
THE REUTLINGER COMMUNITY

APPLICATION FOR ATTORNEY
GENERAL CONSENT
PURSUANT TO CAL.CORP.CODE
SEC. 5920. ET SEQ.

TITLE 11, CALIFORNIA, ADMIN. CODE SEC. 999.5(d)

BINDER 3 OF 3 Section (11)

Title 11, California Admin. Code, § 999.5(d)(11)

ADDITIONAL MATERIALS

Title 11, Cal. Admin. Code Section 999.5(d)(11)(A)

Board Minutes or Other Documents Relating or Referring to the Applicant's Board of Directors' Consideration of the Transaction

Please see the attached documents.

TRC Board of Directors Meeting Minutes 3-13-2018

Meeting called to order at 6:06 PM.

Members present: Sherry Berkman, Richard Goldstein, Phil Friedman, David Grant, Fred Isaac, Craig Judson, Jordan Rose (joined meeting by phone during the CEO report), Marc Usatin (phone through and including item 7), Renee Powell, Jean Jones and Gloria Ruth. Sam Salkin and Joel White were absent.

Staff in attendance - Brian Morrow, Rabbi Kohn and Jay Zimmer.

REDACTED - NOT RELEVANT

- CEO Report Jay presented a summary of the current state of operations and his recommendation of options for future actions - strengthening the balance sheet, identifying a partner or outright sale. Lengthy discussion and questions followed.
- 6. Strategic Planning Committee David Grant presented a summary of the GSI study and responses to the Board conference call with GSI. For the most part the recommendations seemed to be aligned with the CEO's presentation. The Chair opened the meeting up to further discussion and questions
- 7. Upon a motion made by member Rose "for the CEO to open discussions as to possible affiliation with such third parties as the Board may determine to be appropriate," seconded by member Friedman, and, following individual polling of each member present, the motion carried without dissent.

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8. New Business - The April 15th Retreat has been cancelled. In its place, an April 10th Board Meeting will be held.

At that meeting the CEO will report on his discussions with the SF Jewish Home and Eskaton; recommendations for moving to Kosher-style menus; an updated marketing plan; and, steps and progress being made on the expense/staffing reduction plan.

REDACTED - NOT RELEVANT

There being no further business the meeting was adjourned at 8:25 PM with Executive session to follow.

Respectfully submitted,

Jay Zimmer on behalf of David Grant, Secretary

THE GSI REPORT

1. The Engagement with GSI:

- Whether TRC can remain viable as a single-site, unaffiliated organization, committed to its mission or whether TRC should seek to partner with another organization.
- Whether TRC is and can continue to be a viable skilled and rehabilitation bed provider.
- GSI also looked at potential new opportunities for TRC including the development of a new CCRC in Berkeley, partnering with JHSF to develop a new ambulatory care center and working with Jewish Family Services to expand home care.

GSI conducted its own market and financial research to respond to these issues in addition to reviewing previous work prepared by other consultants, interviewing TRC stakeholders and touring the TRC campus and campuses of TRC competitors.

2. Findings:

- The three potential new opportunities are in early stages of development, would require capital that TRC does not have at this time and would produce no immediate return on investment.
- There is no external market barrier to full occupancy. The GSI report listed all of TRC's market area competitors with average occupancies in the high 90% range as compared to TRC's 79% when the study was conducted.
 - The GSI study compared TRC to its competitors from a 'value proposition' perspective mapped the market with columns showing price per square foot for studios and one-bedroom apartments, quality scores and occupancy. TRC's price per square foot at 14 for studios was right on the average for its competitors, 13.9 for one-bedrooms was slightly higher than competitors, TRC's quality score of 3 was right in line with its competitors but its 79% occupancy was well below its competitors.
 - TRC's market penetration rates are within reasonable metrics. Penetration rates help measure the degree to which a market is either underserved or

saturated. Simply put, what percentage of the qualified market must be captured to achieve stabilized occupancy?

- There is unmet demand for independent living units in the TRC market area.
- To remain competitive in the market area, TRC needs to be more inclusive. The study stated that "Bay area Jewish population is more diverse, younger, wealthier, more educated and less Jewishly engaged" and that Jewish engagement in the Bay Area lags behind the rest of the nation.
- If TRC is not able to improve financial performance it will not be able to finance proposed capital expenditures.
 - TRC is generating margins comparable to other 60-bed SNFs
- RCFEs (AL, Tikvah, Traditions) margins are well below industry averages even after contributions which other competitors do not have.
- Staffing levels are higher than industry averages. The GSI report states that a typical 100-unit RCFE operates with approximately .6-.8FTEs per occupied unit whereas TRC is currently operating at 1.3 FTEs/occupied unit. The ratio for the SNF is better. GSI used Brookdale as a key comparison. The Brookdale community that GSI studied is similar in size and configuration to TRC with similar revenue expectations (+/- \$16 million) but with operating expenses approximately \$5 million less than TRC. The GSI report noted that TRC cannot be expected to duplicate a lower expense budget similar to competitors such as Brookdale "but the comparison seems to indicate potential for expense reductions".
- Bill Hendrickson displayed a chart which suggests that TRC might want to restructure pricing to boost occupancy by having lower rates at time of entry with various levels of care increasing the monthly rates more in line with competition

• Conclusions from David Knight:

"Should TRC pursue an affiliation? Yes

Should TRC make some operational changes? Yes

Should TRC make some strategic (i.e. mission) changes? Yes

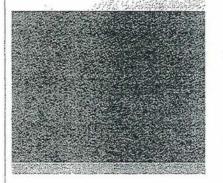
In the short term TRC can remain viable as a single-site, unaffiliated organization, committed to its mission? Yes.

However, without adjusting its mission (i.e. becoming less Jewish and more inclusive) and significant ongoing support from the Jewish community the ongoing viability TRC will become increasingly impaired (i.e. diminishing occupancy, decreasing pricing power, and less market share).

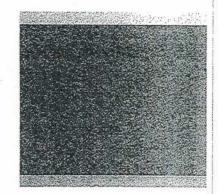
As a location based business, in an ascending market with increased competition, an affiliation with a larger mission compatible organization would benefit TRC.

Reasons:

- 1) Economies of Scale (i.e. employee benefits, purchasing, subject matter experts (i.e. healthcare, real estate, legal), systems (i.e. accounting, marketing, IT))
 - 2) Balance Sheet strength (i.e. cash & lower cost of capital)
- 3) Local Market Share (i.e. need for greater inclusion)"



The Reutlinger Community



March 13, 2018

Strengthen Balance Sheet

- Program High Acuity, Kosher, Post Acute/SNF
- Pricing Market Based, Level of Care, Entry Fee, e.g., O'Conner Woods
- Staffing Function of Program
- \bullet Board -?

Strategic Options

- Strengthen Balance Sheet/Remain Single Site
- * Affiliation > Merger
- Sale

Affiliation > Merger

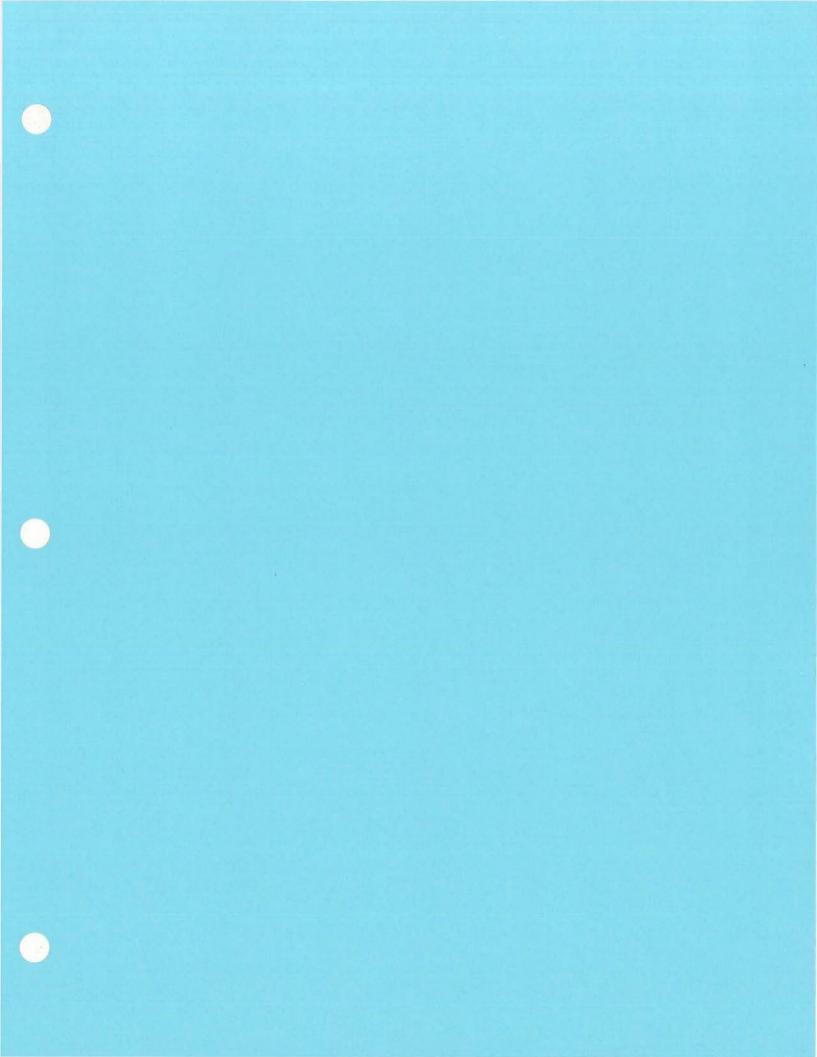
- Primary Seek Non-profit Partner, Jewish if possible
- Secondary Seek multi-site Non-profit Provider, e.g., Eskaton/O'Conner Woods
- Affiliation to Merger, e.g., Human Good Experience, Eskaton Communities, etc.
- Tertiary Seek other regional single-site Non-profit Providers, e.g., The Redwoods
- Seek For- Profit Provider

Sale

- Out-right sale...Create Foundation with proceeds to carry out mission in the East Bay
- Redeploy Assets senior housing East Bay; partner with a Jewish, sustainable organization where philanthropic funds can be raised.

Recommendation

- * Affiliation > Merger
- Retain our Values, But Attract Broader Community
- Reduce Overhead/Management/IT Expenses
- Move Risk Away from Single-Site Challenges
- Now, Economy Strong, Have Good Story



TRC Board of Directors Meeting Minutes 4-10-2018

Meeting called to order at 6:23 PM.

Members present: Sherry Berkman, Richard Goldstein, David Grant, Craig Judson, Jordan Rose, Marc Usatin, Jean Jones, Sam Salkin and Joel White.

Absent: Renee Powell, Fred Isaac and Gloria Ruth

Staff present: Brian Morrow, Rabbi Kohn and Jay Zimmer.

- 1. D'var Torah Rabbi provided a Torah lesson regarding challenges, facing, not running from problems.
- 2. Approval of the March 13, 2018 minutes. Marc Usatin, MD motioned to approve, Rich Goldstein second. Approved.

REDACTED - NOT RELEVANT

REDACTED - NOT RELEVANT

5. CEO Report - Jay Zimmer reviewed the items contained in his monthly update. He shared the progress made in FTE and payroll reduction, move-in activity, etc.

He provided the Board with an update on the status of the requested meeting with SFJH and the upcoming meeting with Eskaton.

REDACTED - NOT RELEVANT

- 6. A resolution (attached) to allow Jordan Rose, David Grant and Jay Zimmer to explore, evaluate and recommend to the Board potential affiliates was presented by Jordan Rose. Sam Salkin motioned to approve, Joel White, MD second. Approved.
- 7. Affiliation- it was agreed to reach out to SFJH, LA JH and Eskaton. A suggestion to include John Muir was also made by Craig Judson. Sam Salkin recommended that each member review the Board list of the SFJH to determine who they may know.

After a brief discussion, the Board settled on 3 key expectations of an affiliate:

- a) Mission Alignment/Non-Profit- Jewish Identity
- b) Quality of Care
- c) Access to Capital

It was also agreed that if we don't identify an affiliate by the end of this FY, we will secure the services of an investment banking firm e.g., Ziegler, Cain Bros., etc.

REDACTED - NOT RELEVANT

There being no further business the meeting was adjourned at 9:12 PM with Executive Session to follow.

Respectfully submitted,

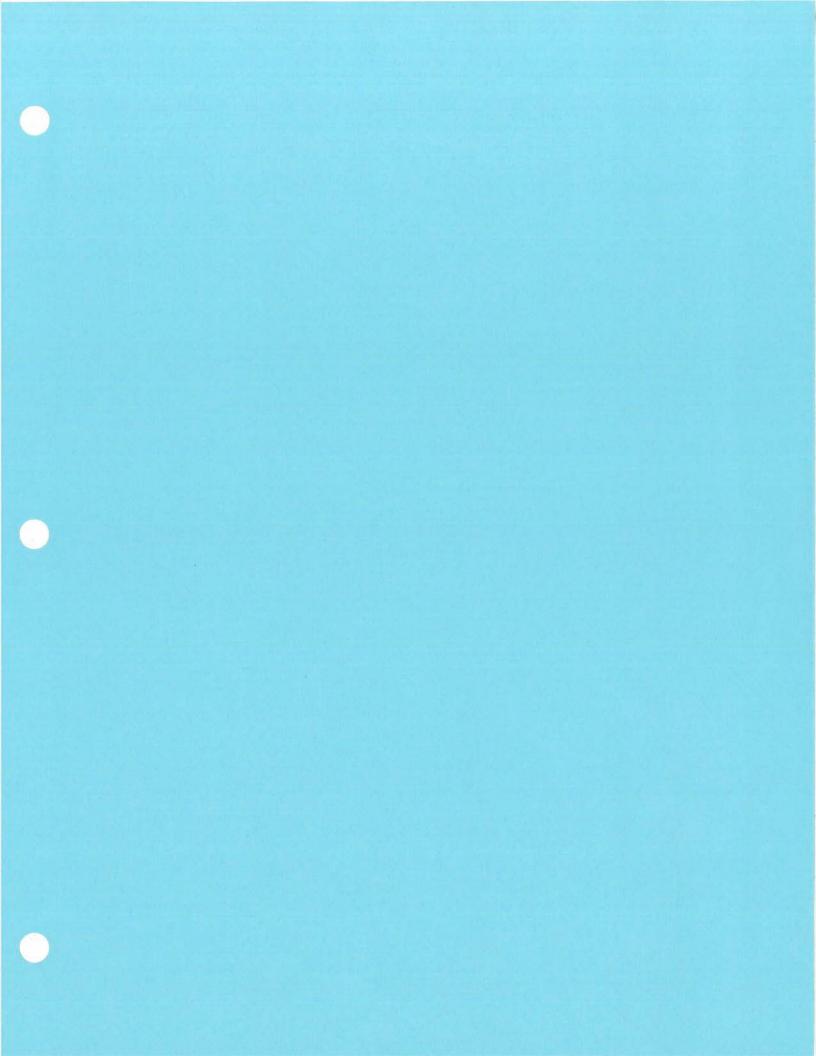
Jay Zimmer on behalf of David Grant, Secretary

TRC Board of Directors Meeting Minutes 4-10-2018

ATTACHMENT

RESOLVED, that David Grant and Jordan Rose, each members of the Board in good standing, be, and they jointly hereby are, authorized, in coordination with Jay Zimmer, CEO, to explore, evaluate and recommend to the Board the feasibility and advisability of affiliating with such third party or parties as they may determine to be appropriate, and in connection therewith, to engage, on behalf of TRC, such consultants, advisors and/or legal counsel as they may select, provided, however, that such engagement shall not obligate TRC to expend more than thirty thousand dollars (\$30,000) in the aggregate unless approved by the Board; and be it

FURTHER RESOLVED, that the aforesaid Board members and CEO be, and they each hereby are, authorized and directed to do such things, take such steps and execute such documents as they may determine to be necessary, desirable or advisable to carry out and effectuate the purposes and intent of the foregoing resolution.



Minutes of the July 31, 2018 Executive Session

1. Attending: Berkman, Usatin, Grant, Isaac (left at 7 PM), Powell, Jones, Goldstein, Rose, Ruth (non-voting), White, Salkin, Judson. Staff: Zimmer

Items voted on:

- 2. Motion to pursue negotiations to affiliate with Eskaton...was moved, seconded and approved by majority vote 8 0 with 2 abstentions;
- 3. Motion for 2 3 Board members, to be arranged by Sam Salkin, to seek direct Board contact with the SF Jewish Home...was moved and approved by majority vote. 8 0 with 2 abstentions.

REDACTED - NOT RELEVANT

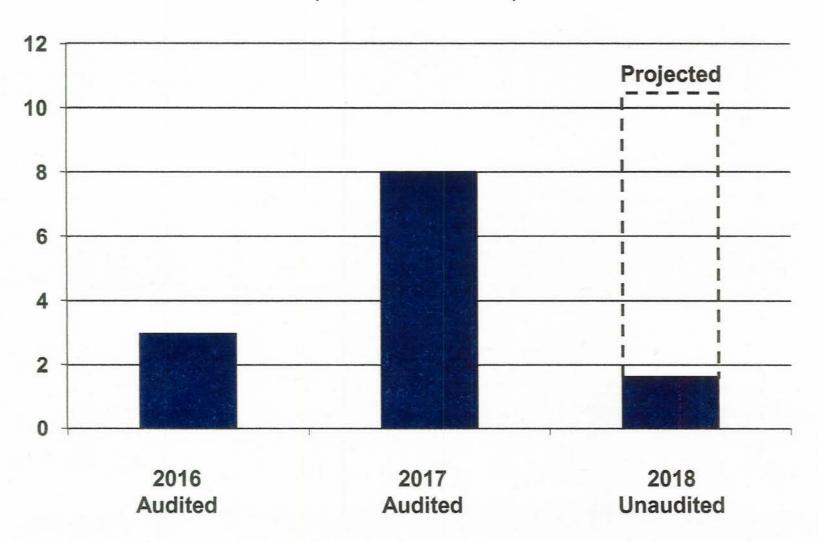
Recommendation to have the TRC property and business appraised. Discussion. No decision.

Respectfully submitted, Jay Zimmer



NET OPERATING INCOME

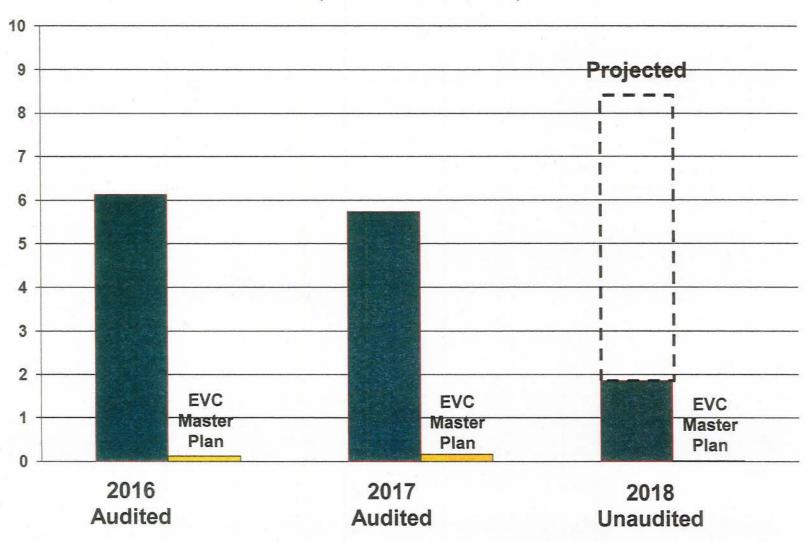
(Dollars in millions)





CAPITAL EXPENDITURES

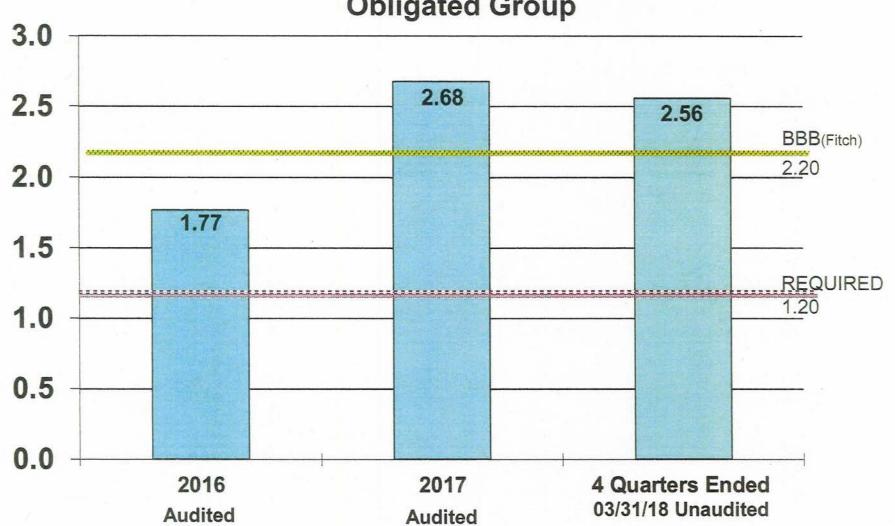
(Dollars in millions)





DEBT SERVICE COVERAGE RATIO

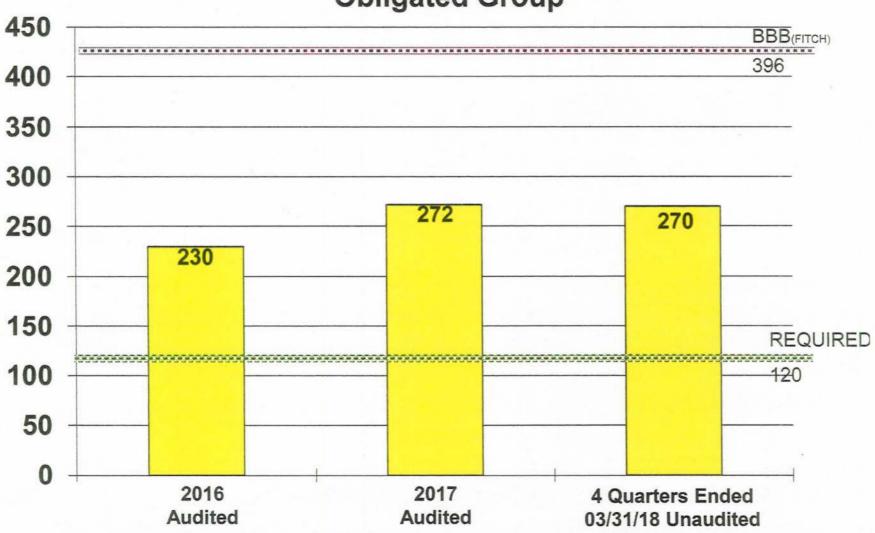
Obligated Group





DAYS CASH ON HAND

Obligated Group





POLICY GOVERNANCE DASHBOARD STATE OF THE COMPANY May 2018

Performance

Preliminary results are available for the four months ended April 30th. The consolidated net income (NOI) year-to-date of \$2.1M is slightly behind budget due to revenue missing projections for the care centers. Admission days lost to flu closures and a decrease in hospital admissions in general had a significant effect on the short-term Medicare and Managed Care patient volume. Occupancy in the residential properties is running near all-time highs averaging 96%. Workforce remains our number one management priority as we are experiencing some difficulty in staffing resident/patient caregiver positions and filling new care professional positions for Live Well at Home. We received a \$230K insurance rebate in March that added to the positive variance for operating expenses. The annual list for QASP (Medi-Cal) awards for last year was released and we expect to receive payments in May of over \$300K.

Our ratios for profitability and liquidity remain stable and well in excess of our debt requirements.

Our annual financial audit was completed on schedule and presented to the Audit Committee in April. We received a clean report from the auditors; i.e., unmodified opinion, no management letter comments and no internal control deficiencies. Interestingly, the net income from 2017 was one of the highest I can recall in all my years at Eskaton at \$15M (\$8M from operations and \$7M from investments).

Altavita Village

The large CCRC in Riverside has been in receivership since early February. The receiver's role is to facilitate the sale of the property to a third party who can provide the financial support to retire the existing debt, provide for significant capital improvements, and rebuild occupancy and revenue for a sustainable future. The process is taking longer than we would like, and the cash reserves of the CCRC are declining to a level where draws from a court approved working capital loan will be needed by early June in our estimation. The lenders are being uncooperative and the option to file a petition for bankruptcy still exists. They do have a low-ball offer that has not been accepted, so the property is likely to go to auction at some point. There may be a scenario where Eskaton could provide the court approved loan needed to keep the CCRC operational if we are given adequate protections for repayment. **PULL FOR BOARD DISCUSSION**

O'Connor Woods

We have been engaged for full management of the Stockton based CCRC since January 1, 2018. Throughout the first four months Betsy Donovan has been coordinating our efforts to assume day-to-day responsibility for the community. Our initial emphasis has been systems and practices related to the on-site skilled nursing, sales/marketing for independent residents, and

community dining. We have recently hired the prior COO as the new Executive Director (an Eskaton employee under the agreement). One significant change we determined necessary was the termination of the Morrison Dining contract and hiring Unidine Dining Services, transitioning in June. While nothing particularly unexpected has arisen, we did convene a neighborhood meeting for all residents to discuss changes and answer questions as some rumors were being brought to our attention. Several of the OCW board members were in attendance and spoke in support of hiring Eskaton and our joint commitment to preserve the reputation and legacy of the community.

The Reutlinger Community

We have recently been in discussions with a steering committee of the Reutlinger board for the purpose of evaluating a possible relationship around management or affiliation. The Reutlinger is an assisted living and memory care community located in Danville. Although they do not offer independent living in their continuum of services, they did recently (2016) receive licensing approval as a CCRC. As we are seeing more frequently with single site providers, the board of directors and CEO of the nonprofit organization have recognized the difficultly of remaining a stand-alone. Expanding our scale in the region is an important part of our growth strategy, so exploring opportunities with other nonprofit organizations has a high value. PULL FOR BOARD DISCUSSION

InnovAge

The Colorado based for-profit PACE organization is re-evaluating the site in Natomas after discovering the high local impact fees to develop the parcel. As an alternative, we have suggested they evaluate our Administrative Center property as a possible location for several reasons; we could contribute property value equity in addition to our commitment of cash equity (capped at \$3.0M), the Eskaton Adult Day Healthcare Center operates from our Manzanita Avenue site and could be combined with the PACE program, and remodeling our existing building would be less costly than ground-up construction. Such a course of action would require that we relocate our administrative center. We have also learned recently that Adventist Health may be interested as an equity investor in InnovAge PACE centers. PULL FOR BOARD DISCUSSION

Eskaton FountainWood Lodge

The Eskaton board approved selling the FountainWood assisted living community in August 2017 at management's discretion for timing and terms. At the time, we felt optimistic about improving the occupancy and performance of the building to increase the market value. We have been successful in increasing occupancy to over 90% and reducing the operating losses. At the end of Q1 2018 we engaged Senior Living Brokerage, Inc. to market the property and have received two offers just under the asking price of \$11.2M. All of the reasons for divesting the property still remain valid and pending review and execution of the purchase agreement, we will move forward with the sale. Our communication to the employees, residents, and families will precede any tours. PULL FOR BOARD DISCUSSION

Lincoln Property

The Lincoln property sale is progressing through escrow. The sale price for the 12 acre site is \$5.8M, and if the buyer exercises all of their extensions it should still close by year-end.

Eskaton Village Carmichael Expansion

Plans to expand assisted living on the front acreage of our CCRC has stalled somewhat. Cost estimates for the twenty apartment design were in excess of \$11M; construction, design, permits & fees, FF&E's, and start up. We are currently undergoing value engineering discussions with the intent to reduce the total cost to under \$10M.

Debt Refinancing Update

Existing direct purchase bank credit supports (DPBCS) for our 2008A Bonds (U.S. Bank) and 2006 Roseville Bonds (BBVA Compass Mortgage) are exposed to rate adjustment due to recent tax reform legislation. U.S. Bank has already adjusted rates resulting in an increase of approximately 0.55% retroactive to January 1, 2018. BBVA has elected not to raise rates at this time. We are currently in discussions with our investment banking advisor and evaluating financing options that may include some or all of the following: refinancing the U.S. Bank debt, refinancing the BBVA debt, refinancing the Wells Fargo debt on the Administrative Center, and issuing new debt for the EVC ALU Expansion Project. A decision will likely be made when we get closer to commencing the EVC ALU project later this year.

Risk Management

Eskaton has 16 open suits/claims as of April 22, 2018. Of those suits or claims there are several worth noting:

- One higher visibility suit involves plaintiff attorney Ed Dudensing who has had success
 against Eskaton before and also has had high profile successes against other defendants.
 The suit involves allegations of elder abuse resulting from over-medication of a resident
 at Eskaton FountainWood Lodge. A ruling on the arbitration provision was recently
 decided in Appellate Court and the California Supreme Court elected not to hear the
 issue and now the case will proceed with discovery in Superior Court.
- 2. Two additional suits have been filed by Wendy York who is high profile plaintiff attorney in Northern California. She has filed both claims against Eskaton Care Center Fair Oaks for alleged improper turning of a patient resulting in a hip fracture, and for improper care of pressure ulcers leading to infection and death. Both cases will be defended vigorously and are in the initial stages of discovery.
- 3. The Grass Valley suit brought by an individual homeowner over the allocation of services fees was tried before a judge (no jury) and concluded in January 2016. The judge found in favor of the plaintiff on six of twelve causes of action, and awarded damages totaling approximately \$2,300 (out of approximately \$10,000 claimed) on the six causes of action. The judge also declared the plaintiff the overall "prevailing party" which resulted in an award of legal fees of approximately \$650,000. Eskaton has filed an appeal of both the judgment and the award of legal fees. The class certification hearing (plaintiff wants to pursue the same claims on behalf of all 130 homeowners) has been continued until August 2018 and due to the appeal will be likely be continued until after the appeal has been resolved. The final brief was filed April 13, 2018 and we are in a holding pattern until the Appellate Court schedules oral arguments which may be sometime in 2019.
- 4. A suit was filed against one of the care centers due to the actions of a former LVN in the hours leading up to the death of a resident. The actions were unknown to Eskaton and the LVN's employment terminated with Eskaton shortly thereafter. Approximately one year after the event, the LVN applied for a position with law enforcement and during a lie-detector test confessed to not providing proper care for the resident in question. The

confession resulted in an investigation by the Department of Justice and the family has filed suit against Eskaton due to the actions of the LVN. We are structuring the case for mediation in the near future to resolve Eskaton's liability relating to the LVN.

Co-branded Speaker Event

We have had some promising discussions with UC Davis regarding a co-branded speaker event to be held locally (exact location TBD) in early December. The format will probably be a 2-3 hour evening event with several speakers. The featured topic will be a moderated discussion of the intersection of artificial intelligence and human psychology as it relates to the rapidly evolving introduction of technologies to senior services and housing. The targeted audience attendance is 200. If successful, short symposiums of this type will become part of expanding our regional brand recognition.

50th Anniversary Celebrations

Celebrations of our golden anniversary have been held at most of our large communities. Everyone enjoys a good party and some 50th logo swag. Our annual meeting on May 23rd will be well attended and our new annual report revealed. The theme of the report is "Then and Now" and it features pictures and remembrances from our early years.

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N. H. C. L. W. C.



To: Eskaton Board of Directors

From: Sheri Peifer, Chief Strategy Officer

Date: May 2018

Re: Quarterly Planning Report

- BOD SWOT
- 2. BOD Strategic Initiatives and Focus Areas
- 3. Business Line Monitoring Report
- 4. Business Life Cycle Analysis

The quarterly planning report provides an update to the board of directors of the top-level strategic planning activities identified as a priority for advancement by Eskaton leadership. Included in this report is the board's SWOT analysis (strengths, weaknesses, opportunities and threats) that was established in August 2014 and updated at the August board planning retreats annually.

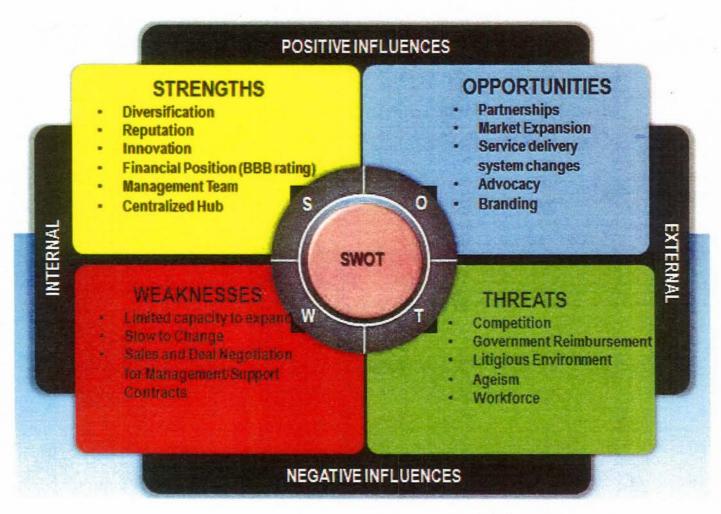
The second graphic outlines Eskaton's strategic initiatives for the organization. The focus areas build on Eskaton's core economic engine of healthcare and residential living services; expand upon our nonprofit mission to offer affordable housing and community services and leverage Eskaton's opportunity to integrate and deepen regional market penetration through growing home based services. Partnerships are at the center our strategic focus; enabling us to expand services and operational excellence across the region.

The Business Monitoring Report provides the board an update on important activities and measures that align to the growth and enhancement of Eskaton's four core business areas: Residential Living, Home Support Services, Skilled Nursing and Rehabilitation and Affordable Housing. We have decided to *add* a section on pilots and program innovation that involve technology and other programmatic- enabled solutions directed toward improving and enhancing the lives of older adults and staff. Alignment with the CEO goals will be identified for activities; some of the activities will be based on active planning and some will be opportunistic.

Finally, the Business Life Cycle Analysis is included in this report, providing senior leadership with a tool to assist in managing the relative position of business sustainability over time—from start-up operations, growth and maturity to eventual decline. This tool is meant to be a combination of both art and science and is updated annually to reflect the relative position of a business line community over time.



Board SWOT



Updated May 2018

2017-2018 Strategic Focus

Eskaton changes incrementally to provide broader coverage and more choices, but we do this with an innovative mindset.



BUSINESS LINE REVENUE

Owned and Managed





ESKATION.

Transforming the Aging Experience

May 2018

KEY: On Target Moderate Progress	Significant Delay Intentionally Changed Support/Managed Contract	CEO Goal
Strategy	Quarterly Update	Alignment
Organization-wide initiatives Establish Eskaton as the best in class across our spectrum of services.	 Eskaton received the LeadingAge CA Innovation award for the No Falls, fall prevention campaign at the recent conference in Pasadena. The fall prevention campaign included an Emmy-award winning documentary on fall prevention where Eskaton's approach was highlighted as a best practice. A Balance Workbook has been published and used by over 2500 people nationwide. From rolling out the red carpet for each new employee, to refreshing supervisor/management training and establishing FUN committees across the organization, Eskaton continues to explore new and different ways to attract, retain and improve the employee experience. Eskaton leadership is exploring options to improve base wages for our lowest wage earners and evaluating benefit structures and options to allow more choice. Turnover inched down to 28% from 30%; we strive to keep moving this down! Industry average is 48%. Eskaton completed six full quarters of satisfaction and 	 ✓ Strengthen Existing Products/Services ✓ Improve quality performance and satisfaction ✓ Improve quality performance and satisfaction ✓ Advance the Eskaton Brand ✓ Improve quality
	engagement surveys for residents, families and staff. Overall	performance and satisfaction

	satisfaction for residents is averaging 95%; 94% for family members/friends and 94% for employees. • As of January 2018, Eskaton has consolidated the Eskaton Foundation and various components of communication into a single department called Communications, Outreach and Philanthropy. The goal is to integrate Eskaton messaging and communications for	 ✓ Advance the Eskaton Brand ✓ Strengthen Existing Products/Services
	greater internal and external impact. Kim Rhinehelder is Vice President of this department. O Beginning in Q2 2018, Eskaton will be implementing a new time and attendance tracking and scheduling system called Kronos. This integration will be a substantial change from current tracking methods and will require supervisors and managers to track electronically.	✓ Strengthen Existing Products/Services
RESIDENTIAL LIVING Villages and Lodges Create competitive differentiators to maximize resident, staff, and family satisfaction, engagement and occupancy.	• Confidential Eskaton has been contacted by The Reutlinger CCRC located in Danville, CA to explore partnering, including potential affiliation, management, etc. The Reutlinger is a 4.5 acres, 200 resident, primarily Jewish community (75%) offering assisted living, memory care and a 59-bed SNF. They have a close relationship with John Muir Hospital.	 ✓ Grow and diversify revenue ✓ Strengthen Existing Products/Services
	Eskaton began management services for Altavita Village in Fall 2016, a 221-acre CCRC in Riverside, CA that is in severe financial distress. Receivership is in place. Eskaton has a potential 50/50 chance to continue as manager of Altavita depending on eventual ownership entity.	 ✓ Grow and diversify revenue ✓ Strengthen Existing Products/Services

- In October 2017, O'Connor Woods CCRC in Stockton, CA began full management services with Eskaton. Focus is on improving occupancy in independent living and implementing core leadership, quality and process standards in skilled nursing.
- The Well Being Academy was launched in April 2018 based on an 18-month collaborative process to engage staff, residents and families in living WELL with cognitive change. The academy will offer staff a 16-hour training program focused on all seven areas of wellbeing.
- Construction on The Trousdale assisted living and memory care project in Burlingame, owned by Peninsula Health Care District (PHCD), has a delayed opening until July 2018. There are over 65 deposits currently. Ten apartments are designated below market rate (BMR).
- Eskaton has been asked by PHCD to manage an active senior fitness and wellness center which has 200+ community members and was previously operated by the Mills Peninsula Hospital, Sutter, who made the decision to close down this program. A senior member "revolt" led PHCD to take over ownership and ask Eskaton to be the manager. The Trousdale Wellness Center will have a Wellness Director that reports to the Exec Director of The Trousdale. PHCD will cover all expenses and Eskaton will receive a very modest management fee for this engagement. The benefit to Eskaton has been the VERY POSITIVE press and members who

- Grow and diversify revenue
- ✓ Strengthen Existing Products/Services
- ✓ Strengthen Existing Products/Services

- ✓ Strengthen Existing Products/Services
- ✓ Advance the Eskaton Brand
- ✓ Advance the Eskaton Brand
- ✓ Strengthen Existing Products/Services

Arte Contact State	are singing Eskaton's and PHCDs praises for saving the Center.	
原文的原文学者的 的形式	 Eskaton's organizational Salesforce (CRM) is 75% complete. All 	✓ Strengthen Existing
	business lines are "connected" to Salesforce and all customers are	Products/Services
	housed in Salesforce. Accurate daily flash reporting, internal referral	
	tracking is the next focus.	
REHABILITATION AND SKILLED NURSING	Eskaton has conducted a series of healthcare strategy sessions	✓ Strengthen Existing
	with staff leaders and healthcare partners. Specialty areas such as	Products/Services
Care Centers	onsite dialysis, Tele-psych and Tele-ER, as well as exploration of	√ Improve quality
Strengthen and expand managed care contracts and healthcare relationships.	subacute JV are several of the areas we are researching.	performance and satisfaction
	 Eskaton's No One Dies Alone vigils continue to support those 	
	dying and their families. When a Vigil is requested, trained	✓ Social Accountability
	volunteers sit by the bedside 24/7 until the resident passes.	
以 在表示。2000年2月1日初期的	Eskaton Affordable Housing leaders recently identified a few	✓ Social Accountability
	strategic initiatives such as identifying ways to expand access to	
	medication management for their residents; partnering with local	✓ Strengthen Existing Products/Services
	schools and volunteer organizations to expand activity offerings for	
	those living in AH. There is a high-demand for more engaging	
AFFORDABLE HOUSING Manors	programs onsite!	
	Eskaton owns 4.5 acres in Roseville to develop additional	✓ Strengthen Existing
Explore various below market rate options.	affordable housing (e.g. tax credit or other option) but this has not	Products/Services
	been economically feasible. City of Roseville has a deficit and not	
	able/motivated to participate. Exploring partners; selling land, etc.	
以及 数据的	Confidential Eskaton is close to finalizing a joint venture with	✓ Advance the
	InnovAge, a for-profit PACE (program for all-inclusive care for the	Eskaton Brand
ANTESS, 1352 ANTES STORE TO SEE	innovage, a for-profit FAGE (program for all-inclusive care for the	

	elderly) provider. Two site locations are being evaluated. Target is late-2019 opening.	1	Strengthen Existing Products/Services
	 Live Well at Home by Eskaton, non-medical home care is on their 4th year of operations. 2018 has proven to be challenging to retain 	1	Grow and diversify revenue
	their growth mode with challenges around caregiver recruitment and retention, specifically. YTD revenue is behind by \$270K however,	1	Strengthen Existing Products/Services
	YTD NOI is \$ (9K). Internal referrals have also declined; we must reinvent a tracking process for SNF discharges and Residential		
HOME SUPPORT SERVICES	Living referrals, specifically.		
Significantly expand the reach of Eskaton's home support services.	Live Well at Home by Eskaton built a Caregiver Academy to assist in meeting the caregiver hiring needs for today and the future. They have had a dozen graduates that have been hired from the program.	1	Grow and diversify revenue
	O Eskaton has been evaluating a Home Based Integrated Services expansion plan; specifically establishing an umbrella for PACE, non-medical home care (LWH), Eskaton home healthcare (EHH), palliative care (acquire/build) and hospice (acquire/build). With	1	Strengthen Existing Products/Services
	expanded funding from Managed Care plans to cover home-based offerings, and health systems/payers seeing integrated partners to		
	offer excellent outcome-based care, Eskaton is interested in "owning" this space with the strong brand Eskaton has built.		

Pilots And Program Innovation Programmatic and Technologyenabled solutions

Pilots And Program Innovation Programmatic and Technologyenabled solutions

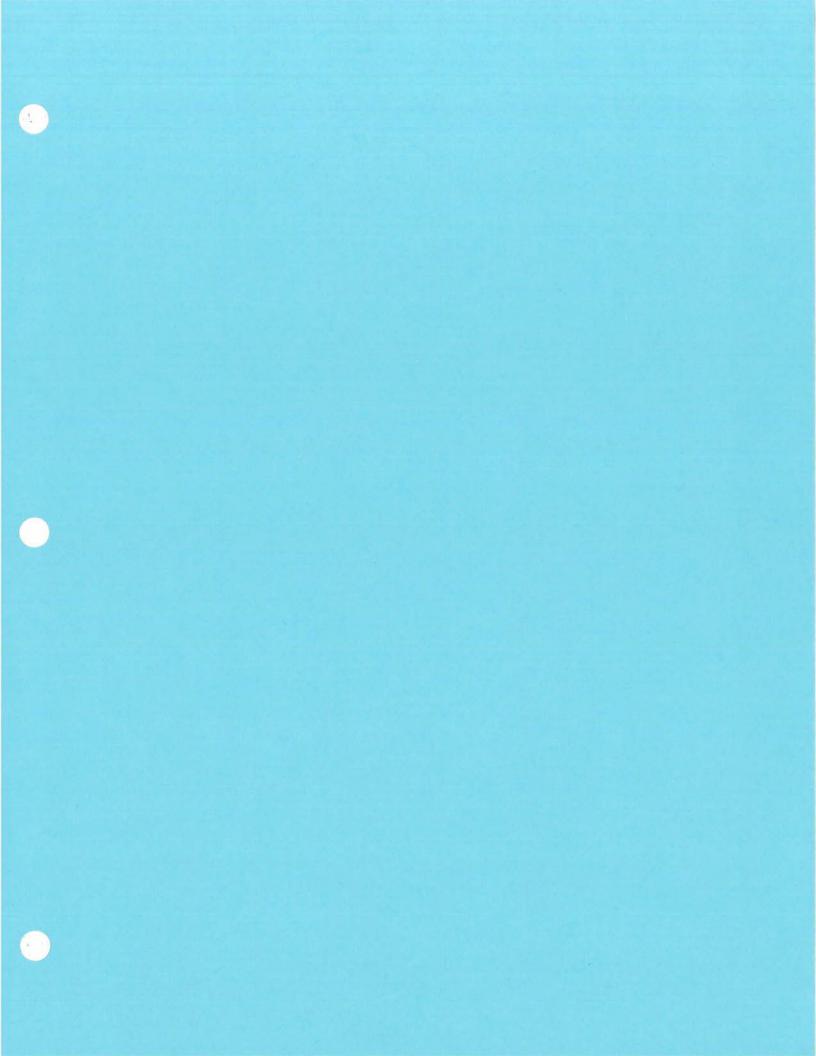
- Confidential Eskaton has been approached by Google to explore and pilot Google Villager, a Google voice platform aimed at the home-based market to allow easy check-in, scheduling, reminders for older adults and peaceful minds for caregivers.
- Confidential Eskaton has been contacted by the Toyota Research Institute (TRI) to explore opportunities for collaboration, exploration and identification of solutions to assist in easy mobility for seniors.
- The STACK lighting pilot at Eskaton Monroe Lodge was a success; however, STACK experienced challenges with getting product and sold the "smart-enabled" portion of their company to Phillips to integrate into their lighting products.
- Eskaton Connect, powered by K4Connect, a smart home and communication tool is being scaled throughout Eskaton residential living communities in 2018 and early 2019. Eskaton Village Roseville is complete with their integration and Eskaton Monroe Lodge is underway with integration. Smart home features include light and motion sensing and thermostat controls. The Eskaton Connect communication portal provides each resident direct access to Community Life (calendar with sign-ups, menus, news, notices, photos, games, directory and survey options).
- Two of Eskaton's Affordable Housing Communities Hazel
 Shirley and Lincoln Manors were selected as "Control Group"
 Communities for the HUD Supportive Services Demonstration

- ✓ Intentionally fund and engage with innovative products and services
- ✓ Intentionally fund and engage with innovative products and services
- ✓ Intentionally fund and engage with innovative products and services
- ✓ Strengthen Existing Products/Services
- ✓ Intentionally fund and engage with innovative products and services

✓ Strengthen Existing Products/Services Grant. As described in the RFP, the selection process was based on a lottery of those meeting the qualifications. The role of the "Control Group" is strictly data collection based on criteria that will be provided through the contract.

O Eskaton Care Center Manzanita was selected to participate in UCD Dr. Xiong's mental telehealth research project. The research will focus on comparing the value and compliance between phone versus telehealth visits with patients needing behavioral health interventions and support. The pilot will commence in Q4 and be evaluated for best practices to scale at other locations.

Strengthen Existing Products/Services



Executive Session Minutes, October 16, 2018 Confidential and Not for Distribution

Present: Rose, Grant, Goldstein, Usatin, Powell, Isaac, White, Salkin, Jones, Ruth.

Absent: Judson, Berkman

Staff: Zimmer

1. Affiliation Term Sheets sent to Eskaton and SFJH.

Eskaton responded with a draft Letter of Intent (LOI).

3. Jordan to reach out to Todd Murch, Eskaton, to seek additional time for response. Jay to arrange a meeting with TRC and Eskaton.

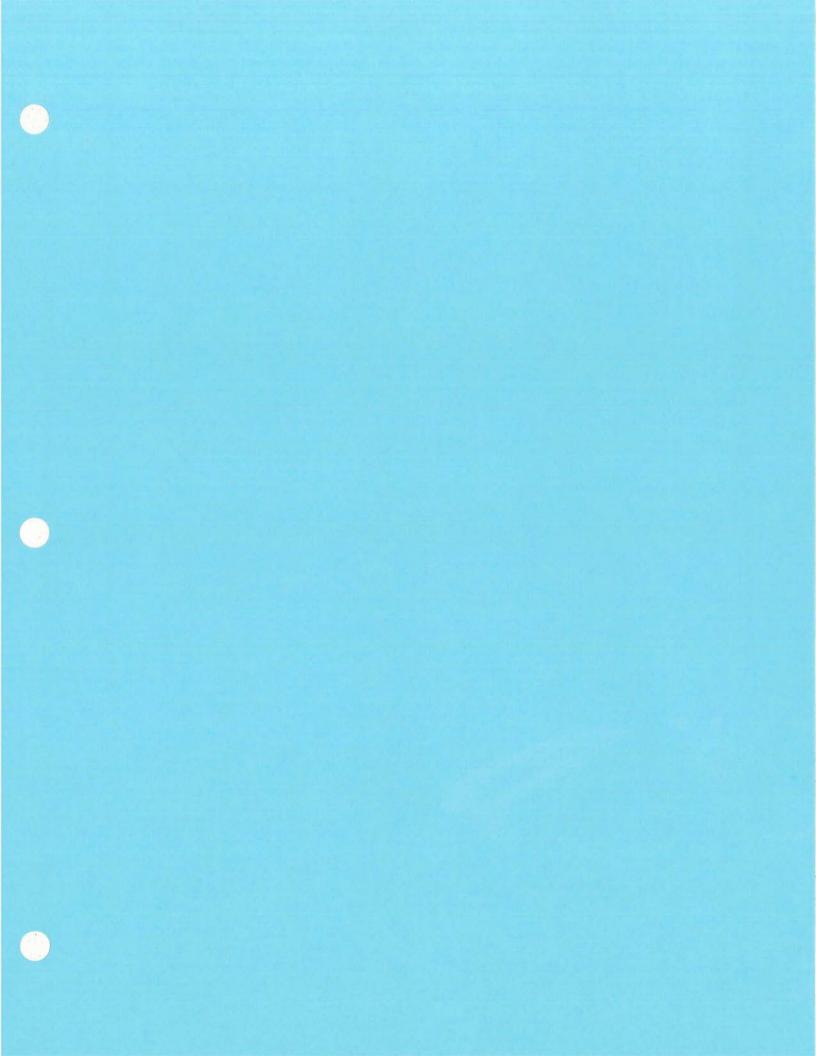
4. SFJH has committed to responding following their November 6 Board Meeting.

Jordan and Jay will draft a note to SFJH requesting a draft LOI on/before November 7 for the TRC Board to review.

 Legal team has been engaged, the Manatt Law Firm, Jill Dodd to lead legal team. Motion to approve: Usatin; 2nd White; All approved.

REDACTED - NOT RELEVANT

Respectfully submitted, Jay Zimmer, President and CEO



TRC Executive Session November 7, 2018

Attending: Berkman, Rose, White, Jones, Ruth, Grant, Isaac (p), Salkin (p), Powell, Usatin (p),

Absent: Judson Staff: Zimmer

Jordan and Sherry reviewed the various correspondences between SFJH and TRC. It was noted that despite requests for a specific proposal and expressions of concern respecting the financial commitment of JSGL, and assurances of a timely response, SFJH continues to hedge on proposed terms, including access to capital.

There is a critical timing issue as the next meeting with TRC and Eskaton is set for 11/12/18 and the earliest SFJH can meet is 11/28/18. In addition to the timing matter, there remains concern over JSGL's financial position. Jordan noted that he confirmed with our Auditor earlier today that if JSLG is to be the sole responsible entity (as has been suggested by Dan Ruth); Eskaton would be a stronger financial affiliate. Against this background, Jay provided a personal rationale for continuing talks with SFJH, recognizing that there were significant hurdles to get over given how far along we are with Eskaton at this point.

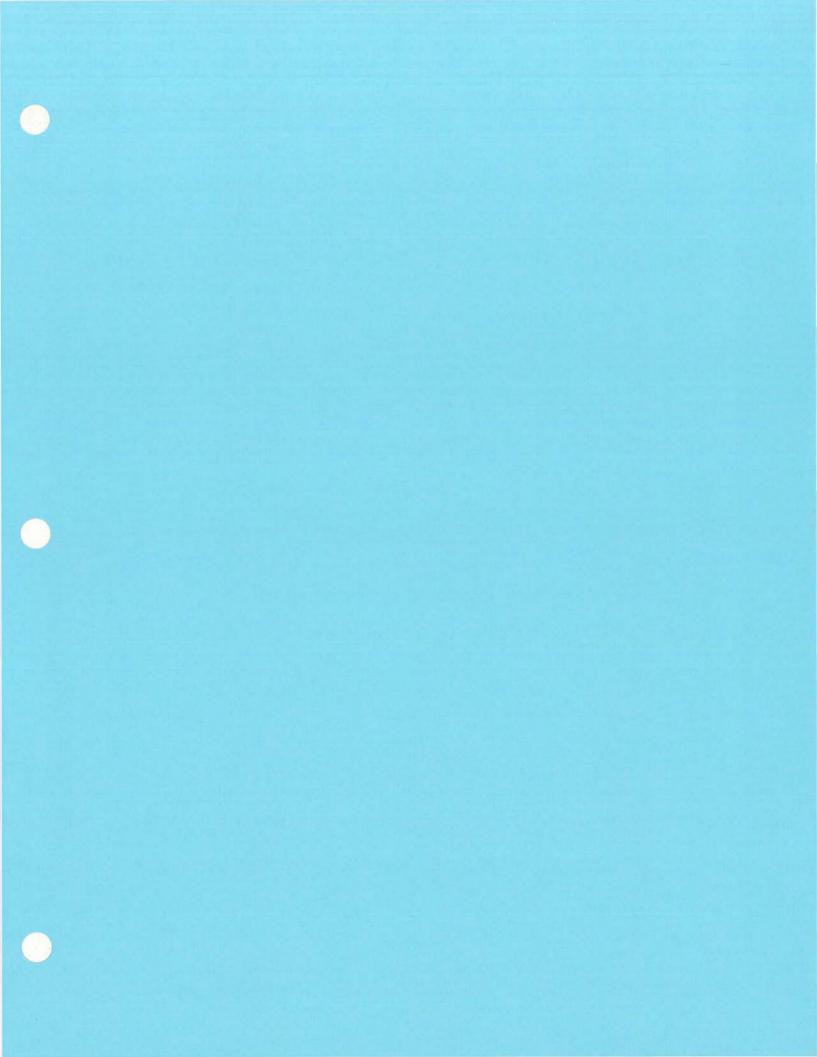
Sam Salkin offered a resolution in support of further affiliation discussions with SFJH. There was no second.

Joel White made a motion to proceed with Eskaton on 11/12/18 to attempt to reach an agreement in principle and to further negotiate the terms of a Letter of Intent (LOI) which, once finalized, would be presented to the TRC Board for approval. Seconded by Jean Jones. Following a brief discussion, the motion passed with 8 yes votes and 2 abstentions (Isaac and Salkin).

There being no further business the meeting was adjourned at 4:20 PM.

Respectfully submitted,

Jay A. Zimmer, President & CEO



The Reutlinger Community Executive Session Minutes 11/13/2018

A meeting of the Reutlinger Board of Directors, Executive Session, was called to order at 6:15 PM on 11/13/2018.

Present: Jones, Ruth, Isaac, Salkin (phone), Berkman (phone), Usatin, Judson, White, Goldstein (left early), Rose and Grant.

Absent: Powell

Staff: Zimmer, Morrow (Audit Matter Only)

REDACTED - NOT RELEVANT

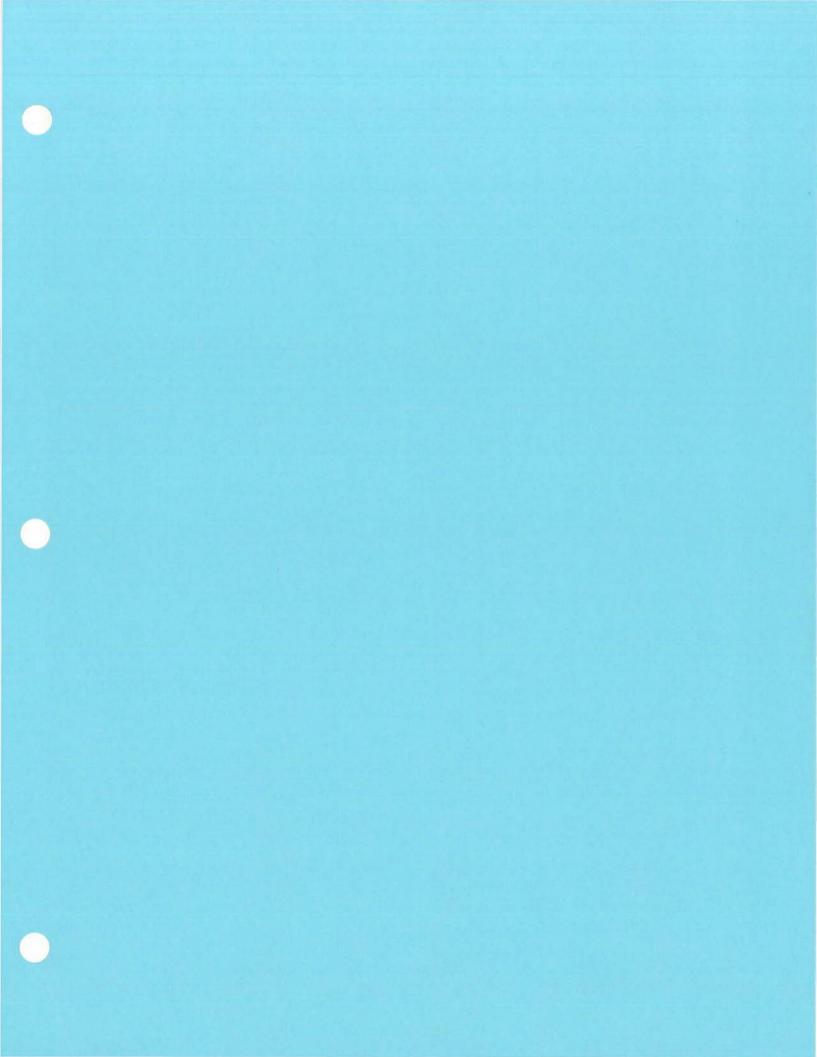
REDACTED - CONFIDENTIAL

Rose provided an update on the 11/12/2018 meeting between Eskaton and the TRC Affiliation
Committee (Rose, Grant, and Zimmer). Earlier today, Eskaton notified TRC that it agreed to all terms in the revised Letter of Intent (LOI) with the exception of the maximum amount of its obligation to infuse capital. TRC was looking for a \$5MM dollar maximum and Eskaton proposed \$1 MM dollars. After much discussion, the TRC Board settled on a

. Usatin made the following motion and Goldstein seconded: To proceed with Eskaton and authorize the Affiliation Committee to negotiate with Eskaton, and subject to reaching agreement on the maximum obligation range, to be

, to authorize the signing of the LOI. Until such LOI is signed, TRC to continue discussions with other potential partners and shall provide no exclusivity with Eskaton until the LOI is signed. Board approved with 1 vote in opposition (Salkin).

