

January 23, 2020

Client-Matter: 49146-031

Anita Garcia Velasco, Esq.
Deputy Attorney General
California Department of Justice
Office of the Attorney General
Charitable Trusts Section
300 South Spring Street, Suite 1702
Los Angeles, Ca. 90013

Re: The Reutlinger Community (the "Applicant" or "Reutlinger")

Dear Ms. Velasco:

As a follow up to the Applicant's November 27, 2019 response to your letter dated November 20, 2019 (wherein you requested that the Applicant provide your office with additional information pertaining to its Application for Attorney General Consent in connection with its proposed affiliation with Eskaton), on behalf of the Applicant, set forth below are the Applicant's further explanatory and clarification materials in response to Request Nos. 6 and 8 of your letter. We will be pleased to provide any further clarification or explanations as needed.

Further Response to Request #6

Pursuant to our discussions with your office concerning the scope of this request, the Applicant has collected documents that reflect communications between the Applicant and Eskaton (or their respective counsel) where drafts of the Letter of Intent and/or Affiliation Agreement were exchanged between the parties, including the cover emails and attachments reflecting those drafts. In addition, the Applicant has also collected emails exchanged between the parties (or their counsel) where the drafts of the Letter of Intent and/or the Affiliation Agreement were discussed.¹

A copy of those documents are attached hereto at Tab 6.

¹ Please note that the documents included in Tab 6 do not include all communications between the parties concerning the proposed affiliation. For example, the production does not include all communications concerning the draft Schedules and Exhibits to the Affiliation Agreement, the parties' respective due diligence, or the announcement of the transaction. In addition, as we discussed, in order to eliminate redundant documents, the documents attached to Tab 6 do not include "clean" copies of a draft Affiliation Agreement when a "redlined" copy of the Affiliation Agreement (showing changes made to the draft) was also included in the communication. If your office requires these or additional documents, please let us know.

Anita Garcia Velasco
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Further Response to Request # 8

As noted in the Applicant's November 27, 2019 response, Jay Zimmer ("Zimmer") was the only member of management who communicated with the Reutlinger Board concerning the proposed transaction. Pursuant to our discussions with your office concerning the scope of the this request, the Applicant has collected those communications that reflect Mr. Zimmer's communications to and/or from the Reutlinger Board (as a group) concerning the terms of the proposed affiliation with Eskaton, to the extent those communications were not already reflected in Section (11)(A) of the Applicant's Application for Attorney General consent.² In addition, in light of California Corporations Code Section 5923 (concerning availability and accessibility of cultural interests), the Applicant has also collected a representative sample of Mr. Zimmer's communications with the members of the Board's AdHoc Committee on Jewish Traditions, which was formed to assist with the preparation of Exhibit 1.4(a) to the Affiliation Agreement (Reutlinger's Jewish Values, Practice and Policies).

A copy of the above-referenced documents are attached hereto at Tab 8.

In addition, as we noted in the Applicant's November 27, 2019 response letter and note again here given the subject matter of this request, the proposed affiliation between the Applicant and Eskaton does not involve any sale or other transfer of assets of the Applicant (or of a "selling nonprofit corporation"), and therefore California Health & Safety Code 1260.1(c) does not apply to the transaction. Further, as reflected in the Applicant's board minutes (which were included in Section (11)(A) of the Application), the Applicant's board of directors did not substantially rely on information provided by any member of Applicant's management (except, if applicable, for exclusively factual information).

Copies of the documents included in Tab 6 and Tab 8 of this letter will posted on Reutlinger's website, and be made available in the Application reading room at the facility.

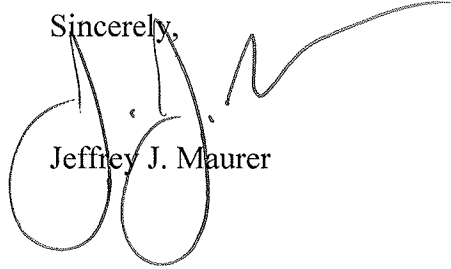
If you have any questions about the foregoing responses, or require any additional information, please let us know. Thank you for your professional courtesy and cooperation in this matter.

