of a LC Resident whose needs fall within or foreseeably may fall within the Service Limitations, then Tenant may but shall have no obligation to identify an Alternate Placement, and such Non-qualifying Referral shall not be included in the assessment of Tenant’s compliance with the Service Covenant.

(c) The following circumstances shall not be included in the assessment of Tenant’s compliance with the Service Covenant:

(i) If Tenant is unable to admit a LC Resident due to insufficient staffing at the Facility, or discontinuation or planned discontinuation of a category of service, Tenant may, but shall not be obligated to identify an Alternate Placement.

(ii) If Tenant is unable to admit a LC Resident due to damage to the Facility, construction, renovation, equipment failure or loss, or other structural or physical cause, Tenant may, but shall not be obligated to identify an Alternate Placement.

(iii) Tenant shall not be obligated to identify an Alternate Placement for a LC Resident if none exists suitable for the LC Resident’s needs within the Lake County Marketplace at the time of the referral to the Facility.

#### 6.5.3 Tenant Not a Referral Source.

Under no circumstances shall Tenant be deemed to have made a referral in identifying an Alternate Placement. Landlord shall not take or support the position that Tenant has made a referral in identifying an Alternate Placement.

#### 6.5.4 Certification by Tenant.

(a) At the end of each quarter beginning with the first three months after the Effective Date, and until the termination of this Agreement, Tenant shall certify (“**Quarterly Certification**”) to the Landlord that it has or has not met the Service Covenant. The Quarterly Certification shall provide cumulative information for the preceding quarters, ending in the applicable quarter to date. The Landlord shall meet within ten (10) Business Days following delivery of each Quarterly Certification to the Landlord. Such delivery may be electronic, at Tenant’s option. If for any quarter Tenant has not met the Service Covenant, the Landlord will notify the Tenant.

(b) Tenant shall deliver a cumulative annual certification to the Landlord as to whether Tenant has met the Service Covenant (“**Annual Certification**”), based on an annual cycle starting on the Effective Date. The Annual Certification shall be delivered within 10 Business Days of the end of each annual cycle. Such delivery may be electronic, at Tenant’s option.

(c) Both the Quarterly Certification and Annual Certification will identify (1) compliance with the Service Covenant by specifically setting forth those LC Residents referred by Referral Sources who are not admitted to the Facility, and state the reason and list the Alternate Placement identified by Tenant; provided however, such information shall be provided to the Landlord in a manner that will not violate standards that protect health information and identities of such LC Residents, (2) actual census numbers for the Facility by payor type, and (3) progress reports with respect to compliance with the Phase I, II, and II Milestones with explanations and evidence of same that is reasonably satisfactory to Landlord.

(d) An Alternate Placement notification by Tenant shall not be invalidated by (i) the refusal or failure of the Referral Source to communicate the Alternate Placement to the LC Resident, (ii) the refusal or failure of the Alternate Placement to accept the LC Resident, (iii) the failure or refusal of the LC Resident to become a resident of the Alternate Placement, (iv) efforts by the LC Resident or Alternate Placement to relocate or relocation of such LC Resident following admission to Alternate Placement, or (v) refusal of admission to the Alternate Placement based on facts concerning the LC Resident or the Alternate Placement not previously known to Tenant.

6.5.5 Landlord's Remedies. If Tenant fails to meet the Service Covenant for any quarter, Tenant shall immediately submit a plan of correction to Landlord. In addition, Tenant shall pay to Landlord \$500 per day for each day in which Tenant is in violation of the Service Covenant. If Tenant fails to meet the Service Covenant a second time while this Agreement is in effect, in addition to the \$500 per day penalty set forth above, Landlord shall have the option of arranging for the administration of the Service Covenant by qualified experts chosen by Landlord, the cost of which shall be a Tenant expense, but which shall not be includable on the Pro Forma.

6.5.6 Lender's Criteria. Landlord acknowledges that Tenant's and Tenant's lenders may impose financial performance covenants ("**Criteria**") on Tenant's operation of the Facility, that Tenant's ability to continue to operate the Facility and provide services to LC Residents in Lake County is conditioned on achieving such Criteria and on receiving timely Progress Payments under this Agreement, and that achieving the Criteria and/or making payments to Landlord under this Agreement may require Tenant to deviate from the Objective from time to time. In such event, together with any Quarterly or Annual Certification so effected, Tenant shall provide to Landlord financial information to demonstrate Tenant's need to deviate from the Objective, and identify what Criteria is implicated, and the Tenant shall be entitled to suspend the provisions of Section 6.2, at the reasonable discretion of the Landlord, without waiving Tenant's requirements to abide by the Objective throughout the Term of this Lease. If Landlord's non-payment of the Progress Payment would cause Tenant to fail to comply with the Criteria or be unable to make timely payments under the Lease, withholding of such Progress Payment and any previously withheld Progress Payments may be deferred by Landlord at Landlord's discretion.

**ARTICLE 7**  
**REPRESENTATIONS AND WARRANTIES**

7.1 Landlord's Representations and Warranties.

7.1.1 Organization and Qualification; Authority; Binding Effect.

(a) Landlord is an Illinois municipal corporation, duly formed, validly existing and in good standing under the laws of the State of Illinois, and has all requisite power and authority to own, lease, operate, and consummate the Transaction contemplated under this Agreement. Landlord is the sole owner of the Facility and holds good and clear title to the Facility and all of the related assets to be leased to Tenant under this Agreement.

(b) Landlord has, and as of the Effective Date and at all times up to and including termination of Phase III will have, ~~the full and unrestricted right, power and authority to execute, deliver and perform this Agreement and to consummate the Transactions and perform all obligations contemplated hereby and in all agreements, instruments and documents being or to be executed and delivered by it in connection with such transactions, including the Operations Transfer Agreement (collectively, the "Landlord Related Documents").~~ The execution and delivery of this Agreement and the Landlord Related Documents by Landlord, the performance of this Agreement and the Landlord Related Documents by Landlord, and the consummation of the Transaction contemplated hereby and thereby, have been duly authorized by Landlord and no other proceeding on the part of Landlord is necessary to authorize this Agreement or the Landlord Related Documents or to consummate the Transaction contemplated hereby or thereby. This Agreement has been duly executed and delivered by Landlord and constitutes the valid and binding obligation of Landlord, enforceable against Landlord in accordance with its terms. When each of the other Landlord Related Documents has been duly executed and delivered by Landlord, such Landlord Related Documents will constitute a legal and binding obligation of Landlord enforceable against it in accordance with its terms, except to the extent that enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar law as is now or hereinafter in effect relating to creditors' rights generally.