Respectfully submitted, jaz



The Reutlinger Community Executive Session Minutes 12/11/2018

A meeting of the Reutlinger Board of Directors, Executive Session, was called to order at 7:15 PM on 12/11/2018.

Present: Jones, Salkin, Berkman, Usatin, Judson, White, Goldstein, Rose, Powell and Grant. White left meeting several minutes before it was adjourned.

Absent: Isaac, Ruth Staff: Zimmer

Minutes of the last (November 2018) Executive Session were approved as sent amended.

REDACTED - NOT RELEVANT

Zimmer outlined recent Eskaton and legal team activity, selection of PR firm, due diligence timetable, etc.

Zimmer provided the background of the 'Exhibit A' document contained in the original draft Letter of Intent and the rationale for moving and including the Jewish Values in the final Affiliation Agreement rather than the LOI. A 4-column spreadsheet including lists of Jewish Values, Jewish Practices, Jewish Programs and TRC Specific Jewish Policies was distributed with back-up support.

Berkman suggested that TRC focus on the core principles of Jewish life – charity, study and observance.

Charity - Holocaust survivors, RAP; Study - Synagogue; Observance - Shabbat, holidays, etc.

After lengthy discussion and debate – Values versus Identity, Berkman assigned an Ad-hoc Committee (Salkin, Judson, Usatin and Berkman) to develop concrete terms and if necessary, policies, for presentation at the January 8, 2019 meeting.

The group was charged with recommending the right balance between Jewish Values (as mentioned in our Mission statement – found on our website and all collateral material) and the ability of Eskaton to create a more diverse community. It was also recommended that a strong preamble statement could precede the items to be contained in the final agreement.

Dates were proposed for a site visit to O'Connor in Stockton CA to view how an Eskaton affiliation affect another religious based institution.

Once presented and agreed upon, the items will be forwarded to council for review, editing and inclusion in the draft agreement.

It was suggested that AJAS members might be helpful and Zimmer will forward AJAS contact information to Salkin. (Done)

There being no further business, the meeting was adjourned at 9:20 PM.

Respectfully submitted,

Jay Zimmer, President and CEO

Exhibit A Summary Page

Jewish Values

AJAS Membership

Tikkun Olam - Improving the world

- + Klal Yisrael Unity of the Jewish people
- + Emunah Belief in God
- * Menschlicheit Decency toward others
- + Eretz Yisrael Connection to the land of Israel
- * T'fillah Relationship with God through prayer and ritual
- + Chinuch Education and study
- + Minhagim V'halachot Judaism as a way of life
- ▲ Kavod Respect for people, God, the environment
- * Kehillah Building a supportive social environment
- 2) From The Book of Jewish Values by Louis Jacobs:
- + Limmud ha-Torah Study of Torah
- * Ahavat ha-Shem Love of God
- + Yirat shamavim Fear of Heaven
- + Kiddush ha-Shem Sanctification of the Name
- + Bittahon Trust in God
- ▲ Kedusha Holiness
- + Anava Humility
- + Ahavat re'a / Ahavat yisrael Love of Neighbor
- * Rahamanut Compassion
- . Emet Truth
- + Shalom Peace
- + Talmud Torah Jewish learning
- * Klal Yisrael Jewish solidarity
- + Tzionut Zionism
- + Tikkun Olam Healing the world
- * Ometz Lev Courage
- + Herut Freedom
- Tikvah − Hope
- * Tzedek Justice
- → Pikuah Nefesh Saving a life
- * Tzedakah Charity
- + Shalom Peace
- * Zikaron Remembrance

Jewish Practices

Full-Time Rabbi Shabbat Services

Jewish Religious Holidays

Kosher/Kosher Style Menus

Jewish Programs

Purim Festival **Building Sukkah**

Hanukkah Candle Lighting

Passover Seder

Tu BiShevat

Jewish Heritage Museum

Tree of Life

Jewish Artwork / Judaica

TRC Jewish Specific Policies

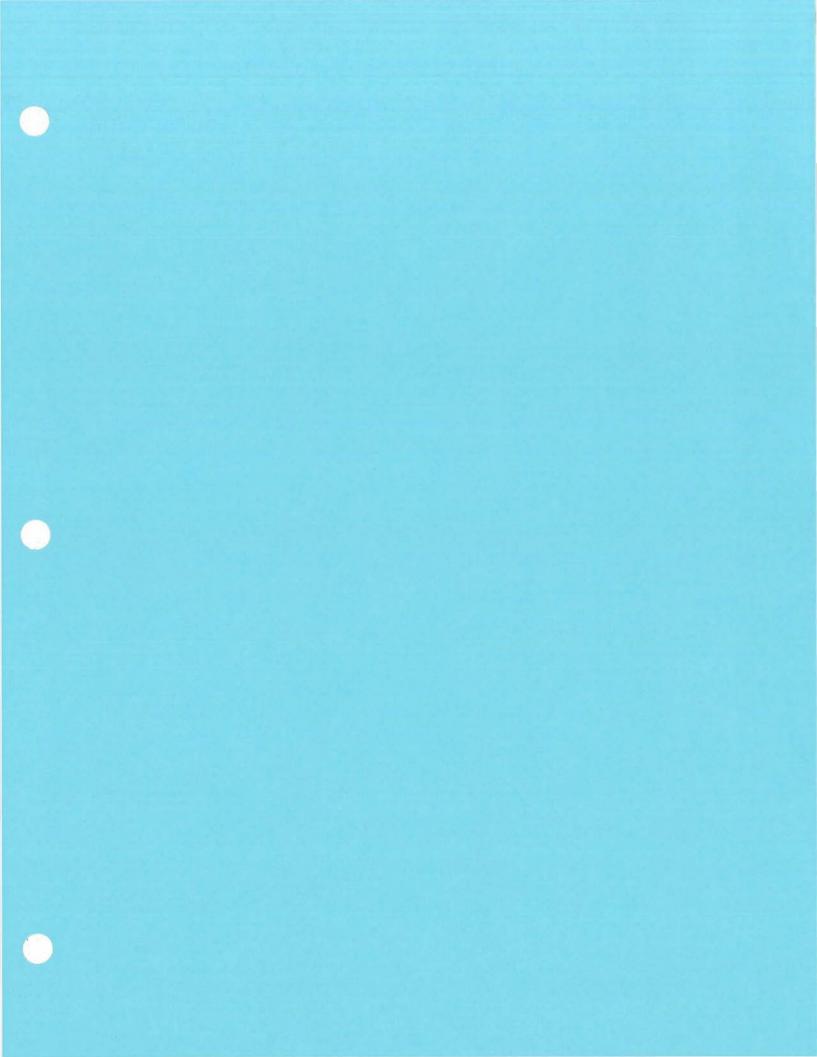
Maintenance of Torahs, prayer books and Chumashim

Residence Assistance Fund

Holocaust Survivors

Holocaust PTSD Counseling

Death with Dignity Act



The Reutlinger Community Executive Session Minutes 01/08/2019

A meeting of the Reutlinger Board of Directors, Executive Session, was called to order at 6:45 PM on 01/08/2019.

Present: Jones, Salkin, Berkman, Isaac, Usatin, White, Goldstein, and Grant.

Absent: Ruth, Judson, Rose, Powell

Staff: Zimmer

Minutes of the last (December 2018) Executive Session were approved.

- Zimmer presented the rationale for selecting Michael Fineman PR to develop the messaging and PR campaign for the affiliation. Cost (\$20K dollars) will be split with Eskaton.
- If any calls or inquiries 'leak' out into the community, the individuals will be referred to
 Zimmer. It has been recommended by Eskaton senior management and Fineman to
 develop and distribute an initial announcement sooner, rather than later so as not to be
 in a defensive position should word get out. TBD.
- A work-group meeting with Fineman, Eskaton and TRC is scheduled for Monday, January
 14. Berkman has been invited to join-in.
- Salkin presented the rationale, proposed preamble and policy framework prepared by the AdHoc Committee on Jewish Traditions. There was much discussion around presenting the correct balance between preserving the traditions and Eskaton's ability to attract a more diverse population, as prescribed in the GSI set of recommendations.
- A number of edits and modifications were made to the document and accepted by the Board. These will be included in the draft version that will be sent to counsel. A copy is attached to this document.
- There are a number of outstanding questions as relates to the Jewish Heritage Museum and the Judaica collection. Clarification will be presented at a future meeting.
- Goldstein requested that copies be sent to all Board members of the draft affiliation agreement.

There being no further business, the meeting was adjourned at 8:15 PM.

Respectfully submitted,

Jay Zimmer, President and CEO

Next meeting: February 19 at 2 PM, TRC, Sussman Room.

Please note date and time change.

Draft

Exhibit 1.4(a)

The Reutlinger Community Jewish Practices

The mission of The Reutlinger Community is to provide high quality health care and social support services to seniors in a life-enhancing and stimulating environment, with, a commitment to Jewish values.

The items that follow are meant to provide a certain degree of guidance for carrying out the mission as envisioned by our Founders for all current and future responsible parties. These items are representative of those wishes and do not portend to be a complete list, nor is it intended to disrupt or negate the practices of non-Jewish residents of the community.

Among the most significant of our values is the concept of charity. Since our founding in 1950, The Reutlinger Community has provided financial assistance (see RAF policy) to those individuals that through no fault of their own have outlived their financial assets. The Founders and subsequent Boards of Directors have also permitted any Holocaust Survivor (see definition) to enter the community regardless of his/her ability to pay the monthly and associated fees.

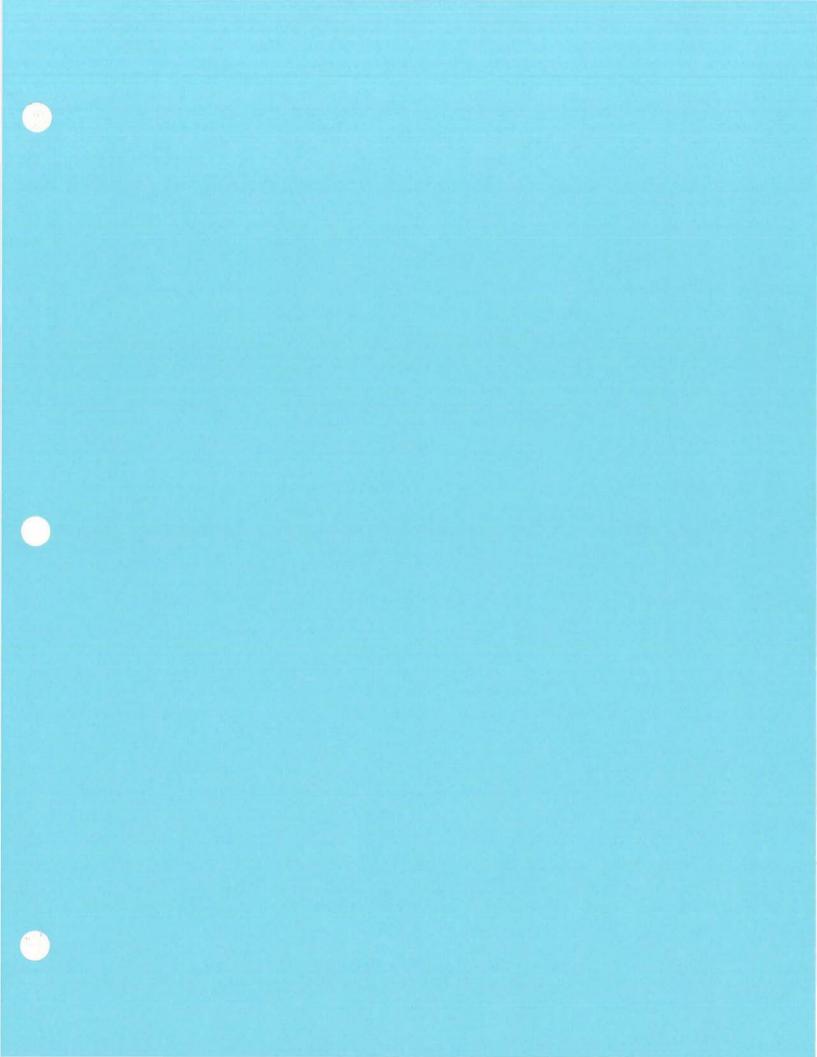
The community has a long-standing practice of maintaining an on-site synagogue and a full-time Rabbi who provides religious and spiritual leadership, cultural teaching and pastoral services to those of all faiths. The sanctuary is a sacred place and is used for Shabbat (Sabbath) services every Friday night and Saturday morning, and, all of the major Jewish holidays, e.g., Rosh Hashanah, Yom Kippur, Sukkot (at such time that a Sukkah is constructed), Hanukah, Simchat Torah, Passover, Shavuot, etc. The synagogue serves as a place for memorial services; morning -prayer for those that practice; and, celebrations and other ceremonies that require a sanctuary setting.

Currently, the community serves both Kosher and non-Kosher meals but does not permit shellfish or pork in public dining areas. During Passover, all meals are prepared under kosher law with matzo and unleavened products throughout the holiday period.

Outside of the synagogue walls, Jewish programming occurs on a routine basis through music, lectures and classes; special dinners e.g., the Passover Seder; Yom Kippur 'break the fast"; celebrations e.g., the Purim Festival, Hanukah Candle Lighting and services in the Sukkah.

The community is a Registered Jewish Heritage Museum (JHM) with a number of donated collections made to TRC over the years. Should Eskaton determine that the museum can no longer be supported; the collection should be donated to the Magnus Museum in Berkeley or some other appropriate Jewish organization.

The maintenance of the Tree of Life (donor gifts in memoriam), along with other gifts of Judaica, artwork, books, etc. shall be adequately insured and safely stored.



The Reutlinger Community Executive Session Minutes 02/19/2019

A meeting of the Reutlinger Board of Directors, Executive Session, was called to order at 2:00 PM on 02/19/2019.

Present: Jones, Berkman, Isaac, Usatin, White, Goldstein, Ruth, Powell, Rose and Grant.

Absent: Salkin, Judson

Staff: Zimmer

Guests: Eskaton and Fineman PR

Minutes of the last (January 2019) Executive Session were approved.

- Fineman PR Group presented a proposed timeline, sample core messaging by audience segment, and recommendation for a pro-active v. reactive approach.
- Eskaton concurred that earlier and more transparent the messaging, in their recent experience, seems to work best.
- Discussion regarding the pros/cons of earlier v. later announcement addressed by Board. It was suggested that a letter, email blast and in-person meetings take place the week of March 4.
- Upon motion by Usatin and 2nd by Isaac, the Board voted 8 1 (Rose) to proceed with announcement the week of March 4.

There being no further business, the meeting was adjourned at 4:00 PM.

Respectfully submitted,

Jay Zimmer, President and CEO

Next meeting: March 12 at 6 PM, TRC, Sussman Room.

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THE REUTLINGER COMMUNITY + ESKATON Messaging segmented by Residents

KEY AUDIENCE

Residents

PRIMARY MESSAGING

- The Reutlinger Community (TRC) is committed to continuous growth and improvements
 throughout the community and into the future. To accomplish these goals, we continually
 evaluate our community's needs while focusing on improving care and services. This
 partnership allows TRC to keep up with the needs and demands of its residents, technology
 and operations, housing and services requirements, community outreach, facility upgrades,
 and its medical expertise, training and staffing.
- Though TRC's current funding (i.e., grants, donations, resident fees, reimbursements) is strong, TRC must position itself for new opportunities to grow and expand its services (i.e., providing home care services, renovating the skilled nursing unit, updating memory care units, refurbishing apartments).
- There is a growing need to partner with a larger organization for additional resources and access to health care networks.
- After an extensive search for a partnership, TRC signed a letter of intent with Eskaton, a highly established and reputable, community-based, nonprofit organization with more than 50 years of experience serving throughout California.
- Eskaton is committed to upholding TRC's Jewish heritage, values, community services and programs, as well as preserving policies that support Holocaust survivors.
- Eskaton offers a wide array of nonprofit services and housing options across California that
 are inclusive of faith, heritage and backgrounds.
- TRC is committed to expanding its mission and services to the greater East Bay region through this strategic affiliation with Eskaton.
- Eskaton brings expertise and resources that will both sustain and improve TRC for years to come.
- The care, comfort and happiness of TRC residents is a top priority.
- Initially, residents will not notice any changes. Over time, TRC's residential experience will improve as programs become richer and accommodations are made to provide higher quality, more specialized care.

AFFILIATION ANNOUNCEMENT SCRIPT

Good morning/evening TRC residents. For those who do not know, I'm Sherry Berkman, chairwoman of The Reutlinger Board of Directors.

Over the past several years, as a board, we have been evaluating strategic opportunities to:

- Strengthen our core services to residents who live here at TRC
- Expand our mission and services beyond our walls to older adults living in the East Bay
- Ensure TRC's sustainability, financial security and growth for decades to come. As a smaller, single-site community, we are vulnerable to market fluctuations and increased complexity in regulatory and payment changes.

Through extensive evaluation, the board has decided that an **affiliation** with a larger, well-established nonprofit organization will accomplish this strategic goal. TRC has signed a letter of intent with Eskaton, a Sacramento-based nonprofit with more than 50 years of experience, who

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has the leadership experience and resources to continuously strengthen TRC's operations and expand TRC's mission into the greater East Bay.

Though Eskaton is a nondenominational organization, they will fully support and respect Reutlinger's Jewish heritage, values, services and programs. Providing additional expertise and resources for staff, residents and the broader community is a hallmark of Eskaton.

Other organizations were also evaluated, including Jewish organizations. It was clear that Eskaton was the partner that could help TRC achieve their vision to strengthen operations and expand services to residents onsite and further into the region.

Initially, very little will change. Over time, programs will improve as accommodations are made to deliver higher quality services and care. Your care, comfort and satisfaction continue to be our top priority, as it has been since we were founded almost 70 years ago. If you have any additional questions about Eskaton you would like to discuss privately, please reach out. We are happy to discuss any individual questions you may have. We have also provided a Q&A sheet (LOCATION) for you to review in the interim.

Thank you.

POST-ANNOUNCEMENT LETTER

Dear Reutlinger community,

We are writing to share some news about our community. The Reutlinger Community and Eskaton, a Sacramento-based nonprofit with more than 50 years of experience in senior living, signed a letter of intent to affiliate to provide additional resources for Reutlinger aimed at improving services for residents and increasing our presence in the East Bay.

Initially, very little will change. Eskaton staff will spend the next few months getting acquainted with our community procedures and programs. Over time, improvements will deliver higher-quality services and care. Residential pricing is not expected to increase in conjunction with the enhancements.

TRC will offer access to the same doctors and caretakers through the affiliation without making any adjustments to programs, meals and services currently available to residents. Any potential changes will be announced with transparency by community staff well in advance.

Jewish cultural values, programs and religious services will be preserved under the affiliation. Though Eskaton is a non-denominational organization, they support our mission-driven approach to preserve an identity that has distinguished TRC from other regional retirement organizations since the community was founded nearly 70 years ago. In sustaining our community's culture, TRC will continue to employ a full-time rabbi, maintain its relationship with the Jewish Museum and support Holocaust survivors.

To answer any outstanding questions, please see the attached Question and Answer document that provides background about Eskaton and the affiliation agreement.

The affiliation will help maintain care, comfort and a secure future for all residents at TRC, a commitment that has been a top priority since the community was founded. If you have any additional questions about Eskaton you would like to discuss individually, please contact us. TRC is planning an additional community meeting DATE to address outstanding questions.

Thank you,

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ANTICIPATED FREQUENTLY ASKED QUESTIONS (FAQ)

- · How will this affect my family member's day-to-day life and care at TRC?
 - o The care, comfort and happiness of TRC's residents is our top priority. Residents will not notice any initial changes. Over time, TRC's residential experience will improve as programs become richer and accommodations are made to provide higher-quality, more specialized care.
- · Will my doctors/care takers stay the same?
 - Doctors and care takers will remain the same. Additionally, Eskaton provides a
 greater network of support for staffing and training to ensure continuity of care. They
 will also offer home care services.
- · Will I have access to the same programs, meals, services, etc.?
 - TRC will continue to offer the same programs, meals and services it currently provides. Services and quality care will improve over time given Eskaton's strong network of resources and expertise. Menu options have also recently expanded to accommodate resident requests and dietary needs.
- Will this affect any religious services offered at TRC?
 - No, Eskaton is committed to preserving the organization's Jewish values, programs and religious services at TRC, including those for non-Jewish residents. TRC will also continue to embrace its relationship with the Jewish Museum and the Holocaust survivor program. TRC will continue to employ a fill-time rabbi.
- · Will the price of my care/residency change?
 - Resident pricing will remain the same for the time being. We will continue to communicate openly and in advance of any expected changes.

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THE REUTLINGER COMMUNITY + ESKATON Messaging segmented by Families

KEY AUDIENCE

Families

PRIMARY MESSAGING

- The Reutlinger Community (TRC) is committed to continuous growth and improvements
 throughout the community and into the future. To accomplish these goals, we continually
 evaluate our community's needs while focusing on improving care and services. This
 partnership allows TRC to keep up with the needs and demands of its residents, technology
 and operations, housing and services requirements, community outreach, facility upgrades,
 and its medical expertise, training and staffing.
- Though TRC's current funding (i.e., grants, donations, resident fees, reimbursements) is strong, TRC must position itself for new opportunities to grow and expand its services (i.e., providing home care services, renovating the skilled nursing unit, updating memory care units, refurbishing apartments).
- There is a growing need to partner with a larger organization for additional resources and access to health care networks.
- After an extensive search for a partnership, TRC signed a letter of intent with Eskaton, a highly established and reputable, community-based, nonprofit organization with more than 50 years of experience serving throughout California.
- Eskaton is committed to upholding TRC's Jewish heritage, values, community services and programs, as well as preserving policies that support Holocaust survivors.
- Eskaton offers a wide array of nonprofit services and housing options across California that are inclusive of faith, heritage and backgrounds.
- TRC is committed to expanding its mission and services to the greater East Bay region through this strategic affiliation with Eskaton.
- Eskaton brings expertise and resources that will both sustain and improve TRC for years to come.
- · The care, comfort and happiness of TRC residents is a top priority.
- Initially, residents will not notice any changes. Over time, TRC's residential experience will
 improve as programs become richer and accommodations are made to provide higher
 quality, more specialized care.

AFFILIATION ANNOUNCEMENT SCRIPT

Good morning/evening TRC Families. For those who do not know, I'm Sherry Berkman, chairwoman of The Reutlinger Board of Directors.

Over the past several years, as a board, we have been evaluating strategic opportunities to:

- · Strengthen our core services to residents who live here at TRC
- Expand our mission and services beyond our walls to older adults living in the East Bay
- Ensure TRC's sustainability, financial security and growth for decades to come. As a smaller, single-site community, we are vulnerable to market fluctuations and increased complexity in regulatory and payment changes.

Through extensive evaluation, the board has decided that an **affiliation** with a larger, well-established nonprofit organization will accomplish this strategic goal. TRC has signed a letter of

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intent with Eskaton, a Sacramento-based nonprofit with more than 50 years of experience, who has the leadership experience and resources to continuously strengthen TRC's operations and expand TRC's mission into the greater East Bay.

Though Eskaton is a nondenominational organization, they will fully support and respect Reutlinger's Jewish heritage, values, services and programs. Providing additional expertise and resources for staff, residents and the broader community is a hallmark of Eskaton.

Other organizations were also evaluated, including Jewish organizations. It was clear that Eskaton was the partner that could help TRC achieve their vision to strengthen operations and expand services to residents onsite and further into the region.

Initially, very little will change. Over time, programs will improve as accommodations are made to deliver higher quality services and care. Your loved one's care, comfort and satisfaction will continue to be our top priority, as it has been since we were founded almost 70 years ago. If you have any additional questions about Eskaton you would like to discuss privately, please reach out. We are happy to discuss any individual questions you may have. We have also provided a Q&A sheet (LOCATION) for you to review in the interim.

Thank you.

POST-ANNOUNCEMENT LETTER

Dear Reutlinger family,

We are writing to share some news about our community. The Reutlinger Community and Eskaton, a Sacramento-based nonprofit with more than 50 years of experience in senior living, signed a letter of intent to affiliate to provide additional resources for Reutlinger aimed at improving services for your family member under TRC care.

Initially, very little will change. Eskaton staff will spend the next few months getting acquainted with our community procedures and programs. Over time, improvements will deliver higher-quality services and care. Residential pricing is not expected to increase in conjunction with the enhancements.

TRC will offer access to the same doctors and caretakers through the affiliation without making any adjustments to programs, meals and services currently available to residents. Community staff will announce potential changes affecting your family member well in advance.

Jewish cultural values, programs and religious services will be preserved under the affiliation. Though Eskaton is a non-denominational organization, they support our mission-driven approach to preserve an identity that has distinguished TRC from other regional retirement organizations since the community was founded nearly 70 years ago. In sustaining our community's culture, TRC will continue to employ a full-time rabbi, maintain its relationship with the Jewish Museum and support Holocaust survivors.

To answer any outstanding questions, please see the attached Question and Answer document that provides background about Eskaton and the affiliation agreement.

The affiliation will help maintain care, comfort and a secure future for all residents at TRC, a commitment that has been a top priority since the community was founded. If you have any additional questions about Eskatoh you would like to discuss individually, please contact us. TRC is planning an additional community meeting DATE to address outstanding questions.

Thank you,

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ANTICIPATED FREQUENTLY ASKED QUESTIONS (FAQ)

- . How will this affect my family member's day-to-day life and care at TRC?
 - The care, comfort and happiness of TRC's residents is our top priority. Residents will
 not notice any initial changes. Over time, TRC's residential experience will improve
 as programs become richer and accommodations are made to provide higher-quality,
 more specialized care.
- · Will my doctors/care takers stay the same?
 - Doctors and care takers will remain the same. Additionally, Eskaton provides a
 greater network of support for staffing and training to ensure continuity of care. They
 will also offer home care services.
- Will I have access to the same programs, meals, services, etc.?
 - TRC will continue to offer the same programs, meals and services it currently
 provides. Services and quality care will improve over time given Eskaton's strong
 network of resources and expertise. Menu options have also recently expanded to
 accommodate resident requests and dietary needs.
- · Will this affect any religious services offered at TRC?
 - o No, Eskaton is committed to preserving the organization's Jewish values, programs and religious services at TRC, including those for non-Jewish residents. TRC will also continue to embrace its relationship with the Jewish Museum and the Holocaust survivor program. TRC will continue to employ a fill-time rabbi.
- · Will the price of my care/residency change?
 - Resident pricing will remain the same for the time being. We will continue to communicate openly and in advance of any expected changes.

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THE REUTLINGER COMMUNITY + ESKATON Messaging segmented by Staff Members

KEY AUDIENCE

Staff Members

PRIMARY MESSAGING

- The Reutlinger Community (TRC) is committed to continuous growth and improvements
 throughout the community and into the future. To accomplish these goals, we continually
 evaluate our community's needs while focusing on improving care and services. This
 partnership allows TRC to keep up with the needs and demands of residents, technology and
 operations, housing and services requirements, community outreach, community upgrades,
 and its medical expertise, training and staffing.
- Though TRC's current funding (i.e., grants. donations, resident fees, reimbursements) is strong, TRC must position itself for new opportunities to grow and expand its services (i.e., providing home care services, renovating the skilled nursing unit, updating memory care units, refurbishing apartments).
- There is a growing need to partner with a larger organization for additional resources and access to health care networks.
- After an extensive search for a partner, TRC signed a letter of intent with Eskaton, a highly
 established and reputable, community-based, nonprofit organization with more than 50 years
 of experience serving throughout California.
- Eskaton is committed to upholding TRC's Jewish heritage, values, community services and programs, as well as preserving policies that support Holocaust survivors.
- Eskaton will provide bench-strength for critical leadership positions.
- Eskaton will provide TRC and its staff with resources, support and expertise in the areas of clinical quality, operations, human resources, technology, life enrichment and finances.
- Because Eskaton is centralized, TRC will become part of a deep network of information and training to allow staff to serve residents with ever-increasing tools and services.
- Eskaton will work collaboratively with TRC over several months to understand staff roles and responsibilities. Eskaton will support back-end processes and systems while allowing TRC's talented staff to do their best work and ensure continuity of services.

AFFILIATION ANNOUNCEMENT SCRIPT

Good morning/evening TRC Staff. For those who do not know, I'm Sherry Berkman, chairwoman of The Reutlinger Board of Directors.

First, I want to **thank you for your continued caring dedication** to all the residents at TRC. Your devotion and excellent service to residents is valued and continues to be *why* residents and families choose this beautiful place to be their home.

Over the past several years, as a board, we have been evaluating strategic opportunities to:

- . Strengthen our core services to residents who live here at TRC
- Expand our mission and services beyond our walls to older adults living in the East Bay
- Ensure TRC's sustainability, financial security and growth for decades to come. As a smaller, single-site community, we are vulnerable to market fluctuations and increased complexity in regulatory and payment changes.

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Through extensive evaluation, the board has decided that an **affiliation** with a larger, well-established nonprofit organization will accomplish this strategic goal. TRC has signed a letter of intent with Eskaton, a Sacramento-based nonprofit with more than 50 years of experience who has the leadership experience and resources to continuously strengthen TRC's operations and expand TRC's mission into the greater East Bay.

Though Eskaton is a nondenominational organization, they will fully support and respect Reutlinger's Jewish heritage, values, services and programs. Providing additional expertise and resources for staff, residents and the broader community is a hallmark of Eskaton.

Other organizations were also evaluated, including Jewish organizations. It was clear that Eskaton was the partner that could help TRC achieve their vision to strengthen operations and expand services to residents onsite and further into the region.

We are sure this raises questions. We want to assure you that both TRC and Eskaton are committed to **transparent communication**. Eskaton will work closely with you and TRC leadership in the coming months to understand staff roles and responsibilities, while supporting our back-end processes and systems. This means more fluent, efficient and strengthened operations. Eskaton will then evaluate opportunities to enhance or alter programs to best support TRC staff and residents. Eskaton will communicate openly and transparently about any pending changes.

The ultimate goal is for Eskaton to provide additional support and expertise in clinical quality, operations, human resources, technology, life enrichment and finances through the affiliation. The partnership will provide staff greater information and training resources in their work. We value our staff and want to ensure this decision was made to increase opportunities for growth in your careers.

If you have any additional questions about the affiliation you would like to discuss privately, please reach out. We are happy to discuss any individual questions you may have. We have also provided a Q&A sheet (LOCATION) for you to review in the interim.

Thank you.

ANTICIPATED FREQUENTLY ASKED QUESTIONS (FAQ)

- How will this affect my job? Is my job secure?
 - o Eskaton values TRC staff. Eskaton will work collaboratively with TRC over several months to understand staff roles and responsibilities. Staff will be provided with resources, assistance and expertise in the areas of clinical quality, operations, human resources, technology, life enrichment and finances, to name a few. The partnership will allow for more staff support (including continuity of coverage and further training), growth opportunities and improvement of the efficiency of processes. As a company that values transparency, Eskaton will continue to communicate openly about any expected changes.
- Are my benefits going to change?
 - Eskaton will work closely with TRC to understand and evaluate benefits provided. Existing benefits will remain unchanged initially; Eskaton will assess if there are any opportunities to enhance or alter the package that best support staff at TRC. Additionally, Eskaton will provide TRC staff with resources, support and expertise in the areas of clinical quality, operations, human resources, technology, life enrichment and finances, to name a few. Because Eskaton is process-based and centralized, TRC will become part of a deep network of information and training to allow staff to serve residents to the best of their ability. Eskaton will support back end processes

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and systems while allowing TRC's talented staff to do their best work and ensure continuity of services. Staff will be provided career support and growth opportunities through the partnership.

· Will my job title/description change?

o Initially, job titles will not change. Eskaton will work collaboratively with TRC over several months to understand staff roles and responsibilities. Eskaton will support back end processes and systems while allowing TRC's talented staff to do their best work and ensure continuity of services. Staff will be provided career support and growth opportunities through the partnership.

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THE REUTLINGER COMMUNITY + ESKATON Messaging segmented by Founding Family Members

KEY AUDIENCE

· Founding Family Members

PRIMARY MESSAGING

- TRC leadership believes that a partnership with a larger organization is beneficial for the
 continued success and stability of TRC for decades to come. TRC Leadership conducted a
 rigorous process with both Jewish and non-Jewish organizations to select a partner that
 brings financial, operational and mission-expansion opportunities to TRC.
- TRC has signed a letter of intent with Eskaton, a highly established and reputable, community-based, nonprofit organization with more than 50 years of experience serving throughout California.
- Eskaton is committed to upholding TRC's Jewish heritage, values, community services and programs, as well as preserving policies that support Holocaust survivors.
- Eskaton offers a wide array of nonprofit services and housing options across California that are inclusive of faith, heritage and backgrounds.
- TRC is committed to expanding its mission and services to the greater East Bay region with this strategic affiliation.
- TRC will hold a veto-power seat on the Eskaton corporate board to guarantee collaborative decision-making and the preservation of TRC's Jewish character.

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THE REUTLINGER COMMUNITY + ESKATON Messaging segmented by Donors

KEY AUDIENCE

Donors

PRIMARY MESSAGING

- The Reutlinger Community (TRC) is committed to continuous growth and improvements
 throughout the community and into the future. To accomplish these goals, we continually
 evaluate our community's needs while focusing on improving care and services. This
 partnership allows TRC to keep up with the needs and demands of its residents, technology
 and operations, housing and services requirements, community outreach, facility upgrades,
 and its medical expertise, training and staffing.
- Though TRC's current funding (i.e., grants, donations, resident fees, reimbursements) is strong, TRC must position itself for new opportunities to grow and expand its services (i.e., providing home care services, renovating the skilled nursing unit, updating memory care units, refurbishing apartments).
- There is a growing need to partner with a larger organization for additional resources and access to health care networks.
- After an extensive search for a partnership, TRC signed a letter of intent with Eskaton, a highly established and reputable, community-based, nonprofit organization with more than 50 years of experience serving throughout California.
- Eskaton is committed to upholding TRC's Jewish heritage, values, community services and programs, as well as preserving policies that support Holocaust survivors.
- Eskaton offers a wide array of nonprofit services and housing options across California that are inclusive of faith, heritage and backgrounds.
- Eskaton is committed to upholding TRC's Jewish heritage, values, community services and programs, as well as preserving policies that support Holocaust survivors.
- All past, present and future donations to TRC will be used exclusively for TRC's purposes.
 The community will amend its by-laws through the affiliation to include Eskaton as the sole member, which will place all assets and operations under Eskaton management.
- Donor intent is uncompromisingly important for both TRC and Eskaton to uphold and fulfill.
- TRC will hold a veto-power seat on the Eskaton corporate board to guarantee collaborative decision-making and the preservation of TRC's Jewish character.

POST-ANNOUNCEMENT LETTER

Dear Reutlinger donors,

We are writing to share some news about our community. The Reutlinger Community and Eskaton, a Sacramento-based nonprofit with more than 50 years of experience in senior living, signed a letter of intent to affiliate to help the community improve quality of care services for residents and increase the community's presence in the East Bay.

Jewish heritage, cultural values and sacred ideals are not at risk under the affiliation with nondenominational Eskaton. Eskaton has committed in affiliation discussions with the community toward upholding values that have distinguished TRC from other regional retirement organizations since the community was founded nearly 70 years ago. TRC will hold a vetopowered seat on the Eskaton Board of Directors to ensure sacred values remain a priority.

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Donations benefitting the community and its residents will continue to be directed toward the exclusive purposes they were intended. Donor submissions restricted to TRC will not be reallocated to any other Eskaton community.

TRC worked with a number of consultants the past half-decade to assist the community in strategically planning for the future. Options included discussions with both denominational and non-denominational organizations to find a compatible affiliation. In the end, Eskaton was the right fit for TRC.

The affiliation will provide TRC residents access to the same doctors and caretakers without adjusting programs, meals and services currently available. In preserving community culture, TRC will continue to employ a full-time rabbi, maintain its relationship with the Jewish Museum and support Holocaust survivors.

To answer any outstanding questions, please see the attached Question and Answer document that provides background about Eskaton and the affiliation agreement.

The affiliation will help maintain care, comfort and a secure future for all residents at TRC, a commitment that has been a top priority since the community was founded. If you have any additional questions about Eskaton you would like to discuss individually, please contact us. TRC is planning an additional community meeting DATE to address outstanding questions.

Thank you,

- How much will Eskaton pay to be Reutlinger's affiliate organization?
 - Both organizations are nonprofit, therefore, TRC will become an affiliate of Eskaton and the assets and operations will remain intact for TRC under the affiliation with Eskaton. TRC will hold a seat on the Eskaton board to assure continuity and integrity of TRC's mission remains.
- How will this affect my donation? Will any funds from my donation support Eskaton/outside organizations?
 - All past, present and future donations to TRC will be used exclusively for TRC's purposes. The community will amend its by-laws through the affiliation to include Eskaton as the sole member, which will place all assets and operations under Eskaton management.
 - No TRC restricted donor dollars will be used for any other Eskaton community.
- . What will happen to the current TRC Board of Directors?
 - TRC will hold a veto-discretion seat on the Eskaton corporate board to guarantee collaborative decision-making and the preservation of TRC's Jewish character.
- Are there any disadvantages to this partnership? Were all facts and points considered prior to entering into an agreement? Are there any unresolved items that could possibly harm TRC long-term?
 - Throughout the strategic planning process, third-party evaluations and analysis, the TRC board considered aspects of its residents, staff, donors and other stakeholders' needs. After careful consideration, the affiliation is beneficial to both parties involved; TRC will grow its mission-impact and strengthen overall operations without having to compromise its values. Eskaton's expansion into the East Bay will help the organization execute high-quality programs, as well as provide the best possible living and health care options for residents for decades to come.

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THE REUTLINGER COMMUNITY + ESKATON Messaging segmented by Jewish Museum Committee

KEY AUDIENCE

· Jewish Museum Committee

PRIMARY MESSAGING

- The Reutlinger Community (TRC) is committed to continuous growth and improvements
 throughout the community and into the future. To accomplish these goals, we continually
 evaluate our community's needs while focusing on improving care and services. This
 partnership allows TRC to keep up with the needs and demands of its residents, technology
 and operations, housing and services requirements, community outreach, facility upgrades,
 and its medical expertise, training and staffing.
- Though TRC's current funding (i.e., grants, donations, resident fees, reimbursements) is strong, TRC must position itself for new opportunities to grow and expand its services (i.e., providing home care services, renovating the skilled nursing unit, updating memory care units, refurbishing apartments).
- There is a growing need to partner with a larger organization for additional resources and access to health care networks.
- After an extensive search for a partnership, TRC signed a letter of intent with Eskaton, a highly established and reputable, community-based, nonprofit organization with more than 50 years of experience serving throughout California.
- Eskaton is committed to upholding TRC's Jewish heritage, values, community services and programs, as well as preserving policies that support Holocaust survivors.
- Eskaton offers a wide array of nonprofit services and housing options across California that
 are inclusive of faith, heritage and backgrounds.
- Eskaton supports TRC's dedication to preserving Jewish cultural heritage, artifacts and artwork in partnership with the Jewish Museum.
- All past, present and future donations to TRC will be used exclusively for TRC's purposes.
 The community will amend its by-laws through the affiliation to include Eskaton as the sole member, which will place all assets and operations under Eskaton management.
- Donor intent is uncompromisingly important for both TRC and Eskaton to uphold and fulfill.
- TRC will hold a veto-power seat on the Eskaton corporate board to guarantee collaborative decision-making and the preservation of TRC's Jewish character.

- · How will this affect the Jewish Museum?
 - Eskaton supports TRC's dedication to preserving Jewish cultural heritage, artifacts and artwork in partnership with the Jewish Museum. The Jewish Museum at TRC will continue to host artwork, and the relationship will remain unchanged.

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THE REUTLINGER COMMUNITY + ESKATON Messaging segmented by Jewish Affiliated Organizations

KEY AUDIENCE

Jewish Affiliated Organizations

PRIMARY MESSAGING

- The Reutlinger Community (TRC) is committed to continuous growth and improvements
 throughout the community and into the future. To accomplish these goals, we continually
 evaluate our community's needs while focusing on improving care and services. This
 partnership allows TRC to keep up with the needs and demands of its residents, technology
 and operations, housing and services requirements, community outreach, facility upgrades
 and its medical expertise, training and staffing.
- Though TRC's current funding (i.e., grants, donations, resident fees, reimbursements) is strong, TRC must position itself for new opportunities to grow and expand its services (i.e., providing home care services, renovating the skilled nursing unit, updating memory care units, refurbishing apartments).
- There is a growing need to partner with a larger organization for additional resources and access to health care networks.
- After an extensive search for a partnership, TRC signed a letter of intent with Eskaton, a highly established and reputable, community-based, nonprofit organization with more than 50 years of experience serving throughout California.
- Eskaton is committed to upholding TRC's Jewish heritage, values, community services and programs, as well as preserving policies that support Holocaust survivors.
- Eskaton offers a wide array of nonprofit services and housing options across California that
 are inclusive of faith, heritage and backgrounds.
- All past, present and future donations to TRC will be used exclusively for TRC's purposes.
 The community will amend its by-laws through the affiliation to include Eskaton as the sole member, which will place all assets and operations under Eskaton management.
- Donor intent is uncompromisingly important for both TRC and Eskaton to uphold and fulfill.
- TRC will hold a veto-power seat on the Eskaton corporate board to guarantee collaborative decision-making and the preservation of TRC's Jewish character.
- Eskaton brings expertise and resources that will both sustain and improve TRC for years to come.

- · How will this affect your relationship with our organization?
 - Eskaton is committed to upholding TRC's Jewish heritage, values, community services and programs. We plan to continue to grow our relationships with like-minded and valuedriven organizations.

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THE REUTLINGER COMMUNITY + ESKATON Messaging segmented by Media

KEY AUDIENCE

Media

PRIMARY MESSAGING

- The Reutlinger Community (TRC) is committed to continuous growth and improvements
 throughout the community and into the future. To accomplish these goals, we continually
 evaluate our community's needs while focusing on improving care and services. This
 partnership allows TRC to keep up with the needs and demands of its residents, technology
 and operations, housing and services requirements, community outreach, facility upgrades,
 and its medical expertise, training and staffing.
- Though TRC's current funding (i.e., grants, donations, resident fees, reimbursements) is strong, TRC must position itself for new opportunities to grow and expand its services (i.e., providing home care services, renovating the skilled nursing unit, updating memory care units, refurbishing apartments).
- There is a growing need to partner with a larger organization for additional resources and access to health care networks.
- For the past several years, TRC has been thoughtfully searching for a strategic partner to continue to provide the highest quality care while maintaining its Jewish values and culture.
- TRC has evaluated numerous strategic partners, including other Jewish institutions and is
 now in serious discussions with Eskaton. Eskaton is a highly reputable, nonprofit and multisite residential senior care organization with over 50 years of experience serving throughout
 California. The partnership will provide TRC with strength, scale and influence while
 upholding the community's Jewish heritage, programs and values.
- A letter of intent has been signed by both organizations.
- Eskaton brings expertise and resources that will both sustain and improve TRC for years to come.
- Eskaton is committed to upholding the values and culture TRC was founded upon while expanding opportunities for TRC to serve more senior residents in the East Bay.
- Eskaton's expansion into the East Bay will help the organization execute excellent programs, along with provide the best possible living and health care options for its senior residents.

- · How will this change the services/care/facilities available at TRC?
 - o The care, comfort and happiness of TRC residents is our top priority. There will not be any initial changes to the programs or facilities; Eskaton will support back end process and systems while allowing TRC's talented staff to do their best work and ensure continuity of services. Over time, TRC's residential experience will improve as programs become richer and accommodations are made to provide higher-quality, more specialized care. Furthermore, staff will be provided with resources, assistance and expertise in areas including clinical quality, operations, human resources, technology life enrichment and finances.
- How will this change services available to the surrounding communities?
 - The partnership with Eskaton will ultimately allow TRC the bandwidth and resources to serve more of the East Bay.

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· Is this partnership due to financial struggles at TRC?

No. There is a growing need for single-site senior living communities to partner with larger organizations for resources including access to quality care provided by premier health institutions, along with expertise to navigate the changing needs of the senior living industry. The partnership allows TRC the ability to improve and expand its services (i.e., providing home care services, renovation of skilled nursing unit, updated memory care units, updated apartments).

· Does TRC accommodate other religions?

 TRC has always accommodated all religions and will continue to during the affiliation with Eskaton. TRC has a variety of residents with diverse backgrounds and beliefs and hosts programs and services tailored to different religious affiliations.

· How is Eskaton benefitting from the partnership?

 Eskaton's expansion into the East Bay will help the organization bring best practices to more single-site partners strengthening services and stability for community residents and families for decades to come. 530 Bush Street · Suite 403 · San Francisco, California 94108 TEL 415.392.1000 FAX 415.392.1099 WWW.FINEMANPR.COM

THE REUTLINGER COMMUNITY + ESKATON Messaging segmented by General Public

KEY AUDIENCE

General Public

PRIMARY MESSAGING

- After an extensive search for a partnership, TRC has signed a letter of intent with Eskaton, a highly established and reputable, community-based, nonprofit organization with more than 50 years of experience serving throughout California.
- Eskaton brings expertise and resources that will both sustain and improve TRC for years to come
- Eskaton is committed to upholding the Jewish values and culture TRC was founded upon while expanding opportunities for TRC to serve more senior residents in the East Bay.
- Eskaton's expansion into the East Bay will help the organization execute excellent programs, along with provide the best possible living and health care options for its senior residents.

Anticipated Frequently Asked Questions (FAQ):

- How will this change the services/care/facilities available at TRC?
 - o The care, comfort and happiness of TRC residents is our top priority. There will not be any initial changes to the programs or facilities; Eskaton will support back end process and systems while allowing TRC's talented staff to do their best work and ensure continuity of services. Over time, TRC's residential experience will improve as programs become richer and accommodations are made to provide higher-quality, more specialized care. Furthermore, staff will be provided with resources, assistance and expertise in areas including clinical quality, operations, human resources, technology life enrichment and finances.
- · How will this change services available to the surrounding communities?
 - The partnership with Eskaton will ultimately allow TRC the bandwidth and resources to serve more of the East Bay.
- Is this partnership due to financial struggles at TRC?
 - No. There is a growing need for single-site senior living communities to partner with larger organizations for resources including access to quality care provided by premier health institutions, along with expertise to navigate the changing needs of the senior living industry. The partnership allows TRC the ability to improve and expand its services (i.e., providing home care services, renovation of skilled nursing unit, updated memory care units, updated apartments).
- · Does TRC accommodate other religions?
 - TRC has always accommodated all religions and will continue to during the affiliation with Eskaton. TRC has a variety of residents with diverse backgrounds and beliefs and hosts programs and services tailored to different religious affiliations.
- How is Eskaton benefitting from the partnership?
 - Eskaton's expansion into the East Bay will help the organization bring best practices to more single-site partners strengthening services and stability for community residents and families for decades to come.

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THE REUTLINGER COMMUNITY + ESKATON Messaging segmented by Vendors

KEY AUDIENCE

Vendors

PRIMARY MESSAGING

- After an extensive search for a partnership, TRC signed a letter of intent with Eskaton, a highly established and reputable, community-based, nonprofit organization with more than 50 years of experience serving throughout California.
- TRC is committed to expanding its mission and services to the greater East Bay region through this strategic affiliation with Eskaton.
- Eskaton will work collaboratively with TRC over several months to understand back-end processes.
- Business will continue as usual; TRC will continue to communicate openly about any expected changes/implications.

Anticipated Frequently Asked Questions (FAQ):

- Will this affect our business together?
 - Eskaton will work collaboratively with TRC over several months to understand back end processes. Business will continue as usual; TRC will continue to communicate openly about any expected changes/implications/processes.

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THE REUTLINGER COMMUNITY + ESKATON Reactive Q&A

Anticipated Frequently Asked Questions (FAQ):

- · Why now?
 - Several years ago, the TRC board identified and began evaluating the strategic need to partner with another organization for continued growth and expansion. TRC is committed to the well-being of residents and ongoing enhancements of services to older adults in the East Bay region.
 - o TRC has worked with a number of consultants over the past half-decade to assist with the community's strategic planning efforts. We have explored various ways to help us increase services and remain a vital force for the East Bay senior living community. After working with three different senior living, strategic planning specialists and reviewing all our options, we concluded that Eskaton was the right fit for TRC.
- · What does the future of TRC look like?
 - TRC's partnership with Eskaton will position our community for a strong and vibrant future. The alignment will provide a back-bone of financial support, valuable management resources and senior living expertise to address continuous changes in regulations, changing customer expectations and increased competition.
- · Why isn't TRC partnering with a Jewish organization?
 - o TRC has evaluated several Jewish organizations for strategic partnerships. TRC's considerations with these organizations were not deemed viable. TRC's goal for a partnership is to ensure the right fit both financially and culturally. TRC is in due diligence with Eskaton, a highly reputable, nonprofit senior living organization that supports the values and cultures of the communities with which it partners. Eskaton is non-denominational and provides a broad spectrum of affordable senior housing, campus living options and home-based services throughout California providing TRC with ways to expand TRC's mission further into the East Bay.
- Will Jewish character and values be upheld?
 - Eskaton is committed to upholding TRC's Jewish heritage, values, community services and programs. TRC will hold a veto-power seat on the Eskaton corporate board to guarantee collaborative decision-making and the preservation of TRC's Jewish character.
- Will the Holocaust survivor support (Resident Assistance Fund) remain in place?
 - Eskaton is committed to upholding TRCs Jewish heritage, values, community services and programs, including preserving policies that support Holocaust survivors.
- · How will this affect the Jewish Museum?
 - Eskaton supports TRC's dedication to preserving Jewish cultural heritage, artifacts and artwork in partnership with the Jewish Museum. The Jewish Museum at TRC will continue to host artwork, and the relationship will remain unchanged.
- Will TRC remain a nonprofit?
 - Yes, TRC will remain nonprofit since Eskaton is a nonprofit, community-based organization and equally supports TRC's mission-driven approach.
- · Will there be any structural changes to TRC's facility/campus?
 - TRC will continue to have campus and programmatic improvements each year; just as
 they have had in the past. Eskaton embraces a formal capital asset planning process and
 business discipline to assure communities look and feel their best.
 - TRC has continued to make significant capital improvements in security systems, solar energy, nurse call systems, a new theatre, garden upgrades, domestic hot water systems etc.

• Why is Eskaton the right partner?

o After several years of thoughtful consideration, it is clear Eskaton is the ideal partner for TRC from both a financial and cultural standpoint. Eskaton is an established and reputable, community-based, nonprofit organization with more than 50 years of experience serving across California. The organization will provide TRC with additional resources, strength, scale and influence and is committed to upholding TRC's Jewish heritage, values, community services and programs.

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FOR:

THE REUTLINGER COMMUNITY & ESKATON

FOR IMMEDIATE RELEASE

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EAST BAY, JEWISH SENIOR COMMUNITY, REUTLINGER, TO AFFILIATE WITH ESKATON, NORTHERN CALIF. NONPROFIT ORGANIZATION Partnership to enhance services and preserve Jewish cultural values

DANVILLE, Calif. – Dateline – The Reutlinger Community (TRC), the East Bay's only senior Jewish Community, and Eskaton, a Sacramento-based, nonprofit senior living organization, signed a letter of intent to affiliate TRC into the Eskaton network of senior living communities. The agreement will serve to combine resources and expand the nonprofit network, while maintaining TRC's Jewish heritage and cultural values. TRC will gain resources, strength, scale and influence to expand its services in the East Bay. The advantage of partnering with Eskaton allows for expanded services and best-in-class programs. This, relationship expands the growing presence of Eskaton in the San Francisco Bay Area's East Bay, as well as access to TRC's relationship with the John Muir HMO network.

Eskaton's commitment to uphold TRC's Jewish heritage is a priority in the terms and conditions of the new agreement as well as TRC holding a board seat on Eskaton's board of directors.

The nearly 70-year-old TRC, originally the Home for Jewish Parents located in Oakland, Calif., is a recently renovated, single site, 110,000-square-foot community offering a continuum of care from independent living, skilled nursing, assisted living, enhanced care and memory care. Eskaton, celebrating its 50th anniversary, owns and operates 35 communities and programs throughout California offering affordable senior housing, independent living, assisted living, memory care, rehabilitation and skilled nursing and home-based services such as licensed home healthcare and non-medical home care and adult day healthcare.

"Reutlinger is a single site community experiencing the same challenges that other best-in-class senior living communities are facing throughout the country," said TRC President and CEO Jay Zimmer. "By partnering with Eskaton, a large well-established nonprofit organization, Reutlinger can benefit from additional resources, healthcare expertise and ability to expand our mission to older adults living in the East Bay."

"Eskaton has great respect and admiration for what TRC has accomplished and the positive reputation they have built," said Eskaton CEO Todd Murch. "Eskaton will continue to support Reutlinger's Jewish values and legacy."

EAST BAY, JEWISH SENIOR COMMUNITY, REUTLINGER, TO AFFILIATE WITH ESKATON, NORTHERN CALIF. NONPROFIT ORGANIZATION

"Reutlinger's leadership identified the need for a strategic partner and conducted broad due diligence with Jewish and non-Jewish organizations," said Zimmer. "We found aligned goals and vision with Eskaton to strengthen and expand Reutlinger for decades to come."

About The Reutlinger Community

The Reutlinger Community, located in the scenic East Bay Area in Danville, California, is committed to providing high quality health care and social support services to seniors in a life-enhancing and stimulating environment with a commitment to Jewish values.

About Eskaton

Since 1968 Eskaton has been serving Northern California older adults. As a nonprofit senior living provider, our mission is to enhance the lives of older adults through innovative health, housing and social services. With five decades of experience and a national reputation for innovation, Eskaton is Transforming the Aging Experience. For more information, please call 1-866-ESKATON, or visit http://www.eskaton.org/.

CORE MESSAGE PLATFORM (DRAFT)

THE REUTLINGER COMMUNITY & ESKATON

AUDIENCE IDENTIÈCATION

Key audiences:

- Board members
- Staff members
- Residents
- > Family members
- Vendors
- Jewish affiliated organizations
- > General public
- Donors
- Press, e.g., J Weekly

PRIMARY MESSAGE POINTS FOR EACH AUDIENCE

Primary message points overall:

- The Reutlinger Community (TRC) is positioning themselves for a strong and vibrant future by exploring affiliation with Eskaton, a well-established, regional, nonprofit community-based organization, to expand TRC's mission-impact and to strengthen overall operations.
- > Eskaton is committed to upholding TRCs Jewish heritage, programs and values.
- TRC will hold a seat on the Eskaton corporate board, with broad powers to protect TRC's Jewish values.

<u>Timeframe</u>: A Letter of Intent has been signed by both organizations and due diligence and affiliation discussions are underway. We hope to reach an agreement in the 2nd Q of 2019.

Target audience message (why now? How does this affect me?)