² Minutes of the Reutlinger Board meeting on October 3, 2019, as well as a Special Meeting of the Board on October 30, 2019, (both of which were attended by Mr. Zimmer) are also included in Tab 8.

manatt

Anita Garcia Velasco
January 23, 2020
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Sincerely,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Jeffrey J. Maurer

Attachments

325727236.1

TAB 6

From: Jordan Rose
Sent: Wednesday, September 5, 2018 12:42 PM PDT
To: Todd Murch
CC: David Grant; Jay Zimmer; Sherry Berkman
Subject: Re: Reutlinger/Eskaton Proposed Term Sheet
Attachments: DRAFT Term Sheet Affiliation Aug 20.docx

Todd,

Here's the attachment.

On Wed, Sep 5, 2018 at 12:39 PM Jordan Rose <jordanproseesq@gmail.com> wrote:
Todd,

Following up on our recent meeting, attached please find a draft Term Sheet respecting the proposed affiliation of Eskaton and TRC for your review and comment.

Please note that the terms outlined in the attached have not been approved, or even suggested, by our Board. They merely represent our thinking as to terms which would likely find support for the contemplated transaction by Board members and community stakeholders. Please feel free to let us know what might not be acceptable to Eskaton and its Board, and to suggest any alternatives or modifications you consider appropriate.

As I believe has been previously indicated, there is another non-profit organization that has expressed interest in an affiliation with TRC. So that we are in a position to evaluate and make a determination as to how to best move forward, it would very much be appreciated if you could respond within the next 30 days or so. Our goal is to proceed to a Letter of Intent by the end of October.

Thanks for all of your time and effort in getting us to this point.

--
Jordan

--
Jordan

DRAFT (9/5/18) – FOR DISCUSSION PURPOSES ONLY

TERM SHEET REGARDING PROPOSED AFFILIATION OF
THE REUTLINGER COMMUNITY AND ESKATON

The following constitutes a preliminary outline of the proposed terms of a contemplated affiliation of The Reutlinger Community (“TRC”) and Eskaton (“Eskaton”) which, if satisfactory to the parties, will be memorialized in a Letter of Intent (“LOI”):

1. Following execution of the LOI, the parties will each commence their respective due diligence review, to be completed within 90 days thereafter (the “Due Diligence Period”).
2. Contemporaneously with the commencement of the Due Diligence Period, the parties will commence the negotiation and drafting of the definitive Affiliation Agreement and related documents, to be executed, if at all, upon completion of the Due Diligence Period.
3. The Affiliation Agreement and related documents shall provide in substance, inter alia, the terms hereinafter set forth:
 - (a) Subject to such filings, approvals and consents as may be required, advisable or appropriate, TRC shall amend its Bylaws so as to become a nonprofit membership corporation; upon closing pursuant to the Affiliation Agreement (“Closing”), membership therein shall, subject to the provisions of paragraphs 3(b) and 3(c) below, vest exclusively in Eskaton.
 - (b) At all times following Closing, the Board of Directors of Eskaton shall include the individual designated by the Board of TRC as constituted immediately prior to Closing, which individual, or an organization selected by such individual, shall be entitled to designate his or her successor; each and every successor to such individual shall be similarly entitled to designate his or her successor. An individual serving as a Director pursuant to this paragraph 3(b) is hereinafter referred to as the TRC Designee.
 - (c) For a period of ____ years following Closing (the “Transition Period”), the Board of Directors of TRC shall be selected by TRC’s Board of Directors as constituted immediately prior to Closing, or their successors, except that Eskaton shall be entitled to designate one representative to serve on the Board of TRC.

4. At all times following Closing, Eskaton shall cause TRC to honor and discharge, or failing that, shall itself honor and discharge, each and every obligation of TRC to its residents, donors and third parties, including, but not limited to those imposed by contract, by donors restricting the use of donated property or funds, and/or by virtue of the mission statement or written policies of TRC as in effect on the date of Closing, particularly including the policies respecting the Residents' Assistance Fund and respecting Holocaust Survivors, all of which policies shall continue in full force and effect. Eskaton shall not effect any material modifications to any of said mission statement or written policies 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. Following Closing, the TRC designee shall be entitled to enforce, by seeking equitable remedies or otherwise, the rights of TRC specified in the Affiliation Agreement, including but not limited to the provisions of this paragraph 4, all at the cost and expense of Eskaton.