7.1.2 No Conflict; Required Filings and Consents.

(a) The execution and delivery by Landlord of this Agreement and the Landlord Related Documents to which it is a party, Landlord's performance of this Agreement and the Landlord Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not conflict with or violate or constitute, with or without notice or the lapse of time or both, a breach of or default under: (i) the governing or charter documents of Landlord, (ii) any Legal Requirement, (iii) any contract to which Landlord is a party, or (iv) any other instrument to which Landlord is a party or by which Landlord may be bound or to which Landlord or any portion of the Facility is subject.

(b) The execution and delivery by Landlord of this Agreement and the Landlord Related Documents to which it is a party, Landlord's performance of this Agreement and the Landlord Related Documents to which it is a party, and the consummation of the

Transaction contemplated hereby and thereby will not with or without notice or the lapse of time or both, give to others any rights of termination, amendment, acceleration or cancellation of, or require payment under, or result in the creation of any lien or adversely affect the Facility.

(c) The execution and delivery by Landlord of this Agreement and the Landlord Related Documents to which it is a party, Landlord's performance of this Agreement and the Landlord Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not require Landlord to obtain any consents, authorizations, orders and approvals of, or to make any filing with or notification to, any governmental entity or any other person or entity, except with respect to the approval of the County Board.

7.1.3 Compliance with Laws. Landlord is, and has been, in material compliance with all Legal Requirements applicable to the Facility. Landlord has not received, and to Landlord's knowledge, no other party has received, any written notice alleging non-compliance with any material Legal Requirements within the five year period preceding the Signing Date.

7.1.4 Environmental Matters. Landlord has not received any notice of any violation or alleged violation of any Environmental Law, and Landlord and the Facility are in compliance with all Environmental Laws. Neither Landlord nor the Facility are subject to any outstanding or threatened Environmental Action. The Facility has not been used by Landlord or any other person for the generation, storage, manufacture, use, transportation, disposal or treatment of Hazardous Substances, except for medical waste in the ordinary course of operating the Facility. There has been no Hazardous Discharge on or from the Premises by Landlord, or, to Landlord's knowledge, by any other person or entity. As used in this Agreement, "**Environmental Law**" means each and every applicable federal, state, local and foreign law, statute, ordinance, regulation, rule, judicial or administrative order or decree, permit, license, approval, authorization or similar requirement of each and every governmental entity and the common law, pertaining to the protection of human health, safety the environment, or natural resources, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act ("**CERCLA**"), 42 U.S.C. 9601, *et seq.*, the Resource Conservation and Recovery Act ("**RCRA**"), 42 U.S.C. 6901, *et seq.*, the Toxic Substances Control Act ("**TSCA**"), 15 U.S.C. 2601, *et seq.*, the Water Pollution Control Act ("**FWPCA**"), 33 U.S.C. 1251, *et seq.*, the Occupational Safety and Health Act ("**OSHA**"), 42 U.S.C. 655, all as amended. As used in this Agreement, "**Hazardous Discharge**" shall mean any releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping of Hazardous Substances. As used in this Agreement, "**Hazardous Substance**" shall mean any substance, compound, chemical or element which is: (i) defined as a hazardous substance, hazardous material, toxic substance, hazardous waste, medical waste, pollutant or contaminant under any Environmental Law; (ii) a petroleum hydrocarbon, including crude oil or any fraction thereof; (iii) asbestos in any form; or (iv) radon, mold, lead, or other toxic compounds or substances. As used in this Agreement, "**Environmental Action**" means any Actions and Proceedings under or by virtue of any Environmental Law or in connection with any Hazardous Discharge or Hazardous Substance.

7.1.5 Full Disclosure. No representation or warranty by Landlord in this Agreement contains any untrue statement of a material fact, or omits to state a material fact

necessary to make the representation or warranty contained therein, in light of the circumstances in which they are made.

## 7.2 Tenant's Representations and Warranties.

### 7.2.1 Organization and Qualification; Authority; Binding Effect.

(a) Tenant is a limited liability company, duly formed, validly existing and in good standing under the laws of the State of Illinois, and has all requisite power and authority to own, lease, operate, and consummate the Transaction contemplated under this Agreement.

(b) Tenant has, and as of the Effective Date and at all times up to and including termination of Phase III will have, the full and unrestricted right, power and authority to execute, deliver and perform this Agreement and to consummate the Transactions and perform all obligations contemplated hereby and in all agreements, instruments and documents being or to be executed and delivered by it in connection with such transactions, including the Operations Transfer Agreement (collectively, the "**Tenant Related Documents**"). The execution and delivery of this Agreement and the Tenant Related Documents by Tenant, the performance of this Agreement and the Tenant Related Documents by Tenant, and the consummation of the Transaction contemplated hereby and thereby, have been duly authorized by Tenant and no other proceeding on the part of Tenant is necessary to authorize this Agreement or the Tenant Related Documents or to consummate the Transaction contemplated hereby or thereby. This Agreement has been duly executed and delivered by Tenant and constitutes the valid and binding obligation of Tenant, enforceable against Tenant in accordance with its terms. When each of the other Tenant Related Documents has been duly executed and delivered by Tenant, such Tenant Related Documents will constitute a legal and binding obligation of Tenant enforceable against it in accordance with its terms, except to the extent that enforcement may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar law as is now or hereinafter in effect relating to creditors' rights generally.

### 7.2.2 No Conflict; Required Filings and Consents.

(a) The execution and delivery by Tenant of this Agreement and the Tenant Related Documents to which it is a party, Tenant's performance of this Agreement and the Tenant Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not conflict with or violate or constitute, with or without notice or the lapse of time or both, a breach of or default under: (i) the governing or charter documents of Tenant, (ii) any Legal Requirement, (iii) any contract to which Tenant is a party, or (iv) any other instrument to which Tenant is a party or by which Tenant may be bound or to which Tenant is subject.