1. Board members:

- > TRC is positioning themselves for a strong and vibrant future by exploring affiliation with Eskaton, a nonprofit community-based multi-site organization.
- > TRC is committed to expanding their mission and services to the greater East Bay region through this strategic affiliation.
- Eskaton offers a wide array of nonprofit services and housing options across Northern CA that are inclusive of faith, heritage and backgrounds and commits to upholding TRC's name and Jewish programs and policies that support persons whom embrace the Jewish faith.
- > TRC will hold a board-seat on the Eskaton corporate board of directors.

2. Staff members

- > TRC is positioning themselves for a strong and vibrant future by exploring affiliation with Eskaton, a nonprofit community-based multi-site organization.
- > Eskaton is a nonprofit senior living and service organization with over 50 years of experience serving Northern California.
- > Eskaton will provide bench-strength for critical leadership positions.
- Eskaton will provide TRC staff with resources, support and expertise in the areas of clinical quality, operations, human resources, technology life enrichment, and finances, to name a few. (A backbone of support and expertise)
- Eskaton will work together with TRC to understand staff roles and responsibilities with the focus to provide the best services and support to TRC residents and families.
- > Staff will have opportunities with Eskaton that TRC on its own could not provide

Residents

- TRC is positioning themselves for a strong and vibrant future by exploring affiliation with Eskaton, a nonprofit community-based multi-site organization in Northern California.
- Eskaton is committed to upholding TRCs Jewish heritage, values, community services and programs. As well as upholding policies that support Holocaust survivors.
- TRC is committed to expanding their mission and services to the greater East Bay region through this strategic affiliation with Eskaton.
- Eskaton brings additional resources and expertise to TRC that will sustain TRC for decades to come.

4. Family members

- > TRC is positioning themselves for a strong and vibrant future by exploring affiliation with Eskaton, a nonprofit community-based multi-site organization
- Eskaton is committed to upholding TRCs Jewish heritage, values, community services and programs. As well as upholding policies that support Holocaust survivors.
- > TRC is committed to expanding their mission and services to the greater East Bay region through this strategic affiliation with Eskaton.
- Eskaton brings additional resources and expertise to TRC that will sustain TRC for decades to come.

1 500 . 1

5. Jewish affiliated organizations

- TRC is positioning themselves for a strong and vibrant future by exploring affiliation with Eskaton, a nonprofit community-based multi-site organization
- > Eskaton is committed to upholding TRCs Jewish heritage, values, community services and programs. As well as upholding policies that support Holocaust survivors

Eskaton brings additional resources and expertise to TRC that will sustain TRC for decades to come.

6. Vendors

- > TRC is positioning themselves for a strong and vibrant future by exploring affiliation with Eskaton, a nonprofit community-based multi-site organization
- > TRC is committed to expanding their mission and services to the greater East Bay region through this strategic affiliation with Eskaton.

7. General public

- > TRC is positioning themselves for a strong and vibrant future by exploring affiliation with Eskaton, a nonprofit community-based multi-site organization
- A

A

8. Donors

- > All of the above plus;
- All donations previously made to TRC, and any future donations will be designated exclusively for use by the community.

MEDIA HOLDING STATEMENT (IF THE PRESS CALLS))

External:

- TRC is positioning themselves for a strong and vibrant future by exploring affiliation with Eskaton, a nonprofit community-based multi-site organization with over 50 years of experience.
 - Eskaton is committed to upholding TRCs Jewish values and heritage and expanding opportunities for TRC to serve more older adults in the East Bay.
 - Single-site organizations throughout the US are partnering in similar ways with larger organizations.
 - Changes in third-party reimbursement (Medicare, Medicare Advantage, Medi-Cal) are making it significantly more challenging for single-site senior living communities to deliver high-quality services.

FINEMANPRO

530 Eush Street · Suite 403 San Francisco, California 94106 TEL 415.392.1000 FAX 415.392.1099 WWW.FINEMANPR.COM

THE REUTLINGER COMMUNITY + ESKATON Announcement Letters Post Meetings 3/12/19

AUDIENCES

- Residents
- Families
- Donors
- Staff
- Vendors

LETTER BY AUDIENCE

1. Residents

Dear Reutlinger community,

We are writing to share some news about our community. The Reutlinger Community and Eskaton, a Sacramento-based nonprofit with more than 50 years of experience in senior living, signed a letter of intent to affiliate to provide additional resources for Reutlinger aimed at improving services for residents and increasing our presence in the East Bay.

Initially, very little will change. Eskaton staff will spend the next few months getting acquainted with our community procedures and programs. Over time, improvements will deliver higher-quality services and care. Residential pricing is not expected to increase in conjunction with the enhancements.

TRC will offer access to the same doctors and caretakers through the affiliation without making any adjustments to programs, meals and services currently available to residents. Any potential changes will be announced with transparency by community staff well in advance.

Jewish cultural values, programs and religious services will be preserved under the affiliation. Though Eskaton is a non-denominational organization, they support our mission-driven approach to preserve an identity that has distinguished TRC from other regional retirement organizations since the community was founded nearly 70 years ago. In sustaining our community's culture, TRC will continue to employ a full-time rabbi, maintain its relationship with the Jewish Museum and support Holocaust survivors.

To answer any outstanding questions, please see the attached Question and Answer document that provides background about Eskaton and the affiliation agreement.

The affiliation will help maintain care, comfort and a secure future for all residents at TRC, a commitment that has been a top priority since the community was founded. If you have any additional questions about Eskaton you would like to discuss individually, please contact us. TRC is planning an additional community meeting DATE to address outstanding questions.

Thank you,

2. Families

Dear Reutlinger family,

We are writing to share some news about our community. The Reutlinger Community and Eskaton, a Sacramento-based nonprofit with more than 50 years of experience in senior living, signed a letter of intent to affiliate to provide additional resources for Reutlinger aimed at improving services for your family member under TRC care.

Initially, very little will change. Eskaton staff will spend the next few months getting acquainted with our community procedures and programs. Over time, improvements will deliver higher-quality services and care. Residential pricing is not expected to increase in conjunction with the enhancements.

TRC will offer access to the same doctors and caretakers through the affiliation without making any adjustments to programs, meals and services currently available to residents. Community staff will announce potential changes affecting your family member well in advance.

Jewish cultural values, programs and religious services will be preserved under the affiliation. Though Eskaton is a non-denominational organization, they support our mission-driven approach to preserve an identity that has distinguished TRC from other regional retirement organizations since the community was founded nearly 70 years ago. In sustaining our community's culture, TRC will continue to employ a full-time rabbi, maintain its relationship with the Jewish Museum and support Holocaust survivors.

To answer any outstanding questions, please see the attached Question and Answer document that provides background about Eskaton and the affiliation agreement.

The affiliation will help maintain care, comfort and a secure future for all residents at TRC, a commitment that has been a top priority since the community was founded. If you have any additional questions about Eskaton you would like to discuss individually, please contact us. TRC is planning an additional community meeting DATE to address outstanding questions.

Thank you,

3. Donors

Dear Reutlinger Donors,

We are writing to share some news about our community. The Reutlinger Community and Eskaton, a Sacramento-based nonprofit with more than 50 years of experience in senior living, signed a letter of intent to affiliate to help the community improve quality of care services for residents and increase the community's presence in the East Bay.

Jewish heritage, cultural values and sacred ideals are not at risk under the affiliation with nondenominational Eskaton. Eskaton has committed in affiliation discussions with the community toward upholding the values that have distinguished TRC from other regional retirement organizations since the community was founded nearly 70 years ago. TRC will hold a vetopowered seat on the Eskaton Board of Directors to ensure sacred values remain a priority.

Donations benefitting the community and its residents will continue to be directed toward the exclusive purposes for which they were intended. Donor submissions to TRC will not be reallocated to any other Eskaton community.

TRC worked with a number of consultants the past half-decade to assist the community in strategically planning for the future. Options included discussions with both Jewish and non-denominational organizations to find a compatible affiliation. In the end, Eskaton was the right fit for TRC.

The affiliation will provide TRC residents access to the same doctors and caretakers without adjusting programs, meals and services currently available. In preserving community culture, TRC will continue to employ a full-time rabbi, maintain its relationship with the Jewish Museum and support Holocaust survivors.

To answer any outstanding questions, please see the attached Question and Answer document that provides background about Eskaton and the affiliation agreement.

The affiliation will help maintain care, comfort and a secure future for all residents at TRC, a commitment that has been a top priority since the community was founded. If you have any additional questions about Eskaton you would like to discuss individually, please contact us. TRC is planning additional community meetings to address outstanding questions.

Thank you,

4. Staff

Dear Reutlinger staff,

We are writing to share some news about our community. The Reutlinger Community and Eskaton, a Sacramento-based nonprofit with more than 50 years of experience in senior living, signed a letter of intent to affiliate to provide TRC staff resources, support and expertise to assist in their work.

Eskaton will be on-site over the next several months to support back-end processes while learning staff roles and responsibilities. Job titles will not change in the short-term as Eskaton works through its due diligence process to fully understand your roles. Eskaton's presence will allow TRC staff to maintain current quality of care through the transitionary period and ensure continuity of services for our residents.

The affiliation will allow TRC the flexibility to maintain pace with market demands on residents, technology, housing, community outreach, facility upgrades and medical expertise in training and staffing. Eskaton will provide you with greater career support and growth opportunities as TRC becomes part of its centralized network of information and efficiency. We will announce any changes in services or programs with transparency well in advance.

We worked with a number of consultants throughout the past four years to assist the community in planning strategically for the future. Our planning and research efforts emphasized improvements to services while increasing the community's presence in the East Bay. TRC selected Eskaton after working with three different senior living-focused strategic planning specialists.

The affiliation will help maintain care, comfort and a secure future for all residents at TRC, a commitment that has been a top priority since the community was founded. If you have any additional questions about Eskaton you would like to discuss individually, please contact us. TRC is planning an additional community meeting DATE to address outstanding questions.

In the meantime, please see the attached Question and Answer document that provides background about Eskaton and the affiliation agreement.

Thank you,

5. Vendors

Dear Reutlinger vendors,

We are writing to share some news about our community. The Reutlinger Community and Eskaton, a Sacramento-based nonprofit with more than 50 years of experience in senior living, signed a letter of intent to affiliate into the Eskaton network of care providers.

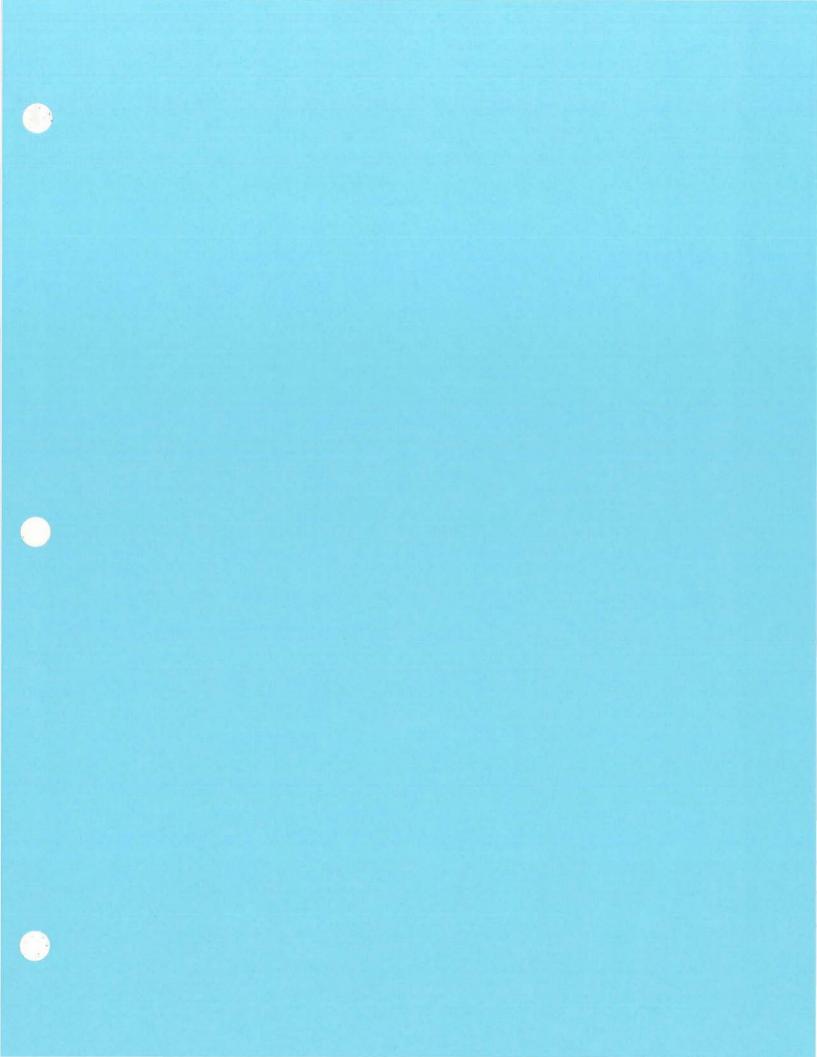
Business will continue as normal in the interim. TRC will honor current contracts as the community continues to compensate vendors for services provided. Correspondence will remain between vendors and their designated contact at TRC.

The community will announce any changes or adjustments with transparency well in advance as Eskaton spends the next few months learning back-end processes at TRC.

TRC worked with a number of consultants the past half-decade to assist the community in planning strategically for the future. Efforts emphasized improvements to services while increasing the community's presence in the East Bay. TRC selected Eskaton after working with three different senior living-focused strategic planning specialists.

The affiliation will help maintain care, comfort and a secure future for all residents at TRC, a commitment that has been a top priority since the community was founded. If you have any additional questions about Eskaton you would like to discuss individually, please contact us.

Thank you,





Present: Berkman, Rose, Grant, Isaac, Ruth, White, Jones, Judson

Absent: Salkin, Usatin, Powell, Goldstein

Staff: Zimmer

Guest: Jill Dodd - Counsel

Minutes of the February Executive Session were approved upon motion by White, seconded by Judson.

Jordan introduced Jill Dodd, attorney with Manatt and lead counsel for TRC on the affiliation agreement. Jill specializes in the not-for-profit sector.

Jill indicated

REDACTED - PRIVILEGED

Jill believed

REDACTED - PRIVILEGED

Overall, counsel

REDACTED - PRIVILEGED

After counsel departed, attention was turned to the selection of the Designator Organization. The following organizations were 'nominated' and the list will be sent to Eskaton to determine if any should not be approved:

- Lehrhaus Judaica
- Jewish Family and Community Services
- Sinai Memorial Chapel
- Beth Abraham
- B'nai Shalom
- Temple Sinai
- Temple Isaiah
- Family Foundations (TBD)

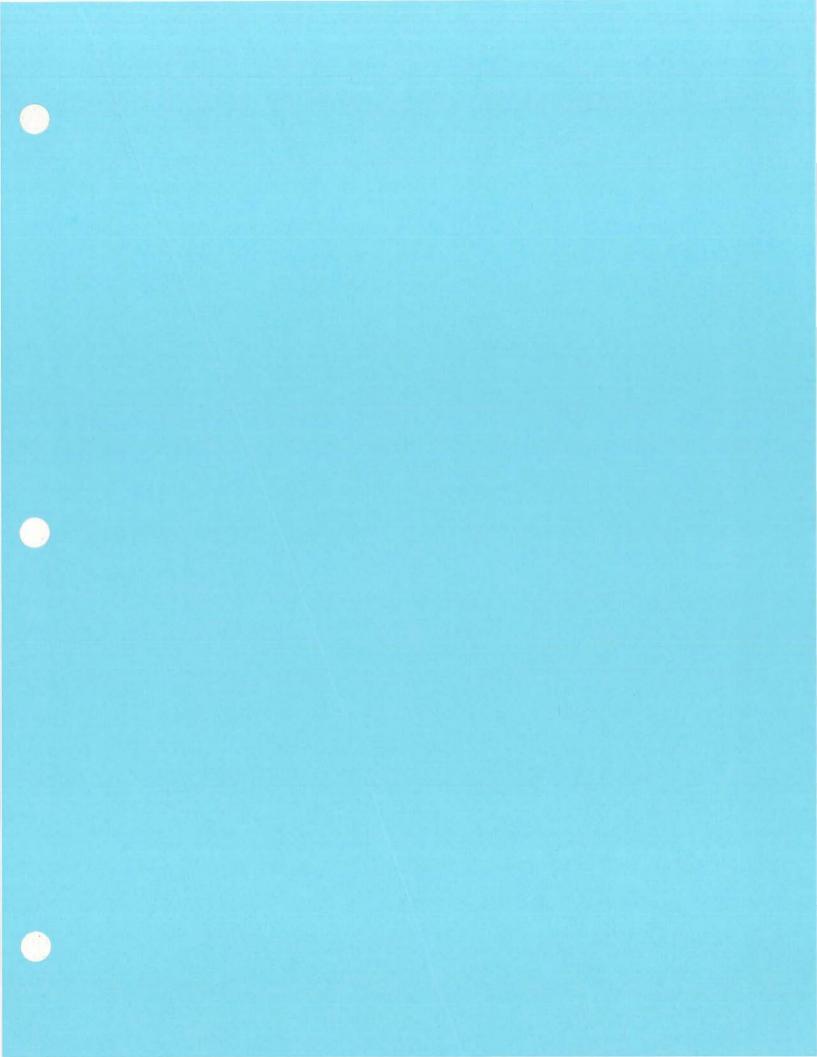
The final order of business was to select an individual to be considered for membership on the Eskaton Board.

Jordan Rose has volunteered and upon a motion by white, seconded by Isaac, Jordan Rose will be referred to Eskaton as our Board nominee.

There being no further business, the meeting was adjourned at 8:45 PM.

Respectfully submitted,

Jay Zimmer President and CEO



The Reutlinger Community Board of Directors Meeting Minutes of April 9, 2019

Meeting Minutes Agenda Items: Sherry Berkman called the meeting to order at 6:00 PM. In attendance were Craig Judson, David Grant, Marc Usatin, Fred Isaac, Richard Goldstein, Jean Jones and Gloria Ruth. Sam Salkin, Renee Powell, Joel White and Jordan Rose were absent. Staff in attendance were Jay Zimmer, Brian Morrow, Rabbi Kohn and Naheed Asalati.

REDACTED - NOT RELEVANT

Affiliation Update:

- Communication will go out after signing the affiliation agreement.
- Meeting with Meryl Sokoler (J. News) on April 11, 2019
- Affiliation legal cost to TRC \$150,000 as of now
- Fineman fee will be split in half with Eskaton.

Marc Usatin expressed concerns about limiting TRC representation on the Eskaton board to nine years. His concerns centered around preserving Jewish values, advocacy for Jewish interests and the TRC Mission Statement in perpetuity.

Affiliation Resolution:

David Grant moved to approve the Resolution to move forward with Eskaton and Fred Isaac seconded.

Fred Isaac moved to approve the Affiliation Resolution and Richard Goldstein seconded, Marc Usatin abstained.

Fiscal Year 2020 Budget Timetable: Brian Morrow reported that he is working on FY 2020 Budget and will have a meeting with Eskaton senior management to discuss.

CEO Report: Jay Zimmer Reported on:

Affiliation Update

- The Affiliation agreement requires Eskaton to complete its due diligence prior to signing the agreement.
- Eskaton has proposed that it will charge 6% monthly management fee for its services.
- Designator Organization: The following organizations are willing to be the selected Designator Organization per the Affiliation Agreement:
 - Sinai Memorial Chapel
 - Jewish Family and Community Services

Fred Isaac moved to approve that we chose Sinai Memorial Chapel to be the successor organization, Richard Goldstein seconded. The motion passed.

Sherry Berkman reported that Jordan Rose has volunteered to serve on the Eskaton Board representing TRC for the first 3 years. After 3 years Marc Usatin can assume that role if he is willing to for the following 3 or 6 years.

Jay Zimmer noted that the first Board representative is selected by The TRC Board. The Designator Organization will select the next persons and have to be approved by Eskaton.

Approval of March 12, 2019 Executive Session Minutes:

Fred Isaac moved to approve the Executive Session Minutes Craig Judson seconded Marc Usatin and Richard Goldstein Abstained Adjournment: There being no further business, the meeting was adjourned at 8:45

Executive Committee Meeting

The Executive Session followed the adjourned BOD Meeting.

Respectfully Submitted

Naheed Asalati

Next Board of Directors Meeting is on May 14, 2019 at 6 PM.

THE REUTLINGER COMMUNITY BOARD OF DIRECTORS RESOLUTION TO APPROVE AFFILIATION WITH ESKATON

April 9, 2019

The Board of Directors (the "Board") of The Reutlinger Community, a California nonprofit public benefit corporation (the "Corporation") hereby consents to and adopts the following resolutions:

AFFILIATION WITH ESKATON

WHEREAS, the Board has remained attentive to the rapidly changing trends, market conditions and challenges in the senior housing and health care industry and how such developments have impacted the Corporation's mission, vision and strategy;

WHEREAS, the Board has determined that the Corporation would benefit from affiliating with a capable and experienced nonprofit provider so that the Corporation is able to continue to: (i) preserve its mission and core business; (ii) maintain the current level of services and quality of care offered to its residents; and (iii) ensure the future of the Corporation as a provider of mission-based quality services.

WHEREAS, on March 13, 2018, the Board passed a motion for the President and CEO of the Corporation, Jay Zimmer ("Zimmer"), to open discussions as to a possible strategic affiliation with such third parties as the Board may determine to be appropriate;

WHEREAS, on April 10, 2018, the Board passed a resolution to allow two of its directors, Jordan Rose ("Rose") and David Grant ("Grant"), as well as Zimmer (collectively, the "Affiliation Committee"), to explore potential affiliates. The Board identified three key criteria for such potential affiliates, including that they would: (i) preserve the Corporation's charitable mission, vision and values, including its Jewish values and identity (Mission Alignment/Non-Profit – Jewish Identity); (ii) maintain the Corporation's core services and quality of its care for its residents (Quality of Care); and (iii) be willing and able to access their own capital to further the interests of the Corporation and its mission (Access to Capital);

WHEREAS, the Affiliation Committee subsequently engaged in discussions with various potential third-party affiliates whom the Corporation believed to most appropriately fit the key criteria specified by the Board (collectively, the "Potential Affiliates"), including Eskaton, a California nonprofit public benefit corporation ("Eskaton");

WHEREAS, the Board determined that Eskaton: (i) would be the strongest financial affiliate; (ii) is willing to access its own capital for the benefit of the Corporation; (iii) would remain committed to the Corporation's charitable mission, as well as its religious values and identity, as demonstrated through its prior experience with other faith-based organizations; and (iv) is strongly positioned to maintain the current level of services and quality of care provided by the Corporation to its residents;

WHEREAS, on November 7, 2018, the Board passed a motion for the Corporation to further negotiate a non-binding Letter of Intent (the "LOI") with Eskaton in an attempt to reach a binding affiliation agreement;

WHEREAS, on November 13, 2018, the Board authorized execution of the LOI (subject to certain restrictions), and on November 30, 2018, Zimmer executed the LOI on behalf of the Corporation;

WHEREAS, the Affiliation Committee has negotiated the material terms of the affiliation agreement with Eskaton, which would be binding once finalized and executed, pursuant to which: (i)

Eskaton would become the sole member of the Corporation; and (ii) the parties would make various commitments and undertakings with respect to: (x) the governance of the Corporation; (y) certain financial and operational support of the Corporation; and (z) the maintenance of the Corporation's Jewish values, practices and traditions;

WHEREAS, on April 9, 2019, Grant presented the material terms of the affiliation agreement, attached hereto as Exhibit A, to the Board for approval and the Board had an opportunity to ask factual questions of Grant concerning the material terms of the affiliation agreement and proposed affiliation with Eskaton;

WHEREAS, in addition to internal discernment, in reviewing the material terms of the affiliation agreement attached hereto as Exhibit A and in making the determinations and resolutions set forth below, the Board relied upon and/or considered information provided by members of the Board who negotiated the material terms of the affiliation agreement (specifically, Rose and Grant, neither of whom will receive, directly or indirectly, any salary, compensation, payment or other form of remuneration from Eskaton following the close of the transaction), and did not rely upon or consider any information or opinions from any member of management of the Corporation (except that members of management were available to provide exclusively factual information as described in Health & Safety Code Section 1260.1(d)); and

WHEREAS, the Board has determined that the Corporation would benefit from an affiliation with Eskaton because Eskaton has the ability to provide the Corporation with additional health care expertise, resources, strength and scale to influence and expand services for the Corporation's residents and increase the Corporation's presence in the East Bay Area of San Francisco while also preserving the Corporation's Jewish values, practices and traditions.

THEREFORE, IT IS RESOLVED THAT:

- 1. The Board makes and sets forth the following findings: (i) the material terms of the affiliation agreement represent a transaction that is fair and reasonable; and (ii) it is in the best interests of the Corporation, in furtherance of its nonprofit corporate mission and charitable purposes to authorize and approve the affiliation between the Corporation and Eskaton on the material terms and conditions presented to the Board by the Affiliation Committee, as set forth in Exhibit A;
- 2. The Board hereby approves, adopts and ratifies the material terms of the affiliation agreement and hereby specifically directs and authorizes: (i) the Affiliation Committee to finalize an affiliation between the Corporation and Eskaton; and (ii) the President and CEO of the Corporation to execute a binding affiliation agreement with Eskaton consistent with the material terms set forth in Exhibit A, subject to final approval by the Board, prior to closing, of any subsequent material changes to the material terms of the affiliation agreement, as presented, or new material terms if any;
- 3. The Board hereby authorizes, empowers and directs the authorized officers of the Corporation to do any perform any and all such acts, including execution of any and all documents necessary to carry out the purposes and intent of the foregoing resolutions, including, but not limited to the following:
- (a) Prepare, execute and file written notice, application and other related materials (including, without limitation, with the California Attorney General regarding the affiliation of the Corporation and Eskaton pursuant to the requirements of California Corporations Code sections 5920 et seq. and the regulations promulgated in the California Administrative Code related thereto);
- (b) Prepare, execute and file a written notice seeking a waiver from the California Attorney General, pursuant to California Corporations Code section 5920 and Title 11,

California Administrative Code section 999.5(a)(5) regarding the affiliation between the Corporation and Eskaton; and

- (c) Prepare, negotiate, execute and deliver all related documents, and take all other actions, as may be reasonably necessary or appropriate and in the best interest of the Corporation to obtain all approvals or consents to the affiliation between the Corporation and Eskaton;
- 4. The Board is hereby authorized to execute and deliver for and on behalf of the Corporation, all such instruments, certificates, agreements and documents, and to do and perform all such acts and things, including the incidence and payment of expenses, as may be necessary or desirable to carry out the intent and accomplish the purposes of the foregoing resolutions; and
- 5. Any actions taken by the Board prior to the date of the foregoing resolutions adopted hereby that are within the authority conferred thereby are hereby ratified, confirmed and approved as acts and deeds of the Corporation.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the foregoing resolutions are adopted by the Board as of the date set forth above.

David Grant Secretary of the Board

EXHIBIT A
(Copy of the Material Terms of the Affiliation Agreement)

323126804.9

AFFILIATION AGREEMENT

BETWEEN

ESKATON

AND

THE REUTLINGER COMMUNITY

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EXHIBITS:

Exhibit 1.2 Reutlinger Articles and Bylaws

Exhibit 1.3 Eskaton Articles and Bylaws

Exhibit 1.4(a) Reutlinger's Jewish Values, Practices and Policies

Exhibit 1.4(b) Reutlinger CAPEX Plan and Capital Reserve Study

Exhibit 1.5 Eskaton Management Agreement

Exhibit 2.3(d) List of Eskaton Bonds and Certificates of Participation

AFFILIATION AGREEMENT

	THIS AFFILIATION AGREEMENT (this "Agreement") is entered into as of this	day
of	, 2019 ("Effective Date"), by and between Eskaton ("Eskaton") and The Reu	tlinger
Comn	nunity ("Reutlinger"), each of which is a California nonprofit public benefit corpo	ration,
(collec	ctively, the "Parties").	

RECITALS

WHEREAS, Eskaton owns and operates independent living and continuing care retirement communities, residential care facilities for the elderly, and skilled nursing facilities (collectively referred to herein as the "Eskaton Facilities");

WHEREAS, Reutlinger owns and operates a continuing care retirement community and skilled nursing facility located in Danville, California (the "Reutlinger Facilities");

WHEREAS, the Parties desire to affiliate in order to consolidate service lines, expand their respective missions, permit them to continue to deliver services in their respective areas of expertise, and permit the vertical integration of corporate support functions; and

WHEREAS, the Parties desire to accomplish the affiliation by, among other things, entering into a transaction pursuant to which Eskaton shall become the sole member of Reutlinger and the Parties will make various commitments and undertakings as described herein with respect to the governance of Reutlinger and certain financial and operational support of Reutlinger (the "Transaction"), and the conduct of Reutlinger's business operations going forward (the "Affiliation");

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I AFFILIATION FORMATION AND STRUCTURE

Section 1.1 <u>Affiliation Transaction</u>. The Parties shall take such actions, and enter into such transactions, as are more fully set forth in this Agreement to enter into and establish the Affiliation effective as of the Closing Date. With respect to amendments to the governing documents of Reutlinger and Eskaton provided for in this Agreement, the Parties shall model such changes so as, to the extent possible, to preclude any requirement that Eskaton hold either a Certificate of Authority or license as a Residential Care Facility for the Elderly for the Reutlinger Facilities.

Section 1.2 <u>Amendment of Reutlinger Governing Documents.</u>

(a) Effective on the Closing Date, Reutlinger shall adopt an amendment to its Articles of Incorporation ("Amended Reutlinger Articles") and Bylaws ("Amended Reutlinger Bylaws") substantially in the form attached hereto as **Exhibit 1.2**, which amendments shall, among other things, (i) designate Eskaton, or an affiliate of Eskaton approved by Reutlinger, as its sole member,

- (ii) provide that the Directors of Reutlinger are identical to the Directors of Eskaton, including the Reutlinger Designee, described in **Section 1.3(b)** of this Agreement, and any person replacing the Reutlinger Designee from time to time and (iii) provide that a breach of any of Reutlinger's obligations pursuant to Section 1.4 shall be enforceable by the Reutlinger Designee or the Designator Organization, as applicable, as a breach of a charitable trust under Section 5142 of the California Corporations Code.
- (b) Effective as of the Closing Date, Reutlinger shall remain in existence as a California nonprofit public benefit corporation and an affiliate of Eskaton. All assets and liabilities of Reutlinger will remain the assets and liabilities of Reutlinger after closing of the Transaction, except to the extent the Parties agree in writing otherwise.

Section 1.3 Amendment of Eskaton Governing Documents.

- (a) Effective as of the Closing Date, Eskaton shall remain in existence as a California nonprofit public benefit corporation.
- (b) Eskaton's Articles and Bylaws shall be amended substantially in the form attached hereto as **Exhibit 1.3**, which amendments shall, among other things, (i) provide for a Director to the Eskaton Board who shall be designated by the Board of Reutlinger as constituted immediately prior to the Closing of the Transaction (the "Reutlinger Designee") for a three-year term, renewable for two (2) additional three-year terms, (ii) upon the death, incapacity, resignation or removal of the Reutlinger Designee for any reason, the right to designate and renew his or her replacement shall be vested in an organization selected by Reutlinger prior to the Closing Date (the "Designator Organization"), to be named in such amendment to the Eskaton's Articles and Bylaws provided for in this Section 1.3 and (iii) provide that a breach of any of Easkaton's obligations pursuant to Section 1.4 shall be enforceable by the Reutlinger Designee or the Designator Organization, as applicable, as a breach of a charitable trust under Section 5142 of the California Corporations Code.

Section 1.4 Additional Agreements

- (a) Eskaton and Reutlinger will preserve the name and identity of Reutlinger as a skilled nursing and residential care facility with a commitment to the Jewish values, policies and practices that have defined Reutlinger since its inception. Reutlinger's mission statement, its written policies and its practices specifically designed to preserve Jewish values and practices, as in effect on the Closing Date, shall be maintained. Such policies and practices include (without limitation), the policies respecting the Residents' Assistance Fund and those respecting Holocaust Survivors. All of such policies and practices shall continue in full force and effect. No material modifications to said mission statement, written policies or practices may be made without the prior written consent of the Reutlinger Designee, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee. The full text of the mission statement and a list of all such written policies and the practices relating to Reutlinger's Jewish values are attached hereto as Exhibit 1.4(a).
- (b) Eskaton and Reutlinger agree that (i) Reutlinger shall (A) operate in the manner specified in this Agreement, including, but not limited to as specified in this Section 1.4 and (B) expend its own capital to honor all of its obligations and to carry out the capital expenditures

contemplated in Reutlinger's CAPEX plan and capital reserve study as in effect on the Closing Date, a copy of which is attached hereto as **Exhibit 1.4(b)** (the "CapEx Plan"), (ii) Eskaton will not exercise any reserved power to impede or prevent the expenditure by Reutlinger of its own capital to honor all of its obligations and/or to carry out the capital expenditures contemplated in the CapEx Plan, (iii) Eskaton will expend its own capital (to the extent Reutlinger's is insufficient) to honor all of Reutlinger's obligations and to carry out the capital expenditures contemplated in the CapEx Plan, provided that such expenditures by Eskaton of its own capital over the five (5) year period following the Closing Date shall not be required by reason of the foregoing to exceed Five Million Dollars (\$5,000,000.00), (iv) Eskaton shall cause Reutlinger to be operated in the manner specified in this Agreement, including but not limited to as specified in this Section 1.4, and (v) Reutlinger shall not, and Eskaton shall not cause Reutlinger to, distribute or otherwise transfer Reutlinger funds or assets to Eskaton or any of its affiliates during the five (5) year period following the Closing Date.

- (c) Eskaton and Reutlinger will continue to operate the Reutlinger Facilities under the name "The Reutlinger Community." A change affecting such operating name shall only be made with the prior written consent of the Reutlinger Designee, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee.
- (d) Eskaton and Reutlinger will honor the intent of and any restrictions imposed on any philanthropic gifts donated to Reutlinger.
- (e) Neither Eskaton nor Reutlinger will sell, transfer, dispose of or otherwise change control of Reutlinger during the five (5) year period following the Closing Date.
- (f) During the five (5) year period following the Closing Date, Eskaton and Reutlinger will cause the principal business and operations of Reutlinger to be conducted at the Reutlinger Facilities in a manner substantially similar to that conducted by Reutlinger immediately prior to the Closing Date and as specified in this Agreement, including but not limited to as specified in this Section 1.4. Eskaton and Reutlinger may, after the end of such 5-year period, relocate the principal business and operations of Reutlinger to another comparable facility located in the East Bay of the San Francisco Bay Area, provided that all of the then-residents of Reutlinger are provided comparable accommodations and services at comparable costs at such new facility and such new facility is operated as specified in this Agreement, including but not limited to as specified in this Section 1.4.
- Organization in the event that there is no Reutlinger Designee at such time for any reason (or no reason), determines that Eskaton and/or Reutlinger have breached their obligations and commitments described in this Section 1.4 (the "Fundamental Commitments"), then the Reutlinger Designee or the Designator Organization, as applicable, shall provide written notice thereof to Eskaton and Reutlinger, describing in reasonable detail the nature of the alleged breach and other information pertinent thereto (a "Breach Notice"). Upon receipt of a Breach Notice, representatives of Eskaton and Reutlinger, and the Reutlinger Designee or the Designator Organization, as applicable, (along with their respective advisors) shall meet on a regular basis to discuss and resolve the alleged breach identified in the Breach Notice. If Eskaton and/or Reutlinger and the Reutlinger Designee or the Designator Organization, as applicable, are unable to resolve the alleged breach by Eskaton and/or Reutlinger identified in the Breach Notice to the reasonable satisfaction of the Reutlinger Designee

or the Designator Organization, as applicable, within thirty (30) days of the delivery of the Breach Notice, then the Reutlinger Designee or the Designator Organization, as applicable, may bring and pursue any lawsuit, alternative dispute resolution process or similar proceeding brought by, and at the election of, the Reutlinger Designee or the Designator Organization, as applicable, pursuant to this Section 1.4(g) hereof in order to enforce one or more of the Fundamental Commitments (an "Enforcement Action"). The Reutlinger Designee or the Designator Organization, as applicable, shall have the exclusive right and authority to make any and all decisions with respect to the prosecution of such Enforcement Action, including the decision to engage or dismiss legal counsel representing the Reutlinger Designee or the Designator Organization, as applicable, and Reutlinger in connection therewith and decisions to enter into settlement negotiations and to make and accept settlement offers with respect thereto. Eskaton and Reutlinger acknowledge and agree the Reutlinger Designee or the Designator Organization, as applicable, has standing to assert and bring an Enforcement Action on behalf of Reutlinger. Upon the completion of the term of the Reutlinger Designee, the Designator Organization shall exercise the authority of the Reutlinger Designee under this Section 1.4(g) to enforce the Fundamental Commitments.

- In the event that the Reutlinger Designee or the Designator Organization, as applicable, incurs expenses following the submission of a Breach Notice to enforce the Fundamental Commitments, Eskaton shall be fully responsible for the expenses incurred by such person in connection therewith. Eskaton agrees to advance to the Reutlinger Designee or the Designator Organization, as applicable, funds as and when required by such person following the submission of a Breach Notice to pursue the enforcement of such Fundamental Commitment. Upon each written request for funding of such expenses delivered by the Reutlinger Designee or the Designator Organization, as applicable, (which shall be supported by invoices or other written documentation of such reasonable expenses) and subject to the aforementioned limitation, Eskaton shall either deposit the requested funds into a segregated bank account under the control of the Reutlinger Designee or the Designator Organization, as applicable, within ten (10) days of such request or directly pay such expenses on behalf of such person as and when due. In the event that the Reutlinger Designee or the Designator Organization, as applicable, does not prevail in a dispute raised by it, then any such funds advanced or paid by Eskaton to pay the expenses of such person in connection therewith will be credited against any unfunded portion of the capital commitment described in Section 1.4(b). In the event that the Reutlinger Designee or the Designator Organization, as applicable, prevails in such dispute, then such funds advanced by Eskaton to pay the expenses of such person in connection therewith will not be credited against such capital commitment.
- (i) The Reutlinger Designee and the Designator Organization shall be afforded reasonable access to all information that is reasonably necessary for it to carry out its duties and responsibilities under this Section 1.4, and each of Eskaton and Reutlinger (as the case may be) shall provide or make available such information to the Reutlinger Designee and the Designator Organization as is reasonably requested by such person to the extent such information is available or reasonably accessible to such party. None of Eskaton, Reutlinger or their officers, directors or other agents will be deemed in violation of any agreement protecting the confidentiality of information as a result of providing information to the Reutlinger Designee or the Designator Organization for proper purposes under this Section 1.4(i). Notwithstanding anything to the contrary, this Agreement and the organizational documents of Eskaton and Reutlinger shall not restrict the use or disclosure of any such information as may be necessary in connection with an Enforcement Action.

- (j) For the avoidance of doubt, the Reutlinger Designee and the Designator Organization are third party beneficiaries of this Agreement.
- Section 1.5 Operational Management. All operations of Reutlinger shall be performed by and at the direction of the Board of Directors of Reutlinger, provided that certain operational tasks may be delegated to Eskaton pursuant to a written management agreement to be entered into between the Parties substantially in the form attached hereto as **Exhibit 1.5**, which agreement shall, among other things, (i) provide for a management fee not to exceed [______ Dollars (\$_____)] per annum and (ii) shall not be amended without the consent of the Reutlinger Designee.
- Section 1.6 <u>Third Party Approvals; Further Assurances</u>. Reutlinger and Eskaton agree to use their best efforts to obtain any and all necessary third party approvals or waivers, including approvals from the California Department of Social Services, the California Department of Public Health, and the California Attorney General's office. The Parties shall execute and deliver such documents and obtain such consents as are necessary to bring about the Affiliation set forth in this Agreement. The Parties shall cooperate reasonably with each other and with their respective representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall (a) furnish upon request to each other such further information; (b) execute and deliver to each other such other documents; and (c) do such other acts and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement and the Transaction.

Section 1.7 Reutlinger and Eskaton Assets.

- (a) On the Closing Date, Reutlinger shall retain its right, title and interest in and to the Reutlinger Facilities and all rights, claims, property and assets, real, personal or mixed, tangible and intangible, of every kind and description whatsoever and wherever located, owned, leased or held by Reutlinger and related to the operation of the Reutlinger Facilities and any other business or businesses conducted by Reutlinger, including, without limitation, the following (collectively, the "Reutlinger Assets"):
- (i) All of the real property, whether owned, under contract to acquire or leased by Reutlinger and used in, or necessary or intended for the operation of the Reutlinger Facilities and any other business or businesses conducted by Reutlinger, all of which is more particularly described in Schedule 1.7(a)(i) (collectively, the "Reutlinger Real Property"), including, without limitation, all buildings, structures, improvements, construction in progress and fixtures (collectively, the "Reutlinger Improvements") of every kind and nature now or hereafter located on the Reutlinger Real Property (the Reutlinger Real Property and the Reutlinger Improvements are hereinafter collectively referred to as the "Reutlinger Premises"), together with, if applicable, (1) all options, including options to purchase and renew, or other rights thereunder; (2) all right, title and interest of Reutlinger in and to any land in any adjacent streets, alleys, easements and rights-of-way; (3) all tenements, hereditaments, easements, privileges and appurtenances belonging to the Reutlinger Premises or any portion thereof, including without limitation all titles, estates, interests, licenses, agreements, air rights, water and canal rights, mineral rights, and all other rights at any time acquired by Reutlinger in and to any of the foregoing; and (4) all right, title and interest of Reutlinger in and to all leases, subleases, licenses, tenancies, agreements, contracts or grants of right

made by Reutlinger or at any time granted or acquired by Reutlinger with respect to the Reutlinger Premises or any portion thereof.

- (ii) All tangible personal property (the "Reutlinger Personal Property") of every kind and nature, comprising, located at, or used in or necessary or intended for the operation of or relating to the Reutlinger Facilities and any other business or businesses conducted by Reutlinger, whether owned or leased by Reutlinger, including without limitation all of the furniture, fixtures, equipment machinery, vehicles, owned or licensed computer systems, software and documentation thereof, whether or not attached to the Reutlinger Premises and whether located in the Reutlinger Premises or in transit to the Reutlinger Facilities.
- (iii) All inventories of supplies, parts, pharmaceuticals, drugs, food and other disposables and consumables useable and on hand at the Reutlinger Facilities on the Closing Date (collectively, the "Reutlinger Inventory"), together with all rights of Reutlinger under express or implied warranties or guarantees from the suppliers of Reutlinger with respect to the Reutlinger Inventory.
- (iv) The original or true and correct copies of all documents, books, records, forms and files relating to the Reutlinger Assets or the operation of the Reutlinger Facilities or the operation of any other business or businesses conducted by Reutlinger, including, without limitation, the following:
- (1) All patient, resident and medical records and all other medical and financial information regarding patients and residents at the Reutlinger Facilities;
 - (2) Patient and resident lists;
- (3) Correspondence from families, relatives, friends and interested parties for patients and residents entering the Reutlinger Facilities;
- (4) Employment and personnel records related to past and current employees of Reutlinger;
- (5) Personnel policies and manuals, electronic data processing materials, books of account, accounting books, financial records, journals and ledgers;
- (6) All of Reutlinger's budgets, accounting and financial data, business plans and projections, supplier lists, whether in paper or electronic form, correspondence, records, files and information regarding the operation, repair, maintenance, construction and renovation of the Reutlinger Premises, the mechanical, electrical and water systems at the Reutlinger Premises, as well as floor plans and other plans detailing the operation of the Reutlinger Premises, building and construction plans and specifications, building permits, zoning and land use approvals and variances, utility allocations and reservations, surveys, designs or drawings related to the operation or business of the Reutlinger Premises; and
- (7) All existing past and present reports from consultants dealing with services offered, admissions, medical records and patient processing, as well as posting documents

concerning equal employment affirmative action, wage and hour information and any and all documents pertaining to state and federal regulatory requirements.

- (v) All intangible personal property of every kind and nature used in, derived from or necessary or intended for the operation of the Reutlinger Facilities and any other business or businesses conducted by Reutlinger, wherever located, including, without limitation, the following:
- (1) All accounts and accounts receivable generated by Reutlinger in connection with the business or operation of the Reutlinger Facilities, including without limitation all patient accounts receivable, and all security held by Reutlinger in relation thereto;
- (2) All cash on hand or in banks, all cash equivalents, certificates of deposit, securities, performance and other bonds, accounts, notes receivable and other evidence of indebtedness, advances, bank accounts, deposits, prepaid items, choses in action, lock boxes, post office boxes, safe deposit boxes and the contents thereof that are maintained for use in the conduct of business or which contain any Reutlinger Assets;
- (3) All proprietary rights, patents, trademarks, trade names, business names, all rights in internet web sites and internet domain names presently used by Reutlinger, service marks, trade secrets and all applications and registrations therefor and licenses thereof, including, without limitation, all of Reutlinger's right, title and interest in and to the name "Reutlinger," all derivations and variations thereof, all logos with respect to the Reutlinger Assets and the Reutlinger Facilities, all copyrights, whether published or unpublished, including rights to prepare, reproduce and distribute copies, compilations and derivative works, and all other proprietary information, processes, formulas, technology, research and development, and intellectual property rights relating to or connected with the Reutlinger Assets or the operation of the Reutlinger Facilities;
- (4) All telephone numbers and email addresses used in connection with the operation of the Reutlinger Facilities;
- (5) All licenses, permits, certificates, franchises, registrations, authorizations, filings, consents, accreditations, approvals and other indicia of authority relating to business operations, renovation or construction on the Reutlinger Facilities (collectively, the "Reutlinger Licenses and Permits"), which Reutlinger Licenses and Permits, including the expiration dates thereof, if any, are listed on **Schedule 1.7(a)(v)(5)** hereto;
 - (6) All refunds, if any, pertaining to tax obligations of Reutlinger;
- (7) All benefits, proceeds, or any other amounts payable under any policy of insurance maintained by Reutlinger with respect to the Reutlinger Assets;
- (8) All deposits held by Reutlinger in connection with future services to be rendered by Reutlinger and all prepaid items and deposits held by third parties as of the Closing for the account of Reutlinger as security for Reutlinger's performance of its obligations, including, without limitation, deposits on Reutlinger Contracts and Reutlinger Leases and deposits for utilities with respect to the Reutlinger Premises;

- (9) All rights or obligations of Reutlinger under all contracts, agreements, options, commitments, instruments and plans, oral or written, including contracts, agreements and instruments relating to the construction, renovation, ownership, servicing, maintenance, occupancy and operation of the Reutlinger Facilities, or the Reutlinger Assets, or any part thereof (collectively, the "Reutlinger Contracts") and all rights or obligations of Reutlinger under all real property leases and personal property leases (where appropriate the real property leases and personal property leases shall collectively be referred to as the "Reutlinger Leases"), which Reutlinger Contracts and Reutlinger Leases are listed in **Schedule 1.7(a)(v)(9)**;
- (10) All rights or obligations under all contracts with residents residing in or having the right to occupy the Reutlinger Facilities;
- (11) All technical and marketing information used in the operation of or relating to operations, including new developments, inventions, ideas and documentation thereof, and all claims or rights related thereto;
- (12) Reutlinger's goodwill in connection with the Reutlinger Facilities and the Reutlinger Assets; and
- (13) The rights of Reutlinger under all manufacturers' warranties and guarantees relating to the Reutlinger Assets.
- (vi) All other assets, property, rights and claims of every kind, character or description, tangible and intangible, known or unknown, owned or leased by Reutlinger and used or held for use in the operation of the Reutlinger Facilities or any other business or businesses conducted by Reutlinger, and whether or not described on Reutlinger's financial statements, or in this Agreement.
- (vii) All additions, substitutions, replacements, repossessions, and products of any of the Reutlinger Assets described above.
- (b) On the Closing Date, Eskaton (which shall include, as applicable, its affiliated and subsidiary corporations other than Reutlinger) shall retain their respective right, title and interest in and to each and all of the Eskaton Facilities and all rights, claims, property and assets, real, personal or mixed, tangible and intangible, of every kind and description whatsoever and wherever located, owned, leased or held by Eskaton and related to the operation of the Eskaton Facilities and any other business or businesses conducted by Eskaton, including without limitation the following, but expressly excluding the Reutlinger Assets (collectively, the "Eskaton Assets"):
- (i) All of the real property, whether owned, under contract to acquire or leased by Eskaton and used in, or necessary or intended for the operation of the Eskaton Facilities and any other business or businesses conducted by Eskaton, all of which is more particularly described in **Schedule 1.7(b)(i)** (collectively, the "Eskaton Real Property"), including, without limitation, all buildings, structures, improvements, construction in progress and fixtures (collectively, the "Eskaton Improvements") of every kind and nature now or hereafter located on the Eskaton Real Property (the Eskaton Real Property and the Eskaton Improvements are hereinafter collectively referred to as the "Eskaton Premises"), together with (1) all options, including options to purchase and renew, or other rights thereunder; (2) all right, title and interest of Eskaton in and to

any land in any adjacent streets, alleys, easements and rights-of-way; (3) all tenements, hereditaments, easements, privileges and appurtenances belonging to the Eskaton Premises or any portion thereof, including without limitation all titles, estates, interests, licenses, agreements, air rights, water and canal rights, mineral rights, and all other rights at any time acquired by Eskaton in and to any of the foregoing; and (4) all right, title and interest of Eskaton in and to all leases, subleases, licenses, tenancies, agreements, contracts or grants of right made by Eskaton or at any time granted or acquired by Eskaton with respect to the Eskaton Premises or any portion thereof.

- (ii) All tangible personal property (the "Eskaton Personal Property") of every kind and nature, comprising, located at, or used in or necessary or intended for the operation of or relating to the Eskaton Facilities, and any other business or businesses conducted by Eskaton, whether owned or leased by Eskaton, including without limitation all of the furniture, fixtures, equipment, machinery, vehicles owned or licensed computer systems, software and documentation thereof, whether or not attached to the Eskaton Premises and whether located in the Eskaton Premises or in transit to the Eskaton.
- (iii) All inventories of supplies, parts, pharmaceuticals, drugs, food and other disposables and consumables useable and on hand at the Eskaton Facilities on the Closing Date (collectively, the "Eskaton Inventory"), together with all rights of Eskaton under express or implied warranties or guarantees from the suppliers of Eskaton with respect to the Eskaton Inventory.
- (iv) The original or true and correct copies of all documents, books, records, forms and files relating to the Eskaton Assets or the operation of the Eskaton Facilities or the operation of any other business or businesses conducted by Eskaton, including, without limitation, the following:
- (1) All patient, resident and medical records and all other medical and financial information regarding patients at the Eskaton Facilities;
 - (2) Patient and resident lists;
- (3) Correspondence from families, relatives, friends and interested parties for patients and residents entering the Eskaton Facilities;
- (4) Employment and personnel records related to past and current employees of Eskaton;
- (5) Personnel policies and manuals, electronic data processing materials, books of account, accounting books, financial records, journals and ledgers;
- (6) All of Eskaton's budgets, accounting and financial data, business plans and projections, supplier lists, whether in paper or electronic form, correspondence, records, files and information regarding the operation, repair, maintenance, construction and renovation of the Eskaton Premises, the mechanical, electrical and water systems at the Eskaton Premises, as well as floor plans and other plans detailing the operation of the Eskaton Premises, building and construction plans and specifications, building permits, zoning and land use approvals and variances, utility allocations and reservations, surveys, designs or drawings related to the operation or business of the Eskaton Premises; and

- (7) All existing past and present reports from consultants dealing with services offered, admissions, medical records and patient processing, as well as posting documents concerning equal employment affirmative action, wage and hour information and any and all documents pertaining to state and federal regulatory requirements.
- (v) All intangible personal property of every kind and nature used in, derived from or necessary or intended for the operation of the Eskaton Facilities and any other business or businesses conducted by Eskaton, wherever located, including, without limitation, the following:
- (1) All accounts and accounts receivable generated by Eskaton in connection with the business or operation of the Eskaton Facilities, including without limitation all patient accounts receivable, and all security held by Eskaton in relation thereto;
- (2) All cash on hand or in banks, all cash equivalents, certificates of deposit, securities, performance and other bonds, accounts, notes receivable and other evidence of indebtedness, advances, bank accounts, deposits, prepaid items, choses in action, lock boxes, post office boxes, safe deposit boxes and the contents there of that are maintained for use in the conduct of business or which contain any Eskaton Assets;
- (3) All proprietary rights, patents, trademarks, trade names, business names, all rights in internet web sites and internet domain names presently used by Eskaton, service marks, trade secrets and all applications and registrations therefor and licenses thereof, including, without limitation, all of Eskaton's right, title and interest in and to the name "Eskaton," all derivations and variations thereof, all logos with respect to the Eskaton Assets and the Eskaton Facilities, all copyrights, whether published or unpublished, including rights to prepare, reproduce and distribute copies, compilations and derivative works, and all other proprietary information, processes, formulas, technology, research and development, and intellectual property rights relating to or connected with the Reutlinger Assets or the operation of the Eskaton Facilities;
- (4) All telephone numbers and email addresses used in connection with the operation of the Eskaton Facilities;
- (5) All licenses, permits, certificates, franchises, registrations, authorizations, filings, consents, accreditations, approvals and other indicia of authority relating to business operations, renovation or construction on the Eskaton Facilities (collectively, the "Eskaton Licenses and Permits"), which Eskaton Licenses and Permits, including the expiration dates therefor, if any, are listed on **Schedule 1.7(b)(v)(5)**;
 - (6) All refunds, if any, pertaining to tax obligations of Eskaton;
- (7) All benefits, proceeds, or any other amounts payable under any policy of insurance maintained by Eskaton with respect to the Eskaton Assets;
- (8) All deposits held by Eskaton in connection with future services to be rendered by Eskaton and all prepaid items and deposits held by third parties as of the Closing for the account of Eskaton as security for Eskaton's performance of its obligations, including, without limitation, deposits on Eskaton Contracts and Eskaton Leases and deposits for utilities with respect to the Eskaton Premises;

- (9) All rights or obligations of Eskaton under all contracts, agreements, options, commitments, instruments and plans, oral or written, including contracts, agreements and instruments relating to the construction, renovation, ownership, servicing, maintenance, occupancy and operation of the Eskaton Facilities, or the Eskaton Assets, or any part thereof (collectively, the "Eskaton Contracts") and all rights or obligations of Eskaton under all real property leases and personal property leases (where appropriate the real property leases and personal property leases shall collectively be referred to as the "Eskaton Leases"), which Eskaton Contracts and Eskaton Leases are listed in Schedule 1.7(b)(v)(9);
- (10) All rights or obligations under all contracts with residents residing in or having the right to occupy the Eskaton Facilities;
- (11) All technical and marketing information used in the operation of or relating to operations, including new developments, inventions, ideas and documentation thereof, and all claims or rights related thereto;
- (12) Eskaton's goodwill in connection with the Eskaton Facilities and the Eskaton Assets; and
- (13) The rights of Eskaton under all manufacturers' warranties and guarantees relating to the Eskaton Assets.
- (vi) All other assets, property, rights and claims of every kind, character or description, tangible and intangible, known or unknown, owned or leased by Eskaton and used or held for use in the operation of the Eskaton Facilities or any other business or businesses conducted by Eskaton, and whether or not described on Eskaton's financial statements, or in this Agreement.
- (vii) All additions, substitutions, replacements, repossessions, and products of any of the Eskaton Assets described above.

ARTICLE II CLOSING

- Section 2.1 <u>Closing</u>. The closing of the transactions contemplated by this Agreement (the "Closing") shall be held on the date which is the latest to occur of (a) the fifth (5th) business day immediately following satisfaction of all conditions precedent to the Closing (or waiver by the party entitled to satisfaction thereof), and (b) such other date mutually agreed to by the parties (the "Closing Date"). The Closing shall be held on the Closing Date at the offices of Hanson Bridgett in San Francisco, California, at 10:00 a.m., local time, or on such other date, or at such other time and place, as the parties may agree upon in writing.
- Section 2.2 <u>Deliveries of Reutlinger</u>. In addition to any other documents to be delivered under other provisions of this Agreement, at the Closing, Reutlinger shall execute and deliver (as applicable) all such deeds, endorsements, assignments, documents as shall be necessary to effect the Affiliation, including, but not limited to, the following (the "Reutlinger Closing Documents"):
- (a) A certificate of the Secretary of Reutlinger certifying, as complete and accurate as of the Closing, attached copies of the governing documents, certifying and attaching all requisite

resolutions or actions of Reutlinger's board of directors approving the execution and delivery of this Agreement and the consummation of the transactions contemplated thereby and certifying to the incumbency and signatures of the officers of Reutlinger executing this Agreement and any other document relating to the contemplated transactions and accompanied by the requisite documents for amending the relevant governing documents of Reutlinger required to effect such changes necessitated by this Agreement for filing with the appropriate governmental body.