5. Promptly following Closing, but subject to such filings, approvals and consents as may be required, advisable or appropriate, TRC shall cause to be formed a tax-exempt nonprofit corporation (the "Foundation") and transfer thereto TRC's real estate (subject to any liens, claims and encumbrances of record), and TRC's unrestricted liquid assets (i.e., cash, securities and other liquid investments) on hand on the date of Closing, but not to exceed assets having an aggregate value of \$_____. The Foundation shall not have any members and shall be governed by its Board which shall initially be selected by the Board of TRC as constituted immediately prior to Closing. Simultaneous with such transfer of real estate, the Foundation shall enter into a triple net lease respecting such real estate with Eskaton, providing for rent equal to debt service or other amounts payable on account of any liens, claims and encumbrances of record and any and all other expenses of such real estate not otherwise borne by Eskaton pursuant to the lease. The lease shall remain in effect for so long as Eskaton is in substantial compliance therewith and with the provisions of paragraph 4 above and any other provisions of the Affiliation Agreement which survive Closing; provided, however, if the lease is still in effect following the end of the Transition Period, the real estate subject thereto shall, without any further consideration, be conveyed by the Foundation to Eskaton, subject to any liens, claims and encumbrances of record. A wrongful failure to so convey said real estate shall entitle Eskaton to seek specific performance to compel such conveyance, all at the cost and expense of the Foundation, and any amounts expended by Eskaton on capital improvements to the property during the lease term shall be repaid by the Foundation to Eskaton, together with interest at Eskaton's borrowing rate as in effect as of the end of the Transition Period, in 120 equal monthly installments. Any such obligation to repay shall be secured by a lien on the property.

6. The Confidentiality Agreement executed by the parties dated April 24, 2018 (“NDA”) continues to remain in full force and effect. The parties agree that the NDA shall also apply to this Term Sheet and the fact of the discussions and negotiations respecting its subject matter.

From: Todd Murch
Sent: Monday, October 8, 2018 11:24 AM PDT
To: Jordan Rose; David Grant
CC: Jay Zimmer; Sheri Peifer
Subject: LOA Draft
Attachments: draft LOI affiliation- [10-5-18].DOC, ATT00001.htm

Gentlemen,

We have worked with Paul Gordon to draft the attached LOA. We are proposing a simpler structure for various reasons we can discuss; however, please be assured that we will place the highest importance on preserving the Jewish values that are so important to TRC. Paul is out of the country for two weeks, so perhaps you can review and discuss the draft during that time. Please feel free to contact me or Sheri if you have any questions.

Thank you

Todd Murch
President & CEO
ESKATON
5105 Manzanita Avenue
Carmichael, CA 95608
916.334.0810
Todd.Murch@eskaton.org

This message (including any attachments) is intended only for the use of the individual or entity to which it is addressed and may contain information that is non-public, proprietary, privileged, confidential, and exempt from disclosure under applicable law or may constitute attorney work product. If you are not the intended recipient, you are hereby notified that any use, dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, notify us immediately by telephone and (i) destroy this message if a facsimile or (ii) delete this message immediately if this is an electronic communication.

Thank you.

TRC000005

October 5, 2018

[ATTN: Jordan Rose, Board Member, The Reutlinger Community]

Re: Letter of Intent regarding Proposed Affiliation

Dear Jordan:

I am pleased to present the following Letter of Intent regarding a proposed affiliation between The Reutlinger Community and Eskaton.

Parties: The Reutlinger Community, a California nonprofit public benefit corporation ("TRC") and Eskaton., a California nonprofit public benefit corporation, and/or its affiliate Eskaton Properties, Inc., together ("Eskaton"), collectively, the "Parties."