(b) The execution and delivery by Tenant of this Agreement and the Tenant Related Documents to which it is a party, Tenant's performance of this Agreement and the Tenant Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not with or without notice or the lapse of time or both,

give to others any rights of termination, amendment, acceleration or cancellation of, or require payment under, or result in the creation of any lien or adversely affect the Facility.

(c) The execution and delivery by Tenant of this Agreement and the Tenant Related Documents to which it is a party, Tenant's performance of this Agreement and the Tenant Related Documents to which it is a party, and the consummation of the Transaction contemplated hereby and thereby will not require Tenant to obtain any consents, authorizations, orders and approvals of, or to make any filing with or notification to, any governmental entity or any other person or entity.

7.2.3 Compliance with Laws. Tenant is, and has been, in material compliance with all Legal Requirements to allow Tenant to fulfill its obligations under this Agreement. Tenant has not received, and to Tenant's knowledge, no other party has received, any written notice alleging non-compliance with any material Legal Requirements, including but not limited to any pending compliance action(s) with the IHFSRB.

## ARTICLE 8 MISCELLANEOUS

8.1 Quiet Enjoyment. Tenant, upon paying the Rent and all other charges herein provided, and for observing and keeping the covenants, agreements, terms and conditions of this Agreement on its part to be performed, shall lawfully and quietly hold, occupy and enjoy the Facility during the Term of this Agreement, and subject to its terms, without hindrance by Landlord or by any other person or persons claiming under Landlord.

8.2 Notices. All notices, approvals or other communications that a party may desire or be required to give to another party under the terms of this Agreement shall be in writing and shall be deemed to have been properly given, served and received: (i) if delivered by messenger, when delivered; (ii) if mailed in the United States certified or registered mail, postage prepaid, return receipt requested, on the third (3<sup>rd</sup>) postal delivery day after mailing; or (iii) if sent for next Business Day delivery by reputable, national next business day express carrier, freight prepaid, the next business day after dispatch to such carrier, addressed to such party as follows:

<i><b>If to Tenant:</b></i>	Transitional Care of Lake County, LLC 6400 Shafer Court, Suite 600 Rosemont, IL 60018 Attention: Mike Filippio
<i><b>With copies to:</b></i>	Benesch, Friedlander, Coplan & Aronoff LLP 200 Public Square, Suite 2300 Cleveland, OH 44114-2378 Attention: Daniel J. O'Brien
<i><b>If to Landlord:</b></i>	County of Lake 18 N. County Street 9 <sup>th</sup> floor Waukegan, IL 60085 Attn: County Administrator

***With copies to:*** County of Lake  
18 N. County Street 9<sup>th</sup> floor  
Waukegan, IL 60085  
Attn: Deputy of the Civil Division

***Additional Copies To:*** Duane Morris LLP  
190 South LaSalle Street  
Suite 3700  
Chicago, IL 60603  
Attn: Nicholas J. Lynn

8.3 Memorandum of Lease. Upon demand by either party, Landlord and Tenant agree to execute and deliver a short form lease in recordable form so that the same may be recorded by either party.

8.4 Estoppel. Each party agrees that any time, and from time to time, upon not less than ten (10) days prior written request from the other party, to execute, acknowledge and deliver to the other party a statement in writing, certifying that this Agreement is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified, and stating the modifications), the dates to which the Rent has been paid, and whether any events have occurred which, with the giving of notice or the passage of time, or both, could or do constitute a Default hereunder.

8.5 Fair Market Value. In determining the payments to be paid under this Agreement, including but not limited to the Progress Payments, the parties have agreed to the fair market value of the payments in light of the time, energies, training, experience and skills required, and experience and general economic conditions. The parties agree that the payments, including the Progress Payments set forth herein reflect fair market value and have not been determined by taking into account in any way the volume or value of any referrals or business generated between the parties which is reimbursed under Medicare, Medicaid or any private health insurance.

8.6 No Requirement to Refer. Nothing in this Agreement shall constitute an agreement for referrals or an agreement to offer or receive anything of value as an inducement for referrals. The terms of this Agreement are not dependent upon the amount or volume of referrals. Nothing in this Agreement is intended to be, nor will it be construed as, an offer, inducement or payment, whether directly or indirectly, overtly or covertly, for the referral of residents or patients, or for the recommending or arranging of the purchase, lease or order of any item or service. No referrals are required under this Agreement.

8.7 Change in Legal Requirements. Upon either party's good faith determination, on the basis of events occurring subsequent to the date of this Agreement, that the Agreement fails to comply in a material way with any applicable Legal Requirements, the parties agree to take no action deemed to be in violation of such law and, after notice has been given, the parties shall promptly meet within a period of thirty (30) days and using good faith and due diligence shall

attempt to agree upon a new structure that will satisfy the business objectives of the Agreement and applicable Legal Requirements. If, by the end of the thirty (30) day period the parties have agreed upon a new structure, then the parties may amend this Agreement.

8.8 Interpretation. All of the provisions of this Agreement shall be deemed and construed to be “conditions” and “covenants” as though the words specifically expressing or importing covenants and conditions were used in each separate provision hereof. Any reference herein to the termination of this Agreement shall be deemed to include any termination thereof by expiration, or pursuant to Articles referring to earlier termination. All nouns and pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons, firm or firms, corporation or corporations, entity or entities or any other thing or things may require.

8.9 Headings. The headings and titles in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of this Agreement, nor in any way affect this Agreement.

8.10 Entire Agreement. This Agreement contains the entire agreement between the parties, but arises from the Lake County RFP dated July 23, 2014, (attached to this Agreement as Exhibit J), and approved by the Landlord on May 12, 2015, and a Transitional Care Management Proposal dated August 14, 2014 (attached to this Agreement as Exhibit K). In the event of a conflict between these three documents, the order of precedence shall be (1) this Agreement; (2) the RFP; (3) the Transitional Care & Management Proposal. No oral modifications to this Agreement shall be valid, but rather all modifications must be made in writing and signed by both parties.

8.11 Assignment. Neither party shall be permitted to assign or sublet, whether by operation of law or otherwise, all or any portion of this Agreement without the prior written consent of the other party.

8.12 Force Majeure. Neither party shall be liable nor deemed to be in Default for any delay or failure in performance under this Agreement or other interruption of service resulting, directly or indirectly, from acts of God, acts of public enemy, war, accidents, fires, explosions, earthquakes, floods, failure of transportation, strikes or other work interruptions by either parties' employees, legislative changes or rulemakings, or any similar or dissimilar cause beyond the reasonable control of either party.