- (b) A certificate of the President or a Vice President of Reutlinger certifying that as of the Closing all of the representations and warranties by or on behalf of such party contained in this Agreement are true and correct in all respects and each and every covenant and agreement of each such party to be performed prior to or as of the Closing pursuant to this Agreement has been performed.
- (c) Certificates of corporate existence and good standing of Reutlinger from its state of incorporation dated not more than three (3) business days prior to the Closing Date;
- (d) A certificate of the President or a Vice President of Reutlinger certifying that all Eskaton and disclosures and schedules and exhibits are acceptable or waived.
- (e) A certificate of the President or a Vice President of Reutlinger certifying that the due diligence is complete and the results thereof are acceptable.
- (f) Such other certificates, affidavits, consents, approvals, instruments and documents as are necessary to effect the contemplated transactions.
- Section 2.3 <u>Deliveries of Eskaton</u>. In addition to any other documents to be delivered under other provisions of this Agreement, at the Closing, Eskaton shall execute and deliver (as applicable) all such deeds, endorsements, assignments, documents as shall be necessary to effect the Affiliation, including, but not limited to, the following (the "Eskaton Closing Documents"):
- (a) A certificate of the Secretary of Eskaton certifying, as complete and accurate as of the Closing, attached copies of the governing documents, certifying and attaching all requisite resolutions or actions of Eskaton's board of directors approving the execution and delivery of this Agreement and the consummation of the transactions contemplated thereby and certifying to the incumbency and signatures of the officers of Eskaton executing this Agreement and any other document relating to the contemplated transactions and accompanied by the requisite documents for amending the relevant governing documents of Eskaton required to effect such changes necessitated by this Agreement for filing with the appropriate governmental body.
- (b) A certificate of the President or a Vice President of Eskaton certifying that as of the Closing all of the representations and warranties by or on behalf of such party contained in this Agreement are true and correct in all respects and each and every covenant and agreement of each such party to be performed prior to or as of the Closing pursuant to this Agreement has been performed.
- (c) Certificates of corporate existence and good standing of Eskaton from its state of incorporation dated not more than three (3) business days prior to the Closing Date;

- (d) The opinion of Meyers Nave, the designated Bond Counsel ("Eskaton Bond Counsel") that nothing contemplated in the Agreement will cause any bonds or certificates of participation of Eskaton as described in and provided for in **Exhibit 2.3(d)** to become taxable, constitute an event of default or otherwise require them to be redeemed.
- (e) A certificate of the President or a Vice President of Eskaton certifying that all Reutlinger disclosures and schedules and exhibits are acceptable or waived.
- (f) A certificate of the President or a Vice President of Eskaton certifying that the due diligence is complete and the results thereof are acceptable.
- (g) Such other certificates, affidavits, consents, approvals, instruments and documents as are necessary to effect the contemplated transactions.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF REUTLINGER

The truth, accuracy and completeness of the representations, warranties and covenants of each entity comprising Reutlinger contained in this Agreement shall, subject to Section 3.21, be conditions precedent to Eskaton's obligation to close under this Agreement; provided, however, that Eskaton shall have no obligation to investigate the truth, accuracy or completeness of said representations, warranties and covenants. As an inducement to Eskaton to enter into this Agreement and to consummate the contemplated transactions, Reutlinger (which shall include, as applicable, its affiliated and subsidiary corporations) hereby jointly and severally represent, warrant and covenant to Eskaton as to the following matters as of the Effective Date. Except as otherwise supplemented or amended by the parties on or prior to the Closing Date in accordance with the terms of this Agreement, Reutlinger shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date:

- Section 3.1 Organization and Power. Reutlinger is a non-profit public benefit corporation duly organized, validly existing and in good standing under the laws of the State of California, with power and authority to conduct the business in which each is engaged, to lease and own the properties leased or owned by it and to enter into and perform its obligations under this Agreement. Reutlinger is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), as a public charity described in Section 509(a)(2) or (3) of the Code. There is no actual or, to the Knowledge of Reutlinger based upon information and belief, any threatened challenge to the tax-exempt status of Reutlinger. Reutlinger does not have any affiliates or subsidiary(ies) except as disclosed in Schedule 3.1. For purposes of this Agreement, the term "Knowledge of Reutlinger" means the actual knowledge of Jay Zimmer, Reutlinger Chief Executive Officer, and Brian Morrow, Chief Financial Officer.
- Section 3.2 <u>Authorization</u>. The execution and delivery of this Agreement and the Reutlinger Closing Documents by Reutlinger, and the performance by Reutlinger of its obligations under this Agreement and the Reutlinger Closing Documents have been duly authorized by all necessary corporate action (including any necessary approval by the Reutlinger Board) on the part of Reutlinger. The execution and delivery of this Agreement and the Reutlinger Closing Documents have been duly authorized by all necessary corporate action on the part of Reutlinger. This

Agreement and the Reutlinger Closing Documents have been or will be duly executed and delivered by each entity comprising Reutlinger, where applicable.

- Section 3.3 No Violation. This Agreement is, and the Reutlinger Closing Documents will be, the lawful, valid and legally binding obligations of each entity comprising Reutlinger, enforceable in accordance with their respective terms. The execution and delivery of this Agreement and the Reutlinger Closing Documents by each entity comprising Reutlinger, and the consummation by Reutlinger of the contemplated transactions will not, with or without the giving of notice and/or the passage of time: (a) violate or conflict with the governing documents of any entity comprising Reutlinger, (b) conflict with or result in the breach or violation of any of the terms or conditions of, or create rights of acceleration or constitute a default under, any indenture, mortgage, deed of trust, instrument, contract or other agreement to which Reutlinger is a party or by which Reutlinger is bound, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Reutlinger Assets, (c) violate any legal requirement to which Reutlinger is subject, or (d) violate or conflict with any judgment, writ, decree, franchise, order, license or permit applicable to Reutlinger.
- Section 3.4 <u>Consents</u>. Except as set forth in <u>Schedule 3.4</u>, no consent, approval, permit, waiver, license, authorization or action of any third party or governmental body is required in connection with the execution, delivery and performance of this Agreement by Reutlinger.

Section 3.5 Reutlinger Real Property.

- (a) At or prior to the Closing, and except for the Reutlinger Premises that are leased by Reutlinger, Reutlinger shall have good and marketable fee simple title to the Reutlinger Premises, subject to all matters of record. Except as set forth on Schedule 3.5(a), to the Knowledge of Reutlinger, (i) none of the Reutlinger Premises that are owned by Reutlinger are or, as of the Closing Date will be, subject to any security interest, mortgage, pledge, liens, restriction, covenant, charge or encumbrance and (ii) there are no purchase contracts, options or other agreements of any kind, oral or written, formal or informal, choate or inchoate, recorded or unrecorded, or claims whereby any person other than Reutlinger will have acquired or will have any basis to assert any right, title or interest in, or right to the possession, use, enjoyment or proceeds of, any part or all of the Reutlinger Premises.
- (b) Schedule 3.5(b) sets forth an accurate and complete list of all contracts, agreements, leases, subleases, options and commitments, oral or written, affecting any Reutlinger Real Property that has been financed with tax exempt bond proceeds and Reutlinger is not the lessee or sublessee of any real property other than as set forth in Schedule 3.5(b) ("Reutlinger Real Property Leases"). Reutlinger has provided Eskaton with complete and correct copies of all Reutlinger Real Property Leases.
- (c) Except as set forth in <u>Schedule 3.5(c)</u>, to the Knowledge of Reutlinger, there are no material facts that would adversely affect the possession, use or occupancy of the Reutlinger Premises.
- (d) Reutlinger holds all valid and effective certificates, approvals and other permits and licenses required by applicable law relating to the operation of the Reutlinger Premises, including without limitation a license from the California Department of Public Health and California

Department of Social Services, all certificates of occupancy, underwriters' certificates relating to electrical work, zoning, building, housing, safety, fire and health approvals.

(e) To the Knowledge of Reutlinger, the zoning of each parcel of Reutlinger Real Property permits the presently existing Reutlinger Improvements and the continuation of the business of the Reutlinger Facilities presently being conducted on such parcel, without variances or conditional use permits. Reutlinger has not commenced, nor has Reutlinger received notice of the commencement of, any proceeding that would affect the present zoning classification of any such parcel.

Section 3.6 Reutlinger Personal Property.

- (a) Except for the Reutlinger Personal Property that is leased by Reutlinger, Reutlinger has good and marketable title to all of the Reutlinger Personal Property.
- (b) <u>Schedule 3.6(b)</u> sets forth an accurate and complete list of all leases of personal property in excess of \$100,000 per item that are currently binding on Reutlinger. Reutlinger has provided Eskaton with complete and correct copies of such Reutlinger personal property leases.

Section 3.7 Reutlinger Financial Statements.

- Attached as Schedule 3.7(a) are copies of the audited balance sheet and statement of income and cash flows of each entity comprising Reutlinger as of June 30, 2018, and the unaudited balance sheet and statement of income and cash flows of each entity comprising Reutlinger for the most recent month end (collectively referred to as the "Reutlinger Financial Statements"). In addition, Reutlinger shall provide to Eskaton, as promptly as each becomes available prior to the Closing Date, all other interim financial statements (the "Reutlinger Interim Financial Statements") with respect to the operation of the Reutlinger Facilities, updated to the penultimate month prior to the Closing Date. Reutlinger shall also provide to Eskaton as promptly as each becomes available, all financial statements prepared prior to Closing with respect to the operation of the Reutlinger Facilities as of and for the period ending on the Closing Date. The Reutlinger Financial Statements and Reutlinger Interim Financial Statements referred to in this Section are and will be true, complete and correct in all material respects and present fairly and accurately the financial condition of Reutlinger and the results of its operations at the dates and for the periods indicated and will have been prepared in accordance with GAAP. From and after the date of the Reutlinger Interim Financial Statements, Reutlinger has not (and at Closing shall not have) made any material changes in its accounting methods or practices.
- (b) Except as set forth on <u>Schedule 3.7(b)</u> or as may be incurred in the ordinary course of business or pursuant to an approved budget, Reutlinger does not know of any fact, circumstance, event, occurrence, contingency or condition that might reasonably be expected to result in a change greater than \$250,000 in value, before or after the Closing Date, whether or not covered by insurance, in the working capital, financial condition, assets, liabilities (whether absolute, accrued, contingent or otherwise), reserves, business, operations or prospects of Reutlinger.
- Section 3.8 <u>Insurance</u>. <u>Schedule 3.8</u> sets forth a complete and accurate list and brief description of all insurance policies and self-insurance arrangements currently held by Reutlinger, including, without limitation, to the extent applicable, fire, medical malpractice and professional

liability, general liability, casualty and property damage, business interruption, extended coverage, products liability, and workers' compensation and any and all other kinds of insurance held by Reutlinger related to the Reutlinger Facilities, or any of the Reutlinger Assets. The description of the insurance policies and arrangements provided in Schedule 3.8 shall include a statement specifying the name of the insurer, the amount of coverage and any deductibles, the type of insurance, the amount of the premiums and dates when they are due, the policy numbers, any previously filed or pending claims thereunder, and the expiration date of such policies. True and correct copies of all such insurance policies or arrangements previously have been provided to Eskaton by Reutlinger. Except as set forth in Schedule 3.8, such insurance policies are in full force and effect and shall remain in full force and effect through the Closing Date. Certificates of insurance evidencing such insurance coverages shall be delivered to Eskaton by Reutlinger, respectively, at or prior to the Closing. Reutlinger is not delinquent with respect to any premium payments thereon nor is Reutlinger in default or breach with respect to any provision contained in any such insurance policies. To the Knowledge of Reutlinger, Reutlinger has not received any notice or request, formal or informal, from any insurance company identifying any defects in the Reutlinger Assets that would adversely affect the insurability of the Reutlinger Assets, canceling or materially amending or materially increasing the annual or other premiums payable under any such policy, or threatening any such cancellation, amendment or increase of premiums. Reutlinger has not been refused any insurance with respect to the Reutlinger Assets to which it has applied for insurance within three (3) years prior to the Closing Date.

Section 3.9 <u>Litigation</u>. Except as set forth in <u>Schedule 3.9</u> (said matters set forth in Schedule 3.9 being collectively referred to herein as "Reutlinger Pending Litigation"), neither Reutlinger, nor the Reutlinger Facilities, nor any of such party's respective properties, businesses or assets is engaged in or a party to or threatened with any proceeding, claim or demand or legal, administrative, arbitration or other method of settling disputes or disagreements, and Reutlinger does not know, anticipate or have notice of any such action. Except as set forth on Schedule 3.9, Reutlinger has not received notice of any investigation, threatened or contemplated, by any federal or state governmental body that remains unresolved, involving Reutlinger or the Reutlinger Facilities. None of the Reutlinger Pending Litigation has created a lien or a claim therefor against the Reutlinger Assets. Set forth in Schedule 3.9 is a complete and accurate description of each outstanding order, writ, injunction or decree of any court, arbitrator, or governmental body against or affecting Reutlinger, the Reutlinger Assets or the operation of the Reutlinger Facilities. Reutlinger has provided Eskaton with complete and correct copies of all such orders, writs, injunctions and decrees, and will make available upon request, copies of all correspondence, reports, memoranda and files related thereto.

Section 3.10 <u>Licenses and Permits</u>. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in <u>Schedule 3.10</u>, Reutlinger has all licenses, permits and franchises required by all applicable legal requirements from all applicable governmental bodies necessary or proper in order to own and lease the Reutlinger Assets and to conduct and operate the Reutlinger Facilities and each of its departments as currently operated. Except as set forth in <u>Schedule 3.10</u>, to the Knowledge of Reutlinger, no notice from any authority with respect to pending or possible revocation, termination, suspension or limitation of any of the Reutlinger Licenses and Permits has been issued or given, nor is Reutlinger aware of the proposed or threatened issuance of any such notice. Except as set forth in <u>Schedule 3.10</u>, Reutlinger has no reason to believe that such Reutlinger Licenses and Permits would not be eligible for renewal

upon their expiration. Reutlinger has previously delivered to Eskaton true, correct and complete copies of the Reutlinger Facilities' most recent state licensing survey reports, as well as any statements of deficiencies and plans of correction in connection with such reports. Except as set forth in **Schedule 3.10**, the most current state licensing survey did not require that capital expenditures aggregating in excess of Ten Thousand Dollars (\$10,000) be made in order to ensure continued licensure of the Reutlinger Facilities.

Section 3.11 Government Program; Third Party Payors.

- (a) Except as set forth on <u>Schedule 3.11(a)</u> the Reutlinger Facilities has for at least the past three (3) years received reimbursement under Medicare, are eligible to receive payment without restriction from Medicare, and are "providers" with valid and current provider agreements and with one or more provider numbers with Medicare, through intermediaries. A true and correct copy of each such provider agreement has been previously delivered to Eskaton by Reutlinger. Reutlinger has previously delivered to Eskaton true, correct and complete copies of the Reutlinger Facilities' most recent certification survey reports under Medicare, including any statements of deficiencies and plans of correction for the past three years. The most recent certification survey reports under Medicare did not require that capital expenditures aggregating in excess of Ten Thousand Dollars (\$10,000) be made in order to ensure continued participation in Medicare. The Reutlinger Facilities has not received notice of pending, threatened or possible investigation by, or loss of participation in, Medicare, except as set forth in <u>Schedule 3.11(a)</u>.
- (b) <u>Schedule 3.11(b)</u> sets forth an accurate, complete and current list of all current participation agreements with health maintenance organizations, insurance programs, any other participation agreements with third party payors and all agreements with preferred provider organizations and ACOs with respect to the Reutlinger Facilities. Reutlinger has previously delivered to Eskaton true and correct copies of all such agreements listed in <u>Schedule 3.11(b)</u>.
- (c) Except as set forth in <u>Schedule 3.11(c)</u>, there is no dispute between the Reutlinger Facilities or Reutlinger and any governmental body or quasi-governmental authority or the Medicare fiscal intermediary regarding cost reports other than with respect to adjustments thereto made in the ordinary course of business. Except as set forth in <u>Schedule 3.11(c)</u>, Reutlinger has not received any notices that Medicare has any claims against such party or the Reutlinger Facilities that could result in offsets against future Community accounts receivable above any amounts reserved therefore.
- Section 3.12 <u>Compliance with Law.</u> Except as disclosed in <u>Schedule 3.12</u> or elsewhere in this Agreement, Reutlinger, and each entity constituting Reutlinger and the Reutlinger Facilities and the operation thereof are, to the best knowledge of Reutlinger in material compliance in all respects with any applicable legal requirements or orders of any court or federal, state, county, municipal or other governmental body, including the fraud and abuse laws, and Reutlinger has not received any notice, written or otherwise, of noncompliance with respect thereto. To the Knowledge of Reutlinger, neither Reutlinger, nor any of its affiliates, nor any member, director, officer or employee of Reutlinger, or any of its affiliates, is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) related to Reutlinger or any of the Reutlinger Assets with any physician, health care facility, hospital, nursing facility, home health agency or other person who is in a position to make or influence referrals to or otherwise generate business for Reutlinger with respect to any of the Reutlinger Assets, to provide services, lease space,

lease equipment or engage in any other venture or activity, to the extent that any of the foregoing is prohibited by applicable legal requirements. All patient records and any other documents required to be maintained by law by Reutlinger or the Reutlinger Facilities have been maintained by Reutlinger for a period of at least seven (7) years from the date of creation of such document, or if in existence for less than seven (7) years, have been and will be maintained to the Closing Date.

Section 3.13 <u>Employment Obligations</u>. All obligations of Reutlinger with respect to any of Reutlinger's employees, whether arising by operation of law, by contract, by past custom or otherwise, for salaries, accrued vacation and holiday pay, and other termination benefits, and other forms of compensation payable to such employees in respect of the services rendered by any of them prior to the Closing Date have been or will be paid by Reutlinger either prior to the Closing Date, or within due course thereafter.

Section 3.14 Employment Matters.

- (a) To the Knowledge of Reutlinger and except as set forth on Schedule 3.14(a): (i) there is no unfair labor practice complaint against Reutlinger pending before the National Labor Relations Board; (ii) there is no labor strike, dispute, slowdown or stoppage actually pending or, to the Knowledge of Reutlinger, threatened against or involving or affecting Reutlinger; (iii) no representation question exists respecting the employees of Reutlinger; (iv) no grievance or any arbitration proceeding is pending; (v) Reutlinger has not experienced any labor stoppage during the last five (5) years; and (vi) Reutlinger is in full compliance with all union contracts and collective bargaining agreements;
- (b) Except as set forth on <u>Schedule 3.14(b)</u>, no changes in the basis for remuneration of employees of Reutlinger has been made, promised or authorized by Reutlinger since September 30, 2014, except in the ordinary and usual course of business, in accordance with past practices, or in furtherance of this Affiliation. Except as set forth on <u>Schedule 3.14(b)</u>, Reutlinger has no written employment contracts, including any employment contract with any officer, consultant, director or employee; any plan, arrangement or contract providing for options, bonuses, stock purchases, deferred compensation or the like; or any restrictive covenants or agreements with any former employees, officers, consultants or directors of Reutlinger and no agreement of any nature that provides for employment for any particular period of time or that provides any restrictions upon Reutlinger's right to terminate employment without any post-termination payment obligation, with any person whomsoever relating to the Reutlinger Facilities. Other than in the ordinary course of business, or in furtherance of the Affiliation, no binding agreements have been made or entered into between Reutlinger and any employee involved in the Reutlinger Facilities regarding changes in compensation, promotion or any other change in status.
- Section 3.15 <u>Tax Returns and Liabilities</u>. Except as set forth in <u>Schedule 3.15</u>, all federal, state, county and other tax returns of every nature (including, without limitation, income, employment, payroll, excise, property, sales and use taxes, unemployment contributions) required to be filed by or on behalf of, or with respect to Reutlinger, the Reutlinger Assets have been duly and timely filed, or will be filed (within the time periods required by law) by Reutlinger on or before the Closing Date. Except as set forth in <u>Schedule 3.15</u>, copies of all such tax returns have been provided to Eskaton and are true and correct in all respects. There are no tax liens on any of the Reutlinger Assets, other than tax liens for obligations that are not yet due and payable. Reutlinger does not

have any dispute with any taxing authority as to taxes of any nature. Except as set forth in <u>Schedule 3.15</u>, there is no unassessed tax deficiency proposed or, to the Knowledge of Reutlinger, threatened against Reutlinger, and no proceeding or audit of any tax returns of either Reutlinger by any governmental body is pending or, to the Knowledge of Reutlinger, threatened by any governmental body for assessment, reassessment or collection of any taxes affecting Reutlinger, the Reutlinger Facilities, and its operations.

Section 3.16 Employee Benefit Plans.

- (a) For purposes of this Section, the term "Benefit Plan" means any plan, program, arrangement, practice or contract which provides benefits or compensation to or on behalf of employees or former employees, whether formal or informal, whether or not written, including, but not limited to, the following types of Benefit Plans: retirement, vacation, profit sharing, deferred compensation, incentive compensation, sick pay, scholarship, severance pay or other fringe benefit plan, program, arrangement, contract or practice.
- (b) Except as set forth on <u>Schedule 3.16(b)</u>, Reutlinger does not have any Benefit Plan or arrangement covering Reutlinger's employees or relating to the operations of the Reutlinger Facilities. All contributions and other payments required to be made by Reutlinger to any Benefit Plan, if any, for or on behalf of any employees or former employees of Reutlinger has been made or reserves adequate for such purposes have been set aside therefore in accordance with the terms of each such plan. Eskaton shall have no liability or obligation to Reutlinger, or Reutlinger's employees in connection with termination of Reutlinger's employees from the Benefit Plans as a result of this Affiliation.
- Section 3.17 <u>Contracts and Commitments</u>. <u>Schedule 3.17</u> sets forth an accurate and complete list of all of the Reutlinger Contracts that involves performance of services or delivery of goods or materials by Reutlinger, or warranties with respect to the same, of an aggregate amount or value in excess of \$50,000 and which cannot be terminated by Reutlinger at any time without cause and without obligation to pay a termination fee or penalty upon notice of ninety (90) days or less that are currently in force in the following categories:
 - (i) food and dining service;
 - (ii) maintenance and housekeeping services;
 - (iii) therapy services;
 - (iv) physician services;
 - (v) acute care facility services; and
 - (vi) other medical provider contracts.

Except as set forth in <u>Schedule 3.17</u>, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in <u>Schedule 3.17</u>, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

- Section 3.18 <u>Brokers' and Finders' Fees</u>. Reutlinger has not entered into any contracts, agreements, arrangements or understandings with any person that could give rise to any claim for a broker's, finder's or agent's fee or commission or other similar payment in connection with the negotiations leading to this Agreement or the consummation of the contemplated transactions.
- Section 3.19 <u>Immigration Act</u>. To the Knowledge of Reutlinger, Reutlinger is in compliance in all material respects with the terms and provisions of the Immigration Reform and Control Act of 1986, as amended (the "Immigration Act"). Reutlinger has not been cited, fined, served with a Notice of Intent to Fine or with a Cease and Desist Order (as such terms are defined in the Immigration Act) at the Reutlinger Facilities, nor, to the Knowledge of Reutlinger, has any proceeding been initiated or threatened against Reutlinger in connection with its operation of the Reutlinger Facilities, by reason of any actual or alleged failure to comply with the Immigration Act.
- Section 3.20 <u>Reutlinger Boards of Directors</u>. <u>Schedule 3.20</u> contains a true and complete list of the current members of the Boards of Directors of each entity constituting Reutlinger, respectively, immediately prior to the Closing Date.
- Section 3.21 No Untrue or Inaccurate Representation or Warranty. The representations and warranties of Reutlinger contained in this Agreement, and each exhibit, schedule, certificate or other written statement delivered pursuant to this Agreement, or in connection with the contemplated transactions do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading. Those representations and warranties set forth in this Article III shall be based upon the current actual knowledge of Reutlinger's Chief Executive Officer (the "CEO"), after an inquiry only of the most senior management executive responsible for each of the following disciplines regarding the representations pertinent to those disciplines: Operations, Human Resources, Facilities/Physical Plant, Finance, Medicare Claims, and Information Technology. There is no fact that adversely affects or in the future may, to the Knowledge of Reutlinger, adversely affect the ability of Reutlinger fully to perform this Agreement and the contemplated transactions, that has not been set forth and described in this Agreement or in a certificate, exhibit, schedule or other written statement furnished to Eskaton, pursuant to this Agreement.

Section 3.22 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.

(a) Eskaton acknowledge that, neither Reutlinger nor any of Reutlinger's employees, agents or representatives has made any representations, warranties or agreements to or with Eskaton on behalf of Reutlinger as to any matters concerning the Reutlinger Assets, the present use thereof, or the suitability of Eskaton's intended use. IT IS UNDERSTOOD AND AGREED THAT (A) THE REUTLINGER ASSETS ARE BEING ACCEPTED BY ESKATON ON AN "AS IS," "WHERE IS" AND "WITH ALL FAULTS" BASIS, SUBJECT TO ANY CONDITION WHICH MAY EXIST, AND WITHOUT THE EXISTENCE OF AND WITHOUT RELIANCE UPON ANY REPRESENTATION, WARRANTY, AGREEMENT, OR STATEMENT BY REUTLINGER, OR ANYONE ACTING ON BEHALF OF REUTLINGER EXCEPT THOSE REPRESENTATIONS, WARRANTIES AND AGREEMENTS SPECIFICALLY SET FORTH IN THIS AGREEMENT; (B) ESKATON ARE BEING GIVEN THE OPPORTUNITY TO THOROUGHLY INSPECT AND EXAMINE REUTLINGER'S ASSETS TO THE EXTENT DEEMED NECESSARY BY

ESKATON IN ORDER TO ENABLE ESKATON TO EVALUATE ITS AFFILIATION WITH REUTLINGER ON THE FOREGOING BASIS; AND (C) ESKATON ARE RELYING SOLELY UPON SUCH INSPECTIONS, EXAMINATION, AND EVALUATION OF THE REUTLINGER ASSETS BY ESKATON IN COMPLETING THE AFFILIATION ON AN "AS IS", "WHERE IS" AND "WITH ALL FAULTS" BASIS, WITHOUT REPRESENTATION, WARRANTY, AGREEMENT OR STATEMENT BY REUTLINGER OR ANYONE ACTING ON BEHALF OF REUTLINGER, EXPRESS OR IMPLIED, OF ANY KIND OR NATURE, EXCEPT AS MAY BE SET FORTH IN THIS AGREEMENT.

(b) Except as to (i) any material default by Reutlinger in the performance of any of Reutlinger's obligations under this Agreement or(ii) the fraud of Reutlinger; (collectively, the "Reutlinger Liabilities"), Eskaton acknowledges and agrees that Reutlinger is not personally liable or responsible for any damages that Eskaton may suffer as the result of this transaction. Except as to any Reutlinger Liabilities, Eskaton hereby release Reutlinger and Reutlinger's agents, affiliates, successors and assigns, from any claims, actions, causes of action, liabilities, fees, costs and expenses, whether to person or property, arising out of or in any way relating to the Reutlinger Assets, the condition thereof, and the development or construction of any improvements on the Reutlinger Assets or any off-site improvements related to the Reutlinger Assets. Such release applies to all claims, whether such claims, damages, or losses are known or unknown, foreseen or unforeseen, or patent or latent, that Eskaton may have against Seller. Eskaton waive application of California Civil Code Section 1542, which states:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or releasing party."

As a consequence of the foregoing waiver, Eskaton understand that even if Eskaton eventually incurs any damages arising from the affiliation with Reutlinger, Eskaton will not be able to make any claim after Closing against Reutlinger and Reutlinger's agents, affiliates, successors and assigns for those damages, except as to Reutlinger Liabilities. Further, Eskaton acknowledge that Eskaton understand these consequences even as to claims against Reutlinger and Reutlinger's agents, affiliates, successors and assigns for damages that may exist as of the date of this release but which Eskaton does not know exist, and which, if known, would materially affect Eskaton's decision to execute this release, regardless of whether Eskaton's lack of knowledge is the result of ignorance, oversight, error, negligence, or any other cause.

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The provisions of this Section 3.22 shall survive the Closing.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF ESKATON

The truth, accuracy and completeness of the representations, warranties and covenants of each entity comprising Eskaton contained in this Agreement shall, subject to Section 4.23, be conditions precedent to Reutlinger's obligation to close under this Agreement; provided, however, that Reutlinger shall have no obligation to investigate the truth, accuracy or completeness of said

representations, warranties and covenants. As an inducement to Reutlinger to enter into this Agreement and to consummate the contemplated transactions, Eskaton hereby jointly and severally represent, warrant and covenant to Reutlinger as to the following matters, and, except as otherwise provided herein, shall be deemed to remake all of the following representations, warranties and covenants as of the Effective Date. Except as otherwise supplemented or amended by the parties on or prior to the Closing Date in accordance with the terms of this Agreement, Eskaton, as applicable, shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date:

- Section 4.1 Organization and Power. Eskaton is a non-profit public benefit corporation duly organized, validly existing and in good standing under the laws of the State of California, with power and authority to conduct the business in which each is engaged, to lease and own the properties leased or owned by it and to enter into and perform its obligations under this Agreement. Eskaton is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as an organization described in Section 509(a)(2) or (3) of the Code. There is no actual, or to the Knowledge of Eskaton based on information and belief, threatened challenge to the tax-exempt status of Eskaton. Eskaton has no subsidiary or affiliate except as disclosed in Schedule 4.1. For purposes of this Agreement, the term "Knowledge of Eskaton" means the actual knowledge of [_______].
- Section 4.2 <u>Authorization.</u> The execution and delivery of this Agreement and the Eskaton Closing Documents by Eskaton, and the performance by Eskaton of its obligations under this Agreement and the Eskaton Closing Documents have been duly authorized by all necessary corporate action (including any necessary approval by the Eskaton Board) on the part of Eskaton. This Agreement and the Eskaton Closing Documents have been or will be duly executed and delivered by each entity comprising Eskaton, as applicable.
- Section 4.3 No Violation. This Agreement is, and the Eskaton Closing Documents will be, the lawful, valid and legally binding obligations of each entity comprising Eskaton, enforceable in accordance with their respective terms. The execution and delivery of this Agreement and the Eskaton Closing Documents by each entity comprising Eskaton, and the consummation by Eskaton of the contemplated transactions will not, with or without the giving of notice and/or the passage of time: (a) violate or conflict with the governing documents, of either entity comprising Eskaton, (b) conflict with or result in the breach or violation of any of the terms or conditions of, or create rights of acceleration or constitute a default under, any indenture, mortgage, deed of trust, instrument, contract or other agreement to which Eskaton is a party or by which Eskaton is bound, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Eskaton Assets, (c) violate any legal requirement to which Eskaton is subject, or (d) violate or conflict with any judgment, writ, decree, franchise, order, license or permit applicable to Eskaton.
- Section 4.4 No Violation. This Agreement is, and the Eskaton Closing Documents will be, the lawful, valid and legally binding obligations of each entity comprising Eskaton, enforceable in accordance with their respective terms. The execution and delivery of this Agreement and the Eskaton Closing Documents by each entity comprising Eskaton, and the consummation by Eskaton of the contemplated transactions will not, with or without the giving of notice and/or the passage of time: (a) violate or conflict with the governing documents, of either entity comprising Eskaton, (b) conflict with or result in the breach or violation of any of the terms or conditions of, or create rights

of acceleration or constitute a default under, any indenture, mortgage, deed of trust, instrument, contract or other agreement to which Eskaton is a party or by which Eskaton is bound, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Eskaton Assets, (c) violate any legal requirement to which Eskaton is subject, or (d) violate or conflict with any judgment, writ, decree, franchise, order, license or permit applicable to Eskaton.

Section 4.5 <u>Consents</u>. Except as set forth in <u>Schedule 4.5</u>, no consent, approval, permit, waiver, license, authorization or action of any third party or governmental body is required in connection with the execution, delivery and performance of this Agreement by Eskaton.

Section 4.6 <u>Eskaton Real Property</u>.

- (a) At or prior to the Closing, and except for the Eskaton Premises that are leased by Eskaton, Eskaton shall have good and marketable fee simple title to the Reutlinger Premises. Except as set forth on Schedule 4.6(a) (the "Eskaton Real Property Permitted Exceptions"), none of the Eskaton Premises that is owned by Eskaton is, or as of the Closing Date will be, subject to any security interest, mortgage, pledge, liens, restriction, covenant, charge or encumbrance. There are no purchase contracts, options or other agreements of any kind, oral or written, formal or informal, choate or inchoate, recorded or unrecorded, or claims whereby any person other than Eskaton will have acquired or will have any basis to assert any right, title or interest in, or right to the possession, use, enjoyment or proceeds of, any part or all of the Eskaton Premises. A true, correct and complete copy of the documents giving rise to each Eskaton Real Property Permitted Exception has heretofore been delivered to Reutlinger.
- (b) Schedule 4.6(b) sets forth an accurate and complete list of all contracts, agreements, leases, subleases, options and commitments, oral or written, affecting any Eskaton Real Property that has been financed with tax exempt bond proceeds and Eskaton is not the lessee or sublessee of any real property other than as set forth in Schedule 4.6(b) ("Eskaton Real Property Leases"). Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Real Property Leases.
- (c) Except as set forth in <u>Schedule 4.6(c)</u> there are no facts that would adversely affect the ownership, possession, use or occupancy of the Eskaton Premises.
- (d) Eskaton holds all valid and effective certificates, approvals and other permits and licenses required by applicable law relating to the operation of the Eskaton Premises, including without limitation a license from the California Department of Public Health and California Department of Social Services, all certificates of occupancy, underwriters' certificates relating to electrical work, zoning, building, housing, safety, fire and health approvals.
- (e) The zoning of each parcel of Eskaton Real Property permits the presently existing Eskaton Improvements and the continuation of the business of the Eskaton Facilities presently being conducted on such parcel, without variances or conditional use permits. Eskaton has not commenced, nor has Eskaton received notice of the commencement of, any proceeding that would affect the present zoning classification of any such parcel.
- Section 4.7 <u>Eskaton Personal Property</u>. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. <u>Schedule 4.7</u> sets forth an accurate and complete list of all leases of personal property currently

binding on Eskaton. Eskaton has provided Reutlinger with complete and correct copies of such Eskaton personal property leases.

Section 4.8 <u>Eskaton Financial Statements.</u>

Attached as Schedule 4.8(a) are copies of the audited balance sheet and statement of income and cash flows of each entity comprising Eskaton as of December 31, 2017, and the unaudited balance sheet and statement of income and cash flows of each entity comprising Eskaton for the most recent month end (collectively referred to as the "Eskaton Financial Statements"). In addition, Eskaton shall provide to Reutlinger, as promptly as each becomes available prior to the Closing Date, all other interim financial statements (the "Eskaton Interim Financial Statements") with respect to the operation of the Eskaton Facilities, updated to the penultimate month prior to the Closing Date. Eskaton shall also provide to Reutlinger as promptly as each becomes available, all financial statements prepared prior to Closing with respect to the operation of the Eskaton Facilities as of and for the period ending on the Closing Date. The Eskaton Financial Statements and Eskaton Interim Financial Statements referred to in this Section are and will be true, complete and correct in all material respects and present fairly and accurately the financial condition of Eskaton and the results of its operations at the dates and for the periods indicated and will have been prepared in accordance with GAAP. From and after the date of the Eskaton Interim Financial Statements, Eskaton has not (and at Closing shall not have) made any material changes in its accounting methods or practices. Except as set forth on Schedule 4.8(a) or as may be incurred in the ordinary course of business or pursuant to an approved budget, Eskaton does not know of any fact, circumstance, event, occurrence, contingency or condition that might reasonably be expected to result in a change greater than \$250,000 in value, before or after the Closing Date, whether or not covered by insurance, in the working capital, financial condition, assets, liabilities (whether absolute, accrued, contingent or otherwise), reserves, business, operations or prospects of Eskaton.

Section 4.9 <u>Insurance.</u> Schedule 4.9 sets forth a complete and accurate list and brief description of all insurance policies and self-insurance arrangements currently held by Eskaton, including, without limitation, to the extent applicable, fire, medical malpractice and professional liability, general liability, casualty and property damage, business interruption, extended coverage, products liability, and workers' compensation and any and all other kinds of insurance held by Eskaton related to the Eskaton Facilities, or any of the Eskaton Assets. The description of the insurance policies and arrangements provided in Schedule 4.9 shall include a statement specifying the name of the insurer, the amount of coverage and any deductibles, the type of insurance, the amount of the premiums and dates when they are due, the policy numbers, any previously filed or pending claims thereunder, and the expiration date of such policies. True and correct copies of all such insurance policies or arrangements previously have been provided to Reutlinger by Eskaton. Except as set forth in Schedule 4.9, such insurance policies are in full force and effect and shall remain in full force and effect through the Closing Date. Certificates of insurance evidencing such insurance coverages shall be delivered to Reutlinger by Eskaton, respectively, at or prior to the Closing. Eskaton is not delinquent with respect to any premium payments thereon nor is Eskaton in default or breach with respect to any provision contained in any such insurance policies. Eskaton has not failed to give any notice or to present any claim under such policies in a due and timely fashion within three (3) years prior to the Closing Date. To the Knowledge of Eskaton, Eskaton has not received any notice or request, formal or informal, from any insurance company identifying any defects in the Eskaton Assets that would adversely affect the insurability of the Eskaton Assets,

canceling or materially amending or materially increasing the annual or other premiums payable under any such policy, or threatening any such cancellation, amendment or increase of premiums. Eskaton has not been refused any insurance with respect to the Eskaton Assets to which it has applied for insurance within three (3) years prior to the Closing Date.

Section 4.10 Litigation. Except as set forth in Schedule 4.10 (said matters set forth in Schedule 4.10 being collectively referred to herein as "Eskaton Pending Litigation"), neither Eskaton, nor the Eskaton Facilities, nor any of such party's respective properties, businesses or assets is engaged in or a party to or threatened with any proceeding, claim or demand or legal, administrative, arbitration or other method of settling disputes or disagreements, and Eskaton does not know, anticipates or has notice of any reasonable basis for any such action. Except as set forth on Schedule 4.10, Eskaton has not received notice of any investigation, threatened or contemplated, by any federal or state governmental body that remains unresolved, involving Eskaton or the Eskaton Facilities. No circumstances exist involving the safety aspects of the respective businesses and operations of Eskaton that would cause any obligation to report to any state, local or federal governmental body. None of the Eskaton Pending Litigation has created a lien or a claim therefor against the Eskaton Assets. Set forth in Schedule 4.10 is a complete and accurate description of each outstanding order, writ, injunction or decree of any court, arbitrator, or governmental body against or affecting Eskaton, the Eskaton Assets or the operation of the Eskaton Facilities. Eskaton have provided Reutlinger with complete and correct copies of all such orders, writs, injunctions and decrees, and will make available upon request, copies of all correspondence, reports, memoranda and files related thereto.

Section 4.11 <u>Licenses and Permits</u>. True and correct copies of the Eskaton Licenses and Permits have been delivered to Reutlinger by Eskaton. Except as set forth in Schedule 4.11, Eskaton has all licenses, permits and franchises required by all applicable legal requirements from all applicable governmental bodies necessary or proper in order to own and/or lease the Eskaton Assets and to conduct and operate the Eskaton Facilities and each of its departments as currently operated. Except as set forth in Schedule 4.11, to the Knowledge of Eskaton, no notice from any authority with respect to pending or possible revocation, termination, suspension or limitation of any of the Eskaton Licenses and Permits has been issued or given, nor is Eskaton aware of the proposed or threatened issuance of any such notice. Except as set forth in Schedule 4.11, Eskaton has no reason to believe that such Eskaton Licenses and Permits would not be eligible for renewal upon their expiration. Eskaton has previously delivered to Reutlinger true, correct and complete copies of the Eskaton Facilities' most recent state licensing survey reports, as well as any statements of deficiencies and plans of correction in connection with such reports. Except as set forth in Schedule 4.11, the most current state licensing survey did not require that capital expenditures aggregating in excess of Ten Thousand Dollars (\$10,000) be made in order to ensure continued licensure of the Eskaton Facilities. .

Section 4.12 Government Program; Third Party Payors.

(a) Except as set forth on <u>Schedule 4.12(a)</u> the Eskaton Facilities have historically received reimbursement under Medicare, are eligible to receive payment without restriction from Medicare, and are "providers" with valid and current provider agreements and with one or more provider numbers with Medicare through intermediaries. A true and correct copy of each such provider agreement has been previously delivered to Reutlinger by Eskaton. Eskaton has previously

delivered to Reutlinger true, correct and complete copies of the Eskaton Facilities' most recent certification survey reports under Medicare, including any statements of deficiencies and plans of correction for the past three (3) years. The most recent certification survey reports under Medicare did not require that capital expenditures aggregating in excess of Ten Thousand Dollars (\$10,000) be made in order to ensure continued participation in Medicare. The Eskaton Facilities have not received notice of pending, threatened or possible investigation by, or loss of participation in, Medicare, except as set forth in **Schedule 4.12(a)**.

- (b) <u>Schedule 4.12(b)</u> sets forth an accurate, complete and current list of all participation agreements with health maintenance organizations, insurance programs, any other participation agreements with third party payors and all agreements with preferred provider organizations and ACOs with respect to the Eskaton Facilities. Eskaton has previously delivered to Reutlinger true and correct copies of all such agreements listed in <u>Schedule 4.12(b)</u>.
- (c) Except as set forth in <u>Schedule 4.12(c)</u>, there is no dispute between the Eskaton Facilities or Eskaton and any governmental body or quasi-governmental authority or the Medicare fiscal intermediary regarding such cost reports other than with respect to adjustments thereto made in the ordinary course of business. Except as set forth in <u>Schedule 4.12(c)</u>, Eskaton has not received any notices that Medicare has any claims against such party or the Eskaton Facilities that could result in offsets against future Eskaton Facilities accounts receivable above any amounts reserved therefore.
- Section 4.13 Compliance with Law. Except as disclosed in Schedule 4.13 or elsewhere in this Agreement, Eskaton, and each entity constituting Eskaton and the Eskaton Facilities and the operation thereof are, to the Knowledge of Eskaton in material compliance in all respects with any applicable legal requirements or orders of any court or federal, state, county, municipal or other governmental body, including the fraud and abuse laws, and Eskaton has not received any notice, written or otherwise, of noncompliance with respect thereto. To the Knowledge of Eskaton, neither Eskaton, nor any of its affiliates, nor any member, director, officer or employee of Eskaton, or any of its affiliates, is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) related to Eskaton or any of the Eskaton Assets with any physician, health care facility, hospital, nursing facility, home health agency or other person who is in a position to make or influence referrals to or otherwise generate business for Eskaton with respect to any of the Eskaton Assets, to provide services, lease space, lease equipment or engage in any other venture or activity, to the extent that any of the foregoing is prohibited by applicable legal requirements. All patient records and any other documents required to be maintained by law by Eskaton or the Eskaton Facilities have been maintained by Eskaton for a period of at least seven (7) years from the date of creation of such document, or if in existence for less than seven (7) years, have been and will be maintained to the Closing Date.
- Section 4.14 <u>Employment Obligations</u>. All obligations of Eskaton with respect to any of Eskaton's 's employees, whether arising by operation of law, by contract, by past custom or otherwise, for salaries, accrued vacation and holiday pay, and other termination benefits, and other forms of compensation payable to such employees in respect of the services rendered by any of them prior to the Closing Date have been or will be paid by Eskaton either prior to the Closing Date, or within due course thereafter.

Section 4.15 Employment Matters.

- (a) To the Knowledge of Eskaton and except as set forth on Schedule 4.15(a): (i) Eskaton is in compliance in all material respects with all federal and state laws respecting employment and employment practices, terms and conditions of employment, and wages and hours, and are not engaged in any unfair labor practice; (ii) there is no unfair labor practice complaint against Eskaton pending before the National Labor Relations Board; (iii) there is no labor strike, dispute, slowdown or stoppage actually pending or, to the Knowledge of Eskaton, threatened against or involving or affecting Eskaton; (iv) no representation question exists respecting the employees of Eskaton; (v) no grievance or any arbitration proceeding is pending; (vi) Eskaton has not experienced any labor stoppage during the last five (5) years; and (vii) Eskaton is in full compliance with all union contracts and collective bargaining agreements.
- (b) Except as set forth on Schedule 4.15(b), no changes in the basis for remuneration of employees of Eskaton has been made, promised or authorized by Eskaton since September 30, 2014, except in the ordinary and usual course of business, in accordance with past practices. Except as set forth on Schedule 4.15(b), Eskaton has no written employment contracts, including any employment contract with any officer, consultant, director or employee; any plan, arrangement or contract providing for options, bonuses, stock purchases, deferred compensation or the like; or any restrictive covenants or agreements with any former employees, officers, consultants or directors of Eskaton and no agreement of any nature that provides for employment for any particular period of time or that provides any restrictions upon Eskaton's 's right to terminate employment without any post-termination payment obligation, with any person whomsoever relating to the Eskaton Facilities. Other than in the ordinary course of business, no binding agreements have been made or entered into between Eskaton and any employee involved in the Eskaton Facilities regarding changes in compensation, promotion or any other change in status.

Section 4.16 <u>Tax Returns and Liabilities</u>. Except as set forth in <u>Schedule 4.16</u>, all federal, state, county and other tax returns of every nature (including, without limitation, income, employment, payroll, excise, property, sales and use taxes, unemployment contributions) required to be filed by or on behalf of, or with respect to Eskaton or the Eskaton Assets have been duly and timely filed, or will be filed (within the time periods required by law) by Eskaton on or before the Closing Date. Except as set forth in <u>Schedule 4.16</u>, copies of all such tax returns have been provided to Reutlinger and are true and correct in all respects. There are no tax liens on any of the Eskaton Assets, other than tax liens for obligations that are not yet due and payable, and no basis exists for the imposition of any such liens. Eskaton does not have any dispute with any taxing authority as to taxes of any nature. Except as set forth in <u>Schedule 4.16</u>, there is no unassessed tax deficiency proposed or, to the Knowledge of Eskaton, threatened against Eskaton, and no proceeding or audit of any tax returns of either Eskaton by any governmental body is pending or, to the Knowledge of Eskaton, threatened by any governmental body for assessment, reassessment or collection of any taxes affecting Eskaton, or the Eskaton Facilities, and its operations.

Section 4.17 Employee Benefit Plans.

(a) For purposes of this Section, the term "Benefit Plan" means any plan, program, arrangement, practice or contract which provides benefits or compensation to or on behalf of employees or former employees, whether formal or informal, whether or not written, including, but

not limited to, the following types of Benefit Plans: retirement, vacation, profit sharing, deferred compensation, incentive compensation, sick pay, scholarship, severance pay or other fringe benefit plan, program, arrangement, contract or practice

(b) Except as set forth on <u>Schedule 4.17(b)</u>, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton's 's employees or relating to the operations of the Eskaton Facilities. All contributions and other payments required to be made by Eskaton to any Benefit Plan, if any, for or on behalf of any employees or former employees of Eskaton have been made or reserves adequate for such purposes have been set aside therefore in accordance with the terms of each such plan. Eskaton shall have no liability or obligation to Eskaton, or Eskaton's employees in connection with such termination of Eskaton's employees from the Benefit Plans.

Section 4.18 Contracts and Commitments.

- (a) <u>Schedule 4.18(a)</u> sets forth an accurate and complete list of all of the Eskaton Contracts currently in force in the following categories:
 - (i) food and dining service;
 - (ii) maintenance and housekeeping services;
 - (iii) therapy services;
 - (iv) physician services;
 - (v) acute care facility services; and
 - (vi) other medical provider contracts.

Except as set forth in <u>Schedule 4.18</u>, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in <u>Schedule 4.18</u>, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 <u>Brokers' and Finders' Fees</u>. Eskaton has not entered into any contracts, agreements, arrangements or understandings with any person that could give rise to any claim for a broker's, finder's or agent's fee or commission or other similar payment in connection with the negotiations leading to this Agreement or the consummation of the contemplated transactions.

Section 4.20 <u>Immigration Act</u>. To the Knowledge of Eskaton, Eskaton is in compliance in all material respects with the terms and provisions of the Immigration Act. For each employee of Eskaton employed in the Reutlinger Facilities for whom compliance with the Immigration Act by Reutlinger is required, Eskaton has obtained and retained a complete and true copy of each such employee's Form I-9 (Employment Eligibility Verification Form) and all other records or documents prepared, procured or retained by Eskaton pursuant to the Immigration Act to the extent Eskaton is required to do so under the Immigration Act. Eskaton has not been cited, fined, served with a Notice of Intent to Fine or with a Cease and Desist Order (as such terms are defined in the Immigration Act) at the Reutlinger Facilities, nor, to the Knowledge of Eskaton, has any proceeding been initiated or

threatened against Eskaton in connection with its operation of the Eskaton Facilities, by reason of any actual or alleged failure to comply with the Immigration Act.

Section 4.21 <u>Eskaton Boards of Directors</u>. <u>Schedule 4.22</u> contains a true and complete list of the current members of the Boards of Directors of each entity constituting Eskaton, respectively, immediately prior to the Closing Date.

Section 4.22 No Untrue or Inaccurate Representation or Warranty. The representations and warranties of Eskaton contained in this Agreement, and each exhibit, schedule, certificate or other written statement delivered pursuant to this Agreement, or in connection with the contemplated transactions, are accurate, correct and complete, and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading. Those representations and warranties set forth in this Article IV that are specifically limited to the "Knowledge of Eskaton," shall be made to the party's best knowledge after due investigation, and such party shall be responsible for all facts which such party knew, or should have known as a result of such due investigation. There is no fact that adversely affects or in the future may, to the Knowledge of Eskaton, adversely affect the ability of Eskaton fully to perform this Agreement and the contemplated transactions, that has not been set forth and described in this Agreement or in a certificate, exhibit, schedule or other written statement furnished to Reutlinger, pursuant to this Agreement.

Section 4.23 <u>AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.</u>

(a) Reutlinger acknowledges that, except as specifically provided in this Agreement, neither Eskaton nor any of its employees, agents or representatives has made any representations, warranties or agreements to or with Reutlinger on behalf of Eskaton as to any matters concerning the Eskaton Assets, the present use thereof, or the suitability of Reutlinger's intended use. IT IS UNDERSTOOD AND AGREED THAT EXCEPT AS MAY BE EXPRESSLY SET FORTH IN THIS AGREEMENT, (A) THE ESKATON ASSETS ARE BEING ACCEPTED BY REUTLINGER ON AN "AS IS," "WHERE IS" AND "WITH ALL FAULTS" BASIS, SUBJECT TO ANY CONDITION WHICH MAY EXIST, AND WITHOUT THE EXISTENCE OF AND WITHOUT RELIANCE UPON ANY REPRESENTATION, WARRANTY, AGREEMENT, OR STATEMENT BY ESKATON, OR ANYONE ACTING ON BEHALF OF THEM EXCEPT THOSE REPRESENTATIONS, WARRANTIES AND AGREEMENTS SPECIFICALLY SET FORTH IN THIS AGREEMENT; (B) REUTLINGER IS BEING GIVEN THE OPPORTUNITY TO THOROUGHLY INSPECT AND EXAMINE ESKATON'S ASSETS TO THE EXTENT DEEMED NECESSARY BY REUTLINGER IN ORDER TO ENABLE REUTLINGER TO EVALUATE ITS AFFILIATION WITH ESKATON ON THE FOREGOING BASIS; AND (C) REUTLINGER IS RELYING SOLELY UPON SUCH INSPECTIONS, EXAMINATION, AND EVALUATION OF THE ESKATON ASSETS BY REUTLINGER IN COMPLETING THE AFFILIATION ON AN "AS IS", "WHERE IS" AND "WITH ALL FAULTS" BASIS, WITHOUT REPRESENTATION, WARRANTY, AGREEMENT OR STATEMENT BY ESKATON OR ANYONE ACTING ON BEHALF OF THEM, EXPRESS OR IMPLIED, OF ANY KIND OR NATURE, EXCEPT AS MAY BE SET FORTH IN THIS AGREEMENT.

(b) Except as to (i) any material default by Eskaton in the performance of any of its other obligations under this Agreement or (ii) the fraud of Eskaton (collectively, "Eskaton Liabilities") Reutlinger acknowledges and agrees that Eskaton are not personally liable or responsible for any damages that Reutlinger may suffer as the result of this transaction. Except as to any Eskaton Liabilities, Reutlinger hereby releases Eskaton and its agents, affiliates, successors and assigns, from any claims, actions, causes of action, liabilities, fees, costs and expenses, whether to person or property, arising out of or in any way relating to the Eskaton Assets, the condition thereof, and the development or construction of any Improvements on the Eskaton Assets or any off-site improvements related to the Eskaton Assets. Such release applies to all claims, whether such claims, damages, or losses are known or unknown, foreseen or unforeseen, or patent or latent, that Reutlinger may have against Eskaton. Reutlinger waives application of California Civil Code Section 1542, which states:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or releasing party."

As a consequence of the foregoing waiver, Reutlinger understands that even if Reutlinger eventually incurs any damages arising from the affiliation with Eskaton, Reutlinger will not be able to make any claim after Closing against Eskaton or its agents, affiliates, successors and assigns for those damages, except as to Eskaton Liabilities. Further, Reutlinger acknowledges that Reutlinger understands these consequences even as to claims against Eskaton and its agents, affiliates, successors and assigns for damages that may exist as of the date of this release but which Reutlinger does not know exist, and which, if known, would materially affect Reutlinger's decision to execute this release, regardless of whether Reutlinger's lack of knowledge is the result of ignorance, oversight, error, negligence, or any other cause.

The provisions of this Section	4.24 shall survive the Closing.
Reutlinger's Initials:	

ARTICLE V COVENANTS OF REUTLINGER

Reutlinger, as indicated below, shall keep, perform and fully discharge the following covenants, unless Eskaton consent otherwise in writing. Eskaton may grant or withhold any such consent requested by Reutlinger in Eskaton's sole discretion:

Section 5.1 Access and Investigation. During the period between the Effective Date and the Closing Date, and upon two (2) business days advance notice received from Eskaton, Reutlinger shall (a) afford Eskaton and its representatives and prospective lenders and their representatives (collectively, "Eskaton Group") full and free access, during regular business hours, to Reutlinger's personnel, properties, Reutlinger Contracts, Reutlinger Leases, Reutlinger Licenses and Permits, books and records and other documents and data, such rights of access to be exercised in a manner that does not unreasonably interfere with the operations of Reutlinger; (b) furnish Eskaton Group with copies of all such Reutlinger Contracts, Reutlinger Leases, Reutlinger Licenses and Permits,

books and records and other existing documents and data as Eskaton may reasonably request and in Reutlinger's possession; (c) furnish Eskaton Group with such additional financial, operating and other relevant data and information as Eskaton may reasonably request and in Reutlinger's possession; and (d) otherwise cooperate and assist, to the extent reasonably requested by Eskaton, with Eskaton's investigation of the properties, assets and financial condition related to Reutlinger. In addition, Eskaton shall have the right to have the Reutlinger Real Property and Reutlinger Personal Property inspected by Eskaton Group, at Eskaton's sole cost and expense, for purposes of determining the physical condition and legal characteristics of the Reutlinger Real Property and Reutlinger Personal Property. Eskaton shall reimburse Reutlinger for any damage caused to Reutlinger's property by such inspection. Reutlinger's Pre-Closing Activities. From the Effective Date to the Closing Date, Reutlinger will identify in Schedule 5.2 any expenditure, commitment or undertaking that is not in conformance with an approved budget, or in the ordinary course of business, and that has a value in excess of \$250,000, including a renewal, extension or amendment of Reutlinger Leases or Reutlinger Contracts, other than on commercially reasonable terms, and recognition of any union or labor organization as the exclusive representative of any employees.