Letter of Intent/Affiliation Agreement: This Letter of Intent is meant to be a general outline of the business terms upon which Eskaton and TRC will affiliate. This Letter of Intent shall not be binding on either Eskaton or TRC (except for the provisions of the "Confidentiality" and "Exclusivity" sections) unless and until both parties execute a binding 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 the office of the Eskaton prior to the end of business on October __, 2018. The terms of this Letter of Intent shall be incorporated into a binding Affiliation Agreement between the Parties on or before ____ __, 2018

Eskaton as Member of TRC: TRC's Articles and Bylaws shall be amended as necessary to make Eskaton the sole corporate member of TRC.

Eskaton Board Composition: Eskaton's Articles and Bylaws shall be amended as necessary to add a Director to the Eskaton Board who shall be appointed by TRC (the "TRC Designee") for a

three-year term, renewable for an additional two 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 at Closing.

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.

TRC Programming: TRC's programs as contained in its mission statement or written policies, 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 as specified in Exhibit A (list of all policies and/or procedures that should be maintained throughout the affiliation. 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 TR Designee. Following Closing, the TRC Designee shall be entitled to enforce, by seeking equitable remedies or otherwise, the rights of TRC specified in the Affiliation Agreement, all at the cost and expense of Eskaton.

Due Diligence Contingency: Eskaton shall have sixty (60) days from mutual execution of the Affiliation Agreement ("Contingency Period") to approve or disapprove the Affiliation, including but not limited to title review, physical inspection, review of income and expenses of TRC and of residence agreements and any other matters which Eskaton deems relevant to the Affiliation. Within five (5) business days after mutual execution of the Affiliation Agreement, TRC shall deliver to Eskaton or make available to Eskaton at the Community 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 access to the Community during the Due Diligence Contingency Period to conduct any inspections or investigations Eskaton deems prudent.

Confidentiality: All information received by the Parties in connection with the Property or the transactions contemplated by this Letter of Intent, 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 Closing shall occur on or before the date that is sixty (60) days after the expiration of the Contingency Period, subject to extension to a specified Outside Closing Date if required to obtain any required permitting or regulatory approvals, to be further addressed in the Affiliation Agreement.

**Contingencies to Closing;
Liquidated Damages** The obligation of Eskaton and TRC hereunder are contingent upon the receipt of all necessary regulatory approvals or permits by the Outside Closing Date. In the event that, after expiration of the Due Diligence Period, all necessary regulatory approvals are received and either party fails or refuses to close, the party that fails or refuses to close shall pay the other party liquidated damages in the sum of _____ Dollars (\$_____).

Exclusivity: TRC agrees not to seek to affiliate with any other entity, nor negotiate or discuss any sale, lease or option of the Community or any interest in the Community or TRC,

during the negotiation of the Affiliation Agreement. 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.

[The space below left intentionally blank]

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: _____

Title: _____

Date: _____

AGREED AND ACCEPTED:

THE REUTLINGER COMMUNITY

By: _____

Title: _____

Date: _____

From: Jordan Rose
Sent: Saturday, November 10, 2018 12:34 PM PST
To: Todd Murch; Sheri Peifer
CC: Jay Zimmer; David Grant; Sherry Berkman
Subject: TRC/Eskaton -Proposed Affiliation Draft LOI
Attachments: LOI Eskaton_Reutlinger (Proposed Revisions to Eskaton initial draft) (3).DOC

Todd and Sheri,

To follow up on Jay's recent email, our counsel has, with input from TRC, now reviewed and revised the draft LOI prepared by Paul Gordon. My apologies for getting it to you at this late date, but as I'm sure you can appreciate, travel and availability have unfortunately interfered. We are nonetheless hopeful that you will have adequate time to review the attached, at least on a preliminary basis, prior to our Monday meeting, and anticipate and look forward to a fruitful discussion.

To the extent our discussion results in contemplated modifications to the attached, I would expect our respective counsels will be able to efficiently incorporate appropriate revisions to their and our mutual satisfaction.

We look forward to seeing you both.

--

Jordan

[Eskaton Letterhead]

November 12, 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 November 26, 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 listed on Exhibit A attached hereto, 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 to operate TRC in the manner specified in this Letter of Intent, provided that such expenditures by Eskaton shall not exceed \$ _____ 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.

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.

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.