8.13 Severability. If any term or provision of this Agreement shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this Agreement shall not be affected thereby, but each term and provision shall be valid and be enforced to the fullest extent permitted by law.

8.14 Survival. The provisions of Sections 4.28 and 4.29 of this Agreement shall survive the termination of this Agreement for a period of one (1) year.

8.15 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if the parties hereto had signed the same document. Signatures transmitted by facsimile or PDF shall have the same effect as original signatures.

8.16 Dates. If a party signs but fails to date a signature, the date that the other party receives the signing party's signature will be deemed to be the date that the signing party signed this agreement, and the other party may inscribe that date as the date associated with the signing party's signature.

**[SIGNATURE PAGE FOLLOWS ON NEXT PAGE]**

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be signed by persons authorized to do so on behalf of each of them respectively the day and year just above written.

**Landlord:**

**COUNTY OF LAKE**, an Illinois municipal corporation

By:   
Its: \_\_\_\_\_

Consented to this      day of May,  
2015

**Tenant:**

**TRANSITIONAL CARE OF LAKE  
COUNTY, LLC**, an Illinois Limited Liability  
Company

By:   
Its: Manager

DM215540662.9

**EXHIBIT A**

**PREMISES**

Winchester House  
1125 North Milwaukee Avenue  
Libertyville, Illinois 60048

**EXHIBIT B**

**TENANT'S PRO FORMA ESTIMATES FOR OPERATION OF FACILITY**

See attached.

## EXHIBIT C

### PHASE I MILESTONES

Phase I shall commence as of the Effective Date. During Phase I, Tenant shall take all commercially reasonable actions necessary to secure all Healthcare Licenses and Approvals needed to operate the Facility. During the pendency of Tenant's receipt of the Healthcare Licenses and Approvals, Tenant shall assist Landlord (or Landlord's agent) in Landlord's provision of services for the health, safety, nursing care, and welfare of all Facility residents. During this Phase I, Tenant shall work cooperatively with Landlord to assure a smooth transition to Phase II. Such transition shall include, but not be limited to, installation of systems and procedures needed to operate and sustain operations, performing inventory of existing movable equipment and supplies, establishing cut-off procedures for accounts receivable and accounts payable, assembling a workforce, transferring applicable contractual obligations to Tenant and such other practices necessary for the transition of the Facility operation to Tenant. Phase I shall terminate upon Tenant's receipt of the Healthcare Licenses and Approvals.

- Filing of CHOW CON Application within thirty (30) days of the Effective Date.
- Filing of Application for Licensure ("**Licensure Application**") with IDPH within ten (10) days of receipt of the CHOW CON Approval.
- Filing of documents for Medicare Certification fourteen (14) days after approval by IDPH of the Licensure Application.
- Filing of documents for Medicaid Certification fourteen (14) days after approval by IDPH of the Licensure Application.

**EXHIBIT D**

**PHASE II MILESTONES**

Phase II shall commence upon Tenant's receipt of the Healthcare Licenses and Approvals. During Phase II, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents, and shall be the sole operator of the Facility pursuant to the terms of this Agreement and pursuant to any and all applicable Legal Requirements. In addition, during Phase II, Tenant shall diligently prepare and submit an application to obtain the Replacement Facility CON Approval. Phase II shall terminate upon Tenant's receipt of both: (a) the Replacement Facility CON Approval; and (b) the Healthcare Licenses and Approvals.

- (A) Contract to secure land for construction of Replacement Facility – ten (10) months from Effective Date.
- (B) Presentation of master design, architectural drawings, and master plan for Replacement Facility to Landlord – nine (9) months from Effective Date.
- (C) Preparation by Tenant of CON for Replacement Facility and discontinuation CON, and presentation to Landlord of Replacement Facility CON and any discontinuation CON in DRAFT form – nine (9) months from Effective Date.
- (D) Preparation by Tenant of construction schedule and list of contractors for building of Replacement Facility; presentation of same to Landlord – sixteen (16) months from Effective Date.
- (E) Filing of Replacement Facility CON Application by Tenant for Replacement Facility (to be coordinated by Tenant with Landlord discontinuation of Landlord CON) with IHFSRB – ten (10) months from Effective Date.

## EXHIBIT E

### PHASE III MILESTONES

Phase III shall commence upon Tenant's receipt of both: (a) the Replacement Facility CON Approval; and (b) the Healthcare Licenses and Approvals. During Phase III, Tenant shall continue to provide for the health, safety, nursing care and welfare of all Facility residents. Promptly following Tenant's receipt of the Replacement Facility CON Approval, Tenant shall diligently pursue construction of the Replacement Facility in accordance with the terms of the Replacement Facility CON Approval, followed by relocation of the residents. Phase III shall terminate upon transfer of the last then current resident to the Replacement Facility, in accordance with the laws, rules and regulations of the State of Illinois regarding the transfer of residents.

- (A) Tenant to begin construction of Replacement Facility project pursuant to Replacement Facility CON Approval - 24 months from Effective Date.
- (B) Filing of discontinuation of Facility CON with the IHFSRB – 24 months from Effective Date.
- (C) Completion of construction and submission of Final Project Report by Tenant to IHFSRB - 36 months from Effective Date.
- (D) Filing of Facility Closure Plan, with input from IDPH that is gathered by Tenant, including details of transfer of residents to replacement facility; presentation of same to Landlord – 30 months from Effective Date.
- (E) Filing of Application for Licensure (“**Licensure Application**”) for Replacement Facility with IDPH – 30 months from Effective Date.
- (F) Tenant to provide to Landlord a draft transition and communication plan for families and residents regarding transfer of residents into Replacement Facility – 30 months from Effective Date.

**EXHIBIT F**  
**BUSINESS ASSOCIATE AGREEMENT**

See attached.

**EXHIBIT G**

**INSURANCE COVERAGES**

*[Include requirements for insurance coverage for Tenant]*

See attached.

**EXHIBIT H**

**LAKE COUNTY MARKETPLACE**

See attached.