- Section 5.3 <u>Reutlinger's Commercially Reasonable Efforts</u>. Reutlinger covenants and agrees to use its commercially reasonable efforts to cause all of its covenants and agreements and all conditions precedent to Eskaton's and Reutlinger's obligations to close hereunder to be performed, satisfied and fulfilled.
- Section 5.4 <u>Managed Care Contracts</u>. Reutlinger agrees to use its commercially reasonable efforts to assist Eskaton in causing Reutlinger to maintain, after the Closing Date, the various managed care contracts in which the Reutlinger Facilities now participates.
- Section 5.5 <u>Required Approvals</u>. As promptly as practicable after the date of this Agreement, Reutlinger shall make all filings required by law to be made by it in order to consummate the contemplated transactions. Reutlinger shall cooperate with Eskaton and its representatives with respect to all filings that Eskaton elects to make or by law shall be required to make in connection with the contemplated transactions. Reutlinger shall cooperate with Eskaton and its representatives in obtaining all Material Consents.
- Section 5.6 Notification. Between the Effective Date and the Closing, Reutlinger shall promptly notify Eskaton in writing if any of them becomes aware of (a) any fact or condition that causes or constitutes a breach of any of Reutlinger's representations and warranties made as of the date of this Agreement or (b) the occurrence after the date of this Agreement of any fact or condition that would or be reasonably likely to (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had that representation or warranty been made as of the time of the occurrence of, or Reutlinger's discovery of, such fact or condition. Should any such fact or condition require any change to any of the schedules attached hereto, Reutlinger shall promptly deliver to Eskaton a supplement to such schedule specifying such change. During the same period, Reutlinger also shall promptly notify Eskaton of the occurrence of any breach of any covenant of Reutlinger in Articles III and V or of the occurrence of any event that may make the satisfaction of the conditions in Article VIII impossible or unlikely.
- Section 5.7 <u>No Negotiation</u>. Until such time as this Agreement shall be terminated, Reutlinger shall not directly or indirectly solicit, initiate, encourage or entertain any inquiries or

proposals from, discuss or negotiate with, provide any nonpublic information to or consider the merits of any inquiries or proposals from any person (other than Eskaton) relating to any business combination transaction involving Reutlinger, including the merger or consolidation of Reutlinger or the sale of Reutlinger's business or any of the Reutlinger Assets (other than in the ordinary course of business). Reutlinger shall notify Eskaton of any such inquiry or proposal within twenty-four (24) hours of receipt or awareness of the same by Reutlinger.

Section 5.8 <u>Payment of Liabilities</u>. Reutlinger shall pay or otherwise satisfy in the ordinary course of business all of its liabilities. Eskaton and Reutlinger hereby waive compliance with Bulk Sales Laws in connection with the contemplated transactions.

ARTICLE VI COVENANTS OF ESKATON

Eskaton, as indicated below, shall keep, perform and fully discharge the following covenants, unless Reutlinger consent otherwise in writing. Reutlinger may grant or withhold any such consent requested by Eskaton in Reutlinger's sole discretion:

Access and Investigation. During the period between the Effective Date and Section 6.1 the Closing Date, and upon reasonable advance notice received from Reutlinger and Eskaton shall (a) afford Reutlinger and its representatives and prospective lenders and their representatives (collectively, "Reutlinger Group") full and free access, during regular business hours, to Eskaton's personnel, properties, Eskaton Contracts, Eskaton Leases, Eskaton Licenses and Permits, books and records and other documents and data, such rights of access to be exercised in a manner that does not unreasonably interfere with the operations of Eskaton; (b) furnish Reutlinger Group with copies of all such Eskaton Contracts, Eskaton Leases, Eskaton Licenses and Permits, books and records and other existing documents and data as Reutlinger may reasonably request; (c) furnish Reutlinger Group with such additional financial, operating and other relevant data and information as Reutlinger may reasonably request; and (d) otherwise cooperate and assist, to the extent reasonably requested by Reutlinger, with Reutlinger's investigation of the properties, assets and financial condition related to Eskaton. In addition, Reutlinger shall have the right to have the Eskaton Real Property and Eskaton Personal Property inspected by Reutlinger, at Reutlinger's sole cost and expense, for purposes of determining the physical condition and legal characteristics of the Eskaton Real Property and Eskaton Personal Property

Section 6.2 <u>Eskaton Pre-Closing Activities</u>. From the Effective Date to the Closing Date, Eskaton will identify in <u>Schedule 6.2</u> any expenditure, commitment or undertaking that is not in conformance with an approved budget, or in the ordinary course of business, and that has a value in excess of \$250,000, including a renewal, extension or amendment of Eskaton Leases or Eskaton Contracts, other than on commercially reasonable terms, and recognition of any union or labor organization as the exclusive representative of any employees.

Section 6.3 <u>Eskaton's Commercially Reasonable Efforts</u>. Eskaton covenants and agrees to use its commercially reasonable efforts to cause all of its covenants and agreements and all conditions precedent to Reutlinger's and Eskaton's obligations to close hereunder to be performed, satisfied and fulfilled.

Section 6.4 <u>Required Approvals</u>. As promptly as practicable after the date of this Agreement, Eskaton shall make all filings required by law to be made by them in order to consummate the contemplated transactions. Eskaton shall cooperate with Reutlinger and its representatives with respect to all filings that Reutlinger elects to make or by law shall be required to make in connection with the contemplated transactions. Eskaton shall cooperate with Reutlinger and its representatives in obtaining all Material Consents.

Section 6.5 <u>Notification</u>. Between the Effective Date and the Closing, Eskaton shall promptly notify Reutlinger in writing if any of them becomes aware of (a) any fact or condition that causes or constitutes a breach of any of Eskaton's representations and warranties made as of the date of this Agreement or (b) the occurrence after the date of this Agreement of any fact or condition that would or be reasonably likely to (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had that representation or warranty been made as of the time of the occurrence of, or Eskaton's discovery of, such fact or condition. Should any such fact or condition require any change to any of the schedules attached hereto, Eskaton shall promptly deliver to Reutlinger a supplement to such schedule specifying such change. During the same period, Eskaton also shall promptly notify Reutlinger of the occurrence of any breach of any covenant of Eskaton in Articles IV and VI or of the occurrence of any event that may make the satisfaction of the conditions in Article VII impossible or unlikely.

ARTICLE VII CONDITIONS PRECEDENT TO OBLIGATIONS OF REUTLINGER

The obligations of Reutlinger hereunder are, at the option of Reutlinger, subject to the satisfaction, on or prior to the Closing Date, of all of the following conditions unless waived in writing by Reutlinger:

- Section 7.1 <u>Assurance of Facility License</u>. Reutlinger shall have received assurances satisfactory to Reutlinger and their counsel from the California Department of Public Health and Department of Social Services, that Reutlinger shall maintain the right to continue to operate the Reutlinger Facilities.
- Section 7.2 <u>Representations/Warranties</u>. The representations and warranties of Eskaton contained in this Agreement shall be true in all material respects when made and on and as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date; and each and all of the terms, covenants and conditions of this Agreement to be complied with or performed by Eskaton on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects.
- Section 7.3 <u>Governmental Approvals</u>. Reutlinger shall have received all governmental approvals or waivers listed on <u>Schedule 7.3</u> necessary for Reutlinger to consummate the transactions described herein.

¹ List to include all agencies listed in Section 1.6 hereof.

- Section 7.4 <u>Action/Proceeding</u>. No proceeding shall have been instituted or threatened to restrain or prohibit the contemplated transactions, and no governmental body shall have taken any other action or made any request of Reutlinger or Eskaton as a result of which Reutlinger reasonably and in good faith deem it inadvisable to proceed with the transactions hereunder.
- Section 7.5 <u>Closing Documents</u>. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.
- Section 7.6 <u>Consents</u>. Each of the consents identified in <u>Schedule 7.6</u> (the "Material Consents") shall have been obtained and shall be in full force and effect.
- Section 7.7 <u>No Material Adverse Change</u>. There shall not have been a material adverse change in the Eskaton Assets or the Eskaton business or operations.

ARTICLE VIII CONDITIONS PRECEDENT TO OBLIGATIONS OF ESKATON

The obligations of Eskaton hereunder are, at their option, subject to the satisfaction, on or prior to the Closing Date, of all of the following conditions unless waived in writing by Eskaton:

- Section 8.1 <u>Assurance of Facility License</u>. Eskaton shall have received assurances satisfactory to Eskaton and its counsel (including bond counsel) from the California Department of Public Health and Department of Social Services, that Eskaton shall maintain the right to continue to operate the Eskaton Facilities.
- Section 8.2 <u>Representations/Warranties</u>. The representations and warranties of Reutlinger contained in this Agreement shall be true in all material respects when made and on and as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date except those that may be supplemented or amended by the parties on or before the Closing Date; and each and all of the terms, covenants and conditions of this Agreement to be complied with or performed by Reutlinger on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects.
- Section 8.3 <u>Governmental Approvals</u>. Eskaton shall have received all governmental approvals or waivers listed on <u>Schedule 8.3</u> for Eskaton to consummate the transactions described herein.
- Section 8.4 <u>Action/Proceeding</u>. No proceeding shall have been instituted or threatened to restrain or prohibit the contemplated transactions, and no governmental body shall have taken any other action or made any request of Eskaton or Reutlinger as a result of which Eskaton reasonably and in good faith deems it inadvisable to proceed with the transactions hereunder.
- Section 8.5 <u>Closing Documents</u>. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.
- Section 8.6 <u>Consents</u>. Each of the Material Consents identified in <u>Schedule 8.6</u> (the "Material Consents") shall have been obtained and shall be in full force and effect.

Section 8.7 <u>No Material Adverse Change</u>. There shall not have been a material adverse change in the Reutlinger Assets or the Reutlinger business or operations.

ARTICLE IX POST-CLOSING COVENANTS

Section 9.1 <u>Further Assurances</u>. The parties shall cooperate reasonably with each other and with their respective representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall (a) furnish upon request to each other such further information; (b) execute and deliver to each other such other documents; and (c) do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the contemplated transactions.

ARTICLE X TERMINATION

Section 10.1 <u>Termination</u>. This Agreement and the obligations of the parties hereunder may be terminated on or prior to the Closing Date, as follows:

- (a) By Eskaton (i) in the event that the contemplated transactions have been prohibited or enjoined by reason of any final judgment, decree or order entered or issued by a court of competent jurisdiction in any proceeding involving either Eskaton or Reutlinger; (ii) in the event the conditions precedent to Eskaton's obligation to close are not satisfied and performed in full at or prior to the Closing Date; (iii) in the event of material damage, destruction or loss to the Reutlinger Assets (whether or not covered by insurance); or (iv) in the event Reutlinger breaches or violates any material covenant or agreement to be performed by Reutlinger under the terms of this Agreement and such breach, violation or failure and (A) such breach, violation or failure continues for a period of thirty (30) days following written notice by Eskaton to Reutlinger describing the breach, violation or failure or (B) is waived by Eskaton prior to Closing;
- (b) By Reutlinger (i) in the event that the contemplated transactions have been prohibited or enjoined by reason of any final judgment, decree or order entered or issued by a court of competent jurisdiction in any proceeding involving either Eskaton or Reutlinger; (ii) in the event the conditions precedent to Reutlinger's obligation to close are not satisfied and performed in full at or prior to the Closing Date; (iii) in the event of material damage, destruction or loss to the Eskaton Assets (whether or not covered by insurance); or (iv) in the event Eskaton breaches or violates any material covenant or agreement to be performed by Eskaton under the terms of this Agreement and such breach, violation or failure and (A) such breach, violation or failure continues for a period of thirty (30) days following written notice by Reutlinger to Eskaton describing the breach, violation or failure or (B) is waived by Reutlinger prior to Closing;

(c)	By Reutlinger or Eskaton if the Closing hereunder shall not have taken place by
[, 2019] ² , or such later date as shall be agreed upon by an amendment to this Agreemen
entered in	o in accordance with Article XI; provided, however, that a party shall not have the right to

² Discuss outside closing date.

terminate under this Section 10.1(c) if the conditions precedent to such party's obligation to close have been satisfied and such party has failed or refused to close after being requested in writing to close by the other party; or

(d) By Reutlinger or Eskaton by mutual agreement.

Section 10.2 <u>Effect of Termination</u>. Each party's right of termination under Section 10.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of such right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 10.1, all obligations of the parties under this Agreement will terminate, except that the obligations of the parties in this Section 10.2 and Article XII will survive, provided, however, that, if this Agreement is terminated because of a breach of this Agreement by the nonterminating party or because one or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the non-terminating party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

ARTICLE XI AMENDMENT OF AGREEMENT

The parties hereto may by mutual agreement only in writing:

- (a) Extend the time for performance of any of the obligations or other actions of the parties hereto;
- (b) Waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant thereto;
- (c) Waive compliance with any of the covenants or conditions contained in this Agreement; provided, however, that a party may not waive any or all of the conditions precedent to its obligation to close without a written amendment signed by both parties; and
- (d) Amend this Agreement in any other respect. Any and all amendments shall be effective if made in writing by the parties.

ARTICLE XII CONFIDENTIALITY

Section 12.1 <u>Confidential Information of Reutlinger</u>. Eskaton acknowledges that in connection with the contemplated transactions, Eskaton has received and may continue to receive information of a confidential and proprietary nature regarding Reutlinger and the Reutlinger Facilities, including, without limitation, business plans, strategic plans, and other financial information and information concerning its activities, business, assets and properties ("Reutlinger Confidential Information"). Eskaton acknowledges that Reutlinger would be irreparably damaged if such Reutlinger Confidential Information were disclosed to or utilized by any person to the detriment of Reutlinger. Therefore, Eskaton shall not, at any time, directly or indirectly, without the prior written consent of Reutlinger, disclose, make use of or divulge, or permit any of its affiliates, directors, officers, employees or agents to disclose, make use of or divulge, to any person any

Reutlinger Confidential Information at any time, except for such disclosure as may be required by law. Notwithstanding any other provision herein to the contrary, the covenants set forth in this Section 12.1 shall survive the Closing, and if this transaction does not close it will survive the termination of this Agreement. For purposes of this Section 12.1, "Reutlinger Confidential Information" and "Community Confidential Information" shall not include information which is now, or becomes, generally available to the public by any persons other than a person disclosing information in violation of this Section 12.1.

Section 12.2 Confidential Information of Eskaton. Reutlinger acknowledges that in connection with the contemplated transactions, Reutlinger has received and may continue to receive information of a confidential and proprietary nature regarding Eskaton, including, without limitation, business plans, strategic plans, and other financial information and information concerning its activities, business, assets and properties ("Eskaton Confidential Information"). acknowledges that Eskaton would be irreparably damaged if such Eskaton Confidential Information were disclosed to or utilized by any person to the detriment of Eskaton. Further, Reutlinger acknowledges that Eskaton would be irreparably damaged if confidential information regarding the Eskaton Facilities were disclosed following the Closing ("Eskaton Facilities Confidential Information"). Therefore, Reutlinger shall not, at any time, directly or indirectly, without the prior written consent of Eskaton, disclose, make use of or divulge, or permit any of its respective affiliates, directors, officers, employees or agents to disclose, make use of or divulge, to any person (i) any Eskaton Confidential Information at any time, and (ii) any Eskaton Facilities Confidential Information at any time following the Closing, except for such disclosure as may be required by law. Notwithstanding any other provision herein to the contrary, the covenants set forth in this Section 12.2 shall survive the Closing, and if this transaction does not close it will survive the termination of this Agreement. For purposes of this Section 12.2, "Eskaton Confidential Information" and "Eskaton Facilities Confidential Information" shall not include information which is now, or becomes, generally available to the public by any persons other than a person disclosing information in violation of this Section 12.2.

ARTICLE XIII PAYMENT OF EXPENSES

Except as otherwise provided in Section 1.4, legal, accounting and other expenses incident to this Agreement incurred by (a) Reutlinger shall be paid by Reutlinger and (b) Eskaton shall be paid by Eskaton. To the extent that Reutlinger and Eskaton jointly engage the services of experts or consultants other than in connection with a Breach Notice, such expenses shall be shared equally by Reutlinger and Eskaton.

ARTICLE XIV NOTICES

Any notice or other communications required or permitted hereunder shall be sufficiently given if sent by registered or certified mail, postage prepaid, by Federal Express or similar service, addressed as follows:

Reutlinger:	The Reutlinger Community 4000 Camino Tassajara	
	Danville, CA 94506	
	Attn: Jay Zimmer, CEO	
	Facsimile: (925) 648-2801	
Copy to:	Manatt, Phelps & Phillips, LLP	
Copy to.	One Embarcadero Center	
	30 th Floor	
	San Francisco, CA 94111	
	Attn: Jill Dodd	
	Facsimile: (415) 291-7474	
Eskaton:		
Copy to:		
]	

or to such other addresses as shall be furnished in writing by either of the parties and any such notice or communication shall be deemed to have been given as of the date so expressed and three (3) days after the date so mailed (if mailed).

ARTICLE XV MISCELLANEOUS

- Section 15.1 <u>Counterparts</u>. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.
- Section 15.2 <u>Survival</u>. All representations and warranties of the Parties set forth in Article III and Article IV of this Agreement shall expire as of the Closing Date. Except with respect to the Fundamental Commitments and the Parties rights and obligations in respect of a Breach Notice and Enforcement Action (which will survive indefinitely), any and all obligations of the Parties under this Agreement will be deemed complete and fully performed and will expire on the ______ anniversary of this Agreement, unless a different survival period is established, directly or by reasonable inference, by this Agreement with respect to a specific obligation.
- Section 15.3 <u>Headings</u>. The headings in this Agreement are for convenience only and shall not affect the construction hereof.
- Section 15.4 <u>Binding Terms and Provisions</u>. All terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of the parties hereto.
- Section 15.5 <u>Entire Agreement</u>. This Agreement shall constitute the entire agreement between the parties with respect to the foregoing and may not be amended except as provided herein.

- Section 15.6 <u>Applicable Law</u>. This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California.
- Section 15.7 Public Announcements; Public Relations. The Parties acknowledge that the details, terms and conditions of the contemplated transactions shall, to the extent allowed by law and to the extent reasonably possible under the circumstances, be treated as confidential information and legally protected trade secrets. No information pertaining to such transactions shall be released to third parties except insofar as there is a valid need-to-know, or unless the parties agree in writing to such release of information. The parties mutually agree that no party hereto shall release, publish or otherwise make available to the public in any manner whatsoever any information or announcement regarding the contemplated transactions without the prior agreement of the other parties, except for information and filings reasonably necessary to be directed to governmental bodies to fully and lawfully effect the contemplated transactions. The Parties agree to work together in good faith, as necessary, to develop and execute a public relations effort to promote a smooth transition of the Affiliation among the relevant stakeholders.
- Section 15.8 <u>Waiver of Breach</u>. The waiver by either party of breach or violation of any provision of this Agreement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same or other provision hereof.
- Section 15.9 <u>Third Party Beneficiaries</u>. Except as expressly provided in this Agreement, nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and the respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the liability of any third parties to any party to this Agreement, nor shall any provision give any third parties any right of subrogation or action over or against any party to this Agreement.
- Section 15.10 <u>Dispute Resolution</u>; <u>Jurisdiction</u>; <u>Service of Process</u>. In the event any disagreement, dispute or claim (collectively, "Dispute") arises between the parties arising out of or relating to this Agreement or any contemplated transaction other than an Enforcement Action, such Dispute shall be settled in accordance with the following procedures:
- (a) In the event of a Dispute, a party may give written notice to the other party setting forth the nature of such Dispute ("Dispute Notice"). The parties to the Dispute shall meet and confer to discuss the Dispute in good faith within fifteen (15) days of the other party's receipt of a Dispute Notice in an attempt to resolve the dispute ("Meet and Confer Discussions"). Each party to the Dispute shall each select two (2) representatives, all representatives shall meet at such date(s) and time(s) as are mutually convenient to the representatives of each participant within the Meet and Confer Period (as defined below),
- (b) If the parties are unable to resolve the Dispute within forty-five (45) days following the date of receipt of the Dispute Notice ("Meet and Confer Period"), then the parties shall mediate such controversy before resorting to arbitration or court action. Mediation fees, if any, shall be divided equally between the parties. If, for any controversy to which this paragraph applies, either party commences an action without first attempting to resolve the matter through mediation, or refuses to mediate after written request has been made, then that party shall not be entitled to recover attorney fees, even if they would otherwise be available to that party in any such action. The

mediation shall be conducted in San Francisco, California in accordance with the procedures of JAMS, Inc. by a single, neutral mediator selected by the parties from the panel of JAMS, Inc. within fifteen (15) days of either party's written request to mediate. If the parties are unable to agree on a mediator within the fifteen (15) day period, then a single neutral mediator shall be selected by the then serving chief administrative officer of JAMS, Inc. The mediation shall be completed within forty-five (45) days of the selection of the mediator (the "Mediation Period").

(c) If the parties are unable to resolve the Dispute through mediation during the Mediation Period, then either party may pursue any remedy available to it at law or in equity in the courts of the State of California, County of San Francisco, or, if it has or can acquire jurisdiction, in the United States District Court for the Northern District of California, and each of the parties irrevocably submits to the exclusive jurisdiction of each such court in any such proceeding, waives any objection it may now or hereafter have to venue or to convenience of forum, agrees that all claims in respect of the proceeding shall be heard and determined only in any such court and agrees not to bring any proceeding arising out of or relating to this Agreement or any contemplated transaction in any other court. The parties acknowledge that either or both of them may file a copy of this paragraph with any court as written evidence of the knowing, voluntary and bargained agreement between the parties irrevocably to waive any objections to venue or to convenience of forum. Process in any proceeding referred to in the first sentence of this Section may be served on any party anywhere in the world.

Section 15.11 <u>Drafting</u>. No provision of this Agreement shall be interpreted for or against any Person on the basis that such Person was the draftsman of such provision, and no presumption or burden of proof shall arise favoring or disfavoring any Person by virtue of the authorship of any provision of this Agreement.

Section 15.12 <u>Severability</u>. If any provision of this Agreement shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid or unenforceable provision were omitted.

Section 15.13 Exhibits and Schedules. The exhibits and schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by a duly authorized officer on the date first above written.

	Eskaton, a California nonprofit public benefit corporation
Date:	By:
	Chairman of the Board
	The Reutlinger Community, a California nonprofit public benefit corporation
Date:	By:
	Chairman of the Board

Exhibit 1.2

Reutlinger Articles & Bylaws

Exhibit 1.3

Eskaton Articles and Bylaws

Exhibit 1.4(a)

Reutlinger's Jewish Values, Practices and Policies

Reutlinger's Mission Statement

The mission of The Reutlinger Community is to provide high quality health care and social support services to seniors in a life-enhancing and stimulating environment with a commitment to Jewish values.

Policies and Practices

<u>Financial Assistance Program</u>: Since Reutlinger's founding in 1950, it has provided financial assistance to those individuals that through no fault of their own have outlived their financial assets. The Reutlinger Founders and subsequent Boards of Directors have also permitted "Holocaust Survivors" (meaning Nazi Victim, as defined on the attached definition developed by the National network of Jewish Children and Family Services organizations) to enter the community regardless of his/her ability to pay the monthly and associated fees. Attached is a copy of Reutlinger's current financial assistance policy.

Religious Practices:

Reutlinger has a long-standing practice of maintaining an on-site synagogue and a full-time Rabbi who provides religious and spiritual leadership, cultural teaching and pastoral services to those of all faiths. The sanctuary is a sacred place and is used for Shabbat (Sabbath) services every Friday night and Saturday morning, and, all of the major Jewish holidays, e.g., Rosh Hashanah, Yom Kippur, Sukkot (at such time a Sukkah is constructed), Hanukah, Simchat Torah, Passover, Shavuot, etc. The synagogue serves as a place for memorial services; morning -prayer for those who practice; and, celebrations and other ceremonies that require a sanctuary setting. After the Closing Date, the full-time Rabbi employed for religious, cultural and pastoral services shall be (a) Conservative, Reform or Reconstructionist and(b) selected from time to time by the Designator Organization.

The community serves both Kosher and non-Kosher meals but does not permit shellfish or pork in public dining areas. During Passover, all meals are prepared under kosher law with matzo and unleavened products throughout the holiday period.

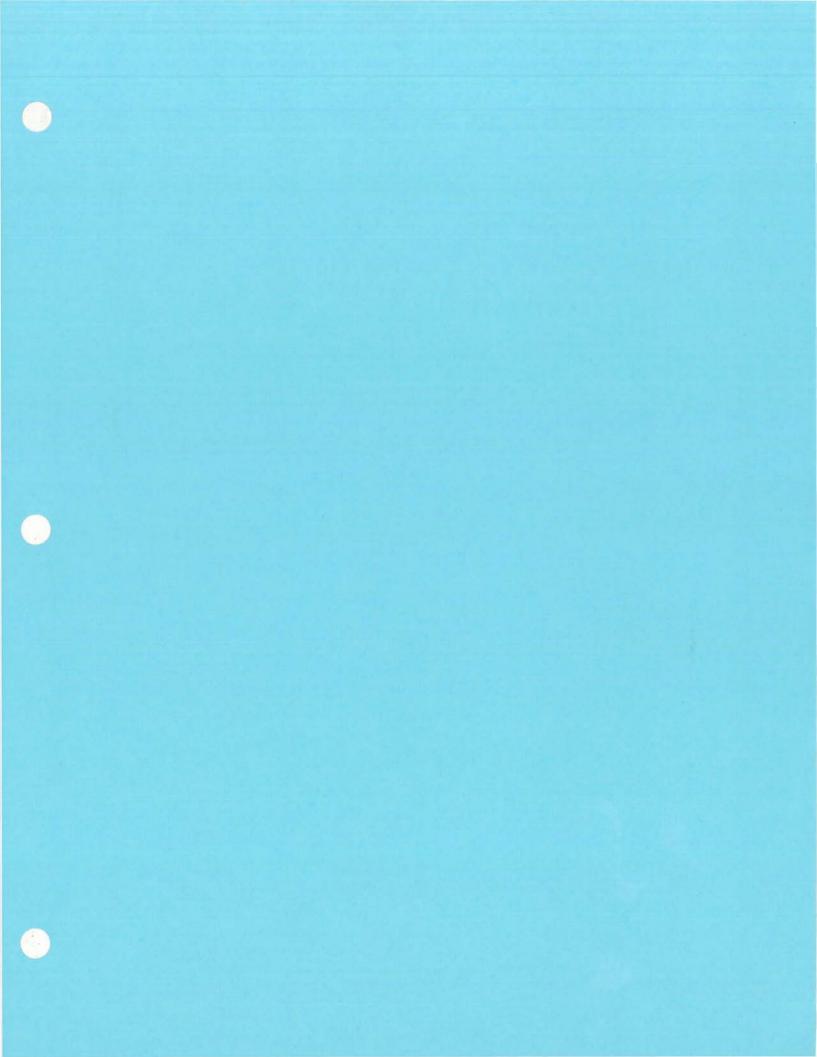
Outside of the synagogue walls, Jewish programming occurs on a routine basis through music, lectures and classes; special dinners e.g., the Passover Seder; Yom Kippur 'break the fast"; celebrations e.g., the Purim Festival, Hanukah Candle Lighting and services in the Sukkah.

Reutlinger maintains Torahs, prayer books and Chumashim and Mezuzzot on doorposts

The community is a Registered Jewish Heritage Museum (JHM) with a number of donated collections made to Reutlinger over the years. Should Eskaton determine that the museum can no longer be supported; the collection shall be donated to the Magnus Museum in Berkeley or some other appropriate Jewish organization selected by the Designator Organization.

The maintenance of the Tree of Life wall display in the main lobby of the Reutlinger Facility (donor gifts in memoriam), along with other gifts of Judaica, artwork, books, etc. must continue to be adequately displayed, insured and safely stored if not displayed.

Maintain membership in AJAS (Association of Aging Jewish Services)



The Reutlinger Community Executive Session May 14, 2019

An Executive Session of the Reutlinger Community Board of Directors was held on May 14, 2019, commencing at 6:05 PM in the Sussman Room.

Attending members: Berkman, Rose, White, Usatin, Isaac and Powell.

Absent: Goldstein, Judson, Salkin, Ruth and Jones.

Staff: Zimmer, Kohn

Rabbi Kohn opened the meeting with D'Var Torah on social responsibility.

Berkman turned the floor over to Rose to provide an update of the Eskaton verdict. Rose had an opportunity to review with our Auditors in order to determine an order of magnitude if the verdict stood as-is, at \$42MM dollars. Eskaton is currently valued at about \$200MM dollars. Among other things, days cash on hand would drop from its current level of 246 days to about 150 days. For comparison, TRC is about 133 days cash on hand.

REDACTED - PRIVILEGED

In addition to the financial impact, several Board members questioned the quality of care issues as described in the article. These questions would later be raised with Todd Murch, Eskaton CEO, on a scheduled call.

Once the presentation by Rose was completed and the questions from the Board were addressed, Murch was called in order to provide an update and respond to any questions the TRC Board had.

Murch indicated that Eskaton was part of an Insurance Risk Retention Group and that no decision has yet been reached as to what might be covered on the first \$7MM dollars. There has not been a final judgement and Eskaton is reviewing its options including a possible appeal. In response to how Eskaton would cover the punitive damages, if applicable, Murch responded that Eskaton has about \$83MM dollars in cash reserves and expects another \$10MM from sales of property that are scheduled to close this summer, bringing the total to \$93MM dollars. They would use a portion of the cash reserves to pay any settlement.

He further went on to explain that the judge made several errors in his ruling and has already corrected one of those rulings that would limit the compensatory damages to \$3.75MM dollars.

The corrected ruling would also reduce the damages to 5X the 3.75MM, and, the judge may have also incorrectly applied treble damages that may not apply in this matter. Eskaton is awaiting an appellate attorney opinion as to next steps.

In the meantime, the plaintiff's attorney has requested mediation in order to settle that matter outside of an appeals process. The mediation is schedule for May 28.

TRC has requested that its counsel be permitted to discuss with Eskaton's counsel for further input and clarification. Murch had no objection and would reach out to his attorneys.

The conversation then turned to the quality of care issues. Did Murch believe that this was systemic or a one-off incident? While Eskaton admitted to the med-error, the circumstances of the residents death was less clear and did not occur at an Eskaton property. Murch provided some in-sight into the organizations QAPI process and inter-disciplinary team approach. He also disputed the plaintiff's claim of the community being short-staffed.

During our due-diligence, TRC reviewed Eskaton's CMS 5-Star ratings that include staffing scores and they all appeared to be in good order. (One of the communities was out of sync and it was due to a PBJ (payroll based journal) reporting error, not understaffing). On the AL side, CA does not define any metrics to determine optimal staffing levels. In 2012, at the time of this incident, AL regulations and surveys were far less stringent than today. In 2017, AL regulations were updated around med-management, annual surveys, memory care, etc., but still, staffing levels were not addressed.

In the end, the plaintiff's attorney and expert witnesses simply had a stronger impact on the jury. Eskaton went to trial based upon an assessment by the Risk Retention Group that they would prevail.

Moving on, and following the call with Murch, the Board turned its attention to the remaining 4-items that are unresolved and could be potential deal-breakers.

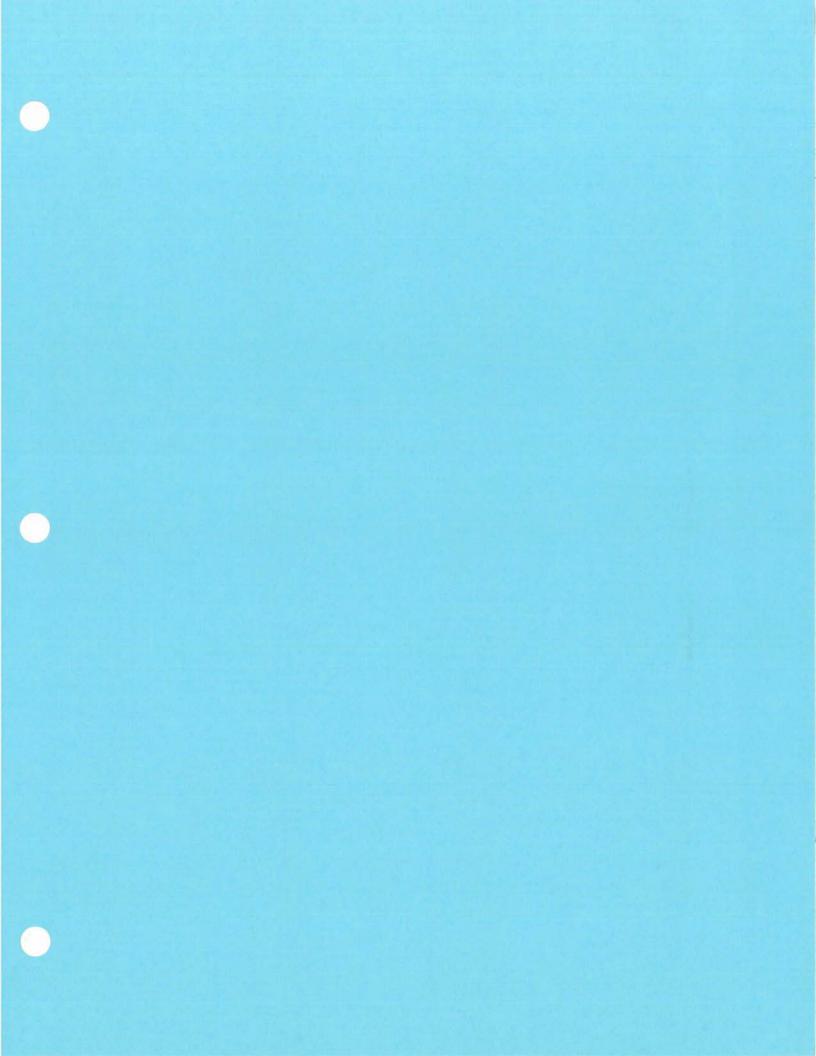
- Selection and replacement of the TRC Board member. Eskaton's position is that any
 prospective Board members selected by TRC and subsequently by the Designator
 Organization are subject to the approval of the full Eskaton Board. TRC rejects this
 position other than for good cause which would have to be defined and agreed to.
- 2) <u>Cap on enforcement cost \$100K dollars.</u> Throughout the negotiations there was never a cap imposed and this position is rejected by TRC.
- 3) Eskaton's right to amend the management agreement. TRC rejects this position and believes that the TRC representative should have a role in determining that if any increases are proposed, that they are not damaging to TRC's financial position or can harm TRC in any way.
- 4) Proposed changes to the management agreement proposed by TRC. Eskaton has rejected all proposed changes, arguing that the agreement is the same for all of their subsidiaries.

It was suggested that TRC reach out to Eskaton to arrange a meeting of the respective principles and counsel in an attempt to resolve any outstanding issues ASAP. Zimmer will contact Eskaton in the morning.

Additionally, Zimmer will request that Eskaton provide a summary report and status of any outstanding litigation; and, an analysis of projected savings for TRC once a transition to the management company is completed.

Respectfully submitted,

Jay Zimmer President and CEO



The Reutlinger Community Board of Directors Meeting Minutes of May 14, 2019

Meeting Minutes: Sherry Berkman called the meeting to order at 8:00 PM. In attendance were Marc Usatin, Fred Isaac, Renee Powell, Joel White and Jordan Rose. David Grant, Richard Goldstein, Gloria Ruth, Jean Jones, Craig Judson, Sam Salkin were absent. Staff in attendance were Jay Zimmer, Brian Morrow, Rabbi Kohn and Naheed Asalati.

REDACTED - NOT RELEVANT

REDACTED - NOT RELEVANT

Sherry Berkman: The Affiliation Resolutions will be delayed until next meeting.

Adjournment: There being no further business, Joel White moved to adjourn the meeting, Marc Usatin seconded, and the meeting was adjourned at 8:30 PM

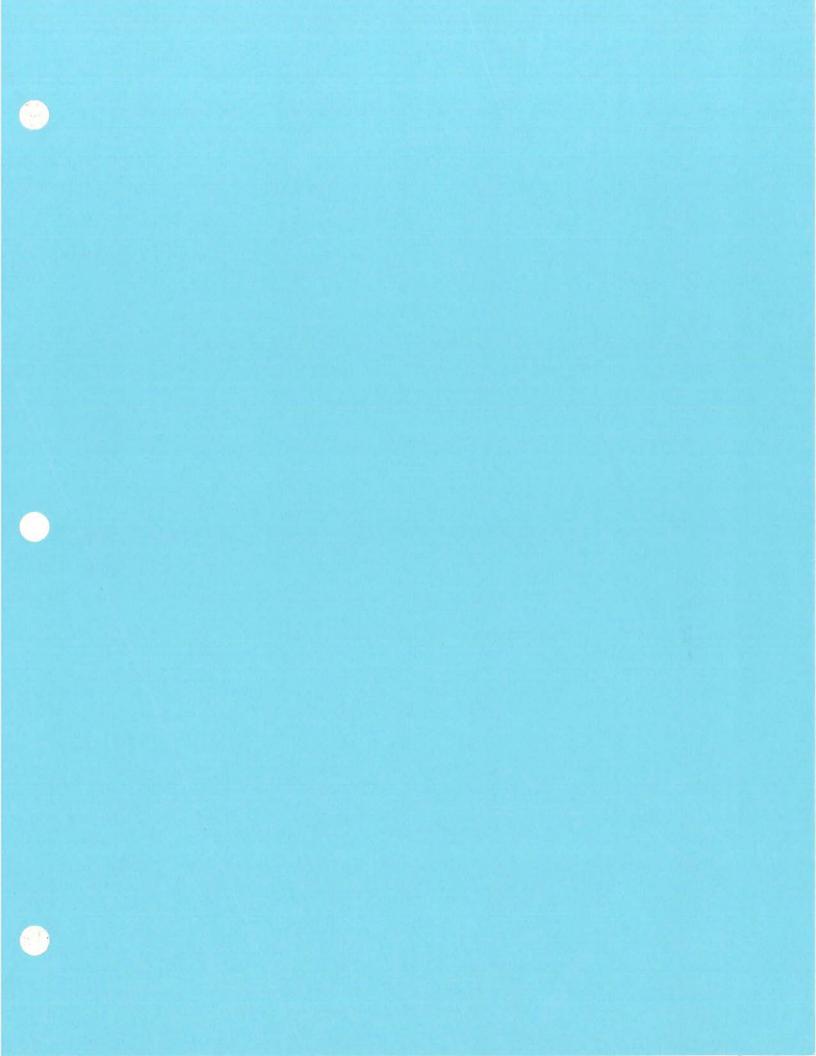
Executive Committee Meeting

The BOD Meeting followed the adjourned Executive Session.

Respectfully Submitted

Naheed Asalati

Next Board of Directors Meeting is on June 11, 2019 at 6 PM.



The Reutlinger Community Board of Directors Meeting Minutes of June 11, 2019

Meeting Minutes: Sherry Berkman called the meeting to order at 6:15 PM. In attendance were Marc Usatin, Renee Powell, Jordan Rose, Jean Jones, Craig Judson, and Sam Salkin. Richard Goldstein arrived at 7:15pm. Joel White and Gloria Ruth were absent. Staff in attendance were Jay Zimmer, Brian Morrow, Rabbi Kohn and Naheed Asalati.

D'VAR Torah: Rabbi Kohn delivered the D'var Torah.

Approval of May 14, 2019 minutes: Upon motion made by Marc Usatin and seconded by Renee Powell, the minutes from May 14, 2019 were approved.

REDACTED - NOT RELEVANT

Annual Meeting and Board of Director Nominations: Several Board members questioned as to when the affiliation will close. Sherry Berkman turned the floor over to Jordan Rose to provide an update. Jorden Rose noted that the expected closing date of the affiliation transaction will be in December/January. Jordan asked if the current Directors are willing to make a commitment to stay as members of the Board through then, and, in addition to current Board members, he is expecting to attract several new members. Everyone committed to stay on except Richard Goldstein. Fred Isaac not present, resigned from his position. Both Richard and Fred's terms will expire on June 30, 2019

REDACTED - NOT RELEVANT

CEO Report: Jay Zimmer reported on a Family Council Proposal and the current status of the Designator Organization.

 Family Council would like to form a community wide advisory council to the TRC Board member(s) who will be sitting on Eskaton Board.

Designator Organization:

- Sinai Memorial Chapel is not going forward as a Designator Organization.
- TRC Board is planning to create a standing Committee of the Board to act in an advisory role in nominating subsequent Board members to the Eskaton Board.

TRC Board of Directors agreed to create a standing committee of 3 to 5 members, whose function would be to designate a replacement of designee as necessary. Details of how this will work to be developed.

Affiliation update: Jay Zimmer reported that there are four outstanding issues.

- Cap on enforcement cost: If TRC Board member was to bring an action against Eskaton, at Eskaton expense, should there be any breach of the agreement. Eskaton was seeking a \$100,000 dollars cap on the advance of the legal fee. After the negotiations, Eskaton agreed to no Cap.
- 2. The right of approval by the Eskaton Board of TRC nominee to Eskaton Board: Eskaton cited CCRC regulatory language, which addressed the resident member nominees to CCRC Board not the TRC nominee. TRC Board rejected proposal and Eskaton agreed. Eskaton can only reject a nominee for cause, e.g., convicted felony, etc.
- 3. The management agreement of 6% fee and any future changes to management agreement will not be subject to TRC Board member approval: Eskaton proposed 6% management fee, TRC Board stated that the 6% fee could create more financial stress. Eskaton agreed to no more than 4% and to maintain TRC at break-even level for any operational losses.

REDACTED - PRIVILEGED

4. Litigation: Jordan Rose reported on

Per our

attorney,

REDACTED - PRIVILEGED

TRC has proposed an opt out provision to the affiliation agreement. If the verdict is not reduced to TRC satisfaction, TRC will have the ability to walk away. Although, moving forward with the affiliation now, there could be an appeal on this case (favorable/unfavorable), but this process could take several years. Then, TRC would have an option to unwind, if agreed to by Eskaton. Both options would kick-in if Eskaton's verdict value was finalized to be not more than \$20,000,000 dollars.

Jordan Rose questioned: Do we want to move forward with Eskaton affiliation, subject to our ability to opt out if the verdict stood at over \$20,000,000 dollars?

TRC Board members agreed to move forward with the affiliation.

REDACTED - NOT RELEVANT

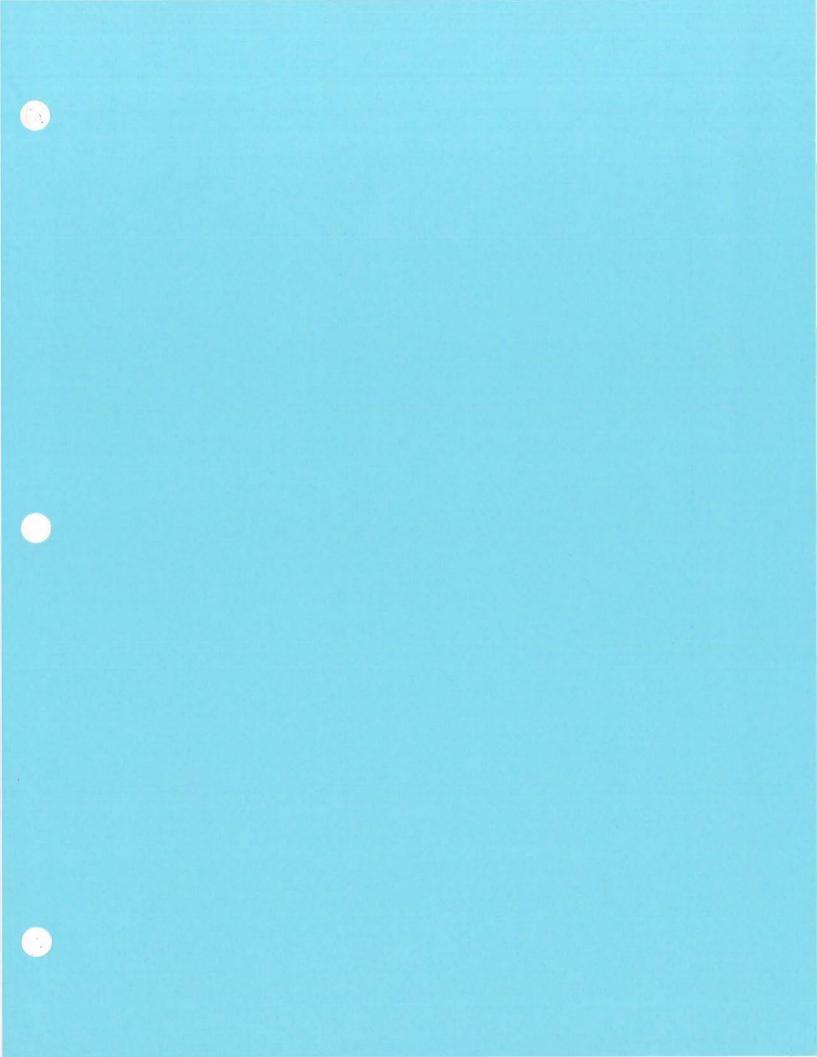
REDACTED - NOT RELEVANT

Adjournment: There being no further business, Renee Powell moved to adjourn the meeting, Marc Usatin seconded, and the meeting was adjourned at 9:15 PM

Respectfully Submitted

Naheed Asalati

Next Board of Directors Meeting is on July 9, 2019 at 6 PM.



The Reutlinger Community Board of Directors Meeting Minutes of July 9, 2019

Meeting Minutes: Jordan Rose called the meeting to order at 6:10 PM. In attendance in person were David Grant, Marc Usatin, Joel White, Renee Powell, Jean Jones and Gloria Ruth. Craig Judson and Sam Salkin attended by telephone. Sherry Berkman was absent. Staff in attendance were Jay Zimmer, Brian Morrow and Naheed Asalati.

D'VAR Torah: Jean Jones delivered the D'var Torah, Rabbi not present for meeting.

Approval of June 11, 2019 minutes: Jordan Rose told the Board that proposed minor modifications to last month's minutes are in process and to expect to receive a revised version for consideration at the next meeting.

REDACTED - NOT RELEVANT

Affiliation update: Jay Zimmer reported that there are still four outstanding issues unresolved. The one significant item was the Eskaton verdict of \$42 Million dollars. At a recent hearing the award was reduced to \$39 million dollars. There are still post-trial motions and hearings to take place. Eskaton attorneys as well as TRC attorneys believe that

REDACTED - PRIVILEGED

Designator Organization -TRC Board of Directors agreed to create a Standing Committee of 3 members, whose responsibility would be to nominate a replacement of designee as necessary to the Eskaton Board. The selected members are Marc Usatin, Jordan Rose and Craig Judson.

There is also a new item with regard to identifying TRC restricted vs. unrestricted funds. Brian Morrow and TRC auditors will work with Eskaton financial team to resolve.

Marc Usatin questioned what is affiliating going to save TRC? And, what is plan B if TRC decide to opt out of the affiliation?

Jay Zimmer responded that he estimates that the affiliation will save TRC a minimum of \$500,000 per year, although the anticipated management fee will likely offset more than that amount of savings. It was noted that Eskaton has expressed its confidence that it can make TRC profitable. It was also noted that potential profitability was not the driving force behind seeking an affiliation; having access to the substantial resources of Eskaton, as well as Eskaton's demonstrated willingness to commit to maintaining TRC's Jewish values were paramount, especially considering the various alternatives that had previously been considered.

An extensive discussion was had with respect to the question of whether to continue proceeding with the Eskaton affiliation, i.e., to go forward either with or without an "optout" provision in the proposed Affiliation Agreement, or to not go forward and attempt instead to find a new affiliation partner, or continue to go it alone or to consider other alternatives, including possibly a sale of TRC assets.

David Grant spoke in favor of the proposed affiliation as it benefits TRC; he noted that searching for another alternative will be expensive and that according to GSI, for TRC to stay as a single site, is risky as well.

Jordan Rose suggested that the Board make its decision with the knowledge that there is a risk as to whether or not the verdict will be reduced either by reason of post-trial motions and/or on appeal, and it is entirely possible that, even with an 'opt-out" provision in the proposed Affiliation Agreement giving TRC the right to terminate the transaction if the verdict is not reduced to its satisfaction before Closing, TRC might nonetheless find that the amount of the ultimate verdict against Eskaton remains uncertain. TRC would then have to decide whether to exercise its opt-out right, or not exercise it and proceed to close the transaction. In other words, he noted, there is a risk in going forward which probably cannot be eliminated, but there is also a risk in not going forward as well since TRC would be back in the position of seeking alternative solutions at the same time as it is seeking to strengthen its economic position. He suggested that the Board ought make its decision exercising what it considers to be sound business judgment.

After further discussion, Marc Usatin moved to proceed with the affiliation with or without an "opt-out" provision in the proposed Affiliation Agreement. Joel White seconded the motion and, there being no further questions or comments, Jordan Rose called for a roll call vote.

Roll call vote:

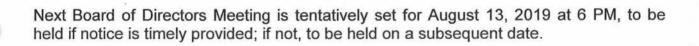
Joel White – Aye Marc Usatin – Aye Renee Powell – Aye David Grant - Aye Jean Jones – Aye Gloria Ruth – Aye Sam Salkin – Aye Craig Judson – Aye

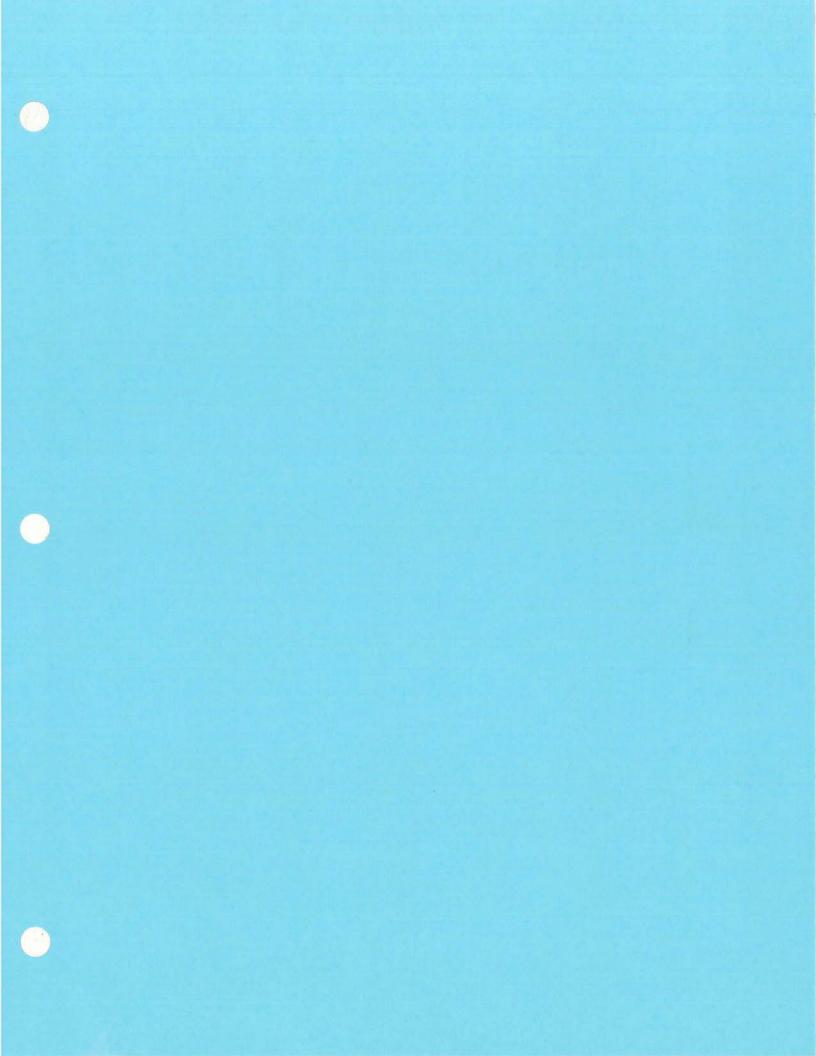
The motion passed.

Adjournment: There being no further business, meeting was adjourned at 7:35 PM

Respectfully Submitted

Naheed Asalati





The Reutlinger Community Board of Directors Meeting Minutes of September 10, 2019

Meeting Minutes: Jordan Rose called the meeting to order at 6:10 PM. In attendance in person were David Grant, Marc Usatin, Joel White, Jack Katz, Craig Judson, Jean Jones and Gloria Ruth. Sherry Berkman attended by telephone. Sam Salkin and Renee Powell were absent. Staff in attendance were Jay Zimmer, Brian Morrow, Naheed Asalati and Rabbi Debora Kohn.

D'VAR Torah: Rabbi Kohn delivered the D'var Torah.

New Board member, Jack Katz was present and introduced himself.

REDACTED - NOT RELEVANT

Affiliation Agreement: Jack Katz and Marc Usatin questioned what the affiliation is going to save TRC?

Jay Zimmer and Brian Morrow responded that they don't have the exact dollar amount but Jay Zimmer noted that Eskaton has expressed its confidence that it can make TRC profitable. Jordan Rose also noted that potential profitability was not the driving force behind seeking an affiliation; having access to the substantial resources of Eskaton, as well as Eskaton's demonstrated willingness to commit to maintaining TRC's Jewish values were paramount.

After the extensive discussion, Marc Usatin moved that the Board adopt the Resolution (attached) that authorizes Jay Zimmer to execute the Affiliation Agreement in the form that was presented to the Board tonight (print and email) with such modifications as made between today and the day of execution as long as the modifications are not material. Joel White seconded and the motion carried by unanimous vote.

Restricted Assets Resolution: Jay Zimmer reported that TRC has 4.8 million dollars in Board Restricted Assets, 2.8 million dollars in donor restricted assets, 1.9 million Schiff Trust and 1.7 million unrestricted assets. Eskaton has asked that the TRC Board remove the Board-imposed restrictions on these Assets. These funds can only be used for the benefit of TRC.

 After the discussion of Restricted Liquid Assets, Joel White made the motion to approve the Resolution (attached), removal of Board Restrictions on Liquid Assets and Jack Katz seconded. The Motion passed.

Jordan Rose reported that after signing, the next step towards affiliation will be to submit a packet to California Attorney General to approve. The amended Articles and Bylaws will be an exhibit to the agreement and will become effective and signed once closing take place.

REDACTED - NOT RELEVANT

Major Donor and Trustee update: Jay Zimmer reported that over the summer he met with the number of major donors and Trustee Advisory Board members one on one. He received good feedback, and provided clarification to any misunderstanding and rumors about the affiliation. Jay Zimmer suggested that the Board fill the other two Commitment Committee slots with people who were affiliated with the Trustees and Family Council. This Sunday September 15, the Trustees are holding a meeting at TRC to discuss the affiliation and the Commitment Committee. This will be further discussed at the next Board meeting.

REDACTED - NOT RELEVANT



Adjournment: There being no further business, Marc Usatin moved to adjourn the meeting, Joel White seconded and the meeting was adjourned at 8:40 PM

Respectfully Submitted

Naheed Asalati



Next Board of Directors Meeting is tentatively set for October 3, 2019 at 6 PM.



THE REUTLINGER COMMUNITY BOARD OF DIRECTORS RESOLUTION TO APPROVE REMOVAL OF BOARD RESTRICTIONS ON LIQUID ASSETS

September 10, 2019

The Board of Directors (the "Board") of The Reutlinger Community, a California nonprofit public benefit corporation (the "Corporation") hereby consents to and adopts the following resolution:

REMOVAL OF BOARD RESTRICTIONS ON LIQUID ASSETS

WHEREAS, for purposes of effectuating an affiliation with Eskaton, a California nonprofit public benefit corporation, the Board has determined that it is in the best interest of the Corporation to remove any and all Board-designated restrictions on the Corporation's liquid assets, effective as of the closing date of that certain Affiliation Agreement between the Corporation and Eskaton (the "Affiliation Agreement").

THEREFORE, IT IS RESOLVED THAT:

- 1. The Board hereby removes any and all Board-designated restrictions on the Corporation's liquid assets, effective as of the closing date of the Affiliation Agreement;
- 2. The Board is hereby authorized to execute and deliver for and on behalf of the Corporation, all such instruments, certificates, agreements and documents, and to do and perform all such acts and things, including the incidence and payment of expenses, as may be necessary or desirable to carry out the intent and accomplish the purposes of the foregoing resolution; and
- 3. Any actions taken by the Board prior to the date of the foregoing resolution adopted hereby that are within the authority conferred thereby are hereby ratified, confirmed and approved as acts and deeds of the Corporation.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the foregoing resolutions are adopted by the Board as of the date set forth above.

David Grant Secretary of the Board-

THE REUTLINGER COMMUNITY BOARD OF DIRECTORS RESOLUTION TO APPROVE EXECUTION OF AFFILIATION AGREEMENT

September 10, 2019

The Board of Directors (the "Board") of The Reutlinger Community, a California nonprofit public benefit corporation (the "Corporation") hereby consents to and adopts the following resolutions:

EXECUTION OF AFFILIATION AGREEMENT

WHEREAS, the Board previously approved, adopted and ratified the material terms (the "Material Terms") of an affiliation agreement between the Corporation and Eskaton, a California nonprofit public benefit corporation ("Eskaton") pursuant to that certain The Reutlinger Community Board of Directors Resolution to Approve Affiliation with Eskaton dated April 9, 2019 (the "April Resolution");

WHEREAS, the Corporation and Eskaton now intend to execute a formal agreement to effectuate the affiliation between the Corporation and Eskaton, on terms similar to the Material Terms (the "Affiliation Agreement").