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 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.

[The space below left intentionally blank]

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: _____

Title: _____

Date: _____

AGREED AND ACCEPTED:

THE REUTLINGER COMMUNITY

By: _____

Title: _____

Date: _____

EXHIBIT A

DRAFT

From: Todd Murch
Sent: Tuesday, November 13, 2018 9:00 AM PST
To: Jordan Rose (jordanproseesq@gmail.com)
CC: Sheri Peifer; Bill Pace; Betsy Donovan; David Grant (dagrant1945@gmail.com); Jay Zimmer
Subject: LOI draft
Attachments: LOI Eskaton_Reutlinger (draft 11_12_18).doc

Jordan,

Yesterday's meeting was very helpful to clarify several points. The only change we have made to the draft LOI is to enter an amount of \$1,000,000 as the cap for any expenditures by Eskaton for TRC's capital plan.

I hope you have a good board discussion at your upcoming meeting. We also have our quarterly board meeting this Thursday afternoon during which we will share the key points of the LOI.

Thank you.

Todd Murch
President & CEO

ESKATON
5105 Manzanita Avenue
Carmichael, CA 95608
916-334-0810
todd.murch@eskaton.org

eskaton.org



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Thank you.

TRC0000020

[Eskaton Letterhead]

November 12, 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 November 26, 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 listed on Exhibit A attached hereto, 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 to operate TRC in the manner specified in this Letter of Intent, provided that such expenditures by Eskaton shall not exceed One Million Dollars (\$1,000,000.00) 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.

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.

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.
- 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 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.

[The space below left intentionally blank]

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: _____

Title: _____

Date: _____

AGREED AND ACCEPTED:

THE REUTLINGER COMMUNITY

By: _____

Title: _____

Date: _____

EXHIBIT A

DRAFT

From: Jordan Rose
Sent: Wednesday, November 14, 2018 9:48 AM PST
To: Todd Murch
CC: Sheri Peifer; Bill.Pace@eskaton.org; Betsy.Donovan@eskaton.org; David Grant; Jay Zimmer
Subject: Re: LOI draft

Todd,

I certainly understand the need for the process you described; it sounds, however, that you'd like to defer executing an LOI until after due diligence is completed. I think that might be counter-productive and interfere with the momentum we seem to have created.

Perhaps you could give me a call today so we might discuss how we might mutually move forward. You can reach me on my cell: (510) 816-5010

On Tue, Nov 13, 2018 at 12:45 PM Todd Murch <Todd.Murch@eskaton.org> wrote:

Jordan,

I do not disagree with your thinking below. Increasing the amount is probably okay; however, to be responsible on our side we should review TRC's most recent financial statements, look over the CapEx plan, conduct a physical inspection of the property, etc.

I'm not worried arriving at an agreement as to the dollar amount, we just need to go through a process.

Does that sound okay?

Thank you

From: Jordan Rose [mailto:jordanproseesq@gmail.com]
Sent: Tuesday, November 13, 2018 12:29 PM
To: Todd Murch
Cc: Sheri Peifer; Bill Pace; Betsy Donovan; David Grant; Jay Zimmer
Subject: Re: LOI draft

Todd,

Thank you for your prompt responsiveness on this issue.

We'll certainly bring this to TRC's Board for its consideration; however, I would expect that a \$1M level of commitment would be viewed as falling significantly short, and would urge that Eskaton reconsider. Please bear in mind that Eskaton would be receiving an estimated \$10M of liquid assets plus real estate valued at perhaps \$30M to \$40M. No purchase price is being paid.

TRC is merely asking that Eskaton agree to cause TRC to (1) honor its obligations, (2) operate as contemplated, and (3) undertake necessary or advisable improvements and repairs to its facilities, all while using TRC assets to do so with Eskaton providing funds only if and to the extent necessary. Given the CAPEX budget of approximately \$3.2M over three years, it would seem that a commitment to provide at least \$5M would not be unreasonable, especially considering that there is only a possibility that it would be called upon. It would appear that the risk of possibly having to infuse up to such amount would not be disproportionate to the value of what is being received.

Please let us know how you'd like to proceed.