**EXHIBIT I**

**SERVICE LIMITATIONS ON SERVICE COVENANT**

Assisted Living Services

Hospital Services

Mental Health Services

**EXHIBIT J**

**RFP**

See attached.

**EXHIBIT K**  
**TCM PROPOSAL**

See attached.

**EXHIBIT L**

**PRE-DEVELOPMENT COSTS**

See attached.

**EXHIBIT M**

**IRREVOCABLE STANDBY LETTER OF CREDIT**

ISSUING BANK:

\_\_\_\_\_

\_\_\_\_\_

[date]

Letter of Credit No. \_\_\_\_\_

Letter of Credit Amount \$700,000.00

Issuing Bank Letter of Credit Reference No. \_\_\_\_\_

Confirming Bank Name: \_\_\_\_\_

Confirming Bank Address: \_\_\_\_\_

Account Party: \_\_\_\_\_

**BENEFICIARY:**

County of Lake

18 North County Street - 9th Floor

Waukegan, IL 60085-4334

Attn: County Administrator

Ladies and Gentlemen:

We hereby confirm the enclosed Irrevocable Letter of Credit No. \_\_\_\_\_ and amendments thereto, if any, issued in favor of the Beneficiary by \_\_\_\_\_ [insert name of issuing bank] for drawings up to the aggregate principal amount of \$700,000.00, effective immediately. This confirmation is issued, presentable and payable at our office at \_\_\_\_\_, \_\_\_\_\_, and expires with our close of business on \_\_\_\_\_ [insert same expiration date as Letter of Credit]. The expiration date of this Letter of Credit shall be automatically extended for successive one (1) year periods unless we notify the Beneficiary by certified mail or other receipted means of delivery sent to Beneficiary's above stated address sixty (60) or more calendar days before the then current expiration date. The expiration date is not subject to automatic extension beyond \_\_\_\_\_, and pending automatic extension shall be ineffective beyond that date. The expiration date shall also be extended in accordance with the terms of an amendment issued by Issuer to which Beneficiary consents and in accordance with ISP98 Rules on closure of the place for presentation on the expiration date.

We hereby undertake to fully and promptly honor within three (3) business days any drawings made by Beneficiary hereunder and presented at our office specified above on or before the expiration date of this confirmation or any automatically extended expiration date which is made by a completed drawing certificate in the form attached hereto as Attachment A.

M-1

Attachment - 36

Except as expressly stated herein, our undertaking is not subject to any agreement, condition or qualification. The obligation of the undersigned under this confirmation is the individual obligation of the undersigned and is in no way contingent upon reimbursement with respect thereto.

This Letter of Credit is transferable one or more times, in each instance to a single transferee and only in the full amount available to be drawn under the Letter of Credit at the time of such transfer. Any such transfer may be affected only through ourselves and only upon presentation to us at our above-specified office of a duly executed instrument of transfer in the format attached hereto as **Attachment B** together with the original of this Letter of Credit. Any transfer of this Letter of Credit may not change the place of expiration of this Letter of Credit from our above-specified office. Each transfer shall be evidenced by our endorsement on the reverse of the original of this Letter of Credit, and we shall deliver the original of this Letter of Credit so endorsed to the transferee.

The term "Beneficiary" as used in this Letter of Credit means the beneficiary named in this Letter of Credit and any person who succeeds to substantially all of the rights of such beneficiary by operation of law or, in the event of a transfer of this Letter of Credit, the transfer beneficiary named in our advice of transfer of this Letter of Credit and any person who succeeds to substantially all of the rights of such transfer beneficiary by operation of law.

This confirmation is issued subject to the International Standby Practices 1998 ("ISP98") and the laws of the State of \_\_\_\_\_, and in the event of any conflict, the laws of the State of \_\_\_\_\_ shall control.

\_\_\_\_\_ [Issuer's name]

By:

\_\_\_\_\_  
[Authorized signature]

**Section IX, Financial Feasibility**  
**Criterion 1120.130 – Financial Viability Waiver**

Attached at Attachment – 37 please find Lake County's bond rating from Moody's Investors Service (Aaa as of May 29, 2015) and Standard & Poor's Ratings Services (AAA as of June 1, 2015). Accordingly, Lake County qualifies for the Financial Viability Waiver.

# MOODY'S

## INVESTORS SERVICE

### New Issue: Moody's assigns Aaa to Lake County, IL's \$90M GO Bonds (Alt Rev.), Ser. 2015A

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Global Credit Research - 29 May 2015

#### Aaa applies to \$193.5M of GO debt

LAKE (COUNTY OF) IL  
Counties  
IL

#### Moody's Rating

ISSUE	RATING
General Obligation Bonds (Sales Tax Alternate Revenue Source), Series 2015A	Aaa
<b>Sale Amount</b>	\$90,000,000
<b>Expected Sale Date</b>	06/12/15
<b>Rating Description</b>	General Obligation

#### Moody's Outlook NOO

NEW YORK, May 29, 2015 --Moody's Investors Service assigns a Aaa rating to Lake County, IL's \$90.0 million General Obligation Bonds (Sales Tax Alternate Revenue Source), Series 2015A. Moody's maintains the Aaa rating on the county's outstanding general obligation (GO) debt. Post-sale, the county will have \$193.5 million of GO debt outstanding.

#### SUMMARY RATING RATIONALE

The Aaa rating incorporates the county's developed economic base with strong wealth levels; well-managed financial operations with healthy reserves that provide substantial flexibility despite planned reductions; and manageable debt burden with no immediate future borrowing plans.

#### OUTLOOK

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

#### WHAT COULD MAKE THE RATING GO DOWN

- Erosion of the county's tax base to levels below similarly rated entities
- Substantial deterioration in Operating Fund reserves and liquidity

#### STRENGTHS

- Healthy Operating Fund reserves
- Large tax base which continues to diversify
- Above average socioeconomic profile

#### CHALLENGES

- Recent tax base valuation declines
- Slow amortization period

## RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale.

## DETAILED RATING RATIONALE

### ECONOMY AND TAX BASE: DEVELOPED BASE WITH STRONG WEALTH LEVELS; RECENT VALUATION DECLINES

We expect the county's tax base will remain stable for the foreseeable future due to its favorable location and strong demographic profile. Located just north of Chicago (Ba1 negative), Lake County's historical growth was primarily driven by strong residential development and expanding commercial activity, coupled with a population that has almost tripled since 1950. The county now ranks as the third largest in the state with 703,462 in population as of the 2010 census, an increase of 9.2% since 2000. The tax base, currently valued at \$68.0 billion, previously recorded robust growth on an annual basis. More recently, the broader impact of the national recession and declines in the real estate market has led to declines in valuation over the last six years. As a result, the county's tax base has declined at an average annual rate of 5.6% over the last five years. Going forward, management expects valuation to increase by approximately 4% in the current year due to stabilization within the real estate market and ongoing development.