THEREFORE, IT IS RESOLVED THAT:

- 1. The Board hereby approves, adopts and ratifies subsequent material changes to the Material Terms, if any, since the passage of the April Resolution, and new material terms of the affiliation agreement, if any, since the passage of the April Resolution, and hereby specifically directs and authorizes the President and CEO of the Corporation to execute the Affiliation Agreement, substantially in the form as set forth in Exhibit A, as such form may be modified between the date hereof and the date executed; provided, however, no such modification shall be made to the Material Terms.
- 2. The Board hereby specifically directs and authorizes the authorized officers of the Corporation to take all other actions that are necessary and appropriate to effectuate the affiliation between the Corporation and Eskaton, including the execution and delivery, on behalf of the Corporation, all documents necessary and appropriate for the accomplishment of the purposes of the Affiliation Agreement;
- 3. The Board is hereby authorized to execute and deliver for and on behalf of the Corporation, all such instruments, certificates, agreements and documents, and to do and perform all such acts and things, including the incidence and payment of expenses, as may be necessary or desirable to carry out the intent and accomplish the purposes of the foregoing resolutions; and
- 4. Any actions taken by the Board prior to the date of the foregoing resolutions adopted hereby that are within the authority conferred thereby are hereby ratified, confirmed and approved as acts and deeds of the Corporation.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the foregoing resolutions are adopted by the Board as of the date set forth-above.

David Grant
Secretary of the Board

EXHIBIT A (Copy of the Affiliation Agreement)

325100186.1

AFFILIATION AGREEMENT

BETWEEN

ESKATON

AND

THE REUTLINGER COMMUNITY

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Exhibit 1.4(a) Reutlinger's Jewish Values, Practices and Policies

Exhibit 1.4(b) Reutlinger CAPEX Plan and Capital Reserve Study

Exhibit 1.5 Eskaton Management Agreement

Exhibit 2.3(d) Opinion of Meyers Nave

AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT (this "Agreement") is entered into as of this 11th day of September, 2019 ("Effective Date"), by and between Eskaton ("Eskaton") and The Reutlinger Community ("Reutlinger"), each of which is a California nonprofit public benefit corporation, (collectively, the "Parties").

RECITALS

WHEREAS, Eskaton owns and operates independent living and continuing care retirement communities, residential care facilities for the elderly, and skilled nursing facilities (collectively referred to herein as the "Eskaton Facilities");

WHEREAS, Reutlinger owns and operates a continuing care retirement community and skilled nursing facility located in Danville, California (the "Reutlinger Facilities");

WHEREAS, the Parties desire to affiliate in order to expand their respective missions, permit them to continue to deliver services in their respective areas of expertise, and permit the vertical integration of corporate support functions; and

WHEREAS, the Parties desire to accomplish the affiliation by, among other things, entering into a transaction pursuant to which Eskaton shall become the sole member of Reutlinger and the Parties will make various commitments and undertakings as described herein with respect to the governance of Reutlinger and certain financial and operational support of Reutlinger (the "Transaction"), and the conduct of Reutlinger's business operations going forward (the "Affiliation");

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I AFFILIATION FORMATION AND STRUCTURE

Section 1.1 <u>Affiliation Transaction</u>. The Parties shall take such actions, and enter into such transactions, as are more fully set forth in this Agreement to enter into and establish the Affiliation effective as of the Closing Date. With respect to amendments to the governing documents of Reutlinger and Eskaton provided for in this Agreement, the Parties shall model such changes so as, to the extent possible, to preclude any requirement that Eskaton hold either a Certificate of Authority or license as a Residential Care Facility for the Elderly for the Reutlinger Facilities.

Section 1.2 Amendment of Reutlinger Governing Documents.

(a) Effective on the Closing Date, Reutlinger shall adopt an amendment to its Articles of Incorporation ("Amended Reutlinger Articles") and Bylaws ("Amended Reutlinger Bylaws") substantially in the form attached hereto as **Exhibit 1.2**, which amendments shall, among other

- things, (i) designate Eskaton, or an affiliate of Eskaton approved by Reutlinger, as its sole member, (ii) provide that the Directors of Reutlinger are identical to the Directors of Eskaton, including the Reutlinger Designee, described in **Section 1.3(b)** of this Agreement, and any person replacing the Reutlinger Designee from time to time and (iii) provide that a breach of any of Reutlinger's obligations pursuant to Section 1.4 shall be enforceable by the Reutlinger Designee or the Commitment Committee, as applicable, as a breach of a charitable trust under Section 5142 of the California Corporations Code.
- (b) Effective as of the Closing Date, Reutlinger shall remain in existence as a California nonprofit public benefit corporation and an affiliate of Eskaton. All assets and liabilities of Reutlinger will remain the assets and liabilities of Reutlinger after closing of the Transaction, except to the extent the Parties agree in writing otherwise.

Section 1.3 Amendment of Eskaton Governing Documents.

- (a) Effective as of the Closing Date, Eskaton shall remain in existence as a California nonprofit public benefit corporation.
- (b) Effective on the Closing date and so long as Reutlinger remains a subsidiary of Eskaton, Eskaton shall, among other things, take such steps so as to (i) provide for a Director to the Eskaton Board who shall be nominated by the Board of Reutlinger as constituted immediately prior to the Closing of the Transaction (such designated Director and his or her replacement hereinafter are referred to as the "Reutlinger Designee") for a three-year term, subject to approval of the full Eskaton board, which approval shall not unreasonably be withheld, and subject to the limitation on successive terms applicable to all other Eskaton board members, (ii) provide that upon the death, incapacity, resignation, removal, or term limit of the Reutlinger Designee for any reason, the right to nominate his or her replacement, subject to the approval of the full Eskaton board, which approval shall not unreasonably be withheld, shall be vested in a committee established in accordance with Section 1.8 prior to the Closing Date (the "Commitment Committee") and (iii) provide that a breach of any of Eskaton's obligations pursuant to Section 1.4 shall be enforceable by the Reutlinger Designee or the Commitment Committee, as applicable, as a breach of a charitable trust under Section 5142 of the California Corporations Code. Notwithstanding anything in this Agreement or elsewhere to the contrary, Eskaton hereby approves Jordan Rose as the initial Reutlinger Designee.

Section 1.4 Additional Agreements

(a) Eskaton and Reutlinger will preserve the name and identity of Reutlinger as a skilled nursing and residential care facility with a commitment to the Jewish values, policies and practices that have defined Reutlinger since its inception. Reutlinger's mission statement, its written policies and its practices specifically designed to preserve Jewish values and practices, as in effect on the Closing Date, shall be maintained. Such policies and practices include (without limitation) the policies respecting the Residents' Assistance Fund and those respecting Holocaust Survivors. All of such policies and practices shall continue in full force and effect. No material modifications to said mission statement, written policies or practices may be made without the prior written consent of the Reutlinger Designee or the Commitment Committee, as applicable, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee or the Commitment Committee, as applicable. The full text of the mission statement and a description of all such written

policies and the practices relating to Reutlinger's Jewish values are attached hereto as Exhibit 1.4(a).

- (b) Eskaton and Reutlinger agree that (i) Reutlinger shall (A) operate in the manner specified in this Agreement, including, but not limited to as specified in this Section 1.4 and (B) expend its own capital to honor all of its obligations and to carry out the capital expenditures contemplated in Reutlinger's CAPEX plan and capital reserve study as in effect on the Closing Date, a copy of which is attached hereto as Exhibit 1.4(b) (the "CapEx Plan"), (ii) Eskaton will not exercise any reserved power to impede or prevent the expenditure by Reutlinger of its own capital to honor all of its obligations and/or to carry out the capital expenditures contemplated in the CapEx Plan, (iii) Eskaton will expend its own capital (to the extent Reutlinger's is insufficient) to honor all of Reutlinger's obligations and to carry out the capital expenditures contemplated in the CapEx Plan, provided that such expenditures by Eskaton of its own capital over the five (5) year period following the Closing Date shall not be required by reason of the foregoing to exceed Five Million Dollars (\$5,000,000.00), (iv) Eskaton shall cause Reutlinger to be operated in the manner specified in this Agreement, including but not limited to as specified in this Section 1.4, and (v) Reutlinger shall not, and Eskaton shall not cause Reutlinger to, distribute or otherwise transfer Reutlinger funds or assets to Eskaton or any of its affiliates during the five (5) year period following the Closing Date.
- (c) Eskaton and Reutlinger will continue to operate the Reutlinger Facilities under the name "The Reutlinger Community." A change affecting such operating name shall only be made with the prior written consent of the Reutlinger Designee, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee.
- (d) Eskaton and Reutlinger will honor the intent of and any restrictions imposed on any philanthropic gifts donated to Reutlinger.
- (e) Neither Eskaton nor Reutlinger will sell, transfer, dispose of or otherwise change control of Reutlinger or its assets during the five (5) year period following the Closing Date.
- (f) During the five (5) year period following the Closing Date, Eskaton and Reutlinger will cause the principal business and operations of Reutlinger to be conducted at the Reutlinger Facilities in a manner substantially similar to that conducted by Reutlinger immediately prior to the Closing Date and as specified in this Agreement, including but not limited to as specified in this Section 1.4. Eskaton and Reutlinger may, after the end of such 5-year period, relocate the principal business and operations of Reutlinger to another comparable facility located in the East Bay of the San Francisco Bay Area, provided that all of the then-residents of Reutlinger are provided comparable accommodations and services at comparable costs at such new facility and such new facility is operated as specified in this Agreement, including but not limited to as specified in this Section 1.4.
- (g) If, at any time after the Closing Date, the Reutlinger Designee, or the Commitment Committee in the event that there is no Reutlinger Designee at such time for any reason (or no reason), determines that Eskaton and/or Reutlinger have breached their obligations and commitments described in this Section 1.4 (the "Fundamental Commitments"), then the Reutlinger Designee or the Commitment Committee, as applicable, shall provide written notice thereof to Eskaton and Reutlinger, describing in reasonable detail the nature of the alleged breach and other information

pertinent thereto (a "Breach Notice"). Upon receipt of a Breach Notice, representatives of Eskaton and Reutlinger, and the Reutlinger Designee or the Commitment Committee, as applicable, (along with their respective advisors) shall meet on a regular basis to discuss and resolve the alleged breach identified in the Breach Notice. If Eskaton and/or Reutlinger and the Reutlinger Designee or the Commitment Committee, as applicable, are unable to resolve the alleged breach by Eskaton and/or Reutlinger identified in the Breach Notice to the reasonable satisfaction of the Reutlinger Designee or the Commitment Committee, as applicable, within thirty (30) days of the delivery of the Breach Notice, then the Reutlinger Designee or the Commitment Committee, as applicable, may bring and pursue any lawsuit for equitable relief, or similar proceeding brought by, and at the election of, the Reutlinger Designee or the Commitment Committee, as applicable, pursuant to this Section 1.4(g) hereof in order to enforce one or more of the Fundamental Commitments (an "Enforcement Action"). In the event that equitable relief, or other expedited relief, is not sought or denied in respect of an Enforcement Action, then the parties shall engage in the arbitration procedures set forth in Section 15.10 of this Agreement to resolve such dispute. The Reutlinger Designee or the Commitment Committee, as applicable, shall have the exclusive right and authority to make any and all decisions with respect to the prosecution of such Enforcement Action, including the decision to engage or dismiss legal counsel representing the Reutlinger Designee or the Commitment Committee, as applicable, and Reutlinger in connection therewith and decisions to enter into settlement negotiations and to make and accept settlement offers with respect thereto. Eskaton and Reutlinger acknowledge and agree the Reutlinger Designee or the Commitment Committee, as applicable, has standing to assert and bring an Enforcement Action on behalf of Reutlinger.

- In the event that the Reutlinger Designee or the Commitment Committee, as applicable, incurs expenses following the submission of a Breach Notice to enforce the Fundamental Commitments, Eskaton shall be responsible for all expenses incurred by such person in connection therewith. As additional security for such obligation, Eskaton agrees to maintain a letter of credit in the amount of \$250,000, and to make such funds available to advance to the Reutlinger Designee or the Commitment Committee, as applicable, as and when required by such person following the submission of a Breach Notice to pursue the enforcement of such Fundamental Commitment. Upon each written request for funding of such expenses delivered by the Reutlinger Designee or the Commitment Committee, as applicable, (which shall be supported by invoices or other written documentation of such reasonable expenses) and subject to the aforementioned limitation, Eskaton shall either deposit the requested funds into a segregated bank account under the control of the Reutlinger Designee or the Commitment Committee, as applicable, within ten (10) days of such request or directly pay such expenses on behalf of such person as and when due. Notwithstanding anything in this Agreement or elsewhere to the contrary, there shall be no obligation on the part of Reutlinger, the Reutlinger Designee and/or the Commitment Committee to reimburse Eskaton for such funds advanced or paid by Eskaton in any dispute raised by it in respect of a Breach Notice in the event that the Reutlinger Designee or the Commitment Committee, as applicable, does not prevail in such dispute.
- (i) Notwithstanding Section 1.4(j), the Reutlinger Designee and the Commitment Committee shall be afforded reasonable access to all information that is reasonably necessary for it to carry out its duties and responsibilities under this Section 1.4, and each of Eskaton and Reutlinger (as the case may be) shall provide or make available such information to the Reutlinger Designee and the Commitment Committee as is reasonably requested by such person to the extent such

information is available or reasonably accessible to such party. None of Eskaton, Reutlinger or their officers, directors or other agents will be deemed in violation of any agreement protecting the confidentiality of information as a result of providing information to the Reutlinger Designee or the Commitment Committee for proper purposes under this Section 1.4(i). Notwithstanding anything to the contrary, this Agreement and the organizational documents of Eskaton and Reutlinger shall not restrict the use or disclosure of any such information as may be necessary in connection with an Enforcement Action.

- (j) For the avoidance of doubt, the Reutlinger Designee and the Commitment Committee are third party beneficiaries of this Agreement. Notwithstanding the foregoing or anything contained elsewhere in this Agreement to the contrary, including but not limited to Sections 1.2(a) or 1.3(b), the rights of the Commitment Committee, including the rights of enforcement hereunder, shall be effective only during, or with respect to legal actions or proceedings commenced during, such periods as there is no Reutlinger Designee. In the event of any conflict, whether expressed or implied, between the provisions of Section 1.4 and any other provision of this Agreement, including without limitation, Sections 4.23 and 15.10, the provision of this Section 1.4 shall in all cases control and prevail.
- Section 1.5 Operational Management. After the Closing Date, all operations of Reutlinger shall be performed by and at the direction of the Board of Directors of Reutlinger, provided that certain operational tasks may be delegated to Eskaton or its affiliate pursuant to a written management agreement (the "Management Agreement") to be entered into between the Parties substantially in the form attached hereto as Exhibit 1.5, which agreement shall, among other things, (i) contain the same terms as all other management agreements between Eskaton and its subsidiaries; (ii) provide that donations to Reutlinger shall not be included in gross revenues for purposes of the calculation of management fees; (iii) provide that the Eskaton management fee shall be reduced to no less than four percent (4%) of gross revenue as necessary to cover any net operating margin deficit and any such fee reductions shall be considered advanced funds that may be recouped by Eskaton from any cumulative net operating margin surpluses of Reutlinger; (iv) provide that the aggregate amount of management fees received by Eskaton from Reutlinger shall be contributed as capital by Eskaton to Reutlinger, if and to the extent necessary, to satisfy or otherwise guarantee any Reutlinger liability or loss that impairs Reutlinger's ability to carry out the Fundamental Commitments and/or eliminate any cumulative net operating margin deficit; and (v) provide that the terms described in subclauses (i) through (iv) hereof shall not be amended without the consent of the Reutlinger Designee or the Commitment Committee, as applicable, and themselves shall be deemed Fundamental Commitments subject in all respects to the provisions of Section 1.4 hereof.
- Section 1.6 Third Party Approvals; Further Assurances. Reutlinger and Eskaton agree to use their best efforts to obtain any and all necessary third party approvals or waivers, including approvals from the California Department of Social Services, the California Department of Public Health, and the California Attorney General's office. The Parties shall execute and deliver such documents and obtain such consents as are necessary to bring about the Affiliation set forth in this Agreement. The Parties shall cooperate reasonably with each other and with their respective representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall (a) furnish upon request to each other such further information; (b) execute and deliver to each other such other documents; and (c) do such other acts

and things, all as the other Party may reasonably request for the purpose of carrying out the intent of this Agreement and the Transaction.

Section 1.7 Reutlinger and Eskaton Assets.

- (a) On the Closing Date, Reutlinger shall retain its right, title and interest in and to the Reutlinger Facilities and all rights, claims, property and assets, real, personal or mixed, tangible and intangible, of every kind and description whatsoever and wherever located, owned, leased or held by Reutlinger and related to the operation of the Reutlinger Facilities and any other business or businesses conducted by Reutlinger, including, without limitation, the following (collectively, the "Reutlinger Assets"):
- (i) All of the real property, whether owned, under contract to acquire or leased by Reutlinger and used in, or necessary or intended for the operation of the Reutlinger Facilities and any other business or businesses conducted by Reutlinger, all of which is more particularly described in Schedule 1.7(a)(i) (collectively, the "Reutlinger Real Property"), including, without limitation, all buildings, structures, improvements, construction in progress and fixtures (collectively, the "Reutlinger Improvements") of every kind and nature now or hereafter located on the Reutlinger Real Property (the Reutlinger Real Property and the Reutlinger Improvements are hereinafter collectively referred to as the "Reutlinger Premises"), together with, if applicable, (1) all options, including options to purchase and renew, or other rights thereunder; (2) all right, title and interest of Reutlinger in and to any land in any adjacent streets, alleys, easements and rights-of-way; (3) all tenements, hereditaments, easements, privileges and appurtenances belonging to the Reutlinger Premises or any portion thereof, including without limitation all titles, estates, interests, licenses, agreements, air rights, water and canal rights, mineral rights, and all other rights at any time acquired by Reutlinger in and to any of the foregoing; and (4) all right, title and interest of Reutlinger in and to all leases, subleases, licenses, tenancies, agreements, contracts or grants of right made by Reutlinger or at any time granted or acquired by Reutlinger with respect to the Reutlinger Premises or any portion thereof.
- (ii) All tangible personal property (the "Reutlinger Personal Property") of every kind and nature, comprising, located at, or used in or necessary or intended for the operation of or relating to the Reutlinger Facilities and any other business or businesses conducted by Reutlinger, whether owned or leased by Reutlinger, including without limitation all of the furniture, fixtures, equipment machinery, vehicles, owned or licensed computer systems, software and documentation thereof, whether or not attached to the Reutlinger Premises and whether located in the Reutlinger Premises or in transit to the Reutlinger Facilities.
- (iii) All inventories of supplies, parts, pharmaceuticals, drugs, food and other disposables and consumables useable and on hand at the Reutlinger Facilities on the Closing Date (collectively, the "Reutlinger Inventory"), together with all rights of Reutlinger under express or implied warranties or guarantees from the suppliers of Reutlinger with respect to the Reutlinger Inventory.
- (iv) The original or true and correct copies of all documents, books, records, forms and files relating to the Reutlinger Assets or the operation of the Reutlinger Facilities or the

operation of any other business or businesses conducted by Reutlinger, including, without limitation, the following:

- (1) All patient, resident and medical records and all other medical and financial information regarding patients and residents at the Reutlinger Facilities;
 - (2) Patient and resident lists;
- (3) Correspondence from families, relatives, friends and interested parties for patients and residents entering the Reutlinger Facilities;
- (4) Employment and personnel records related to past and current employees of Reutlinger;
- (5) Personnel policies and manuals, electronic data processing materials, books of account, accounting books, financial records, journals and ledgers;
- (6) All of Reutlinger's budgets, accounting and financial data, business plans and projections, supplier lists, whether in paper or electronic form, correspondence, records, files and information regarding the operation, repair, maintenance, construction and renovation of the Reutlinger Premises, the mechanical, electrical and water systems at the Reutlinger Premises, as well as floor plans and other plans detailing the operation of the Reutlinger Premises, building and construction plans and specifications, building permits, zoning and land use approvals and variances, utility allocations and reservations, surveys, designs or drawings related to the operation or business of the Reutlinger Premises; and
- (7) All existing past and present reports from consultants dealing with services offered, admissions, medical records and patient processing, as well as posting documents concerning equal employment, affirmative action, wage and hour information and any and all documents pertaining to state and federal regulatory requirements.
- (v) All intangible personal property of every kind and nature used in, derived from or necessary or intended for the operation of the Reutlinger Facilities and any other business or businesses conducted by Reutlinger, wherever located, including, without limitation, the following:
- (1) All accounts and accounts receivable generated by Reutlinger in connection with the business or operation of the Reutlinger Facilities, including without limitation all patient accounts receivable, and all security held by Reutlinger in relation thereto;
- (2) All cash on hand or in banks, all cash equivalents, certificates of deposit, securities, performance and other bonds, accounts, notes receivable and other evidence of indebtedness, advances, bank accounts, deposits, prepaid items, choses in action, lock boxes, post office boxes, safe deposit boxes and the contents thereof that are maintained for use in the conduct of business or which contain any Reutlinger Assets;
- (3) All proprietary rights, patents, trademarks, trade names, business names, all rights in internet web sites and internet domain names presently used by Reutlinger,

service marks, trade secrets and all applications and registrations therefor and licenses thereof, including, without limitation, all of Reutlinger's right, title and interest in and to the name "Reutlinger," all derivations and variations thereof, all logos with respect to the Reutlinger Assets and the Reutlinger Facilities, all copyrights, whether published or unpublished, including rights to prepare, reproduce and distribute copies, compilations and derivative works, and all other proprietary information, processes, formulas, technology, research and development, and intellectual property rights relating to or connected with the Reutlinger Assets or the operation of the Reutlinger Facilities;

- (4) All telephone numbers and email addresses used in connection with the operation of the Reutlinger Facilities;
- (5) All licenses, permits, certificates, franchises, registrations, authorizations, filings, consents, accreditations, approvals and other indicia of authority relating to business operations, renovation or construction on the Reutlinger Facilities (collectively, the "Reutlinger Licenses and Permits"), which Reutlinger Licenses and Permits, including the expiration dates thereof, if any, are listed on <u>Schedule 1.7(a)(v)(5)</u> hereto;
 - (6) All refunds, if any, pertaining to tax obligations of Reutlinger;
- (7) All benefits, proceeds, or any other amounts payable under any policy of insurance maintained by Reutlinger with respect to the Reutlinger Assets;
- (8) All deposits held by Reutlinger in connection with future services to be rendered by Reutlinger and all prepaid items and deposits held by third parties as of the Closing for the account of Reutlinger as security for Reutlinger's performance of its obligations, including, without limitation, deposits on Reutlinger Contracts and Reutlinger Leases and deposits for utilities with respect to the Reutlinger Premises;
- (9) All rights or obligations of Reutlinger under all contracts, agreements, options, commitments, instruments and plans, oral or written, including contracts, agreements and instruments relating to the construction, renovation, ownership, servicing, maintenance, occupancy and operation of the Reutlinger Facilities, or the Reutlinger Assets, or any part thereof (collectively, the "Reutlinger Contracts") and all rights or obligations of Reutlinger under all real property leases and personal property leases (where appropriate the real property leases and personal property leases shall collectively be referred to as the "Reutlinger Leases"), which Reutlinger Contracts and Reutlinger Leases are listed in <u>Schedule 1.7(a)(v)(9)</u>;
- (10) All rights or obligations under all contracts with residents residing in or having the right to occupy the Reutlinger Facilities;
- (11) All technical and marketing information used in the operation of or relating to operations, including new developments, inventions, ideas and documentation thereof, and all claims or rights related thereto;
- (12) Reutlinger's goodwill in connection with the Reutlinger Facilities and the Reutlinger Assets; and

- (13) The rights of Reutlinger under all manufacturers' warranties and guarantees relating to the Reutlinger Assets.
- (vi) All other assets, property, rights and claims of every kind, character or description, tangible and intangible, known or unknown, owned or leased by Reutlinger and used or held for use in the operation of the Reutlinger Facilities or any other business or businesses conducted by Reutlinger, and whether or not described on Reutlinger's financial statements, or in this Agreement.
- (vii) All additions, substitutions, replacements, repossessions, and products of any of the Reutlinger Assets described above.
- (b) On the Closing Date, Eskaton (which shall include, as applicable, its affiliated and subsidiary corporations other than Reutlinger) shall retain their respective right, title and interest in and to each and all of the Eskaton Facilities and all rights, claims, property and assets, real, personal or mixed, tangible and intangible, of every kind and description whatsoever and wherever located, owned, leased or held by Eskaton and related to the operation of the Eskaton Facilities and any other business or businesses conducted by Eskaton, including without limitation the following, but expressly excluding the Reutlinger Assets (collectively, the "Eskaton Assets"):
- All of the real property, whether owned, under contract to acquire or leased by Eskaton and used in, or necessary or intended for the operation of the Eskaton Facilities and any other business or businesses conducted by Eskaton, all of which is more particularly described in Schedule 1.7(b)(i) (collectively, the "Eskaton Real Property"), including, without limitation, all buildings, structures, improvements, construction in progress and fixtures (collectively, the "Eskaton Improvements") of every kind and nature now or hereafter located on the Eskaton Real Property (the Eskaton Real Property and the Eskaton Improvements are hereinafter collectively referred to as the "Eskaton Premises"), together with (1) all options, including options to purchase and renew, or other rights thereunder; (2) all right, title and interest of Eskaton in and to any land in any adjacent streets, alleys, easements and rights-of-way; (3) all tenements, hereditaments, easements, privileges and appurtenances belonging to the Eskaton Premises or any portion thereof, including without limitation all titles, estates, interests, licenses, agreements, air rights, water and canal rights, mineral rights, and all other rights at any time acquired by Eskaton in and to any of the foregoing; and (4) all right, title and interest of Eskaton in and to all leases, subleases, licenses, tenancies, agreements, contracts or grants of right made by Eskaton or at any time granted or acquired by Eskaton with respect to the Eskaton Premises or any portion thereof.
- (ii) All tangible personal property (the "Eskaton Personal Property") of every kind and nature, comprising, located at, or used in or necessary or intended for the operation of or relating to the Eskaton Facilities, and any other business or businesses conducted by Eskaton, whether owned or leased by Eskaton, including without limitation all of the furniture, fixtures, equipment, machinery, vehicles owned or licensed computer systems, software and documentation thereof, whether or not attached to the Eskaton Premises and whether located in the Eskaton Premises or in transit to the Eskaton.
- (iii) All inventories of supplies, parts, pharmaceuticals, drugs, food and other disposables and consumables useable and on hand at the Eskaton Facilities on the Closing Date

(collectively, the "Eskaton Inventory"), together with all rights of Eskaton under express or implied warranties or guarantees from the suppliers of Eskaton with respect to the Eskaton Inventory.

- (iv) The original or true and correct copies of all documents, books, records, forms and files relating to the Eskaton Assets or the operation of the Eskaton Facilities or the operation of any other business or businesses conducted by Eskaton, including, without limitation, the following:
- (1) All patient, resident and medical records and all other medical and financial information regarding patients at the Eskaton Facilities;
 - (2) Patient and resident lists;
- (3) Correspondence from families, relatives, friends and interested parties for patients and residents entering the Eskaton Facilities;
- (4) Employment and personnel records related to past and current employees of Eskaton;
- (5) Personnel policies and manuals, electronic data processing materials, books of account, accounting books, financial records, journals and ledgers;
- (6) All of Eskaton's budgets, accounting and financial data, business plans and projections, supplier lists, whether in paper or electronic form, correspondence, records, files and information regarding the operation, repair, maintenance, construction and renovation of the Eskaton Premises, the mechanical, electrical and water systems at the Eskaton Premises, as well as floor plans and other plans detailing the operation of the Eskaton Premises, building and construction plans and specifications, building permits, zoning and land use approvals and variances, utility allocations and reservations, surveys, designs or drawings related to the operation or business of the Eskaton Premises; and
- (7) All existing past and present reports from consultants dealing with services offered, admissions, medical records and patient processing, as well as posting documents concerning equal employment, affirmative action, wage and hour information and any and all documents pertaining to state and federal regulatory requirements.
- (v) All intangible personal property of every kind and nature used in, derived from or necessary or intended for the operation of the Eskaton Facilities and any other business or businesses conducted by Eskaton, wherever located, including, without limitation, the following:
- (1) All accounts and accounts receivable generated by Eskaton in connection with the business or operation of the Eskaton Facilities, including without limitation all patient accounts receivable, and all security held by Eskaton in relation thereto;
- (2) All cash on hand or in banks, all cash equivalents, certificates of deposit, securities, performance and other bonds, accounts, notes receivable and other evidence of indebtedness, advances, bank accounts, deposits, prepaid items, choses in action, lock boxes, post

office boxes, safe deposit boxes and the contents there of that are maintained for use in the conduct of business or which contain any Eskaton Assets;

- (3) All proprietary rights, patents, trademarks, trade names, business names, all rights in internet web sites and internet domain names presently used by Eskaton, service marks, trade secrets and all applications and registrations therefor and licenses thereof, including, without limitation, all of Eskaton's right, title and interest in and to the name "Eskaton," all derivations and variations thereof, all logos with respect to the Eskaton Assets and the Eskaton Facilities, all copyrights, whether published or unpublished, including rights to prepare, reproduce and distribute copies, compilations and derivative works, and all other proprietary information, processes, formulas, technology, research and development, and intellectual property rights relating to or connected with the Reutlinger Assets or the operation of the Eskaton Facilities;
- (4) All telephone numbers and email addresses used in connection with the operation of the Eskaton Facilities;
- (5) All licenses, permits, certificates, franchises, registrations, authorizations, filings, consents, accreditations, approvals and other indicia of authority relating to business operations, renovation or construction on the Eskaton Facilities (collectively, the "Eskaton Licenses and Permits"), which Eskaton Licenses and Permits, including the expiration dates therefor, if any, are listed on **Schedule 1.7(b)(v)(5)**;
 - (6) All refunds, if any, pertaining to tax obligations of Eskaton;
- (7) All benefits, proceeds, or any other amounts payable under any policy of insurance maintained by Eskaton with respect to the Eskaton Assets;
- (8) All deposits held by Eskaton in connection with future services to be rendered by Eskaton and all prepaid items and deposits held by third parties as of the Closing for the account of Eskaton as security for Eskaton's performance of its obligations, including, without limitation, deposits on Eskaton Contracts and Eskaton Leases and deposits for utilities with respect to the Eskaton Premises;
- (9) All rights or obligations of Eskaton under all contracts, agreements, options, commitments, instruments and plans, oral or written, including contracts, agreements and instruments relating to the construction, renovation, ownership, servicing, maintenance, occupancy and operation of the Eskaton Facilities, or the Eskaton Assets, or any part thereof (collectively, the "Eskaton Contracts") and all rights or obligations of Eskaton under all real property leases and personal property leases (where appropriate the real property leases and personal property leases shall collectively be referred to as the "Eskaton Leases"), which Eskaton Contracts and Eskaton Leases are listed in Schedule 1.7(b)(v)(9);
- (10) All rights or obligations under all contracts with residents residing in or having the right to occupy the Eskaton Facilities;

- (11) All technical and marketing information used in the operation of or relating to operations, including new developments, inventions, ideas and documentation thereof, and all claims or rights related thereto;
- (12) Eskaton's goodwill in connection with the Eskaton Facilities and the Eskaton Assets; and
- (13) The rights of Eskaton under all manufacturers' warranties and guarantees relating to the Eskaton Assets.
- (vi) All other assets, property, rights and claims of every kind, character or description, tangible and intangible, known or unknown, owned or leased by Eskaton and used or held for use in the operation of the Eskaton Facilities or any other business or businesses conducted by Eskaton, and whether or not described on Eskaton's financial statements, or in this Agreement.
- (vii) All additions, substitutions, replacements, repossessions, and products of any of the Eskaton Assets described above.

Section 1.8 Establishment and Role of the Commitment Committee.

- (a) <u>Composition of Commitment Committee</u>. The Commitment Committee will consist of between three (3) and five (5) persons, each of whom shall serve until they elect to resign or are unable to serve due to death or incapacity. Thereafter, the Commitment Committee shall be self-perpetuating, with the remaining members of the Commitment Committee selecting the persons to fill vacancies on the Commitment Committee. The initial members of the Commitment Committee shall be Craig Judson, Marc Usatin, Jordan Rose and up to two (2) additional persons as they may designate.
- (b) <u>Voting</u>. Any decision made or action taken by the Commitment Committee shall require the affirmative vote of a majority of the members of the Commitment Committee.

ARTICLE II CLOSING

- Section 2.1 <u>Closing</u>. The closing of the transactions contemplated by this Agreement (the "Closing") shall be held on the date which is the latest to occur of (a) the fifth (5th) business day immediately following satisfaction of all conditions precedent to the Closing (or waiver by the party entitled to satisfaction thereof), and (b) such other date mutually agreed to by the parties (the "Closing Date"). The Closing shall be held on the Closing Date at the offices of Hanson Bridgett in San Francisco, California, at 10:00 a.m., local time, or on such other date, or at such other time and place, as the parties may agree upon in writing.
- Section 2.2 <u>Deliveries of Reutlinger</u>. In addition to any other documents to be delivered under other provisions of this Agreement, at the Closing, Reutlinger shall execute and deliver (as applicable) all such deeds, endorsements, assignments, documents as shall be necessary to effect the Affiliation, including, but not limited to, the following (the "Reutlinger Closing Documents"):

- (a) A certificate of the Secretary of Reutlinger certifying, as complete and accurate as of the Closing, attached copies of the governing documents, certifying and attaching all requisite resolutions or actions of Reutlinger's board of directors approving the execution and delivery of this Agreement and the consummation of the transactions contemplated thereby and certifying to the incumbency and signatures of the officers of Reutlinger executing this Agreement and any other document relating to the contemplated transactions and accompanied by the requisite documents for amending the relevant governing documents of Reutlinger required to effect such changes necessitated by this Agreement for filing with the appropriate governmental body.
- (b) A certificate of the President or a Vice President of Reutlinger certifying that as of the Closing all of the representations and warranties by or on behalf of such party contained in this Agreement are true and correct in all respects and each and every covenant and agreement of each such party to be performed prior to or as of the Closing pursuant to this Agreement has been performed.
- (c) Certificates of corporate existence and good standing of Reutlinger from its state of incorporation dated not more than three (3) business days prior to the Closing Date;
- (d) A certificate of the President or a Vice President of Reutlinger certifying that all Eskaton and disclosures and schedules and exhibits are acceptable or waived.
- (e) A certificate of the President or a Vice President of Reutlinger certifying that the due diligence is complete and the results thereof are acceptable.
- (f) Such other certificates, affidavits, consents, approvals, instruments and documents as are necessary to effect the contemplated transactions.
- Section 2.3 <u>Deliveries of Eskaton</u>. In addition to any other documents to be delivered under other provisions of this Agreement, at the Closing, Eskaton shall execute and deliver (as applicable) all such deeds, endorsements, assignments, documents as shall be necessary to effect the Affiliation, including, but not limited to, the following (the "Eskaton Closing Documents"):
- (a) A certificate of the Secretary of Eskaton certifying, as complete and accurate as of the Closing, attached copies of the governing documents, certifying and attaching all requisite resolutions or actions of Eskaton's board of directors approving the execution and delivery of this Agreement and the consummation of the transactions contemplated thereby and certifying to the incumbency and signatures of the officers of Eskaton executing this Agreement and any other document relating to the contemplated transactions and accompanied by the requisite documents for amending the relevant governing documents of Eskaton required to effect such changes necessitated by this Agreement for filing with the appropriate governmental body.
- (b) A certificate of the President or a Vice President of Eskaton certifying that as of the Closing all of the representations and warranties by or on behalf of such party contained in this Agreement are true and correct in all respects and each and every covenant and agreement of each such party to be performed prior to or as of the Closing pursuant to this Agreement has been performed.

- (c) Certificates of corporate existence and good standing of Eskaton from its state of incorporation dated not more than three (3) business days prior to the Closing Date;
- (d) The opinion of Meyers Nave, the designated Bond Counsel ("Eskaton Bond Counsel") that nothing contemplated in the Agreement will cause any bonds or certificates of participation of Eskaton as described in and provided for in **Exhibit 2.3(d)** to become taxable, constitute an event of default or otherwise require them to be redeemed.
- (e) A certificate of the President or a Vice President of Eskaton certifying that all Reutlinger disclosures and schedules and exhibits are acceptable or waived.
- (f) A certificate of the President or a Vice President of Eskaton certifying that the due diligence is complete and the results thereof are acceptable.
- (g) Such other certificates, affidavits, consents, approvals, instruments and documents as are necessary to effect the contemplated transactions.

ARTICLE III REPRESENTATIONS AND WARRANTIES OF REUTLINGER

The truth, accuracy and completeness of the representations, warranties and covenants of each entity comprising Reutlinger contained in this Agreement shall, subject to Section 3.21, be conditions precedent to Eskaton's obligation to close under this Agreement; provided, however, that Eskaton shall have no obligation to investigate the truth, accuracy or completeness of said representations, warranties and covenants. As an inducement to Eskaton to enter into this Agreement and to consummate the contemplated transactions, Reutlinger (which shall include, as applicable, its affiliated and subsidiary corporations) hereby jointly and severally represent, warrant and covenant to Eskaton as to the following matters as of the Effective Date. Except as otherwise supplemented or amended by the parties on or prior to the Closing Date in accordance with the terms of this Agreement, Reutlinger shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date:

- Section 3.1 Organization and Power. Reutlinger is a non-profit public benefit corporation duly organized, validly existing and in good standing under the laws of the State of California, with power and authority to conduct the business in which each is engaged, to lease and own the properties leased or owned by it and to enter into and perform its obligations under this Agreement. Reutlinger is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), as a public charity described in Section 509(a)(2) or (3) of the Code. There is no actual or, to the Knowledge of Reutlinger based upon information and belief, any threatened challenge to the tax-exempt status of Reutlinger. Reutlinger does not have any affiliates or subsidiary(ies) except as disclosed in Schedule 3.1. For purposes of this Agreement, the term "Knowledge of Reutlinger" means the actual knowledge of Jay Zimmer, Reutlinger Chief Executive Officer, and Brian Morrow, Chief Financial Officer.
- Section 3.2 <u>Authorization</u>. The execution and delivery of this Agreement and the Reutlinger Closing Documents by Reutlinger, and the performance by Reutlinger of its obligations under this Agreement and the Reutlinger Closing Documents have been duly authorized by all

necessary corporate action (including any necessary approval by the Reutlinger Board) on the part of Reutlinger. This Agreement and the Reutlinger Closing Documents have been or will be duly executed and delivered by each entity comprising Reutlinger, where applicable.

- Section 3.3 No Violation. This Agreement is, and the Reutlinger Closing Documents will be, the lawful, valid and legally binding obligations of each entity comprising Reutlinger, enforceable in accordance with their respective terms. The execution and delivery of this Agreement and the Reutlinger Closing Documents by each entity comprising Reutlinger, and the consummation by Reutlinger of the contemplated transactions will not, with or without the giving of notice and/or the passage of time: (a) violate or conflict with the governing documents of any entity comprising Reutlinger, (b) conflict with or result in the breach or violation of any of the terms or conditions of, or create rights of acceleration or constitute a default under, any indenture, mortgage, deed of trust, instrument, contract or other agreement to which Reutlinger is a party or by which Reutlinger is bound, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Reutlinger Assets, (c) violate any legal requirement to which Reutlinger is subject, or (d) violate or conflict with any judgment, writ, decree, franchise, order, license or permit applicable to Reutlinger.
- Section 3.4 <u>Consents</u>. Except as set forth in <u>Schedule 3.4</u>, no consent, approval, permit, waiver, license, authorization or action of any third party or governmental body is required in connection with the execution, delivery and performance of this Agreement by Reutlinger.

Section 3.5 Reutlinger Real Property.

- (a) At or prior to the Closing, and except for the Reutlinger Premises that are leased by Reutlinger, Reutlinger shall have good and marketable fee simple title to the Reutlinger Premises, subject to all matters of record. Except as set forth on **Schedule 3.5(a)**, to the Knowledge of Reutlinger, (i) none of the Reutlinger Premises that are owned by Reutlinger are or, as of the Closing Date will be, subject to any security interest, mortgage, pledge, liens, restriction, covenant, charge or encumbrance and (ii) there are no purchase contracts, options or other agreements of any kind, oral or written, formal or informal, choate or inchoate, recorded or unrecorded, or claims whereby any person other than Reutlinger will have acquired or will have any basis to assert any right, title or interest in, or right to the possession, use, enjoyment or proceeds of, any part or all of the Reutlinger Premises.
- (b) Schedule 3.5(b) sets forth an accurate and complete list of all contracts, agreements, leases, subleases, options and commitments, oral or written, affecting any Reutlinger Real Property that has been financed with tax exempt bond proceeds and Reutlinger is not the lessee or sublessee of any real property other than as set forth in Schedule 3.5(b) ("Reutlinger Real Property Leases"). Reutlinger has provided Eskaton with complete and correct copies of all Reutlinger Real Property Leases.
- (c) Except as set forth in <u>Schedule 3.5(c)</u>, to the Knowledge of Reutlinger, there are no material facts that would adversely affect the possession, use or occupancy of the Reutlinger Premises.
- (d) Reutlinger holds all valid and effective certificates, approvals and other permits and licenses required by applicable law relating to the operation of the Reutlinger Premises, including

without limitation a license from the California Department of Public Health and California Department of Social Services, all certificates of occupancy, underwriters' certificates relating to electrical work, zoning, building, housing, safety, fire and health approvals.

(e) To the Knowledge of Reutlinger, the zoning of each parcel of Reutlinger Real Property permits the presently existing Reutlinger Improvements and the continuation of the business of the Reutlinger Facilities presently being conducted on such parcel, without variances or conditional use permits. Reutlinger has not commenced, nor has Reutlinger received notice of the commencement of, any proceeding that would affect the present zoning classification of any such parcel.

Section 3.6 <u>Reutlinger Personal Property.</u>

- (a) Except for the Reutlinger Personal Property that is leased by Reutlinger, Reutlinger has good and marketable title to all of the Reutlinger Personal Property.
- (b) Schedule 3.6(b) sets forth an accurate and complete list of all leases of personal property in excess of \$100,000 per item that are currently binding on Reutlinger. Reutlinger has provided Eskaton with complete and correct copies of such Reutlinger personal property leases.

Section 3.7 Reutlinger Financial Statements.

- Attached as Schedule 3.7(a) are copies of the audited balance sheet and statement of income and cash flows of each entity comprising Reutlinger as of June 30, 2018, and the unaudited balance sheet and statement of income and cash flows of each entity comprising Reutlinger for the most recent month end (collectively referred to as the "Reutlinger Financial Statements"). In addition, Reutlinger shall provide to Eskaton, as promptly as each becomes available prior to the Closing Date, all other interim financial statements (the "Reutlinger Interim Financial Statements") with respect to the operation of the Reutlinger Facilities, updated to the penultimate month prior to the Closing Date. Reutlinger shall also provide to Eskaton as promptly as each becomes available, all financial statements prepared prior to Closing with respect to the operation of the Reutlinger Facilities as of and for the period ending on the Closing Date. The Reutlinger Financial Statements and Reutlinger Interim Financial Statements referred to in this Section are and will be true, complete and correct in all material respects and present fairly and accurately the financial condition of Reutlinger and the results of its operations at the dates and for the periods indicated and will have been prepared in accordance with GAAP. From and after the date of the Reutlinger Interim Financial Statements, Reutlinger has not (and at Closing shall not have) made any material changes in its accounting methods or practices.
- (b) Except as set forth on <u>Schedule 3.7(b)</u> or as may be incurred in the ordinary course of business or pursuant to an approved budget, Reutlinger does not know of any fact, circumstance, event, occurrence, contingency or condition that might reasonably be expected to result in a change greater than \$250,000 in value, before or after the Closing Date, whether or not covered by insurance, in the working capital, financial condition, assets, liabilities (whether absolute, accrued, contingent or otherwise), reserves, business, operations or prospects of Reutlinger.

Section 3.8 Insurance. Schedule 3.8 sets forth a complete and accurate list and brief description of all insurance policies and self-insurance arrangements currently held by Reutlinger, including, without limitation, to the extent applicable, fire, medical malpractice and professional liability, general liability, casualty and property damage, business interruption, extended coverage, products liability, directors' and officers' liability and workers' compensation and any and all other kinds of insurance held by Reutlinger related to the Reutlinger Facilities, or any of the Reutlinger Assets. The description of the insurance policies and arrangements provided in Schedule 3.8 shall include a statement specifying the name of the insurer, the amount of coverage and any deductibles, the type of insurance, the amount of the premiums and dates when they are due, the policy numbers, any previously filed or pending claims thereunder, and the expiration date of such policies. True and correct copies of all such insurance policies or arrangements previously have been provided to Eskaton by Reutlinger. Except as set forth in Schedule 3.8, such insurance policies are in full force and effect and shall remain in full force and effect through the Closing Date. Certificates of insurance evidencing such insurance coverages shall be delivered to Eskaton by Reutlinger, respectively, at or prior to the Closing. Reutlinger is not delinquent with respect to any premium payments thereon nor is Reutlinger in default or breach with respect to any provision contained in any such insurance policies. To the Knowledge of Reutlinger, Reutlinger has not received any notice or request, formal or informal, from any insurance company identifying any defects in the Reutlinger Assets that would adversely affect the insurability of the Reutlinger Assets, canceling or materially amending or materially increasing the annual or other premiums payable under any such policy, or threatening any such cancellation, amendment or increase of premiums. Reutlinger has not been refused any insurance with respect to the Reutlinger Assets to which it has applied for insurance within three (3) years prior to the Closing Date.

Section 3.9 Litigation. Except as set forth in Schedule 3.9 (said matters set forth in Schedule 3.9 being collectively referred to herein as "Reutlinger Pending Litigation"), neither Reutlinger, nor the Reutlinger Facilities, nor any of such party's respective properties, businesses or assets is engaged in or a party to or threatened with any proceeding, claim or demand or legal, administrative, arbitration or other method of settling disputes or disagreements, and Reutlinger does not know, anticipate or have notice of any such action. Except as set forth on Schedule 3.9, Reutlinger has not received notice of any investigation, threatened or contemplated, by any federal or state governmental body that remains unresolved, involving Reutlinger or the Reutlinger Facilities. None of the Reutlinger Pending Litigation has created a lien or a claim therefor against the Reutlinger Assets. Set forth in Schedule 3.9 is a complete and accurate description of each outstanding order, writ, injunction or decree of any court, arbitrator, or governmental body against or affecting Reutlinger, the Reutlinger Assets or the operation of the Reutlinger Facilities. Reutlinger has provided Eskaton with complete and correct copies of all such orders, writs, injunctions and decrees, and will make available upon request, copies of all correspondence, reports, memoranda and files related thereto.

Section 3.10 <u>Licenses and Permits</u>. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in <u>Schedule 3.10</u>, Reutlinger has all licenses, permits and franchises required by all applicable legal requirements from all applicable governmental bodies necessary or proper in order to own and lease the Reutlinger Assets and to conduct and operate the Reutlinger Facilities and each of its departments as currently operated. Except as set forth in **Schedule 3.10**, to the Knowledge of Reutlinger, no notice from any

authority with respect to pending or possible revocation, termination, suspension or limitation of any of the Reutlinger Licenses and Permits has been issued or given, nor is Reutlinger aware of the proposed or threatened issuance of any such notice. Except as set forth in **Schedule 3.10**, Reutlinger has no reason to believe that such Reutlinger Licenses and Permits would not be eligible for renewal upon their expiration. Reutlinger has previously delivered to Eskaton true, correct and complete copies of the Reutlinger Facilities' most recent state licensing survey reports, as well as any statements of deficiencies and plans of correction in connection with such reports. Except as set forth in **Schedule 3.10**, the most current state licensing survey did not require that capital expenditures aggregating in excess of Ten Thousand Dollars (\$10,000) be made in order to ensure continued licensure of the Reutlinger Facilities.

Section 3.11 Government Program; Third Party Payors.

- (a) Except as set forth on <u>Schedule 3.11(a)</u> the Reutlinger Facilities has for at least the past three (3) years received reimbursement under Medicare, are eligible to receive payment without restriction from Medicare, and are "providers" with valid and current provider agreements and with one or more provider numbers with Medicare, through intermediaries. A true and correct copy of each such provider agreement has been previously delivered to Eskaton by Reutlinger. Reutlinger has previously delivered to Eskaton true, correct and complete copies of the Reutlinger Facilities' most recent certification survey reports under Medicare, including any statements of deficiencies and plans of correction for the past three years. The most recent certification survey reports under Medicare did not require that capital expenditures aggregating in excess of Ten Thousand Dollars (\$10,000) be made in order to ensure continued participation in Medicare. The Reutlinger Facilities has not received notice of pending, threatened or possible investigation by, or loss of participation in, Medicare, except as set forth in **Schedule 3.11(a)**.
- (b) <u>Schedule 3.11(b)</u> sets forth an accurate, complete and current list of all current participation agreements with health maintenance organizations, insurance programs, any other participation agreements with third party payors and all agreements with preferred provider organizations and ACOs with respect to the Reutlinger Facilities. Reutlinger has previously delivered to Eskaton true and correct copies of all such agreements listed in <u>Schedule 3.11(b)</u>.
- (c) Except as set forth in <u>Schedule 3.11(c)</u>, there is no dispute between the Reutlinger Facilities or Reutlinger and any governmental body or quasi-governmental authority or the Medicare fiscal intermediary regarding cost reports other than with respect to adjustments thereto made in the ordinary course of business. Except as set forth in <u>Schedule 3.11(c)</u>, Reutlinger has not received any notices that Medicare has any claims against such party or the Reutlinger Facilities that could result in offsets against future Community accounts receivable above any amounts reserved therefore.
- Section 3.12 <u>Compliance with Law.</u> Except as disclosed in <u>Schedule 3.12</u> or elsewhere in this Agreement, Reutlinger, and each entity constituting Reutlinger and the Reutlinger Facilities and the operation thereof are, to the Knowledge of Reutlinger in material compliance in all respects with any applicable legal requirements or orders of any court or federal, state, county, municipal or other governmental body, including the fraud and abuse laws, and Reutlinger has not received any notice, written or otherwise, of noncompliance with respect thereto. To the Knowledge of Reutlinger, neither Reutlinger, nor any of its affiliates, nor any member, director, officer or employee of Reutlinger, or any of its affiliates, is a party to any contract, lease agreement or other

arrangement (including any joint venture or consulting agreement) related to Reutlinger or any of the Reutlinger Assets with any physician, health care facility, hospital, nursing facility, home health agency or other person who is in a position to make or influence referrals to or otherwise generate business for Reutlinger with respect to any of the Reutlinger Assets, to provide services, lease space, lease equipment or engage in any other venture or activity, to the extent that any of the foregoing is prohibited by applicable legal requirements. All patient records and any other documents required to be maintained by law by Reutlinger or the Reutlinger Facilities have been maintained by Reutlinger for a period of at least seven (7) years from the date of creation of such document, or if in existence for less than seven (7) years, have been and will be maintained to the Closing Date.

Section 3.13 <u>Employment Obligations</u>. All obligations of Reutlinger with respect to any of Reutlinger's employees, whether arising by operation of law, by contract, by past custom or otherwise, for salaries, accrued vacation and holiday pay, and other termination benefits, and other forms of compensation payable to such employees in respect of the services rendered by any of them prior to the Closing Date have been or will be paid by Reutlinger either prior to the Closing Date, or within due course thereafter.

Section 3.14 Employment Matters.

- (a) To the Knowledge of Reutlinger and except as set forth on Schedule 3.14(a): (i) there is no unfair labor practice complaint against Reutlinger pending before the National Labor Relations Board; (ii) there is no labor strike, dispute, slowdown or stoppage actually pending or, to the Knowledge of Reutlinger, threatened against or involving or affecting Reutlinger; (iii) no representation question exists respecting the employees of Reutlinger; (iv) no grievance or any arbitration proceeding is pending; (v) Reutlinger has not experienced any labor stoppage during the last five (5) years; and (vi) Reutlinger is in full compliance with all union contracts and collective bargaining agreements;
- (b) Except as set forth on <u>Schedule 3.14(b)</u>, no changes in the basis for remuneration of employees of Reutlinger has been made, promised or authorized by Reutlinger since September 30, 2014, except in the ordinary and usual course of business, in accordance with past practices, or in furtherance of this Affiliation. Except as set forth on <u>Schedule 3.14(b)</u>, Reutlinger has no written employment contracts, including any employment contract with any officer, consultant, director or employee; any plan, arrangement or contract providing for options, bonuses, stock purchases, deferred compensation or the like; or any restrictive covenants or agreements with any former employees, officers, consultants or directors of Reutlinger and no agreement of any nature that provides for employment for any particular period of time or that provides any restrictions upon Reutlinger's right to terminate employment without any post-termination payment obligation, with any person whomsoever relating to the Reutlinger Facilities. Other than in the ordinary course of business, or in furtherance of the Affiliation, no binding agreements have been made or entered into between Reutlinger and any employee involved in the Reutlinger Facilities regarding changes in compensation, promotion or any other change in status.
- Section 3.15 <u>Tax Returns and Liabilities</u>. Except as set forth in <u>Schedule 3.15</u>, all federal, state, county and other tax returns of every nature (including, without limitation, income, employment, payroll, excise, property, sales and use taxes, unemployment contributions) required to be filed by or on behalf of, or with respect to Reutlinger, the Reutlinger Assets have been duly and

timely filed, or will be filed (within the time periods required by law) by Reutlinger on or before the Closing Date. Except as set forth in <u>Schedule 3.15</u>, copies of all such tax returns have been provided to Eskaton and are true and correct in all respects. There are no tax liens on any of the Reutlinger Assets, other than tax liens for obligations that are not yet due and payable. Reutlinger does not have any dispute with any taxing authority as to taxes of any nature. Except as set forth in <u>Schedule 3.15</u>, there is no unassessed tax deficiency proposed or, to the Knowledge of Reutlinger, threatened against Reutlinger, and no proceeding or audit of any tax returns of either Reutlinger by any governmental body is pending or, to the Knowledge of Reutlinger, threatened by any governmental body for assessment, reassessment or collection of any taxes affecting Reutlinger, the Reutlinger Facilities, and its operations.

Section 3.16 Employee Benefit Plans.

- (a) For purposes of this Section, the term "Benefit Plan" means any plan, program, arrangement, practice or contract which provides benefits or compensation to or on behalf of employees or former employees, whether formal or informal, whether or not written, including, but not limited to, the following types of Benefit Plans: retirement, vacation, profit sharing, deferred compensation, incentive compensation, sick pay, scholarship, severance pay or other fringe benefit plan, program, arrangement, contract or practice.
- (b) Except as set forth on <u>Schedule 3.16(b)</u>, Reutlinger does not have any Benefit Plan or arrangement covering Reutlinger's employees or relating to the operations of the Reutlinger Facilities. All contributions and other payments required to be made by Reutlinger to any Benefit Plan, if any, for or on behalf of any employees or former employees of Reutlinger has been made or reserves adequate for such purposes have been set aside therefore in accordance with the terms of each such plan. Eskaton shall have no liability or obligation to Reutlinger, or Reutlinger's employees in connection with termination of Reutlinger's employees from the Benefit Plans as a result of this Affiliation.
- Section 3.17 <u>Contracts and Commitments</u>. <u>Schedule 3.17</u> sets forth an accurate and complete list of all of the Reutlinger Contracts that involves performance of services or delivery of goods or materials, or warranties with respect to the same, of an aggregate amount or value in excess of \$50,000 and which cannot be terminated by Reutlinger at any time without cause and without obligation to pay a termination fee or penalty upon notice of ninety (90) days or less that are currently in force in the following categories:
 - (i) food and dining service;
 - (ii) maintenance and housekeeping services;
 - (iii) therapy services;
 - (iv) physician services;
 - (v) acute care facility services; and
 - (vi) other medical provider contracts.

Except as set forth in <u>Schedule 3.17</u>, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in <u>Schedule 3.17</u>, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

- Section 3.18 <u>Brokers' and Finders' Fees</u>. Reutlinger has not entered into any contracts, agreements, arrangements or understandings with any person that could give rise to any claim for a broker's, finder's or agent's fee or commission or other similar payment in connection with the negotiations leading to this Agreement or the consummation of the contemplated transactions.
- Section 3.19 <u>Immigration Act</u>. To the Knowledge of Reutlinger, Reutlinger is in compliance in all material respects with the terms and provisions of the Immigration Reform and Control Act of 1986, as amended (the "Immigration Act"). Reutlinger has not been cited, fined, served with a Notice of Intent to Fine or with a Cease and Desist Order (as such terms are defined in the Immigration Act) at the Reutlinger Facilities, nor, to the Knowledge of Reutlinger, has any proceeding been initiated or threatened against Reutlinger in connection with its operation of the Reutlinger Facilities, by reason of any actual or alleged failure to comply with the Immigration Act.
- Section 3.20 <u>Reutlinger Boards of Directors.</u> <u>Schedule 3.20</u> contains a true and complete list of the current members of the Boards of Directors of each entity constituting Reutlinger, respectively, immediately prior to the Closing Date.
- Section 3.21 No Untrue or Inaccurate Representation or Warranty. The representations and warranties of Reutlinger contained in this Agreement, and each exhibit, schedule, certificate or other written statement delivered pursuant to this Agreement, or in connection with the contemplated transactions, are accurate, correct and complete, and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading. Those representations and warranties set forth in this Article III shall be based upon the current actual knowledge of Reutlinger's Chief Executive Officer (the "CEO"), after an inquiry only of the Board of Directors of Reutlinger and the most senior management executive responsible for each of the following disciplines regarding the representations pertinent to those disciplines: Operations, Human Resources, Facilities/Physical Plant, Finance, Medicare Claims, and Information Technology. There is no fact that adversely affects or in the future may, to the Knowledge of Reutlinger, adversely affect the ability of Reutlinger fully to perform this Agreement and the contemplated transactions that has not been set forth and described in this Agreement or in a certificate, exhibit, schedule or other written statement furnished to Eskaton, pursuant to this Agreement.