On Tue, Nov 13, 2018 at 9:00 AM Todd Murch <Todd.Murch@eskaton.org> wrote:

Jordan,

Yesterday's meeting was very helpful to clarify several points. The only change we have made to the draft LOI is to enter an amount of \$1,000,000 as the cap for any expenditures by Eskaton for TRC's capital plan.

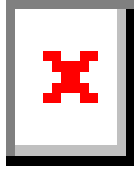
I hope you have a good board discussion at your upcoming meeting. We also have our quarterly board meeting this Thursday afternoon during which we will share the key points of the LOI.

Thank you.

Todd Murch
President & CEO

ESKATON
5105 Manzanita Avenue
Carmichael, CA 95608
916-334-0810
todd.murch@eskaton.org

eskaton.org



[Got feedback? Click here to find ways to connect.](#)

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Thank you.

--

Jordan

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Thank you.

--

Jordan

From: Jordan Rose
Sent: Thursday, November 15, 2018 6:17 PM PST
To: Todd Murch
CC: Jay Zimmer; David Grant
Subject: TRC/Eskaton LOI

Todd,

Since TRC already had its Board meeting Tuesday evening, I was hoping to obtain (by email) TRC Board approval of the proposed change to the LOI we discussed, relating to the use of a "commercially reasonable" standard (instead of a dollar amount) for the limitation on Eskaton's obligation to infuse capital. As you may know, Board action without a meeting requires unanimous written consent, which can be provided by email.

Unfortunately, I was unable to obtain the required unanimous consent; however, I suspect both TRC and Eskaton might want to revisit this issue in connection with the drafting of the Affiliation Agreement. In the interests of moving forward, the LOI should be finalized on Eskaton letterhead by inserting the dollar amount cap (\$4M would be acceptable, but I would still suggest \$5M), and deleting the reference to Exhibit A (and Exhibit A itself). It should then be signed on behalf of Eskaton and forwarded for signature on behalf of TRC.

Please let me know if you'd like to discuss further.

--

Jordan

Attorney Client Privilege

----- Forwarded message -----

From: **Todd Murch** <Todd.Murch@eskaton.org>

Date: Fri, Nov 23, 2018 at 3:05 PM

Subject: FW: LOI Eskaton_Reutlinger (tracked changes 11_21_18).DOC

To: Jordan Rose (jordanproseesq@gmail.com) <jordanproseesq@gmail.com>

Cc: Sheri Peifer <Sheri.Peifer@eskaton.org>

Jordan,

Revised Draft with \$5m.

Let me know how it looks to you.

Thank you.

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Thank you.

--

Jordan

--

Jordan

[Eskaton Letterhead]

November 12, 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 November 26, 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 ~~listed on Exhibit A attached hereto~~ 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 One-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.

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.

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.
- 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 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.

[The space below left intentionally blank]

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: _____

Title: _____

Date: _____

AGREED AND ACCEPTED:

THE REUTLINGER COMMUNITY

By: _____

Title: _____

Date: _____

EXHIBIT A

DRAFT

From: Jordan Rose
Sent: Saturday, November 24, 2018 3:35 PM PST
To: Todd Murch
CC: Sheri Peifer; Jay Zimmer; David Grant; Sherry Berkman
Subject: Re: FW: LOI Eskaton_Reutlinger (tracked changes 11_21_18).DOC

Thank you Todd. This looks fine to me; I assume the reference to "capital reserve study" is intended to refer to the capital reserve schedule included in the Property Condition Assessment which reflects TRC's CAPEX plan.

Please finalize and transmit executed copy. Suggest letterhead date be changed to transmission date and TRC response date (on first page) be changed to date one week later to allow for logistics of execution.

Once LOI is signed, we can then have our respective counsel begin implementing the next phase.

On Fri, Nov 23, 2018 at 3:05 PM Todd Murch <Todd.Murch@eskaton.org> wrote:

Jordan,

Revised Draft with \$5m.

Let me know how it looks to you.

Thank you.