The county's favorable location, which borders Lake Michigan and is within close proximity to Chicago, has ample land available for development and access to rail and road transportation is expected to yield positive growth trends over the long-term. Residential development has moderated, though the diverse economy includes large private employers such as Abbott Laboratories (A2 stable) and Baxter International Inc. (Baa2 stable), two major health care products manufacturers, and the Great Lakes Naval Training Center, which employs 11,000 both civilian and military personnel. Six Flags Great America and Gurnee Mills Mall are also located in the county. The diversity of the economic base has yielded a March 2015 unemployment rate of 5.8% that is more modest than the state's rate of 6.3%, yet is slightly higher than the national rate of 5.6% for the same time period. Lake County is the state's second wealthiest county, and growth in per capita income has far outpaced the state. Resident wealth levels remain strong, with median family income of 143.9% of national levels, according to American Community Survey's 2008-2012 five year estimates.

### FINANCIAL OPERATIONS AND RESERVES: HEALTHY FUND BALANCES WITH BUDGETED DRAWS EXPECTED

Despite sizable budgeted reductions of reserves, the county's finances are well-managed and are expected to remain healthy in accordance with formalized financial policies going forward. The county recorded four successive operating surpluses in fiscals 2010 through 2013. Management attributes the sizable increases in reserves to conservative budgeting practices, particularly in economically sensitive revenues, and close management of expenditures. Aside from year over year reductions in personnel headcount, the management has implemented health insurance, benefits (FICA and pension) and risk management adjustments that have generated nearly \$20 million in expenditure savings compared to budgeted expectations between fiscals 2011 and 2012. The General Fund maintained a reserve balance of \$134.2 million, or a healthy 79% of revenues, at the conclusion of fiscal 2013. Audited results from fiscal 2014 reflect a \$4.6 million reduction in General Fund reserves. The draw was capital driven, as evidenced by \$21.7 million in capital outlay expended from the General Fund, a figure nearly twice as large as the amount financed from General Fund operations the previous year. The county's General Fund balance was \$129.8 million, or 74.9% of revenues, at the conclusion of fiscal 2014. The county's fiscal 2014 available reserve balance across the operating funds (General, Debt Service, and Health Department Funds) was \$157.3 million, or a very healthy 65.7% of operating fund revenues.

While management conservatively budgeted revenues in fiscal 2015, management has budgeted for the drawing down of reserves by as much as \$40 million of committed fund balance to finance a variety of capital needs. Management notes that the planned draw would reduce reserves that have been committed for various capital projects over a number of years, with the unassigned reserves remaining consistent with previous years (\$43.7 million in 2014). Despite the sizable reduction in reserves, management will continue to maintain reserves in accordance with its 15% of expenditures budgetary rainy day fund and 1.5 month of expenditure cash reserve. Together, these reserve funds represent approximately \$85 million.

#### Liquidity

The county's liquidity position is very strong with a General Fund cash position of \$122.7 million, or a healthy 70.8% of revenues at the close of fiscal 2014.

## DEBT AND PENSIONS: MANAGEABLE DEBT BURDEN; SLOW AMORTIZATION

The county's debt burden is likely to remain manageable due to continued tax base growth and limited future borrowing plans. The county's direct debt burden is 0.3% of estimated full value and easily affordable as past growth in the tax base has kept it manageable. Countywide population growth has been accompanied by substantial increases in debt from underlying jurisdictions. The overall debt burden, at 3.7%, is average and incorporates approximately \$2.3 billion of overlapping debt from other local government units. All general obligation debt of the county is paid from alternate revenue sources, county sales tax receipts, which ease the burden on the general property tax levy.

### Debt Structure

All of the county's outstanding debt is fixed rate. The payout of principal is slow, with 42.7% retired within ten years.

### Debt-Related Derivatives

The county is not party to any swap agreements.

### Pensions and OPEB

The county has a moderate employee pension burden, based on unfunded liabilities for its participation in two multiple-employer agent plans. Reported unfunded pension liabilities consist of \$57.7 million for county's portion of the statewide Illinois Municipal Retirement Fund (IMRF) and \$36 million for the statewide Illinois Sheriff's Law Enforcement Personnel Fund, as of December 31, 2013. Together, these reported liabilities amount to \$93.7 million.

Moody's fiscal 2014 adjusted net pension liability (ANPL) for the county, under our methodology for adjusting reported pension data, is \$253.2 million, or 1.0 times operating revenues. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace county's reported liability information, but to improve comparability with other rated entities.

## MANAGEMENT AND GOVERNANCE: MODERATE INSTITUTIONAL FRAMEWORK

Illinois counties have an institutional framework score of 'A' or moderate. Counties are primarily funded by property tax revenues, providing a relatively stable revenue source that offsets economically-sensitive sales tax revenues. With property taxes as its largest revenue source, Lake County is in line with most counties given its reliance on this largely predictable revenue source. Expenditures for Illinois counties, which are primarily criminal justice and jail functions, are predictable but difficult to reduce in light of state and federal mandates.

### KEY STATISTICS

2015 Full Value: \$68 billion

Full Value Per Capita: \$96,677

Median Family Income as % of US: 143.9%

Fund Balance as % of Revenues, Fiscal 2014: 62.2%

5-Year Dollar Change in Fund Balance as % of Revenues: 28.2%

Cash Balance as % of Revenues, Fiscal 2014: 59.2%

5-Year Dollar Change in Cash Balance as % of Revenues: 2.7%

Institutional Framework: A

5-Year Average Operating Revenues / Operating Expenditures: 1.03x

Net Direct Debt / Estimated Full Value: 0.3%

Net Direct Debt / Operating Revenues: 0.8x

3-Year Average ANPL as % of Estimated Full Value: 0.4%

3-Year Average ANPL / Operating Revenues: 1.2x

#### OBLIGOR PROFILE

Lake County encompasses approximately 447 square miles and is located in northeastern Illinois (A3 negative). The county is the third most populous county in the State of Illinois and had a population of 703,462 during the 2010 census.