Section 3.22 <u>AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.</u>

(a) Eskaton acknowledges that, except as specifically provided in this Agreement, neither Reutlinger nor any of Reutlinger's employees, directors, agents or representatives has made any representations, warranties or agreements to or with Eskaton on behalf of Reutlinger as to any matters concerning the Reutlinger Assets, the present use thereof, or the suitability of Eskaton's intended use. IT IS UNDERSTOOD AND AGREED THAT, EXCEPT AS MAY BE EXPRESSLY SET FORTH IN THIS AGREEMENT, (A) THE REUTLINGER ASSETS ARE BEING ACCEPTED BY ESKATON ON AN "AS IS," "WHERE IS" AND "WITH ALL FAULTS" BASIS,

SUBJECT TO ANY CONDITION WHICH MAY EXIST, AND WITHOUT THE EXISTENCE OF AND WITHOUT RELIANCE UPON ANY REPRESENTATION, WARRANTY, AGREEMENT, OR STATEMENT BY REUTLINGER, OR ANYONE ACTING ON BEHALF OF REUTLINGER EXCEPT THOSE REPRESENTATIONS, WARRANTIES AND AGREEMENTS SPECIFICALLY SET FORTH IN THIS AGREEMENT; (B) ESKATON ARE BEING GIVEN THE OPPORTUNITY TO THOROUGHLY INSPECT AND EXAMINE REUTLINGER'S ASSETS TO THE EXTENT DEEMED NECESSARY BY ESKATON IN ORDER TO ENABLE ESKATON TO EVALUATE ITS AFFILIATION WITH REUTLINGER ON THE FOREGOING BASIS; AND (C) ESKATON ARE RELYING SOLELY UPON SUCH INSPECTIONS, EXAMINATION, AND EVALUATION OF THE REUTLINGER ASSETS BY ESKATON IN COMPLETING THE AFFILIATION ON AN "AS IS", "WHERE IS" AND "WITH ALL FAULTS" BASIS, WITHOUT REPRESENTATION, WARRANTY, AGREEMENT OR STATEMENT BY REUTLINGER OR ANYONE ACTING ON BEHALF OF REUTLINGER, EXPRESS OR IMPLIED, OF ANY KIND OR NATURE, EXCEPT AS MAY BE SET FORTH IN THIS AGREEMENT.

(b) Except as to (i) any material default by Reutlinger in the performance of any of Reutlinger's obligations under this Agreement or (ii) the fraud of Reutlinger (collectively, the "Reutlinger Liabilities"), Eskaton acknowledges and agrees that Reutlinger is not personally liable or responsible for any damages that Eskaton may suffer as the result of this transaction. Except as to any Reutlinger Liabilities, Eskaton hereby release Reutlinger and Reutlinger's directors, employees, agents, affiliates, successors and assigns, from any claims, actions, causes of action, liabilities, fees, costs and expenses, whether to person or property, arising out of or in any way relating to the Reutlinger Assets, the condition thereof, and the development or construction of any improvements on the Reutlinger Assets or any off-site improvements related to the Reutlinger Assets. Such release applies to all claims, whether such claims, damages, or losses are known or unknown, foreseen or unforeseen, or patent or latent, that Eskaton may have against Seller. Eskaton waive application of California Civil Code Section 1542, which states:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or releasing party."

As a consequence of the foregoing waiver, Eskaton understand that even if Eskaton eventually incurs any damages arising from the affiliation with Reutlinger, Eskaton will not be able to make any claim after Closing against Reutlinger and Reutlinger's directors, employees, agents, affiliates, successors and assigns for those damages, except as to Reutlinger Liabilities. Further, Eskaton acknowledge that Eskaton understand these consequences even as to claims against Reutlinger and Reutlinger's directors, employees, agents, affiliates, successors and assigns for damages that may exist as of the date of this release but which Eskaton does not know exist, and which, if known, would materially affect Eskaton's decision to execute this release, regardless of whether Eskaton's lack of knowledge is the result of ignorance, oversight, error, negligence, or any other cause.

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The provisions of this Section 3.22 shall survive the Closing.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF ESKATON

The truth, accuracy and completeness of the representations, warranties and covenants of each entity comprising Eskaton contained in this Agreement shall, subject to Section 4.23, be conditions precedent to Reutlinger's obligation to close under this Agreement; provided, however, that Reutlinger shall have no obligation to investigate the truth, accuracy or completeness of said representations, warranties and covenants. As an inducement to Reutlinger to enter into this Agreement and to consummate the contemplated transactions, Eskaton hereby jointly and severally represents, warrants and covenants to Reutlinger as to the following matters, and, except as otherwise provided herein, shall be deemed to remake all of the following representations, warranties and covenants as of the Effective Date. Except as otherwise supplemented or amended by the parties on or prior to the Closing Date in accordance with the terms of this Agreement, Eskaton, as applicable, shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date:

Section 4.1 <u>Organization and Power</u>. Eskaton is a non-profit public benefit corporation duly organized, validly existing and in good standing under the laws of the State of California, with power and authority to conduct the business in which each is engaged, to lease and own the properties leased or owned by it and to enter into and perform its obligations under this Agreement. Eskaton is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as an organization described in Section 509(a)(2) or (3) of the Code. There is no actual, or to the Knowledge of Eskaton based on information and belief, threatened challenge to the tax-exempt status of Eskaton. Eskaton has no subsidiary or affiliate except as disclosed in <u>Schedule 4.1</u>. For purposes of this Agreement, the term "Knowledge of Eskaton" means the actual knowledge of Todd Murch, the Chief Executive Officer of Eskaton, Sheri Peifer, the Chief Strategy Officer of Eskaton, Betsy Donovan, the Chief Operating Officer of Eskaton, and Mark Jenkins, the Chief Financial Officer of Eskaton.

Section 4.2 <u>Authorization.</u> The execution and delivery of this Agreement and the Eskaton Closing Documents by Eskaton, and the performance by Eskaton of its obligations under this Agreement and the Eskaton Closing Documents have been duly authorized by all necessary corporate action (including any necessary approval by the Eskaton Board) on the part of Eskaton. This Agreement and the Eskaton Closing Documents have been or will be duly executed and delivered by each entity comprising Eskaton, as applicable.

Section 4.3 No Violation. This Agreement is, and the Eskaton Closing Documents will be, the lawful, valid and legally binding obligations of each entity comprising Eskaton, enforceable in accordance with their respective terms. The execution and delivery of this Agreement and the Eskaton Closing Documents by each entity comprising Eskaton, and the consummation by Eskaton of the contemplated transactions will not, with or without the giving of notice and/or the passage of time: (a) violate or conflict with the governing documents, of either entity comprising Eskaton, (b) conflict with or result in the breach or violation of any of the terms or conditions of, or create rights of acceleration or constitute a default under, any indenture, mortgage, deed of trust, instrument, contract or other agreement to which Eskaton is a party or by which Eskaton is bound, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Eskaton Assets, (c)

violate any legal requirement to which Eskaton is subject, or (d) violate or conflict with any judgment, writ, decree, franchise, order, license or permit applicable to Eskaton.

Section 4.4 No Violation. This Agreement is, and the Eskaton Closing Documents will be, the lawful, valid and legally binding obligations of each entity comprising Eskaton, enforceable in accordance with their respective terms. The execution and delivery of this Agreement and the Eskaton Closing Documents by each entity comprising Eskaton, and the consummation by Eskaton of the contemplated transactions will not, with or without the giving of notice and/or the passage of time: (a) violate or conflict with the governing documents, of either entity comprising Eskaton, (b) conflict with or result in the breach or violation of any of the terms or conditions of, or create rights of acceleration or constitute a default under, any indenture, mortgage, deed of trust, instrument, contract or other agreement to which Eskaton is a party or by which Eskaton is bound, or result in the creation or imposition of any lien, charge or encumbrance upon any of the Eskaton Assets, (c) violate any legal requirement to which Eskaton is subject, or (d) violate or conflict with any judgment, writ, decree, franchise, order, license or permit applicable to Eskaton.

Section 4.5 <u>Consents</u>. Except as set forth in <u>Schedule 4.5</u>, no consent, approval, permit, waiver, license, authorization or action of any third party or governmental body is required in connection with the execution, delivery and performance of this Agreement by Eskaton.

Section 4.6 Eskaton Real Property.

- Schedule 4.6(a) sets forth an accurate and complete list of all major real property assets held by Eskaton as of the Effective Date, along with (i) the most recent appraised fair market value of each such asset and the date of such appraisal or, in the absence of such an appraisal or a decline in value of the asset below such appraised fair market value, a good faith, reasonable estimate of the fair market value of such asset as of the Effective Date, (ii) the amount of debt encumbering such asset and (iii) the net value of each such asset, as computed using the values included for such asset in subclauses (i) and (ii). At or prior to the Closing, and except for the Eskaton Premises that are leased by Eskaton, Eskaton shall have good and marketable fee simple title to the Eskaton Premises. Except as set forth on Schedule 4.6(a) (the "Eskaton Real Property Permitted Exceptions"), none of the Eskaton Premises that is owned by Eskaton is, or as of the Closing Date will be, subject to any security interest, mortgage, pledge, liens, restriction, covenant, charge or encumbrance. There are no purchase contracts, options or other agreements of any kind, oral or written, formal or informal, choate or inchoate, recorded or unrecorded, or claims whereby any person other than Eskaton will have acquired or will have any basis to assert any right, title or interest in, or right to the possession, use, enjoyment or proceeds of, any part or all of the Eskaton Premises. A true, correct and complete copy of the documents giving rise to each Eskaton Real Property Permitted Exception has heretofore been delivered to Reutlinger.
- (b) Schedule 4.6(b) sets forth an accurate and complete list of all contracts, agreements, leases, subleases, options and commitments, oral or written, affecting any Eskaton Real Property that has been financed with tax exempt bond proceeds and Eskaton is not the lessee or sublessee of any real property other than as set forth in Schedule 4.6(b) ("Eskaton Real Property Leases"). Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Real Property Leases.

- (c) Except as set forth in <u>Schedule 4.6(c)</u> there are no facts that would adversely affect the ownership, possession, use or occupancy of the Eskaton Premises.
- (d) Eskaton holds all valid and effective certificates, approvals and other permits and licenses required by applicable law relating to the operation of the Eskaton Premises, including without limitation a license from the California Department of Public Health and California Department of Social Services, all certificates of occupancy, underwriters' certificates relating to electrical work, zoning, building, housing, safety, fire and health approvals.
- (e) The zoning of each parcel of Eskaton Real Property permits the presently existing Eskaton Improvements and the continuation of the business of the Eskaton Facilities presently being conducted on such parcel, without variances or conditional use permits. Eskaton has not commenced, nor has Eskaton received notice of the commencement of, any proceeding that would affect the present zoning classification of any such parcel.
- Section 4.7 <u>Eskaton Personal Property</u>. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. <u>Schedule 4.7</u> sets forth an accurate and complete list of all leases of personal property currently binding on Eskaton. Eskaton has provided Reutlinger with complete and correct copies of such Eskaton personal property leases.

Section 4.8 Eskaton Financial Statements.

- Attached as Schedule 4.8(a) are copies of the audited balance sheet and statement of income and cash flows of each entity comprising Eskaton as of December 31, 2017, and the unaudited balance sheet and statement of income and cash flows of each entity comprising Eskaton for the most recent month end (collectively referred to as the "Eskaton Financial Statements"). In addition, Eskaton shall provide to Reutlinger, as promptly as each becomes available prior to the Closing Date, all other interim financial statements (the "Eskaton Interim Financial Statements") with respect to the operation of the Eskaton Facilities, updated to the penultimate month prior to the Closing Date. Eskaton shall also provide to Reutlinger as promptly as each becomes available, all financial statements prepared prior to Closing with respect to the operation of the Eskaton Facilities as of and for the period ending on the Closing Date. The Eskaton Financial Statements and Eskaton Interim Financial Statements referred to in this Section are and will be true, complete and correct in all material respects and present fairly and accurately the financial condition of Eskaton and the results of its operations at the dates and for the periods indicated and will have been prepared in accordance with GAAP. From and after the date of the Eskaton Interim Financial Statements, Eskaton has not (and at Closing shall not have) made any material changes in its accounting methods or practices. Except as set forth on Schedule 4.8(a) or as may be incurred in the ordinary course of business or pursuant to an approved budget, Eskaton does not know of any fact, circumstance, event, occurrence, contingency or condition that might reasonably be expected to result in a change greater than \$250,000 in value, before or after the Closing Date, whether or not covered by insurance, in the working capital, financial condition, assets, liabilities (whether absolute, accrued, contingent or otherwise), reserves, business, operations or prospects of Eskaton.
- Section 4.9 <u>Insurance</u>. <u>Schedule 4.9</u> sets forth a complete and accurate list and brief description of all insurance policies and self-insurance arrangements currently held by Eskaton,

including, without limitation, to the extent applicable, fire, medical malpractice and professional liability, general liability, casualty and property damage, business interruption, extended coverage, products liability, and workers' compensation and any and all other kinds of insurance held by Eskaton related to the Eskaton Facilities, or any of the Eskaton Assets. The description of the insurance policies and arrangements provided in Schedule 4.9 shall include a statement specifying the name of the insurer, the amount of coverage and any deductibles, the type of insurance, the amount of the premiums and dates when they are due, the policy numbers, any previously filed or pending claims thereunder, and the expiration date of such policies. True and correct copies of all such insurance policies or arrangements previously have been provided to Reutlinger by Eskaton. Except as set forth in Schedule 4.9, such insurance policies are in full force and effect and shall remain in full force and effect through the Closing Date. Certificates of insurance evidencing such insurance coverages shall be delivered to Reutlinger by Eskaton, respectively, at or prior to the Closing. Eskaton is not delinquent with respect to any premium payments thereon nor is Eskaton in default or breach with respect to any provision contained in any such insurance policies. Eskaton has not failed to give any notice or to present any claim under such policies in a due and timely fashion within three (3) years prior to the Closing Date. To the Knowledge of Eskaton, Eskaton has not received any notice or request, formal or informal, from any insurance company identifying any defects in the Eskaton Assets that would adversely affect the insurability of the Eskaton Assets, canceling or materially amending or materially increasing the annual or other premiums payable under any such policy, or threatening any such cancellation, amendment or increase of premiums. Eskaton has not been refused any insurance with respect to the Eskaton Assets to which it has applied for insurance within three (3) years prior to the Closing Date.

Section 4.10 Litigation. Except as set forth in Schedule 4.10 (said matters set forth in Schedule 4.10 being collectively referred to herein as "Eskaton Pending Litigation"), neither Eskaton, nor the Eskaton Facilities, nor any of such party's respective properties, businesses or assets is engaged in or a party to or threatened with any proceeding, claim or demand or legal, administrative, arbitration or other method of settling disputes or disagreements, and Eskaton does not know, anticipates or has notice of any reasonable basis for any such action. Except as set forth on Schedule 4.10, Eskaton has not received notice of any investigation, threatened or contemplated, by any federal or state governmental body that remains unresolved, involving Eskaton or the Eskaton Facilities. No circumstances exist involving the safety aspects of the respective businesses and operations of Eskaton that would cause any obligation to report to any state, local or federal governmental body. None of the Eskaton Pending Litigation has created a lien or a claim therefor against the Eskaton Assets. Set forth in Schedule 4.10 is a complete and accurate description of each outstanding order, writ, injunction or decree of any court, arbitrator, or governmental body against or affecting Eskaton, the Eskaton Assets or the operation of the Eskaton Facilities. Eskaton have provided Reutlinger with complete and correct copies of all such orders, writs, injunctions and decrees, and will make available upon request, copies of all correspondence, reports, memoranda and files related thereto.

Section 4.11 <u>Licenses and Permits</u>. True and correct copies of the Eskaton Licenses and Permits have been delivered to Reutlinger by Eskaton. Except as set forth in <u>Schedule 4.11</u>, Eskaton has all licenses, permits and franchises required by all applicable legal requirements from all applicable governmental bodies necessary or proper in order to own and/or lease the Eskaton Assets and to conduct and operate the Eskaton Facilities and each of its departments as currently operated.

Except as set forth in <u>Schedule 4.11</u>, to the Knowledge of Eskaton, no notice from any authority with respect to pending or possible revocation, termination, suspension or limitation of any of the Eskaton Licenses and Permits has been issued or given, nor is Eskaton aware of the proposed or threatened issuance of any such notice. Except as set forth in <u>Schedule 4.11</u>, Eskaton has no reason to believe that such Eskaton Licenses and Permits would not be eligible for renewal upon their expiration. Eskaton has previously delivered to Reutlinger true, correct and complete copies of the Eskaton Facilities' most recent state licensing survey reports, as well as any statements of deficiencies and plans of correction in connection with such reports. Except as set forth in <u>Schedule 4.11</u>, the most current state licensing survey did not require that capital expenditures aggregating in excess of Ten Thousand Dollars (\$10,000) be made in order to ensure continued licensure of the Eskaton Facilities.

Section 4.12 Government Program; Third Party Payors.

- (a) Except as set forth on <u>Schedule 4.12(a)</u> the Eskaton Facilities have historically received reimbursement under Medicare, are eligible to receive payment without restriction from Medicare, and are "providers" with valid and current provider agreements and with one or more provider numbers with Medicare through intermediaries. A true and correct copy of each such provider agreement has been previously delivered to Reutlinger by Eskaton. Eskaton has previously delivered to Reutlinger true, correct and complete copies of the Eskaton Facilities' most recent certification survey reports under Medicare, including any statements of deficiencies and plans of correction for the past three (3) years. The most recent certification survey reports under Medicare did not require that capital expenditures aggregating in excess of Ten Thousand Dollars (\$10,000) be made in order to ensure continued participation in Medicare. The Eskaton Facilities have not received notice of pending, threatened or possible investigation by, or loss of participation in, Medicare, except as set forth in <u>Schedule 4.12(a)</u>.
- (b) <u>Schedule 4.12(b)</u> sets forth an accurate, complete and current list of all participation agreements with health maintenance organizations, insurance programs, any other participation agreements with third party payors and all agreements with preferred provider organizations and ACOs with respect to the Eskaton Facilities. Eskaton has previously delivered to Reutlinger true and correct copies of all such agreements listed in <u>Schedule 4.12(b)</u>.
- (c) Except as set forth in <u>Schedule 4.12(c)</u>, there is no dispute between the Eskaton Facilities or Eskaton and any governmental body or quasi-governmental authority or the Medicare fiscal intermediary regarding such cost reports other than with respect to adjustments thereto made in the ordinary course of business. Except as set forth in <u>Schedule 4.12(c)</u>, Eskaton has not received any notices that Medicare has any claims against such party or the Eskaton Facilities that could result in offsets against future Eskaton Facilities accounts receivable above any amounts reserved therefore.
- Section 4.13 <u>Compliance with Law</u>. Except as disclosed in <u>Schedule 4.13</u> or elsewhere in this Agreement, Eskaton, and each entity constituting Eskaton and the Eskaton Facilities and the operation thereof are, to the Knowledge of Eskaton in material compliance in all respects with any applicable legal requirements or orders of any court or federal, state, county, municipal or other governmental body, including the fraud and abuse laws, and Eskaton has not received any notice, written or otherwise, of noncompliance with respect thereto. To the Knowledge of Eskaton, neither

Eskaton, nor any of its affiliates, nor any member, director, officer or employee of Eskaton, or any of its affiliates, is a party to any contract, lease agreement or other arrangement (including any joint venture or consulting agreement) related to Eskaton or any of the Eskaton Assets with any physician, health care facility, hospital, nursing facility, home health agency or other person who is in a position to make or influence referrals to or otherwise generate business for Eskaton with respect to any of the Eskaton Assets, to provide services, lease space, lease equipment or engage in any other venture or activity, to the extent that any of the foregoing is prohibited by applicable legal requirements. All patient records and any other documents required to be maintained by law by Eskaton or the Eskaton Facilities have been maintained by Eskaton for a period of at least seven (7) years from the date of creation of such document, or if in existence for less than seven (7) years, have been and will be maintained to the Closing Date.

Section 4.14 <u>Employment Obligations</u>. All obligations of Eskaton with respect to any of Eskaton's 's employees, whether arising by operation of law, by contract, by past custom or otherwise, for salaries, accrued vacation and holiday pay, and other termination benefits, and other forms of compensation payable to such employees in respect of the services rendered by any of them prior to the Closing Date have been or will be paid by Eskaton either prior to the Closing Date, or within due course thereafter.

Section 4.15 Employment Matters.

- (a) To the Knowledge of Eskaton and except as set forth on Schedule 4.15(a): (i) Eskaton is in compliance in all material respects with all federal and state laws respecting employment and employment practices, terms and conditions of employment, and wages and hours, and are not engaged in any unfair labor practice; (ii) there is no unfair labor practice complaint against Eskaton pending before the National Labor Relations Board; (iii) there is no labor strike, dispute, slowdown or stoppage actually pending or, to the Knowledge of Eskaton, threatened against or involving or affecting Eskaton; (iv) no representation question exists respecting the employees of Eskaton; (v) no grievance or any arbitration proceeding is pending; (vi) Eskaton has not experienced any labor stoppage during the last five (5) years; and (vii) Eskaton is in full compliance with all union contracts and collective bargaining agreements.
- (b) Except as set forth on <u>Schedule 4.15(b)</u>, no changes in the basis for remuneration of employees of Eskaton has been made, promised or authorized by Eskaton since September 30, 2014, except in the ordinary and usual course of business, in accordance with past practices. Except as set forth on <u>Schedule 4.15(b)</u>, Eskaton has no written employment contracts, , including any employment contract with any officer, consultant, director or employee; any plan, arrangement or contract providing for options, bonuses, stock purchases, deferred compensation or the like; or any restrictive covenants or agreements with any former employees, officers, consultants or directors of Eskaton and no agreement of any nature that provides for employment for any particular period of time or that provides any restrictions upon Eskaton's 's right to terminate employment without any post-termination payment obligation, with any person whomsoever relating to the Eskaton Facilities. Other than in the ordinary course of business, no binding agreements have been made or entered into between Eskaton and any employee involved in the Eskaton Facilities regarding changes in compensation, promotion or any other change in status.

Section 4.16 <u>Tax Returns and Liabilities</u>. Except as set forth in <u>Schedule 4.16</u>, all federal, state, county and other tax returns of every nature (including, without limitation, income, employment, payroll, excise, property, sales and use taxes, unemployment contributions) required to be filed by or on behalf of, or with respect to Eskaton or the Eskaton Assets have been duly and timely filed, or will be filed (within the time periods required by law) by Eskaton on or before the Closing Date. Except as set forth in <u>Schedule 4.16</u>, copies of all such tax returns have been provided to Reutlinger and are true and correct in all respects. There are no tax liens on any of the Eskaton Assets, other than tax liens for obligations that are not yet due and payable, and no basis exists for the imposition of any such liens. Eskaton does not have any dispute with any taxing authority as to taxes of any nature. Except as set forth in <u>Schedule 4.16</u>, there is no unassessed tax deficiency proposed or, to the Knowledge of Eskaton, threatened against Eskaton, and no proceeding or audit of any tax returns of either Eskaton by any governmental body is pending or, to the Knowledge of Eskaton, threatened by any governmental body for assessment, reassessment or collection of any taxes affecting Eskaton, or the Eskaton Facilities, and its operations.

Section 4.17 Employee Benefit Plans.

- (a) For purposes of this Section, the term "Benefit Plan" means any plan, program, arrangement, practice or contract which provides benefits or compensation to or on behalf of employees or former employees, whether formal or informal, whether or not written, including, but not limited to, the following types of Benefit Plans: retirement, vacation, profit sharing, deferred compensation, incentive compensation, sick pay, scholarship, severance pay or other fringe benefit plan, program, arrangement, contract or practice
- (b) Except as set forth on <u>Schedule 4.17(b)</u>, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton's 's employees or relating to the operations of the Eskaton Facilities. All contributions and other payments required to be made by Eskaton to any Benefit Plan, if any, for or on behalf of any employees or former employees of Eskaton have been made or reserves adequate for such purposes have been set aside therefore in accordance with the terms of each such plan. Eskaton shall have no liability or obligation to Eskaton, or Eskaton's employees in connection with such termination of Eskaton's employees from the Benefit Plans.

Section 4.18 Contracts and Commitments.

- (a) <u>Schedule 4.18(a)</u> sets forth an accurate and complete list of all of the Eskaton Contracts currently in force in the following categories:
 - (i) food and dining service;
 - (ii) maintenance and housekeeping services;
 - (iii) therapy services;
 - (iv) physician services;

- (v) acute care facility services; and
- (vi) other medical provider contracts.

Except as set forth in <u>Schedule 4.18</u>, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in <u>Schedule 4.18</u>, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 <u>Brokers' and Finders' Fees</u>. Eskaton has not entered into any contracts, agreements, arrangements or understandings with any person that could give rise to any claim for a broker's, finder's or agent's fee or commission or other similar payment in connection with the negotiations leading to this Agreement or the consummation of the contemplated transactions.

Section 4.20 Immigration Act. To the Knowledge of Eskaton, Eskaton is in compliance in all material respects with the terms and provisions of the Immigration Act. For each employee of Eskaton employed in the Reutlinger Facilities for whom compliance with the Immigration Act by Reutlinger is required, Eskaton has obtained and retained a complete and true copy of each such employee's Form I-9 (Employment Eligibility Verification Form) and all other records or documents prepared, procured or retained by Eskaton pursuant to the Immigration Act to the extent Eskaton is required to do so under the Immigration Act. Eskaton has not been cited, fined, served with a Notice of Intent to Fine or with a Cease and Desist Order (as such terms are defined in the Immigration Act) at the Reutlinger Facilities, nor, to the Knowledge of Eskaton, has any proceeding been initiated or threatened against Eskaton in connection with its operation of the Eskaton Facilities, by reason of any actual or alleged failure to comply with the Immigration Act.

Section 4.21 <u>Eskaton Boards of Directors</u>. <u>Schedule 4.22</u> contains a true and complete list of the current members of the Boards of Directors of each entity constituting Eskaton, respectively, immediately prior to the Closing Date.

Section 4.22 No Untrue or Inaccurate Representation or Warranty. The representations and warranties of Eskaton contained in this Agreement, and each exhibit, schedule, certificate or other written statement delivered pursuant to this Agreement, or in connection with the contemplated transactions, are accurate, correct and complete, and do not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements and information contained therein not misleading. Those representations and warranties set forth in this Article IV that are specifically limited to the "Knowledge of Eskaton," shall be made to the party's best knowledge after due investigation, and such party shall be responsible for all facts which such party knew, or should have known as a result of such due investigation. There is no fact that adversely affects or in the future may, to the Knowledge of Eskaton, adversely affect the ability of Eskaton fully to perform this Agreement and the contemplated transactions that has not been set forth and described in this Agreement or in a certificate, exhibit, schedule or other written statement furnished to Reutlinger, pursuant to this Agreement.

Section 4.23 <u>AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.</u>

- Reutlinger acknowledges that, except as specifically provided in this Agreement, (a) neither Eskaton nor any of its employees, directors, agents or representatives has made any representations, warranties or agreements to or with Reutlinger on behalf of Eskaton as to any matters concerning the Eskaton Assets, the present use thereof, or the suitability of Reutlinger's intended use. IT IS UNDERSTOOD AND AGREED THAT, EXCEPT AS MAY BE EXPRESSLY SET FORTH IN THIS AGREEMENT, (A) THE ESKATON ASSETS ARE BEING ACCEPTED BY REUTLINGER ON AN "AS IS," "WHERE IS" AND "WITH ALL FAULTS" BASIS, SUBJECT TO ANY CONDITION WHICH MAY EXIST, AND WITHOUT THE EXISTENCE OF AND WITHOUT RELIANCE UPON ANY REPRESENTATION, WARRANTY, AGREEMENT, OR STATEMENT BY ESKATON, OR ANYONE ACTING ON BEHALF OF THEM EXCEPT THOSE REPRESENTATIONS, WARRANTIES AND AGREEMENTS SPECIFICALLY SET FORTH IN THIS AGREEMENT; (B) REUTLINGER IS BEING GIVEN THE OPPORTUNITY TO THOROUGHLY INSPECT AND EXAMINE ESKATON'S ASSETS TO THE EXTENT DEEMED NECESSARY BY REUTLINGER IN ORDER TO ENABLE REUTLINGER TO EVALUATE ITS AFFILIATION WITH ESKATON ON THE FOREGOING BASIS; AND (C) REUTLINGER IS RELYING SOLELY UPON SUCH INSPECTIONS, EXAMINATION, AND EVALUATION OF THE ESKATON ASSETS BY REUTLINGER IN COMPLETING THE AFFILIATION ON AN "AS IS", "WHERE IS" AND "WITH ALL FAULTS" BASIS, WITHOUT REPRESENTATION, WARRANTY, AGREEMENT OR STATEMENT BY ESKATON OR ANYONE ACTING ON BEHALF OF THEM, EXPRESS OR IMPLIED, OF ANY KIND OR NATURE, EXCEPT AS MAY BE SET FORTH IN THIS AGREEMENT.
- (b) Except as to (i) any material default by Eskaton in the performance of any of its other obligations under this Agreement or (ii) the fraud of Eskaton (collectively, "Eskaton Liabilities") Reutlinger acknowledges and agrees that Eskaton are not personally liable or responsible for any damages that Reutlinger may suffer as the result of this transaction. Except as to any Eskaton Liabilities, Reutlinger hereby releases Eskaton and its directors, employees, agents, affiliates, successors and assigns, from any claims, actions, causes of action, liabilities, fees, costs and expenses, whether to person or property, arising out of or in any way relating to the Eskaton Assets, the condition thereof, and the development or construction of any Improvements on the Eskaton Assets or any off-site improvements related to the Eskaton Assets. Such release applies to all claims, whether such claims, damages, or losses are known or unknown, foreseen or unforeseen, or patent or latent, that Reutlinger may have against Eskaton. Reutlinger waives application of California Civil Code Section 1542, which states:

"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or releasing party."

As a consequence of the foregoing waiver, Reutlinger understands that even if Reutlinger eventually incurs any damages arising from the affiliation with Eskaton, Reutlinger will not be able to make any claim after Closing against Eskaton or its directors, employees, agents, affiliates, successors and

assigns for those damages, except as to Eskaton Liabilities. Further, Reutlinger acknowledges that Reutlinger understands these consequences even as to claims against Eskaton and its directors, employees, agents, affiliates, successors and assigns for damages that may exist as of the date of this release but which Reutlinger does not know exist, and which, if known, would materially affect Reutlinger's decision to execute this release, regardless of whether Reutlinger's lack of knowledge is the result of ignorance, oversight, error, negligence, or any other cause.

The provisions of this	Section 4	4.24 shall	survive the	Closing.
Reutlinger's Initials: _		_		

ARTICLE V COVENANTS OF REUTLINGER

Reutlinger, as indicated below, shall keep, perform and fully discharge the following covenants, unless Eskaton consent otherwise in writing. Eskaton may grant or withhold any such consent requested by Reutlinger in Eskaton's sole discretion:

Section 5.1 Access and Investigation. During the period between the Effective Date and the Closing Date, and upon two (2) business days advance notice received from Eskaton, Reutlinger shall (a) afford Eskaton and its representatives and prospective lenders and their representatives (collectively, "Eskaton Group") full and free access, during regular business hours, to Reutlinger's personnel, properties, Reutlinger Contracts, Reutlinger Leases, Reutlinger Licenses and Permits, books and records and other documents and data, such rights of access to be exercised in a manner that does not unreasonably interfere with the operations of Reutlinger; (b) furnish Eskaton Group with copies of all such Reutlinger Contracts, Reutlinger Leases, Reutlinger Licenses and Permits, books and records and other existing documents and data as Eskaton may reasonably request and in Reutlinger's possession; (c) furnish Eskaton Group with such additional financial, operating and other relevant data and information as Eskaton may reasonably request and in Reutlinger's possession; and (d) otherwise cooperate and assist, to the extent reasonably requested by Eskaton, with Eskaton's investigation of the properties, assets and financial condition related to Reutlinger. In addition, Eskaton shall have the right to have the Reutlinger Real Property and Reutlinger Personal Property inspected by Eskaton Group, at Eskaton's sole cost and expense, for purposes of determining the physical condition and legal characteristics of the Reutlinger Real Property and Reutlinger Personal Property. Eskaton shall reimburse Reutlinger for any damage caused to Reutlinger's property by such inspection.

Section 5.2 <u>Reutlinger's Pre-Closing Activities</u>. From the Effective Date to the Closing Date, Reutlinger will identify in **Schedule 5.2** any expenditure, commitment or undertaking that is not in conformance with an approved budget, or in the ordinary course of business, and that has a value in excess of \$250,000, including a renewal, extension or amendment of Reutlinger Leases or Reutlinger Contracts, other than on commercially reasonable terms, and recognition of any union or labor organization as the exclusive representative of any employees.

Section 5.3 <u>Reutlinger's Commercially Reasonable Efforts</u>. Reutlinger covenants and agrees to use its commercially reasonable efforts to cause all of its covenants and agreements and all

conditions precedent to Eskaton's and Reutlinger's obligations to close hereunder to be performed, satisfied and fulfilled.

- Section 5.4 <u>Managed Care Contracts</u>. Reutlinger agrees to use its commercially reasonable efforts to assist Eskaton in causing Reutlinger to maintain, after the Closing Date, the various managed care contracts in which the Reutlinger Facilities now participates.
- Section 5.5 <u>Required Approvals</u>. As promptly as practicable after the date of this Agreement, Reutlinger shall make all filings required by law to be made by it in order to consummate the contemplated transactions. Reutlinger shall cooperate with Eskaton and its representatives with respect to all filings that Eskaton elects to make or by law shall be required to make in connection with the contemplated transactions. Reutlinger shall cooperate with Eskaton and its representatives in obtaining all Material Consents.
- Section 5.6 Notification. Between the Effective Date and the Closing, Reutlinger shall promptly notify Eskaton in writing if any of them becomes aware of (a) any fact or condition that causes or constitutes a breach of any of Reutlinger's representations and warranties made as of the date of this Agreement or (b) the occurrence after the date of this Agreement of any fact or condition that would or be reasonably likely to (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had that representation or warranty been made as of the time of the occurrence of, or Reutlinger's discovery of, such fact or condition. Should any such fact or condition require any change to any of the schedules attached hereto, Reutlinger shall promptly deliver to Eskaton a supplement to such schedule specifying such change. During the same period, Reutlinger also shall promptly notify Eskaton of the occurrence of any breach of any covenant of Reutlinger in Articles III and V or of the occurrence of any event that may make the satisfaction of the conditions in Article VIII impossible or unlikely.
- Section 5.7 No Negotiation. Until such time as this Agreement shall be terminated, Reutlinger shall not directly or indirectly solicit, initiate, encourage or entertain any inquiries or proposals from, discuss or negotiate with, provide any nonpublic information to or consider the merits of any inquiries or proposals from any person (other than Eskaton) relating to any business combination transaction involving Reutlinger, including the merger or consolidation of Reutlinger or the sale of Reutlinger's business or any of the Reutlinger Assets (other than in the ordinary course of business). Reutlinger shall notify Eskaton of any such inquiry or proposal within twenty-four (24) hours of receipt or awareness of the same by Reutlinger .
- Section 5.8 <u>Payment of Liabilities</u>. Reutlinger shall pay or otherwise satisfy in the ordinary course of business all of its liabilities. Eskaton and Reutlinger hereby waive compliance with Bulk Sales Laws in connection with the contemplated transactions.

ARTICLE VI COVENANTS OF ESKATON

Eskaton, as indicated below, shall keep, perform and fully discharge the following covenants, unless Reutlinger consent otherwise in writing. Reutlinger may grant or withhold any such consent requested by Eskaton in Reutlinger's sole discretion:

- Section 6.1 Access and Investigation. During the period between the Effective Date and the Closing Date, and upon reasonable advance notice received from Reutlinger, Eskaton shall (a) afford Reutlinger and its representatives and prospective lenders and their representatives (collectively, "Reutlinger Group") full and free access, during regular business hours, to Eskaton's personnel, properties, Eskaton Contracts, Eskaton Leases, Eskaton Licenses and Permits, books and records and other documents and data, such rights of access to be exercised in a manner that does not unreasonably interfere with the operations of Eskaton; (b) furnish Reutlinger Group with copies of all such Eskaton Contracts, Eskaton Leases, Eskaton Licenses and Permits, books and records and other existing documents and data as Reutlinger may reasonably request; (c) furnish Reutlinger Group with such additional financial, operating and other relevant data and information as Reutlinger may reasonably request; and (d) otherwise cooperate and assist, to the extent reasonably requested by Reutlinger, with Reutlinger's investigation of the properties, assets and financial condition related to Eskaton. In addition, Reutlinger shall have the right to have the Eskaton Real Property and Eskaton Personal Property inspected by Reutlinger, at Reutlinger's sole cost and expense, for purposes of determining the physical condition and legal characteristics of the Eskaton Real Property and Eskaton Personal Property
- Section 6.2 <u>Eskaton Pre-Closing Activities</u>. From the Effective Date to the Closing Date, Eskaton will identify in <u>Schedule 6.2</u> any expenditure, commitment or undertaking that is not in conformance with an approved budget, or in the ordinary course of business, and that has a value in excess of \$250,000, including a renewal, extension or amendment of Eskaton Leases or Eskaton Contracts, other than on commercially reasonable terms, and recognition of any union or labor organization as the exclusive representative of any employees.
- Section 6.3 <u>Eskaton's Commercially Reasonable Efforts</u>. Eskaton covenants and agrees to use its commercially reasonable efforts to cause all of its covenants and agreements and all conditions precedent to Reutlinger's and Eskaton's obligations to close hereunder to be performed, satisfied and fulfilled.
- Section 6.4 <u>Required Approvals</u>. As promptly as practicable after the date of this Agreement, Eskaton shall make all filings required by law to be made by them in order to consummate the contemplated transactions. Eskaton shall cooperate with Reutlinger and its representatives with respect to all filings that Reutlinger elects to make or by law shall be required to make in connection with the contemplated transactions. Eskaton shall cooperate with Reutlinger and its representatives in obtaining all Material Consents.
- Section 6.5 <u>Notification</u>. Between the Effective Date and the Closing, Eskaton shall promptly notify Reutlinger in writing if any of them becomes aware of (a) any fact or condition that causes or constitutes a breach of any of Eskaton's representations and warranties made as of the date of this Agreement or (b) the occurrence after the date of this Agreement of any fact or condition that would or be reasonably likely to (except as expressly contemplated by this Agreement) cause or constitute a breach of any such representation or warranty had that representation or warranty been made as of the time of the occurrence of, or Eskaton's discovery of, such fact or condition. Should any such fact or condition require any change to any of the schedules attached hereto, Eskaton shall promptly deliver to Reutlinger a supplement to such schedule specifying such change. During the same period, Eskaton also shall promptly notify Reutlinger of the occurrence of any breach of any

covenant of Eskaton in Articles IV and VI or of the occurrence of any event that may make the satisfaction of the conditions in Article VII impossible or unlikely.

ARTICLE VII CONDITIONS PRECEDENT TO OBLIGATIONS OF REUTLINGER

The obligations of Reutlinger hereunder are, at the option of Reutlinger, subject to the satisfaction, on or prior to the Closing Date, of all of the following conditions unless waived in writing by Reutlinger:

- Section 7.1 <u>Assurance of Facility License</u>. Reutlinger shall have received assurances satisfactory to Reutlinger and their counsel from the California Department of Public Health and Department of Social Services, that Reutlinger shall maintain the right to continue to operate the Reutlinger Facilities.
- Section 7.2 <u>Representations/Warranties</u>. The representations and warranties of Eskaton contained in this Agreement shall be true in all material respects when made and on and as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date; and each and all of the terms, covenants and conditions of this Agreement to be complied with or performed by Eskaton on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects.
- Section 7.3 <u>Governmental Approvals.</u> Reutlinger shall have received all governmental approvals or waivers listed on <u>Schedule 7.3</u> necessary for Reutlinger to consummate the transactions described herein.
- Section 7.4 <u>Action/Proceeding</u>. No proceeding shall have been instituted or threatened to restrain or prohibit the contemplated transactions, and no governmental body shall have taken any other action or made any request of Reutlinger or Eskaton as a result of which Reutlinger reasonably and in good faith deem it inadvisable to proceed with the transactions hereunder.
- Section 7.5 <u>Closing Documents</u>. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.
- Section 7.6 <u>Consents</u>. Each of the consents identified in <u>Schedule 7.6</u> (the "Material Consents") shall have been obtained and shall be in full force and effect.
- Section 7.7 <u>No Material Adverse Change</u>. There shall not have been a material adverse change in the Eskaton Assets or the Eskaton business or operations.

ARTICLE VIII CONDITIONS PRECEDENT TO OBLIGATIONS OF ESKATON

The obligations of Eskaton hereunder are, at their option, subject to the satisfaction, on or prior to the Closing Date, of all of the following conditions unless waived in writing by Eskaton:

- Section 8.1 <u>Assurance of Facility License</u>. Eskaton shall have received assurances satisfactory to Eskaton and its counsel (including bond counsel) from the California Department of Public Health and Department of Social Services, that Eskaton shall maintain the right to continue to operate the Eskaton Facilities.
- Section 8.2 <u>Representations/Warranties</u>. The representations and warranties of Reutlinger contained in this Agreement shall be true in all material respects when made and on and as of the Closing Date as though such representations and warranties had been made on and as of such Closing Date except those that may be supplemented or amended by the parties on or before the Closing Date; and each and all of the terms, covenants and conditions of this Agreement to be complied with or performed by Reutlinger on or before the Closing Date pursuant to the terms hereof shall have been duly complied with and performed in all material respects.
- Section 8.3 <u>Governmental Approvals</u>. Eskaton shall have received all governmental approvals or waivers listed on <u>Schedule 8.3</u> for Eskaton to consummate the transactions described herein.
- Section 8.4 <u>Action/Proceeding</u>. No proceeding shall have been instituted or threatened to restrain or prohibit the contemplated transactions, and no governmental body shall have taken any other action or made any request of Eskaton or Reutlinger as a result of which Eskaton reasonably and in good faith deems it inadvisable to proceed with the transactions hereunder.
- Section 8.5 <u>Closing Documents</u>. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.
- Section 8.6 <u>Consents</u>. Each of the Material Consents identified in <u>Schedule 8.6</u> (the "Material Consents") shall have been obtained and shall be in full force and effect.
- Section 8.7 <u>No Material Adverse Change</u>. There shall not have been a material adverse change in the Reutlinger Assets or the Reutlinger business or operations.

ARTICLE IX POST-CLOSING COVENANTS

Section 9.1 Further Assurances. The parties shall cooperate reasonably with each other and with their respective representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall (a) furnish upon request to each other such further information; (b) execute and deliver to each other such other documents; and (c) do such other acts and things, all as the other party may reasonably request for the purpose of carrying out the intent of this Agreement and the contemplated transactions.

ARTICLE X TERMINATION

Section 10.1 <u>Termination</u>. This Agreement and the obligations of the parties hereunder may be terminated by either party, with or without cause, on or prior to the date on which the California Attorney General provides its written consent, or its written conditional consent, to the

proposed transaction contemplated by this Agreement pursuant to California Corporations Code section 5920, et seq.

Section 10.2 <u>Effect of Termination</u>. Each party's right of termination under Section 10.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of such right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 10.1, all obligations of the parties under this Agreement will terminate, except that the obligations of the parties in this Section 10.2, Section 12.1 and Section 12.2 will survive, provided, however, that, if this Agreement is terminated because of a breach of this Agreement by the nonterminating party or because one or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the non-terminating party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

ARTICLE XI AMENDMENT OF AGREEMENT

The parties hereto may by mutual agreement only in writing:

- (a) Extend the time for performance of any of the obligations or other actions of the parties hereto;
- (b) Waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant thereto;
- (c) Waive compliance with any of the covenants or conditions contained in this Agreement; provided, however, that a party may not waive any or all of the conditions precedent to its obligation to close without a written amendment signed by both parties; and
- (d) Amend this Agreement in any other respect. Any and all amendments shall be effective if made in writing by the parties.

ARTICLE XII CONFIDENTIALITY

Section 12.1 <u>Confidential Information of Reutlinger</u>. Eskaton acknowledges that in connection with the contemplated transactions, Eskaton has received and may continue to receive information of a confidential and proprietary nature regarding Reutlinger and the Reutlinger Facilities, including, without limitation, business plans, strategic plans, and other financial information and information concerning its activities, business, assets and properties ("Reutlinger Confidential Information"). Eskaton acknowledges that Reutlinger would be irreparably damaged if such Reutlinger Confidential Information were disclosed to or utilized by any person to the detriment of Reutlinger. Therefore, Eskaton shall not, at any time, directly or indirectly, without the prior written consent of Reutlinger, disclose, make use of or divulge, or permit any of its affiliates, directors, officers, employees or agents to disclose, make use of or divulge, to any person any Reutlinger Confidential Information at any time, except for such disclosure as may be required by law. Notwithstanding any other provision herein to the contrary, the covenants set forth in this

Section 12.1 shall survive the Closing, and if this transaction does not close it will survive the termination of this Agreement. For purposes of this Section 12.1, "Reutlinger Confidential Information" and "Community Confidential Information" shall not include information which is now, or becomes, generally available to the public by any persons other than a person disclosing information in violation of this Section 12.1.

Section 12.2 Confidential Information of Eskaton. Reutlinger acknowledges that in connection with the contemplated transactions, Reutlinger has received and may continue to receive information of a confidential and proprietary nature regarding Eskaton, including, without limitation, business plans, strategic plans, and other financial information and information concerning its activities, business, assets and properties ("Eskaton Confidential Information"). Reutlinger acknowledges that Eskaton would be irreparably damaged if such Eskaton Confidential Information were disclosed to or utilized by any person to the detriment of Eskaton. Further, Reutlinger acknowledges that Eskaton would be irreparably damaged if confidential information regarding the Eskaton Facilities was disclosed following the Closing ("Eskaton Facilities Confidential Information"). Therefore, Reutlinger shall not, at any time, directly or indirectly, without the prior written consent of Eskaton, disclose, make use of or divulge, or permit any of its respective affiliates, directors, officers, employees or agents to disclose, make use of or divulge, to any person (i) any Eskaton Confidential Information at any time, and (ii) any Eskaton Facilities Confidential Information at any time following the Closing, except for such disclosure as may be required by law. Notwithstanding any other provision herein to the contrary, the covenants set forth in this Section 12.2 shall survive the Closing, and if this transaction does not close it will survive the termination of this Agreement. For purposes of this Section 12.2, "Eskaton Confidential Information" and "Eskaton Facilities Confidential Information" shall not include information which is now, or becomes, generally available to the public by any persons other than a person disclosing information in violation of this Section 12.2.

Section 12.3 <u>Exclusivity</u>. Reutlinger hereby agrees not to seek to affiliate with any other entity, nor negotiate or discuss any sale, lease or option of its facilities or any interest in Reutlinger, during the period from the effective Date until the earlier of (a) the Closing Date or (b) termination of this Agreement and the obligations of the parties hereunder pursuant to the terms of Article X hereof.

ARTICLE XIII PAYMENT OF EXPENSES

Except as otherwise provided in Section 1.4, legal, accounting and other expenses incident to this Agreement incurred by (a) Reutlinger shall be paid by Reutlinger and (b) Eskaton shall be paid by Eskaton. To the extent that Reutlinger and Eskaton jointly engage the services of experts or consultants other than in connection with a Breach Notice, such expenses shall be shared equally by Reutlinger and Eskaton.

ARTICLE XIV NOTICES

Any notice or other communications required or permitted hereunder shall be sufficiently given if sent by registered or certified mail, postage prepaid, by Federal Express or similar service, addressed as follows:

Reutlinger:

The Reutlinger Community

4000 Camino Tassajara Danville, CA 94506 Attn: Jay Zimmer, CEO Facsimile: (925) 648-2801

Copy to:

Manatt, Phelps & Phillips, LLP

One Embarcadero Center

30th Floor

San Francisco, CA 94111

Attn: Jill Dodd

Facsimile: (415) 291-7474

Eskaton:

Eskaton

Eskaton Administrative Center

5105 Manzanita Avenue Carmichael, CA 95608-0598 Attn: Todd Murch, CEO Facsimile: (916) 338-1248

Copy to:

Hanson Bridgett LLP

425 Market St. 24th Floor

San Francisco, CA 94105

Attn: Paul Gordon

Facsimile: (415) 995-3430

or to such other addresses as shall be furnished in writing by either of the parties and any such notice or communication shall be deemed to have been given as of the date so expressed and three (3) days after the date so mailed (if mailed).

ARTICLE XV MISCELLANEOUS

- Section 15.1 <u>Counterparts</u>. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.
- Section 15.2 <u>Survival</u>. All representations and warranties of the Parties set forth in Article III and Article IV of this Agreement shall expire as of the Closing Date. Except with respect to the Fundamental Commitments and the Parties rights and obligations in respect of a Breach Notice and Enforcement Action (which will survive indefinitely), any and all obligations of the Parties under this Agreement will be deemed complete and fully performed and will expire on the second (2nd) anniversary of this Agreement, unless a different survival period is established, directly or by reasonable inference, by this Agreement with respect to a specific obligation.
- Section 15.3 <u>Headings</u>. The headings in this Agreement are for convenience only and shall not affect the construction hereof.
- Section 15.4 <u>Binding Terms and Provisions</u>. All terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of the parties hereto.
- Section 15.5 <u>Entire Agreement</u>. This Agreement shall constitute the entire agreement between the parties with respect to the foregoing and may not be amended except as provided herein.
- Section 15.6 <u>Applicable Law</u>. This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California.
- Section 15.7 Public Announcements; Public Relations. The Parties acknowledge that the details, terms and conditions of the contemplated transactions shall, to the extent allowed by law and to the extent reasonably possible under the circumstances, be treated as confidential information and legally protected trade secrets. No information pertaining to such transactions shall be released to third parties except insofar as there is a valid need-to-know, or unless the parties agree in writing to such release of information. The parties mutually agree that no party hereto shall release, publish or otherwise make available to the public in any manner whatsoever any information or announcement regarding the contemplated transactions without the prior agreement of the other parties, except for information and filings reasonably necessary to be directed to governmental bodies to fully and lawfully effect the contemplated transactions. The Parties agree to work together in good faith, as necessary, to develop and execute a public relations effort to promote a smooth transition of the Affiliation among the relevant stakeholders.
- Section 15.8 <u>Waiver of Breach</u>. The waiver by either party of breach or violation of any provision of this Agreement shall not operate as, or be construed to be, a waiver of any subsequent breach of the same or other provision hereof.
- Section 15.9 <u>Third Party Beneficiaries</u>. Except as expressly provided in this Agreement, nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to it and the respective

successors and assigns, nor is anything in this Agreement intended to relieve or discharge the liability of any third parties to any party to this Agreement, nor shall any provision give any third parties any right of subrogation or action over or against any party to this Agreement.

Section 15.10 <u>Dispute Resolution; Jurisdiction; Service of Process</u>. In the event any disagreement, dispute or claim (collectively, "Dispute") arises between the parties arising out of or relating to this Agreement or any contemplated transaction except as otherwise expressly provided in this Agreement in respect of an Enforcement Action, such Dispute shall be settled in accordance with the following procedures:

- (a) In the event of a Dispute, a party may give written notice to the other party setting forth the nature of such Dispute ("Dispute Notice"). The parties to the Dispute shall meet and confer to discuss the Dispute in good faith within fifteen (15) days of the other party's receipt of a Dispute Notice in an attempt to resolve the dispute ("Meet and Confer Discussions"). Each party to the Dispute shall each select two (2) representatives, all representatives shall meet at such date(s) and time(s) as are mutually convenient to the representatives of each participant within the Meet and Confer Period (as defined below),
- (b) If the parties are unable to resolve the Dispute within forty-five (45) days following the date of receipt of the Dispute Notice ("Meet and Confer Period"), then the parties shall submit the matter to binding arbitration. Other than in respect of a Dispute arising out of a Breach Notice, Arbitration fees shall be divided equally between the parties. If, for any controversy to which this paragraph applies other than in respect of a Dispute arising out of a Breach Notice, either party commences an action without first attempting to resolve the matter through Meet and Confer Discussions, or refuses to engage in Meet and Confer Discussions after written request has been made, then that party shall not be entitled to recover attorney fees, even if they would otherwise be available to that party in any such action. The arbitration shall be conducted in San Francisco, California in accordance with the procedures of JAMS, Inc. by a single, neutral arbitrator selected by the parties from the panel of JAMS, Inc. within fifteen (15) days of either party's written request to mediate. If the parties are unable to agree on an arbitrator within the fifteen (15) day period, then a single neutral arbitrator shall be selected by the then serving chief administrative officer of JAMS, Inc. The arbitration shall be completed within forty-five (45) days of the selection of the arbitrator (the "Arbitration Period").
- (c) The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures. Judgment on the Award may be entered in any court having jurisdiction. Notwithstanding the parties' agreement to binding arbitration, any party shall be entitled to seek any preliminary injunctive relief, provisional remedies, or other preliminary relief to which it may be entitled upon a proper showing from a court of competent jurisdiction.
- Section 15.11 <u>Drafting</u>. No provision of this Agreement shall be interpreted for or against any Person on the basis that such Person was the draftsman of such provision, and no presumption or burden of proof shall arise favoring or disfavoring any Person by virtue of the authorship of any provision of this Agreement.
- Section 15.12 <u>Severability</u>. If any provision of this Agreement shall for any reason be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision

hereof, and this Agreement shall be construed as if such invalid or unenforceable provision were omitted.

Section 15.13 Exhibits and Schedules. The exhibits and schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed by a duly authorized officer on the date first above written.

	Eskaton, a California nonprofit public benefit corporation
Date:	By:
	Chairman of the Board
	The Reutlinger Community, a California nonprofit public benefit corporation
Date:	By: Jay A. Zimmer Its: President and Chief Executive Officer

Title 11, Cal. Admin. Code, § 999.5(d)(11)(B)

Documents Relating or Referring to the Reasons for Exclusion from Further Consideration of Any Potential Transferee

Please see the documents attached to Section (11)(A) of this Application.

Reutlinger has remained attentive to the rapidly changing trends, market conditions and challenges in the senior housing and health care industry and how such developments have impacted its mission, vision and strategy. Reutlinger determined that it would benefit from affiliating with a capable and experienced nonprofit provider so that it is able to continue to preserve its mission and core business, maintain the current level of services and quality of care offered to its residents; and ensure its future as a provider of mission-based quality services.

Reutlinger identified three key criteria for potential affiliates, including that they would: (i) preserve Reutlinger's charitable mission, vision and values, including its Jewish values and identity (mission Alignment/Non-Profit – Jewish Identity); (ii) maintain its core services and quality of its care for its residents (Quality of Care); and (iii) be willing and able to access their own capital to further the interests of Reutlinger and its mission (Access to Capital). Reutlinger then identified the four potential affiliation partners that it believed would most likely meet the foregoing criteria. Two of those potential affiliation partners, after discussions with Reutlinger, declined to pursue an affiliation. Reutlinger engaged in more extensive discussions with the two remaining potential affiliation partners, which included (without limitation): (i) in-person meetings and telephone conferences; (ii) the preparation of confidentiality agreements, or drafts of such agreements; (iii) preliminary due diligence; and (iv) the preparation of draft letters of intent.

Of the potential affiliation partners considered, Reutlinger ultimately determined that Eskaton was the only potential affiliation partner that: (i) would be the strongest financial affiliate; (ii) is willing to access its own capital for the benefit of Reutlinger; (iii) is, and would remain, committed to Reutlinger's charitable mission, as well as its religious values and identity, as demonstrated through Eskaton's prior experience with other faith-based organizations; and (iv) is strongly positioned to maintain the current level of services and quality of care provided by Reutlinger to its residents.