This message (including any attachments) is intended only for the use of the individual or entity to which it is addressed and may contain information that is non-public, proprietary, privileged, confidential, and exempt from disclosure under applicable law or may constitute attorney work product. If you are not the intended recipient, you are hereby notified that any use, dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, notify us immediately by telephone and (i) destroy this message if a facsimile or (ii) delete this message immediately if this is an electronic communication.

Thank you.

--
Jordan

TRC0000043

From: Todd Murch
Sent: Monday, November 26, 2018 5:01 PM PST
To: 'Jordan Rose'
CC: Sheri Peifer; Jay Zimmer; David Grant; Sherry Berkman; Bill Pace
Subject: RE: FW: LOI Eskaton_Reutlinger (tracked changes 11_21_18).DOC
Attachments: TRC.PDF

Jordan,

Attached is a final revision, with the changes below, executed and ready for TRC signature.

Thank you

From: Jordan Rose [mailto:jordanproseesq@gmail.com]
Sent: Saturday, November 24, 2018 3:36 PM
To: Todd Murch
Cc: Sheri Peifer; Jay Zimmer; David Grant; Sherry Berkman
Subject: Re: FW: LOI Eskaton_Reutlinger (tracked changes 11_21_18).DOC

Thank you Todd. This looks fine to me; I assume the reference to "capital reserve study" is intended to refer to the capital reserve schedule included in the Property Condition Assessment which reflects TRC's CAPEX plan.

Please finalize and transmit executed copy. Suggest letterhead date be changed to transmission date and TRC response date (on first page) be changed to date one week later to allow for logistics of execution.

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On Fri, Nov 23, 2018 at 3:05 PM Todd Murch <Todd.Murch@eskaton.org> wrote:

Jordan,
Revised Draft with \$5m.
Let me know how it looks to you.
Thank you.

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Thank you.

--

Jordan

TRC0000044

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Thank you.



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.

- 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.

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.

- 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

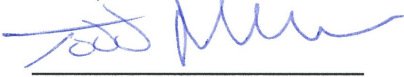
do not intend the remaining provisions of this Letter of Intent to create or impose a binding and enforceable obligation on the part of any Party.

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: 

Title: CEO

Date: 11-26-2018

AGREED AND ACCEPTED:

THE REUTLINGER COMMUNITY

By: _____

Title: _____

Date: _____

From: Jay Zimmer
Sent: Saturday, December 1, 2018 12:30 PM PST
To: Todd Murch; Sheri Peifer
CC: Jordan Rose (jordanproseesq@gmail.com); David Grant; Sherry Berkman, PhD; Dodd, Jill; Mannisto, Jeffrey
Subject: Letter of Intent
Attachments: SKM_C754e18113014440.pdf
Importance: High

Todd and Sheri,

Attached for your review is the executed Letter of Intent (LOI). On behalf of our Board, we look forward to moving on to the next steps in the process. Thank you. j

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
[jzimmer@rcjl.org](mailto:zimmer@rcjl.org)



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 information contained in this email is intended for the use of the individual or entity to whom it is addressed. It may contain privileged, confidential, or protected health information. If you received this in error you are on notice of its status. If you are not the intended recipient, please destroy this communication and notify the sender immediately. You should not retain, copy or use this e-mail for any purpose, nor disclose all or any part of its contents to any other person or persons. Thank you.



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.

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.

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.

- 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.
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- 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.
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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

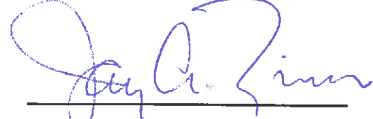
By: 

Title: CEO

Date: 11-26-2018

AGREED AND ACCEPTED:

THE REUTLINGER COMMUNITY

By: 

Title: President / CEO

Date: 11-30-2018

From: Paul A. Gordon
Sent: Tuesday, December 11, 2018 3:57 PM PST
To: Mannisto, Jeffrey
Subject: Reutlinger Affiliation Agreement [Eskaton draft 12-11-18].DOCX
Attachments: Reutlinger Affiliation Agreement [Eskaton draft 12-11-18].DOCX

Jeff,

Here is the Eskaton draft of the affiliation agreement for your review and comment. Please let me know if you'd like to discuss.


Looking forward to working with you.