#### LEGAL SECURITY

The county's outstanding general obligation unlimited tax debt is ultimately secured by a property tax pledge that benefits from a dedicated property tax levy which is unlimited as to rate or amount.

#### USE OF PROCEEDS

Proceeds of the current offering will partially finance the acquisition, construction and equipping of a new courts building, the repair, rehabilitation, remodeling and equipping of the existing courts buildings and facilities, construction of a connecting tunnel between the new court building and the existing courthouse, and the construction and equipping of an addition to the existing juvenile justice center

#### PRINCIPAL METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

#### REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moody.com](http://www.moody.com).

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see [www.moody.com](http://www.moody.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moody.com](http://www.moody.com) for additional regulatory disclosures for each credit rating.

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# RatingsDirect®

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## Summary:

# Lake County, Illinois; General Obligation

### Primary Credit Analyst:

Helen Samuelson, Chicago (1) 312-233-7011; helen.samuelson@standardandpoors.com

### Secondary Contact:

Jennifer Boyd, Chicago (1) 312-233-7040; jennifer.boyd@standardandpoors.com

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## Summary:

# Lake County, Illinois; General Obligation

### Credit Profile

US\$90.0 mil GO bonds (sales tax alternate rev source) ser 2015A due 11/30/2044

Long Term Rating

AAA/Stable

New

## Rationale

Standard & Poor's Ratings Services assigned its 'AAA' rating to Lake County, Ill.'s series 2015A general obligation (GO) sales tax alternate revenue source bonds. We also affirmed our 'AAA' rating on the county's outstanding GO bonds. The outlook is stable.

The series 2015A GO bonds are alternate revenue source bonds secured by the county's revenues from sales tax revenues, and by unlimited ad valorem property taxes to the extent that pledged revenues are insufficient. Under the bond resolution, the county is required to only abate the debt service levy to the extent that pledged revenues have been deposited into a debt service account.

The rating reflects our assessment of the following factors for the county:

- Strong economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with "good" financial policies;
- Adequate budgetary performance, with operating results that we expect could improve in the near term relative to fiscal 2014, which closed with an operating deficit in the general fund and a slight operating deficit at the total governmental fund level;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2014 of 62% of operating expenditures;
- Very strong liquidity, with total government available cash of 91.0% of total governmental fund expenditures and 27.1x governmental debt service, and access to external liquidity we consider strong;
- Strong debt and contingent liability position, with debt service carrying charges of 3.4% and net direct debt that is 52.1% of total governmental fund revenue; and
- Strong institutional framework score.

### Strong economy

We consider Lake County's economy strong. Lake County, with an estimated population of 709,204, is located in the Chicago-Naperville-Elgin, IL-IN-WI MSA, which we consider to be broad and diverse. The county has a projected per capita effective buying income of 140% of the U.S. level and per capita market value of \$95,798. Overall, the county's market value fell by 1.4% over the past year to \$67.9 billion in 2015. The county unemployment rate was 6.5% in 2014.

Lake County is north of Chicago between Cook County and the Wisconsin state line. Lake Michigan forms the county's eastern boundary. Lake County is one of Chicago's "collar counties" and its economy benefits from being part of the broad and diverse Chicago MSA. Due to the recent recession's effects on commercial and residential real estate values, the county's equalized assessed valuation (AV) shrank from levy years 2009 through 2014. However, the county

believes this trend may reverse in levy year 2015.

### **Strong management**

We view the county's management as strong, with "good" financial policies and practices under our Financial Management Assessment methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

We have revised our FMA to "good" from "strong". This reflects our assessment of the county's financial forecasts, which are mainly revenue-focused; capital plans which span multiple years but it is the one-year plan that is published; a debt management policy that offers mainly qualitative guidelines for debt issuance but no quantitative guidelines beyond adhering to state statutory debt limits. Strengths include quarterly reports on budget-to-actual performance; revenue and expenditure assumptions based on, generally, five years of historic data as well as external sources of information; an investment policy and monthly reporting on holdings; a formal fund balance policy that calls for reserves across the various operating funds being held in aggregate at 15% operating expenditures as well as 1.5 months' cash flow and the maintenance of a risk reserve to provide a cushion against claims and litigation.

### **Adequate budgetary performance**

Lake County's budgetary performance is adequate in our opinion, with deficit results in the general fund of negative 2.6% of expenditures, and slight deficit results across all governmental funds of negative 1.4% in fiscal 2014. Our assessment accounts for the fact that we expect budgetary results could improve from 2014 results in the near term.

The county reported a roughly \$4.4 million general fund deficit in fiscal year ended Nov. 30, 2014. The 2014 budget reflected a different approach to how the county treats job vacancies. In the past, it budgeted assuming no job vacancies, but over the course of the year would generate surpluses due to some level of vacancies. They did not fully fund the vacancies in 2014, which narrowed their results, and also funded a capital project, leading to the deficit. The 2015 general fund budget calls for a \$1.3 million deficit after transfers, which is an improvement from the previous year and is also based on capital spending. The total governmental funds expenditures are adjusted to reflect spending of bond proceeds, but the end result still shows a \$5.6 million deficit in fiscal 2014. We anticipate total governmental funds results in 2015 will resemble past performance.

Many of the county's other governmental funds are involved in capital-related activities, funded with a combination of grants and tax revenue. Deficits in the total governmental funds are largely due to capital spending. One exception is with respect to the county's nursing home, Winchester House. The county plans to turn over management to a third party and eventually divest itself of the operation, which would to some extent lessen deficits. In 2014, the county reported a negative \$2.6 million operating result in that fund.

### **Very strong budgetary flexibility**

Lake County's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2014 of 62% of operating expenditures, or \$110.1 million. We expect the available fund balance will remain above 30% of expenditures for the current and next fiscal years, which we view as a positive credit factor.

The county's available fund balance at fiscal year-end 2014 consisted of \$61.5 million in funds committed for future capital projects, \$20 million assigned as a risk reserve for claims outstanding, and \$43.7 million in unassigned reserves.