The Applicant did not exclude any potential transferee from consideration as a potential transferee for the health facility and assets that are subject to the proposed transaction.

Title 11, Cal. Admin. Code, § 999.5(d)(11)(C)

Copies of Requests for Proposal Sent to Any Potential Transferee and All Responses Received Thereto

The section is not applicable, as no Request for Proposal process took place in connection with the proposed transaction.

Title 11, Cal. Admin. Code, § 999.5(d)(11)(D)

Documents Reflecting the Deliberative Process used to Select the Transferee

Please see the documents attached to Section (11)(A) of this Application.

Title 11, Cal. Admin. Code, § 999.5(d)(11)(E)

Proposals Received by Applicant, and Applicant's Analysis of Proposals

The proposed transaction will not involve any sale, transfer, merger or other disposition of any of the assets of Reutlinger. As a result, no proposals were received by Reutlinger apart from the Letter of Intent dated November 26, 2018 attached to this section of the Application.



Eskaton Administrative Center 5105 Manzanita Avenue Carmichael, CA 95608-0598 916-334-0810 PH 916-338-1248 FX

November 26, 2018

ATTN: Sherry Berkman, Chair of the Board, The Reutlinger Community Re: Letter of Intent regarding Proposed Affiliation

Dear Sherry:

I am pleased to present the following Letter of Intent regarding a proposed affiliation between The Reutlinger Community ("TRC"), a California nonprofit public benefit corporation, and Eskaton ("Eskaton" and, together with TRC, the "Parties"), a California nonprofit public benefit corporation.

Letter of Intent/Affiliation Agreement:

The purpose of this Letter of Intent is to outline the business terms upon which Eskaton and TRC will move forward with a transaction as described hereinafter (the "Transaction") and establish a basis upon which the Parties would enter into exclusive negotiations with respect thereto. This Letter of Intent shall not be binding on either Eskaton or TRC (except as otherwise specifically provided below) unless and until both Parties execute a binding definitive affiliation agreement (the "Affiliation Agreement"). The terms and conditions of this Letter of Intent shall be null and void and no longer in effect if this Letter of Intent is not counter-signed and returned to Eskaton prior to the end of business on December 3, 2018. The terms of this Letter of Intent shall be incorporated into a binding Affiliation Agreement between the Parties on or before the expiration of the Exclusivity Period (as defined below).

Description of Transaction:

TRC's Articles and Bylaws shall be amended as necessary to make Eskaton, or an agreed-upon affiliate thereof, the sole member of TRC. TRC will maintain its separate corporate existence as a subsidiary of Eskaton and all assets and liabilities of TRC will remain the assets and liabilities of TRC after closing of the Transaction, except to the extent the Parties agree otherwise.

Eskaton Board Composition:

Eskaton will preserve the name and identity of TRC as a skilled nursing and residential care facility with a commitment to Jewish values. Eskaton's Articles and Bylaws shall be amended as necessary to add a Director to the Eskaton Board who shall be appointed by the Board of TRC as constituted immediately prior to the closing of the Transaction (the "TRC Designee") for a three-year term, renewable for two (2) additional three-year terms. Upon the resignation or removal of the TRC Designee, the right to appoint his or her replacement shall be vested in a Jewish community sponsored organization selected by TRC, to be named in Eskaton's Articles and Bylaws.

TRC Board Composition:

TRC's Articles and Bylaws shall be amended so that the Directors of TRC are identical to the Directors of Eskaton, including the TRC Designee and any person replacing the TRC Designee from time to time.

TRC Programming:

TRC's mission statement and its written policies designed to preserve Jewish values, as in effect on the date of Closing, shall be maintained, particularly including the policies respecting the Residents' Assistance Fund and respecting Holocaust Survivors, all of which policies shall continue in full force and effect. No material modifications to any of said mission statement or written policies may be made without the prior written consent of the TRC Designee, which consent may be granted or withheld in the sole and absolute discretion of the TRC Designee. The TRC Designee shall be entitled to enforce, by seeking equitable remedies or otherwise, the commitments of Eskaton described in this section, all at the cost and expense of Eskaton.

TRC Capital
Expenditures; Eskaton
Commitment to Make
Capital Expenditures;

As a condition to the admission of Eskaton as the sole member of TRC, Eskaton agrees it (i) will not exercise any reserved power to impede or prevent the expenditure by TRC of its own capital to honor all of its obligations, (ii) will expend its own capital (to extent TRC's is insufficient) to do so and to carry out the capital expenditures contemplated in TRC's CAPEX plan and capital reserve study and to operate TRC in the manner specified in this Letter of Intent, provided that such expenditures by Eskaton shall not exceed Five Million Dollars (\$5,000,000.00) over the five (5) year period following the closing of the Transaction and (iii) shall not distribute or otherwise transfer TRC funds to Eskaton or any of its affiliates during the five (5) year period following the closing of the Transaction. The TRC Designee shall be entitled to enforce, by seeking equitable remedies or otherwise, the commitments of Eskaton described in this section, all at the cost and expense of Eskaton.

Letter of Intent Page 3 of 6

Branding:

Eskaton will continue to operate the TRC facility under the name "The Reutlinger Community." A change affecting such operating name shall only be made with the prior written consent of the TRC Designee. The TRC Designee shall be entitled to enforce, by seeking equitable remedies or otherwise, the commitments of Eskaton described in this section, all at the cost and expense of Eskaton.

Gifts:

Eskaton will commit to honor the intent of and any restrictions imposed on any philanthropic gifts donated to TRC. The TRC Designee shall be entitled to enforce, by seeking equitable remedies or otherwise, the commitments of Eskaton described in this section, all at the cost and expense of Eskaton.

Prohibition on Sale/Move:

Eskaton will agree not sell, transfer, dispose of or otherwise change control of TRC during the five (5) year period following the closing of the Transaction. Eskaton will agree that during the five (5) year period following the closing of the Transaction, it will cause the principal business and operations of TRC to be conducted at TRC's facilities in Danville, California in a manner substantially similar to that conducted by TRC immediately prior to the closing of the Transaction. Eskaton may, after the end of such 5-year period, relocate the principal business and operations of TRC to another comparable facility located in the East Bay of the San Francisco Bay area, provided that all of the then residents of TRC are provided comparable accommodations and services at comparable costs at such new facility. The TRC Designee shall be entitled to enforce, by seeking equitable remedies or otherwise, the commitments of Eskaton described in this section, all at the cost and expense of Eskaton.

Letter of Intent Page 4 of 6

Due Diligence:

Upon execution of this Letter of Intent, each Party will promptly commence, and diligently pursue completion of, a due diligence investigation of the other Party. Each Party agrees to provide the other Party and the other Party's authorized representatives with reasonable and timely access to its personnel, properties, contracts, books and records and all other documents and data subject to the confidentiality provisions described herein. Notwithstanding the foregoing, promptly after execution of this Letter of Intent, TRC shall deliver to Eskaton or make available to Eskaton at its facilities for review and copying the following documents, to the extent such documents are in TRC's possession or control: (i) all building plans and specifications; (ii) all service or maintenance contracts or any other contracts and warranties to which TRC is a party affecting the Property; (iii) Residence Agreements; (iv) operating statements for the past three (3) years; (v) any environmental reports, seismic reports, soils reports and any building inspection reports completed within the last three (3) years; and (vi) all governing documents, applications for tax exemption and tax exemption determination letters for TRC.

Access to Property:

TRC shall allow Eskaton reasonable access to its facilities during the Exclusivity Period (as defined below) to conduct any inspections or investigations Eskaton deems prudent.

Confidentiality:

All information received by the Parties in connection with the Transaction contemplated by this Letter of Intent, and, until an Affiliation Agreement is duly executed and then subject to the provisions below respecting public announcement thereof, the fact that discussions and negotiations respecting the Transaction are taking place, shall be kept confidential by the Parties and their representatives; provided, however, that the Parties may disclose such information to their respective employees, subcontractors, officers, directors or agents so long as such persons agree to maintain the confidentiality of such information in accordance with this paragraph. The foregoing confidentiality provisions shall not apply to such portions of the information received that are generally available to the public. The obligations under this paragraph shall survive the expiration or termination of this Letter of Intent.

Closing:

The Parties intend to work collaboratively and use, and will instruct their agents and representatives to use commercially reasonable efforts to consummate the Transaction on or before the expiration of the Exclusivity Period.

Letter of Intent Page 5 of 6

Consents:

Eskaton and TRC will cooperate with each other and proceed, as promptly as is reasonably practicable, to obtain (i) all corporate board and other internal approvals and (ii) all consents or waivers from third parties which are mutually agreed to by Eskaton and TRC to be, and from governmental and regulatory agencies, necessary to execute the Affiliation Agreement and consummate the Transaction.

Exclusivity:

TRC hereby agrees not to seek to affiliate with any other entity, nor negotiate or discuss any sale, lease or option of its facilities or any interest in TRC, during the period from the date hereof until 5 p.m. Pacific Time on March 31, 2019 or such earlier date as Eskaton and TRC mutually agree in writing to discontinue discussions of the Transaction (the "Exclusivity Period"). TRC and Eskaton shall negotiate the Affiliation Agreement in good faith.

Brokerage Fees:

Neither the TRC nor the Eskaton have involved a broker in this transaction. Each Party shall defend and indemnify the other from any claims for commissions or fees arising from such Parties dealing with any other broker or agent not specifically listed herein.

Public Announcement; Disclosure: The Parties shall not make a public announcement of the Transaction until after execution and delivery of a binding Affiliation Agreement. The Parties will cooperate with each other in the development and distribution of all news releases and other public disclosures relating to the Transaction. Prior to issuing any press release or other public announcement concerning the Transaction, a Party shall provide the other Party with a reasonable opportunity to comment on such public press release or public announcement in advance, consistent with applicable laws.

Fees and Expenses:

Each Party agrees that it will pay its own expenses in connection with the Transaction, including, but not limited to, all fees of legal counsel, accountants, brokers and financial advisors.

Limited Binding Terms:

The obligations of the Parties relating to (i) exclusivity, (ii) confidentiality, (iii) public announcement; disclosure and (iv) fees and expenses which are set forth in this Letter of Intent are intended to be binding and enforceable obligations of the Parties in recognition of their mutual undertakings hereunder and the significant costs to be borne by the Parties in pursuing the proposed Transaction in accordance herewith. The Parties

Letter of Intent Page 6 of 6

do not intend the remaining provisions of this Letter of Intent to create or impose a binding and enforceable obligation on the part of any Party.

If these terms are acceptable to you, then please indicate so by having this Letter of Intent executed by TRC in the space provided below.

Sincerely,

ESKATON

Todd Murch, President and CEO

By:

CEC

Date: //

THE REUTLINGER COMMUNITY

AGREED AND ACCEPTED:

By:

Title:

Date:

11-30-2018

Title 11, Cal. Admin. Code, § 999.5(d)(11)(F)

Financial Statements and Budget

The following financial statements and/or budgets of Reutlinger are included in this section of the Application:

- Reutlinger's audited financial statements for the fiscal years ended June 30, 2017 and June 30, 2018;
- Reutlinger's unaudited financial statements for the year-to-date as of June 30, 2019; and
- Reutlinger's current projected budget for the year ended June 30, 2020.

The Applicant does not maintain current capital asset valuation data.



INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors The Reutlinger Community Danville, California

We have audited the accompanying financial statements of The Reutlinger Community (a California not-for-profit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Reutlinger Community, as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hansen Hunter . Co. P.C.

November 30, 2018

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,			
	_	2018	-	2017
Current assets				
Cash and cash equivalents	\$	237,651	\$	7,279
Investments	4550	9,787,011	5737	10,499,913
Accounts receivable - resident and third party payors, net		1,388,952		1,466,382
Inventories		37,439		61,879
Prepaid expenses	_	72,624	<u>-</u> 0. 8	304,878
Total current assets	5 <u>-</u>	11,523,677	_ : :	12,340,331
Property, buildings and equipment				
Land		1,855,512		1,855,512
Land improvements		56,821		20,847
Buildings and improvements		28,884,242		28,410,590
Equipment and furnishings	-	3,838,970	-	3,717,396
		34,635,545		34,004,345
Less: accumulated depreciation	-	(14,122,138)	_	(12,940,918)
		20,513,407		21,063,427
Construction in progress	1	121,428		153,961
Net property, buildings and equipment		20,634,835	-	21,217,388
Other assets				
Contribution receivable - beneficial interest in				
testamentary trust		2,689,962		2,681,784
Total other assets	_	2,689,962	-	2,681,784
Total assets	\$	34,848,474	\$	36,239,503

STATEMENTS OF FINANCIAL POSITION (Continued)

LIABILITIES AND NET ASSETS

	June 30,			
	_	2018		2017
Current liabilities				
Bank overdraft	\$	*:	\$	104,271
Accounts payable, trade		724,525		372,362
Accrued compensation and other liabilities		836,581		807,042
Unearned revenue		-		25,000
Deferred revenue		109,173		32,574
Community fee payable		-		9,400
Resident deposits		500		_
Mortgage payable, current portion	_	247,181		237,860
Total current liabilities	-	1,917,960		1,588,509
Deferred revenue from entrance fees		87,580	_	5,000
Long-term liabilities				
Mortgage payable, net of current portion		5,854,955		6,106,267
Debt issuance costs	Ş 	(207,665)	_	(219,531)
Total long-term liabilities	·	5,647,290	_	5,886,736
Total liabilities		7,652,830		7,480,245
Net assets				
Unrestricted:				
Undesignated net assets		16,718,701		18,710,078
Board designated net assets	_	4,693,953		3,706,296
Total unrestricted net assets		21,412,654		22,416,374
Temporarily restricted		5,499,480		6,059,374
Permanently restricted	ę .	283,510	_	283,510
Total net assets		27,195,644		28,759,258
Total liabilities and net assets	\$	34,848,474	\$	36,239,503

STATEMENTS OF ACTIVITIES

	Years Ended June 30,			
	\ <u>-</u>	2018		2017
Changes in unrestricted net assets:				
Resident revenues and other support				
Patient and resident services	\$	15,649,022	\$	16,534,231
Amortization of entrance fees		24,420		-
Contributions		240,629		343,178
Interest and dividend income		253,420		242,353
Unrealized gain on investments		425,631		716,949
Other revenues		210,277		202,061
		16,803,399		18,038,772
Net assets released from restriction	_	740,882		1,754,347
Total resident revenues and other support	_	17,544,281		19,793,119
Operating expenses				
Skilled nursing		2,368,893		2,425,840
Assisted living		2,378,223		2,255,761
Maintenance		990,427		938,741
Housekeeping and laundry		585,999		589,532
Dietary		2,478,923		2,290,647
Activities and social services		852,142		849,881
Staff development		76,267		90,749
Employee benefits		3,764,358		3,634,298
Administration		2,302,475		2,225,378
Ancillary		1,007,619		1,076,346
Other expenses		54,570		37,329
Total operating expenses		16,859,896		16,414,502

STATEMENTS OF ACTIVITIES

(Continued)

	Years Ended June 30,		
	-	2018	2017
Other expenses			
Equipment leases	\$	64,267 \$	87,474
Property tax and insurance		137,694	139,829
Fund expenses		51,876	152,431
Interest		253,048	262,183
Depreciation		1,181,220	1,098,249
Total other expenses	21 	1,688,105	1,740,166
Total expenses	s ees	18,548,001	18,154,668
Change in unrestricted net assets	<u> </u>	(1,003,720)	1,638,451
Changes in temporarily restricted net assets:			
Contributions		159,134	324,523
Net assets released from restriction		(740,882)	(1,754,347)
Adjustment to contribution receivable		21,854	(8,803)
Change in temporarily restricted net assets	·	(559,894)	(1,438,627)
Change in total net assets	_	(1,563,614)	199,824
Net assets, beginning of year	A	28,759,258	28,559,434
Net assets, end of year	\$	27,195,644 \$	28,759,258

STATEMENTS OF CASH FLOWS

	Years Ended June 30,		
	,	2018	2017
Cash flows from operating activities			
Cash received from residents	\$	15,988,328 \$	16,213,257
Entrance fees received		107,000	=
Contributions received		391,585	675,162
Investment income received		253,420	242,353
Interest paid		(244,182)	(253,316)
Cash paid to suppliers	11	(16,426,041)	(17,188,324)
Net cash provided by (used in)			
operating activities	ē.	70,110	(310,868)
Cash flows from investing activities			
Net purchases of fixed assets		(564,334)	(2,260,991)
Net withdrawals from investments		1,138,533	350,951
Net cash provided by (used in)			
investing activities		574,199	(1,910,040)
Cash flows from financing activities			
Contributions restricted to purchase of property			
and equipment		-	1,300
Contribution receivable - beneficiary interest in			
testamentary trust - restricted to purchase of			
property and equipment		A SE	2,050,000
Bank overdraft		(104,271)	104,271
Principal payments on mortgage payable		(238,991)	(229,856)
Payment on accounts payable: short-term financing			
of fixed asset purchases	14	(70,675)	= ====
Net cash provided by (used in)			
financing activities	1	(413,937)	1,925,715
Net change in cash		230,372	(295,193)
Cash, beginning of year	:4	7,279	302,472
Cash, end of year	\$	237,651 \$	7,279

STATEMENTS OF CASH FLOWS

(Continued)

		Years Ended June 30,	
	_	2018	2017
Cash flows from operating activities			
Change in net assets	\$	(1,563,614) \$	199,824
Adjustments to reconcile change in net assets to net			
cash provided by (used in) operating activities:			
Amortization of entrance fees		(24,420)	-
Depreciation expense		1,181,220	1,098,249
Amortization of debt issuance costs, included in interes	st	11,867	11,867
Mortgage premium amortization		(3,000)	(3,000)
Unrealized gain on investments		(425,631)	(716,949)
Contributions restricted to purchase of property		6	
and equipment		-	(1,300)
Entrance fees received		107,000	-
(Increase) decrease in operating assets:			
Accounts receivable		77,430	(462,894)
Inventories		24,439	14,358
Prepaid expenses		232,254	(6,231)
Contribution receivable - beneficiary interest in			1000 to 100 100 100 100 100 100 100 100 100 10
testamentary trust		(8,178)	8,761
Increase (decrease) in operating liabilities:		# W	
Accounts payable, trade		388,505	(101,161)
Accrued compensation and other liabilities		29,539	9,384
Accrued quality assurance fees		+	(302,835)
Unearned revenue		(25,000)	25,000
Deferred revenue		76,599	(85,141)
Community fee payable		(9,400)	1,200
Resident deposits	_	500	
Net cash provided by (used in)			
operating activities	\$	70,110 \$	(310,868)
Sumlamental disalasumes			
Supplemental disclosures:			
Non-cash investing and financing activities:	ď	24222 0	70 675
Fixed assets included in accounts payable	_	34,333 \$	70,675
Inventories included in accounts payable	\$		28,002

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Nature of Business

The Reutlinger Community (the Community) is a California not-for-profit public benefit corporation. The Community owns and operates a 60-bed skilled nursing and 116-unit assisted living and memory care facility in Danville, California. Beginning December 5, 2016, the Community was certified by the State of California Department of Social Services with a provisional license to operate as a Continuing Care Retirement Community (CCRC) and enter into continuing care contracts with the residents of the Community.

Based on revenue sources, the following percentages are the major sources of skilled nursing and assisted living care revenue:

	Years Ended	Years Ended June 30,		
	2018	2017		
Private and other	65%	62%		
Medicare	19	19		
Medi-Cal	16	19		
	100%	100%		

NOTE 2 - Summary of Significant Accounting Policies

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and general operating funds held in checking, savings and money market accounts. The Community considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Funds established at other organizations

Certain funds were established at the Jewish Community Foundation by third party contributors for the benefit of the Community. The funds are under the administration of the Jewish Community Foundation and it has variance power as defined under Generally Accepted Accounting Principles; therefore, the asset values are not carried on the financial statements of the Community.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 2 - Summary of Significant Accounting Policies (continued)

Funds established at other organizations (continued)

The market value of the funds was approximately \$2,185,311 and \$2,195,607 at June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, the Community received \$96,815 and \$109,509, respectively, from the funds.

Accounts receivable

Receivables for revenue from services to residents are recorded at the estimated net realizable amounts from third-party payors based on contractual agreements. An allowance for doubtful accounts is established based upon management's estimate of uncollectible accounts receivable. Accounts receivable are charged against the allowance when all third-party payor options have been exhausted. Subsequent recoveries of bad debts are credited to the allowance. The balance of the allowance account was \$76,332 and \$44,636 at June 30, 2018 and 2017, respectively. Accounts receivable over 90-days old at June 30, 2018 and 2017, were \$408,365 and \$267,290, respectively.

Contribution receivable - beneficial interest in testamentary trust

The Community has been named as a final beneficiary of the following trust established by donors.

As of June 30, 2015, all other obligations of the trust have been met and the remaining trust property, including any income that has accrued, is to be distributed to the Community. The distributions may only be used for the construction or reconstruction of a building or part of a building that shall be named after the donor. The construction project must be approved by the trustee. If the trustee and the Community cannot come to an agreement on a construction project, the trustee shall identify an alternative capital project or program assistance within the Community, taking into account the needs of the Community and the funds available. The contribution was recorded at the fair value of total property in the trust, less approved distributions received during the year, as of June 30, 2018 and 2017, which is \$2,689,962 and \$2,681,784, respectively, and is reflected on the accompanying statements of financial position as contribution receivable – beneficial interest in testamentary trust.

Inventories

Inventories, consisting of food, supplies and linen, are stated at the lower of cost (first-in, first-out) or market value.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 2 - Summary of Significant Accounting Policies (continued)

Property, buildings and equipment

Property, buildings and equipment acquisitions in excess of \$1,000 are capitalized and recorded at cost. Expenditures for replacements and betterments are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives are as follows:

Land improvements15 yearsBuildings & improvements7-36 yearsEquipment & furnishings5-25 years

Debt issuance costs and loan premium

Costs incurred in connection with the issuance of debt are deferred and are being amortized over the term of the related financing agreement.

The premium associated with the issuance of debt is deferred and is being amortized over the term of the related financing agreement.

Collections

The Community operates a Judaica museum ("Museum"). The Museum's collection consists of art objects that are held for educational and curatorial purposes. Each of the items is cataloged and preserved. Activities to verify the existence of the items and to assess the condition of each item are performed continuously.

Collection items, which have been acquired through contributions since the Community's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted assets in the year in which the items are acquired. To date, the Community has not made any purchases of art objects for the collection. Contributed collection items are not reflected in the financial statements.

Donated services

Significant amounts of time from a large number of individuals have been donated to the Community. The financial statements do not reflect the value of those donated services, although substantial, as no reliable basis exists for reasonably determining their value.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 2 - Summary of Significant Accounting Policies (continued)

Continuing care contracts

The Community is certified by the State of California Department of Social Services with a provisional license to operate as a CCRC. After the provisional license period and a permanent license is issued, the Community will annually calculate the present value of the costs of future services and the use of facilities to be provided to current residents and compares that amount to expected patient and resident service income from continuing care contracts. The calculation will be based on actuarial future cash flow, which is based on the present value of cash outflows and inflows and adjusted for certain non-cash items as compared to the balance of unearned continuing care contracts. As of June 30, 2018, the calculation has not yet been performed.

A continuing care contract entitles a resident to reside in a specific unit and to use the services of the Community during his or her lifetime. Under the continuing care contract term, residents are charged monthly fees based on rates for basic services, continuing care charges and level of care fees, as approved by the Board of Directors.

Patient and resident services

Patient and resident's monthly fees and nursing services revenue are recognized according to contracted rates and in the period when the service is provided.

Contributions

The Community accounts for contributions in accordance with the recommendations of the Revenue Recognition Topic of the FASB Accounting Standards Codification. In accordance with this Topic, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Restricted contributions received whose restrictions are met in the same reporting period are recorded as unrestricted support.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 2 - Summary of Significant Accounting Policies (continued)

Amortization of entrance fees

Lump sum entrance fees are amortized to determine the amount of fees to be included in revenues, in the manner prescribed by the Revenue Recognition Topic of the FASB Accounting Standards Codification. Residents' entrance fees are amortized to income ratably over the expected lives of the residents, beginning with the date of each resident's continuing care agreement. The period of amortization is adjusted annually based on the estimated remaining life expectancy of each individual or joint and last survivor life expectancy of the pair of residents occupying the same unit. The unamortized portion is shown on the balance sheet as deferred revenue. The unamortized portion of entrance fees is summarized as follows:

		Year ended une 30, 2018
Balance, beginning of year	\$	5,000
Sale of contracts Amortization of continuing care contracts	_	107,000 (24,420)
Balance, end of year	\$	87,580

The Community is obligated to refund a portion of entrance fees to residents who withdraw before 48 months. If the resident withdraws within three months, the entire entrance fee is refunded, less any services rendered. Contracts that are cancelled after the third month are refundable over 48 months, with the refundable amount reduced by two and one-twelfth percent per month or partial month.

Unamortized entrance fees still within a potentially refundable declining period at June 30, 2018 and 2017, were \$84,249 and \$5,000, respectively. Based on the past five years, actual refunds have averaged \$14,900 per year.

Advertising

Advertising costs are expensed as they are incurred. Advertising costs for the years ended June 30, 2018 and 2017, were \$129,864 and \$125,037, respectively.

Financial instruments

The Community's financial instruments consist of investments, resident and third-party receivables, contribution receivable – beneficial interest in testamentary trust, accounts payable, accrued expenses and a mortgage payable. It is management's opinion that the Community is not exposed to significant interest rate or credit risk arising from these instruments. Unless specifically noted, the fair value of these financial instruments approximates their carrying values.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 2 - Summary of Significant Accounting Policies (continued)

Functional expenses

The expenses of the Community are presented according to their functional classification in the accompanying statements of activities.

Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to conform to the current year's presentation.

NOTE 3 - Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 4 - Tax Status

The Community is a tax-exempt organization pursuant to Internal Revenue Code (IRC) Section 501(c)(3) and applicable state laws; therefore, no provision for income taxes has been made in the accompanying financial statements.

The Community follows the provisions of the Income Tax Topic of the FASB Accounting Standards Codification relating to unrecognized tax benefits. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. The Community is liable for taxes to the extent of any unrelated business income as defined by the IRS regulations. The Community believes that it has not generated any unrelated business income as defined by IRS regulations and that it is more likely than not that this position would be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions as of June 30, 2018.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - Cash and Investments

At June 30, 2018, investments consisted of money market funds in the amount of \$736,618 and mutual funds in the amount of \$9,050,393. At June 30, 2017, investments consisted of money market funds in the amount of \$21,636 and mutual funds in the amount of \$10,478,277.

The use of some cash and investment balances is restricted by board or donor designation as follows:

		Ju	ine 30	,
	_	2018		2017
<u>Cash and cash equivalents</u> Unrestricted	\$_	237,651	\$.	7,279
	\$_	237,651	\$.	7,279
Investments				
Unrestricted	\$	2,000,030	\$	3,132,517
Board restricted		4,693,953		3,706,296
Temporarily restricted		2,809,518		3,377,590
Permanently restricted	_	283,510		283,510
	\$_	9,787,011	\$	10,499,913

NOTE 6 - Fair Value of Financial Instruments

The Community has adopted the requirements of the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification. This Topic defines fair value and requires enhanced disclosure about assets and liabilities carried at fair value. These additional disclosures are required only for financial assets and liabilities measured at fair value and for nonfinancial assets and liabilities measured at fair value on a recurring basis.

This Topic requires that a fair value measurement reflect the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include risks inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. It also specifies that transaction costs should not be considered in the determination of fair value. According to this Topic, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

This Topic establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy defined by this Topic are as follows:

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 6 - Fair Value of Financial Instruments (continued)

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are observable, either directly or indirectly, but are not quoted prices included within Level 1. Level 2 includes those financial instruments that are valued using external inputs with models or other valuation methodologies.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers' needs.

As required by this Topic, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value.

The following table shows the Community's financial assets that were accounted for at fair value on a recurring basis as of June 30, 2018 and 2017:

		air Value	in Ma Id	ted Prices Active rkets for lentical Assets evel 1)	Ot Obser Inp	ficant her rvable outs rel 2)	Unobs In	ificant servable puts vel 3)
June 30, 2018								
Assets:								
Investments			X					
Cash and money market								
funds	\$	736,618	\$	736,618	\$	-	\$	·
Short-term funds		1,433,001		1,433,001		-		5±00
Bonds		2,212,358		2,212,358		-		-
High-yield funds Stock market index		394,979		394,979		(#/		35 3
funds		4,823,576		4,823,576		-		-
Commodity funds	-	186,479	85—	186,479	-	-): () 	
	\$_	9,787,011	\$_	9,787,011	\$	*	\$	

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 6 - Fair Value of Financial Instruments (continued)

		Fair	Fair Value Measurements at Reporting Date Quoted Prices						
	_1	Fair Value	i M I	n Active arkets for dentical Assets Level 1)	Ot Obser Inp	ficant her rvable outs rel 2)	Unob:	ificant servable puts vel 3)	
June 30, 2017									
Assets:				045					
Investments									
Cash and money market	(6)								
funds	\$	21,636	\$	21,636	\$	-	\$	-	
Short-term funds		1,693,019		1,693,019		-		-	
Bonds		2,658,297		2,658,297		2		₽	
High-yield funds Stock market index		502,771		502,771		=		-	
funds		5,422,034		5,422,034		-		2	
Commodity funds	а	202,156		202,156				-	
1	\$	10,499,913	\$	10,499,913	\$		\$		

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. There were no assets valued using Level 2 or Level 3 inputs.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - Mortgage Payable

Mortgage payable consists of the following:

	June 30,							
		2018	_	2017				
First Republic Bank Mortgage	\$	6,049,886	\$	6,288,877				
Less: current portion of long-term debt		(247,181)		(237,860)				
		5,802,705	\X	6,051,017				
Less: unamortized debt issuance costs		(207,665)		(219,531)				
Plus: unamortized premium		52,250		55,250				
	\$	5,647,290	\$	5,886,736				
Future annual principal payments are as follows:								
2019		\$	247,181					
2020			256,867					
2021			266,933					
2022			277,393					
2023			288,263					
Thereafter			4,713,249					
		\$	6,049,886					

The maximum amount available under this loan was \$10,000,000. Subject to the limitations specified in the mortgage loan agreement, the Community was allowed to make additional draws on the loan up to the \$10,000,000 limit through December 28, 2013 (the Draw period.) Payments of interest only at 4.5% were due on the first of each month during the Draw period. At the conclusion of the Draw period, \$7,017,940 had been drawn by the Community. Beginning January 1, 2014, monthly principal and interest payments in the amount of \$42,469 were due through the maturity date of the loan. Interest was 4.5%. During the year ended June 30, 2015, the Community entered into an amended loan agreement which reduced the interest rate to 3.85%. As of May 1, 2015, monthly principal and interest payments in the amount of \$40,264 are due through the maturity date of December 1, 2035.

The mortgage is secured by the real and personal property of the Danville Facility. The mortgage has various covenants, including a debt service coverage ratio and minimum liquid assets, all of which were met for the year ended June 30, 2017. As of June 30, 2018, the Community was not in compliance with one of the covenants; however, the Community received a waiver from First Republic Bank on the covenant for the year ended June 30, 2018.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - Temporarily Restricted Net Asset Activity

Temporarily restricted net asset activity for the years ended June 30, 2018 and 2017, is as follows:

Į.	P	atient Care		Property and Equipment	Total		
Balance at June 30, 2016	\$	3,069,518	\$	4,428,483	\$	7,498,001	
Contributions		323,223		1,300		324,523	
Releases		(109,863)		(1,644,484)		(1,754,347)	
Adjustment to contribution receivable	-		_	(8,803)	_	(8,803)	
Balance at June 30, 2017		3,282,878		2,776,496		6,059,374	
Contributions		159,134		5		159,134	
Releases		(632,494)		(108,388)		(740,882)	
Adjustment to contribution receivable	ņ i —		_	21,854	8	21,854	
Balance at June 30, 2018	\$_	2,809,518	\$	2,689,962	\$	5,499,480	

Investment income or loss, as well as unrealized and realized gains and losses are included in the statements of activities as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or law.

NOTE 9 - Permanently Restricted Net Assets

The Community has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Community classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The policy of the Board of Directors is that all investment income from the endowment fund is unrestricted. In accordance with UPMIFA, the Community considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Community and (7) the Community's investment policy.

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 9 - Permanently Restricted Net Assets (continued)

The terms of the agreement on the sale of the prior facility used by the Community and previously operated by the Jewish Community Federation of the Greater East Bay required that a portion of the proceeds of the sale, consisting of a \$255,000 purchase money note receivable, be deposited into a separate endowment fund to be held by the Jewish Community Foundation in perpetuity with the income to be made available for the exclusive benefit of the Community. The note has been paid in full and the proceeds and accumulated interest have been invested in the Charles Schwab account. Currently, \$283,510 is carried as permanently restricted net assets in the accompanying statements of financial position and income, including increases in value, is reported as unrestricted in the accompanying statements of activities.

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires the Community to retain as a fund of perpetual duration. These deficiencies may result from unfavorable market fluctuations that occur shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs as deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2018 and 2017.

Changes in permanently restricted net assets as of June 30, 2018 and 2017, are as follows:

	Don	nor-restricted
Balance at June 30, 2016	\$	283,510
Net income on investments		6,921
Net depreciation of investments		19,358
Release of net earnings	_	(26,279)
Balance at June 30, 2017		283,510
Net income on investments		7,419
Net appreciation of investments		12,330
Release of net earnings	-	(19,749)
Balance at June 30, 2018	\$ _	283,510

NOTE 10 - Third-Party Payor Revenue

The Community has agreements to provide care to recipients of Medicare and Medi-Cal programs. The Community charges these residents based on normal posted rates, however, reimbursement by the Medicare and Medi-Cal programs is restricted by various reimbursement guidelines. Net revenues include contractual adjustments, which represent the difference between customary charges and actual payments by Medicare and Medi-Cal.

Net resident revenues from Medicare for the years ended June 30, 2018 and 2017, were \$3,013,336 and \$3,197,017, respectively. Net resident revenues from Medi-Cal for the years ended June 30, 2018 and 2017, were \$2,410,613 and \$3,082,667, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - Employee Benefit Plan

The Community has adopted a defined contribution 403(b) pension plan (the Plan) covering all employees. Total contributions to the Plan for the years ended June 30, 2018 and 2017, were \$148,477 and \$128,329, respectively. The total contributions made by the Community were for the benefit of non-union employees only. All eligible employees are able to make contributions into the Plan.

NOTE 12 - Concentration of Credit Risk

The Community provides care to residents under the Medicare and Medi-Cal programs. Noridian Healthcare Solutions, LLC and the State of California Department of Health Care Services are the agencies responsible for payment for services to Medicare and Medi-Cal residents, respectively.

The Community's operations are concentrated in the skilled nursing and assisted living markets. The Community operates in a heavily regulated environment. At various times during the year and at year-end, the Community had cash balances in excess of Federal Deposit Insurance Company insurable limits. The Community invests its cash and cash equivalents with what it believes to be high quality financial institutions and thus limits credit exposure.

The Community also grants credit to private residents, on an unsecured basis.

NOTE 13 - Statutory Reserves

The Community is certified as a Continuing Care Retirement Community (CCRC) by the State of California Department of Social Services. California Code Chapter 10, Article 6, Section 1792 requires CCRC's to establish "liquid reserves" (cash, marketable securities, etc.) equal to, or greater than the annual principal and interest payments on long-term obligations due during the next fiscal year plus 75 days of the CCRC's adjusted operating expenses. The Community's liquid reserves at June 30, 2018, were sufficient to meet this requirement.

NOTE 14 - Concentration of Source of Labor Supply

The Community's nurses and other supporting services personnel (representing 68% of the total employees) are members of the SEIU UHW. The contract expired on December 31, 2017. During the year ended June 30, 2018, a new agreement was negotiated and the new contract expires on December 31, 2020. The Community's other employees are not represented by a union.

NOTES TO FINANCIAL STATEMENTS (Continued)

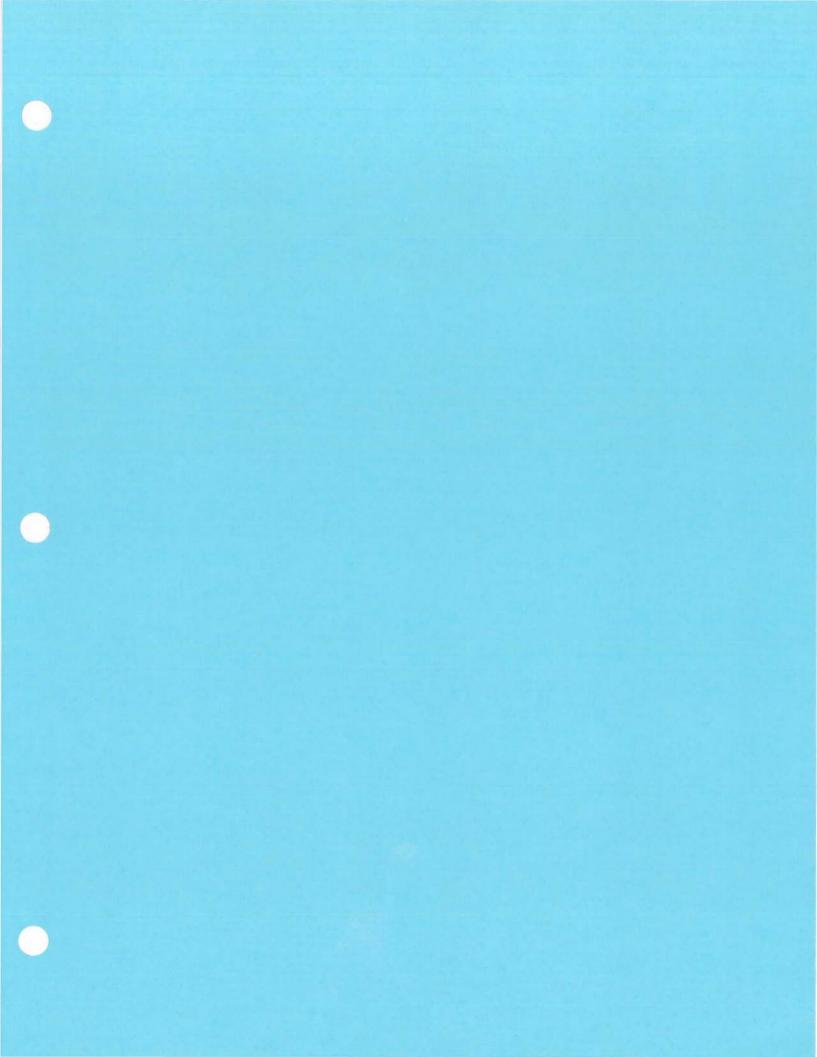
NOTE 15 - Contingency

The Community is subject to various claims for damages that arise in the normal course of business. All claims have been referred to the Community's insurance carrier and are in various stages of investigation, discovery or pretrial. In management's opinion, although the outcomes of these claims are unknown at this time, any losses that may occur would be covered by the Community's insurance company, and therefore, should not have a material impact on the Community's financial position or activities.

The Community is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations relate to, among other things, matters such as licensure, accreditation, and government health care program participation requirements, regulations regarding reimbursement for patient services and regulations regarding Medicare and Medi-Cal billing, fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of fines and penalties, as well as significant repayments for patient services previously billed. Management is not aware of any actions or potential actions as of June 30, 2018.

NOTE 16 - Subsequent Events

The Community did not have any subsequent events through November 30, 2018, which is the date the financial statements were issued, requiring recording or disclosure in the financial statements for the year ended June 30, 2018.



The Reutlinger Community Statement of Activities For Period Ending June 30, 2019

	Current I	The state of the s			Year to Date					
	Actual	Budget	Variance	%'s	Actual	Budget	Variance	%'s		
Operating Revenue										
Room and Board, Skilled	\$ 714,240	736,940	\$ (22,700)	-3.08%	\$ 7,967,582	\$ 8,416,129	\$ (448,547)	-5.33%		
Room and Board, Assisted Living	222,039	261,299	(39,260)	-15.02%	2.645,076	3,179,134	(534,058)	-16.809		
Room and Board, Traditions	135,593	132,414	3,179	2.40%	1,466,851	1,611,036	(144,185)	-8.959		
Room & Board, Tikvah	199,438	227,713	(28,274)	-12,42%	2,586,167	2,770,503	(184,337)	-6.65		
Ancillary Revenue	24,963	17,888	7,075	39.56%	229,770	210,345	19,425	9.239		
Other Operating Revenue	296,634	181,381	115,253	63.54%	2,136,853	2,183,960	(47,108)	-2.169		
Donations	173,136	104,583	68,552	65.55%	802,826	177,000	625,826	353.57		
Transferred from Solid Gold Fund	5,516	1,119	4,397	392.98%	66,197	13,428	52,770	392.99		
Transferred from Shupin Fund	1,324	2,559	(1,235)	-48.26%	15,887	30,709	(14,821)	-48.26		
Transferred from Resident Asst. Fund	8,826	13,440	(4,614)	-34.33%	105,916	161,281	(55,365)	-34.33		
Prior Period Settlements	(1,449)	15,440	(1,449)	0.00%	(1,687)	101,201	(1,687)	0.00		
Gain or loss on Involuntary conversion	100,839	-	100,839	0.00%	100,839		100,839	0.00		
Gain or loss on involuntary conversion	100,639	7.	100,039	0.00%	100,639	157	100,039	0.00		
Fotal Revenue	1,881,098	1,679,334	201,764	12.01%	18,122,275	18,753,524	(631,249)	-3.37		
Operating Expenses										
Nursing, Skilled	238,562	258,355	(19,792)	-7.66%	2,714,819	2,772,222	(57,403)	-2.07		
Nursing, Assisted Living	144,689	100,497	44,192	43.97%	1,476,327	1,208,887	267,440	22.12		
Nursing, Tikvah	59,626	77,292	(17,667)	-22.86%	684,012	924,363	(240,351)	-26.00		
Nursing, Traditions	39,828	36,936	2,892	7.83%	441,000	441,724	(724)	-0.16		
Maintenance	95,413	78,913	16,499	20.91%	1,021,712	873,655	148,057	16.95		
Housekeeping & Laundry	55,345	56,489	(1,145)	-2.03%	601,397	676,751	(75,354)	-11.13		
Dietary	204,007	195,694	8,313	4.25%	2,348,164	2,414,987	(66,823)	-2.77		
Social Services	12,802	12,960	(158)	-1.22%	150,228	157,671	(7,443)	-4.72		
Life Enrichment	57,296	63,771	(6,475)	-10.15%	693,847	780,718	(86,871)	-11.13		
Guild, Net	(635)	(233)	(402)	172.73%	(4,072)	(2,796)	(1,276)	45.63		
Staff Development	(592)	8,084		-107.32%	76,544	98,246	(21,703)	-22.09		
Administration	378,213	201,258	(8,676) 176,955	87.92%	2,780,018	2,431,003	349,015	14.36		
Employee Benefits	231,967	278,464	(46,497)	-16.70%	3,350,860	3,586,165	(235,305)	-6.56		
Occupancy Costs Ancillary Expenses	138,706	144,427	(5,721)	-3.96%	1,598,601	1,696,776	(98,175)	-5.79		
Anchiary Expenses	96,576	101,593	(5,017)	-4.94%	1,036,771	1,102,331	(65,560)	-5.95		
otal Operating Expenses	1,751,801	1,614,500	137,301	8.50%	18,970,227	19,162,703	(192,475)	-1.00		
ncome/(Loss) From Operations	129,297	64,835	64,463	99.43%	(847,952)	(409,178)	(438,774)	107.23		
Restricted Non-Operating										
Donations to Temp Restricted	100 071	0.040	104 004	OOOE BOW	550 400	101.000	075.050	200 74		
	186,371	2,040	184,331	9035.83%	559,133	184,080	375,053	203.74		
Withdrawls from Temp Restricted	(141,524)	(1,738)	(139,786)	8041.39%	(361,348)	(20,860)	(340,488)	1632.26		
Investment Earnings/(Losses)	385,291	3,500	381,791	10908.31%	533,194	42,000	491,194	1169.51		
Net Change in Non-Operating	430,138	3,802	426,336	11214.44%	730,979	205,220	525,759	256.199		
Change in Net Assets	\$ 559,435	\$ 68,636	\$ 490,798	715.07%	\$ (116,973)	\$ (203,958)	\$ 86,985	-42.65		

The Reutlinger Community Statement of Financial Position June 30, 2019

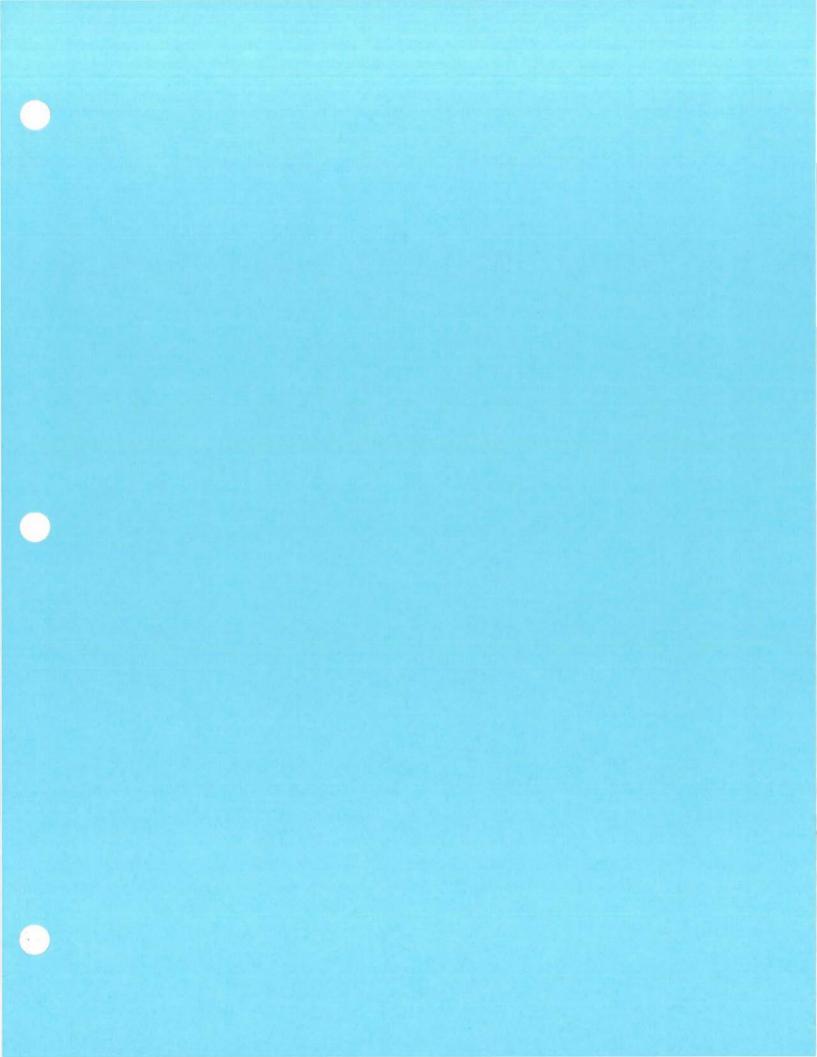
Assets

Current Assets Cash - Operating Invested Funds at Schwab - Restricted Invested Funds at Schwab - Unrestricted Invested Funds at Schwab - Debt Service		\$ 178,072 6,695,091 1,740,641 1,327,306
Accounts Receivable Less: Allowance for Bad Debt	\$ 1,244,747 (111,566)	
Accounts Receivable, Net		1,133,181
Other Receivables Due from Solid Gold Fund (DR) Due from Shupin Fund Due from Resident Assist Fund (DR) Due from Resident Assist Fund (BR) Inventory Prepaid Expenses		1,273,109 (0) (0) 31,006 98,449
Total Current Assets		12,476,856
Fixed Assets Land Land Improvement Building & Improvements Furniture & Equipment	\$ 1,855,512 74,646 29,878,872 3,871,312	
Less: Accumulated Depreciation	35,680,342 (15,306,668)	
CIP	121,428	
Fixed Assets, Net	*	20,495,102
Other Assets Contribution Receivable		1,754,994
Deposits Unamortized Expenses, Net		- 195,798
Total Other Assets		1,950,792
Total Assets		\$ 34,922,750

The Reutlinger Community Statement of Financial Position June 30, 2019

Liabilities & Net Assets

Current Liabilities			
Accounts Payable			\$ 753,450
Accrued Payroll			334,542
Accrued Vacation Pay			451,183
Accrued Payroll Taxes			104,243
Other Payroll Related			35,797
Entrance Fee Payable			113,617
Other Accrued Expenses			5,385
Deposits			-
Due to Operation fund			-
Prepaid rents			50,258
Unearned Revenue			1.00
Total Current Liabilities	ž.		1,848,476
Long-term Liabilities			
Long Term Debt			5,801,398
Premium on Long Term Debt			49,250
Total Long Term Liabilities			5,850,648
Total Liabilities			7,699,124
Net Assets			
General Fund	\$	20,997,716	
Termporarily Restricted	Ψ	6,059,374	
Permanently Restricted		283,510	
Change in Net Assets		(116,973)	
Total Net Assets	_		27,223,627
Total Liabilities & Net Assets			\$ 34,922,751



THE REUTLINGER COMMUNITY BUDGET SUMMARY July 1, 2019 - June 30, 2020 ADOPTED 6/11/2019

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Budget 19/20
Revenue													COUNTY OF THE
Room and Board, Skilled	772,806	809.854	825,076	868,098	689,728	728,239	770,963	643,747	728,239	746,093	813,687	828,786	9,225,316
Room and Board, Assisted	252,378	260,844	252,430	260,844	252,430	260,844	260,844	235,601	260,844	252,430	260,844	252,430	3,062,761
Room and Board, Traditions	145,523	149,113	144,302	149,113	144,302	149,113	149,113	134,682	149,113	144,302	149,113	144,302	1,752,090
Room and Board, Tikvah	235,523	244,809	236,912	244,809	236,912	244,809	244,809	221,118	244,809	236,912	244,809	236,912	2,873,147
Ancillary Revenue	15.292	15,575	15,621	16,425	13,977	14,726	15,292	13,045	14,726	14,799	15,858	15,895	181,229
Other Operating Revenue	174,051	178,635	177,107	178,635	177,107	178,635	178,635	174,051	178,635	177,107	178,635	177,107	2,128,340
Donations-Operational Funds	6,583	6.583	6.583	6.583	6,583	6,583	6,583	6.583	6,583	6,583	6,583	104,583	177,000
Transfer from Solid Gold Ball	613	613	613	613	613	613	613	613	613	613	613	613	7,352
Resident Assistance Fund	015	0.0	010	010	010	010	0.0	0,10	0.10	0.0			1,002
Transfers	13,043	13,043	13,043	13,043	13,043	13,043	13,043	13,043	13,043	13,043	13,043	13,043	156,521
Shupin Fund Transfers	2,519	2,519	2.519	2,519	2,519	2,519	2,519	2,519	2,519	2,519	2,519	2,519	30,229
Prior Period Settlement	2,010	2,010	2,010	2,010	2,010	2,010	2,510	2,010	2,010	2,010	2,010	2,010	50,220
Total Revenue	1,618,332	1,681,589	1,674,207	1,740,682	1,537,215	1,599,124	1,642,414	1,445,002	1,599,124	1,594,402	1,685,705	1,776,190	19,593,985
Operating Expenses	229 457	242 172	244 004	252 160	220 624	221 177	2/4 8/1	212 276	227 200	227 201	252 281	251 086	2 963 37
Nursing, Skilled	238,157	242,173	241,904	253,169	220,621	231,177	244,841	212,276	237,300	237,391	252.381	251,986	2,863,375
Nursing, Assisted Living	113,499	113,499	109,974	113,499	109,974	113,499	116,658	105,777	116,658	113,031	116,658	113,031	1,355,754
Nursing, Tikvah	97,675	97,675	94,528	97,675	94,528	97,675	100,602	90,876	100,602	97,360	100,602	97,360	1,167,160
Nursing, Traditions	42,642	42,642	41,269	42,642	41,269	42,642	43,918	39,677	43,918	42,504	43,918	42,504	509,546
Maintenance	72,544	72,544	72,030	72,544	72,030	72,544	73,021	71,435	73,021	72,492	73,021	72,492	869,717
Housekeeping & Laundry	60,819	60,870	59,007	61,023	58,710	60,717	62,276	56,116	62,174	60,269	62,378	60,466	724,823
Dietary	197,099	197,122	198,301	197,178	194,193	201,067	199,730	190,856	199,693	208,789	199,768	196,861	2,380,656
Social Service	13,508	13,508	13.073	13,508	13.073	13,508	13,913	12,569	13,913	13,465	13.913	13,465	161,413
Life Enrichment	66,322	66,388	64,599	68,585	64,252	66,225	71,070	61,781	67,714	68,033	67,977	66,137	799,082
Guild, Net	(233)	(233)	(233)	(233)	(233)	(233)	(233)	(233)	(233)	(233)	(233)	(233)	(2,79
Staff Development	8,596	8,596	8.342	8,596	8,342	8,596	8.832	8.047	8,832	8,570	8.832	8,570	102,752
Employee Benefits	303,424	276,008	300,568	278,194	295,593	306,650	337,982	289,797	.278,371	274,290	310,679	277,189	3,528,746
Administration	194,944	195,020	200,549	237,162	195,281	206,824	197,964	192,139	205,617	194,814	196,676	202,093	2,419,083
Occupancy Costs	136,641	137.696	138,013	137.694	138,885	138,484	139,542	139,614	138,839	140,344	140,149	141,119	1,667,019
Ancillary Expenses	96,311	103,416	107,033	110,682	79,376	82.103	89.289	74,084	82.103	86,408	96,474	100,316	1,107,597
Total Operating Expenses	1,641,948	1,626,922	1,648,957	1,691,916	1,585,894	1,641,476	1,699,404	1,544,810	1,628,522	1,617,528	1,683,192	1,643,357	19,653,927
Income/(Loss) From	1							1					Tenne se
Operations	(23,616)	54,666	25,250	48,766	(48,679)	(42,353)	(56,990)	(99,808)	(29,398)	(23,126)	2,513	132,834	(59,942
Operations	1 (20,0.0)		20,200	40,100	1	1.200	123,123,71	- terterall	12212271	(0.11.0.1)			

Title 11, Cal. Admin. Code, § 999.5(d)(11)(G)

Requests for Opinions to the Internal Revenue Service for Rulings Attendant to the Transaction and Any Internal Revenue Service Responses Thereto

The Applicant did not send any requests for opinions to the Internal Revenue Service for rulings attendant to the transaction.

Title 11, Cal. Admin. Code, § 999.5(d)(11)(H)

Pro-forma Post Transaction Balance Sheet

Because Reutlinger will maintain its separate corporate existence as a subsidiary of Eskaton and all assets and liabilities of Reutlinger will remain the assets and liabilities of Reutlinger after the Closing Date, the balance sheets of both Reutlinger and Eskaton remain the same post-transaction.

Cal. Corp. Code § 5920(b)

Identification of Primary / Threshold Languages

The following primary language is spoken at the Reutlinger facility: English. The following are the threshold languages for Medi-Cal beneficiaries as determined by the State Department of Health Care Services for Contra Costa County, where the Reutlinger facility is located: English and Spanish.

Cal. Corp. Code § 5923(j)

Availability / Accessibility of Cultural Interests

The proposed transaction will not have a significant effect on the availability and accessibility of cultural interests provided by the Reutlinger facility in the affected community.

In this regard, the Affiliation Agreement requires the preservation of Reutlinger's Jewish values and the cultural interests served by the facility. Specifically, Section 1.4(a) of the Affiliation Agreement provides, in pertinent part: "Eskaton and Reutlinger will preserve the name and identity of Reutlinger as a skilled nursing and residential care facility with a commitment to Jewish values, policies and practices that have defined Reutlinger since its inception. Reutlinger's mission statement, its written policies and its practices specifically designed to preserve Jewish values and practices, as in effect on the Closing Date, shall be maintained. [...] All of such policies and practices shall continue in full force and effect."

The full text of Reutlinger's mission statement and a description of the written policies and the practices relating to Reutlinger's Jewish values are included in the Affiliation Agreement as Exhibit 1.4(a). Those policies and practices include (without limitation):

- (i) the policies respecting the Residents' Assistance Fund and Holocaust Survivors;
- (ii) maintenance of an on-site synagogue and full-time Rabbi;
- (iii) serving of both Kosher and non-Kosher meals; and
- (iv) maintenance of Torahs, prayer books and Chumashim and Mezzuzot on doorposts.

Section 1.4(a) of the Affiliation Agreement further provides that "[n]o material modifications to said mission statement, written policies or practices may be made without the prior written consent of the Reutlinger Designee or the Commitment Committee, as applicable, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee or the Commitment Committee, as applicable."