The county anticipates spending up to \$35 million of overall cash to augment the 2015 bond proceeds to complete its various capital projects. Of this amount, \$15 million may be spent out of the general fund committed amount sometime within the next three years and we have accounted for this in our calculation of the county's budgetary flexibility. The county anticipates it will maintain the unassigned portion of its general fund balance between \$40 million and \$50 million, and it will maintain the \$20 million assigned portion of its reserves in fiscal 2015. The committed amounts may change from year to year, depending on the timing of capital spending.

### **Very strong liquidity**

In our opinion, Lake County's liquidity is very strong, with total government available cash of 91.0% of total governmental fund expenditures and 27.1x governmental debt service in 2014. In our view, the county has strong access to external liquidity if necessary.

We believe the county's strong access to liquidity is supported by its regular issuance of GO and water and sewer debt.

### **Strong debt and contingent liability profile**

In our view, Lake County's debt and contingent liability profile is strong. Total governmental fund debt service is 3.4% of total governmental fund expenditures, and net direct debt is 52.1% of total governmental fund revenue.

Lake County's combined pension and other postemployment benefit (OPEB) contributions totaled 5.1% of total governmental fund expenditures in 2014. The county made its full annual required pension contribution in 2014.

The county's employees are covered by the multiemployer Illinois Municipal Retirement Fund (IMRF) regular and Sheriff Law Enforcement Personnel (SLEP) pension plans, both of which are defined-benefit plans. The county pays its full annual pension cost (APC) for both plans each year. It allows its retirees to buy into the active employees' health insurance system at their own expense and so has only an implied rate subsidy for its OPEBs. The IMRF plan is 84% funded, with an unfunded actuarial accrued liability (UAAL) of \$57.7 million. The SLEP plan is 48% funded with a \$36 million UAAL.

### **Strong institutional framework**

The institutional framework score for Illinois nonhome-rule counties subject to the Property Tax Extension Limitation Law is strong.

## **Outlook**

The stable outlook reflects our expectation that the rating will not change within a two-year horizon because we believe Lake County will take the steps necessary to maintain its very strong financial flexibility and liquidity. We may lower the rating if the county were to post significant deficits in a way that we believe materially compromises its very strong budgetary flexibility and liquidity. The county's participation in the deep and diverse Chicago MSA economy further supports the outlook.

## Related Criteria And Research

### Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Special Tax Bonds, June 13, 2007
- USPF Criteria: Methodology: Rating Approach To Obligations With Multiple Revenue Streams, Nov. 29, 2011
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

### Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Illinois Local Governments

### Ratings Detail (As Of June 1, 2015)

Lake Cnty		
Long Term Rating	AAA/Stable	Affirmed
Lake Cnty GO bnds (sales tax alternate rev source) ser 2008A dtd 09/01/2008 due 11/30/2009-2027		
Long Term Rating	AAA/Stable	Affirmed

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**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.140(a), Reasonableness of Financing Arrangements**

Attached at Attachment – 39A is a letter from Transitional Care of Lake County, LLC and County of Lake attached at Attachment - 39B attesting the total estimated project costs will be \$1,236,960 funded through a lease with the County of Lake.

Transitional Care of Lake County

August 18, 2015

Kathryn Olson  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**Re: Reasonableness of Financing Arrangements**

Dear Chairwoman Olson:

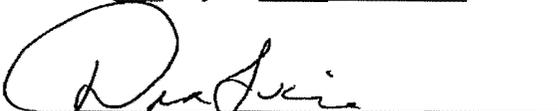
I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 and pursuant to 77 Ill. Admin. Code § 1120.140(a) that the total estimated project costs and related costs will be funded in total with cash and cash equivalents.

Sincerely,



Brian Cloch  
Manager  
Transitional Care of Lake County, LLC

Subscribed and sworn to me  
This 8<sup>th</sup> day of August, 2015

  
\_\_\_\_\_  
Notary Public



18 North County Street - 10th Floor  
Waukegan, Illinois 60085-4351  
Phone 847 377 2300  
Fax 847 360 7322  
Web <http://www.lakecountyil.gov>

Kathryn Olson  
Chair  
Illinois Health Facilities and Services Review Board  
525 West Jefferson Street, 2nd Floor  
Springfield, Illinois 62761

**Re: Reasonableness of Financing Arrangements**

Dear Chairwoman Olson:

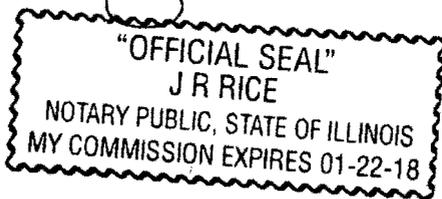
I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109 and pursuant to 77 Ill. Admin. Code § 1120.140(a) that the total estimated project costs and related costs with Transitional Care of Lake County, LLC will be funded in total with cash and cash equivalents.

Sincerely,

County of Lake

Subscribed and sworn to me  
This 13<sup>th</sup> day of August, 2015

Notary Public



**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.140(b), Conditions of Debt Financing**

A letter from Brian Cloch, Manager, Transitional Care of Lake County, LLC certifying the selected form of debt financing will be the lowest cost available is available is attached at Attachment – 39A.

**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.310(c), Reasonableness of Project and Related Costs**

The Applicants propose a change in the operator of Winchester House. The proposed project involves no construction or modernization. Accordingly, this criterion is not applicable.

**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.310(d), Projected Operating Costs**

Operating Expenses: \$13,021,417

Resident Days: 58,972

Operating Expense per Resident Days: \$220.86

**Section X, Economic Feasibility Review Criteria**  
**Criterion 1120.310(e), Total Effect of Project on Capital Costs**

Capital Costs:

Depreciation:	\$60,000
Amortization:	\$60,000
Total Capital Costs:	\$120,000

Resident Days 58,972

Capital Costs per Patient Days: \$2.03

**Section XI, Safety Net Impact Statement**

The Applicants propose a change of ownership of Winchester House. A change of operation constitutes a non-substantive project. Accordingly, this criterion is not applicable.

**Section XII, Charity Care Information**

Winchester House as a county owned facility has no historical data on charity care. Thus, it cannot report charity care data.

After paginating the entire, completed application, indicate in the chart below, the page numbers for the attachments included as part of the project's application for permit:

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