Paul

PAUL A. GORDON
Partner
pgordon@hansonbridgett.com
(415) 995-5014 Direct
(415) 995-3430 Fax
www.SeniorCareLaw.com

Hanson Bridgett LLP
425 Market St.
24th Floor
San Francisco, California 94105



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The foregoing applies even if this notice is embedded in a message that is forwarded or attached.

TRC000060

AFFILIATION AGREEMENT
BETWEEN
ESKATON PROPERTIES, INC.
AND
THE REUTLINGER COMMUNITY

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AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT (this "Agreement") is entered into as of this ____ day of _____, 20__ ("Effective Date"), by and among Eskaton Properties Inc ("Eskaton"), 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 located in Danville, California (the "Community"); 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, having Reutlinger appoint Eskaton as its sole corporate member, all on the terms and conditions set forth in this Agreement;

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 Affiliation Transaction. The Parties shall take such actions, and enter into such transactions as may be required to enter into and establish an affiliation (the "Affiliation") effective as of the Closing Date. The specific actions and transactions necessary to establish the Affiliation are more fully set forth in this Agreement. With respect to amendments to the governing documents of Reutlinger and Eskaton provided 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 Community.

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") appointing Eskaton, or an agreed-upon affiliate of Eskaton, as its sole corporate member.

(b) Reutlinger's Articles and Bylaws shall be further amended so 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.

(c) Effective as of the Closing Date, Reutlinger shall remain in existence as a California nonprofit public benefit corporation and a subsidiary 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 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 as necessary to add a Director to the Eskaton Board who shall be appointed 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. Upon the resignation or removal of the Reutlinger Designee, the right to appoint his or her replacement shall be vested in a Jewish community sponsored organization selected by Reutlinger, to be named in Eskaton's Articles and Bylaws.

Section 1.4 Additional Agreements

(a) Eskaton will preserve the name and identity of Reutlinger as a skilled nursing and residential care facility with a commitment to Jewish values.

(b) Reutlinger's mission statement and its written policies specifically 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 said mission statement or written policies 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 texts of the mission statement and all such policies are attached hereto as **Schedule 1.4(b)**. The Reutlinger 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.

(c) Eskaton agrees it (i) will not exercise any reserved power to impede or prevent the expenditure by Reutlinger of its own capital to honor all of its obligations, (ii) will expend its own capital (to the extent Reutlinger's is insufficient) to meet such obligations and to carry out the capital expenditures contemplated in Reutlinger's CAPEX plan and capital reserve study and to operate Reutlinger in the manner specified in this Agreement, 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 and (iii) shall not distribute or otherwise transfer Reutlinger funds to Eskaton or any of its affiliates during the five (5) year period following the Closing. The Reutlinger 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.

(d) Eskaton will continue to operate the Community 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. The Reutlinger 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.

(e) Eskaton will honor the intent of and any restrictions imposed on any philanthropic gifts donated to Reutlinger. The Reutlinger 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.

(f) Eskaton will not sell, transfer, dispose of or otherwise change control of Reutlinger during the five (5) year period following the Closing. During the five (5) year period following the Closing, Eskaton will cause the principal business and operations of Reutlinger to be conducted at the Community in a manner substantially similar to that conducted by Reutlinger immediately prior to the Closing. Eskaton 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. The Reutlinger 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.

Section 1.5 Operational Management. All operations of Reutlinger shall be performed by and at the direction of Eskaton pursuant to a management agreement to be entered into between the parties.

Section 1.6 Plan of Reorganization; Further Assurances

. Reutlinger and Eskaton agree to use their best efforts to obtain any and all necessary third party approvals, including approvals from the California Department of Social Services, the California Department of Public Health, and the California Attorney General's office, and that receipt of such approvals or waivers shall have been obtained prior to the Closing Date. The parties shall execute and deliver such documents and obtain such consents as are necessary to bring about the reorganization 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 contemplated transactions.

Section 1.7 Reutlinger and Eskaton Assets

(a) On the Closing Date, Reutlinger shall retain its right, title and interest in and to the Community 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 Community 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 Community 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 (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 Community 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 Community 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 Community 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.

(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 (collectively, the "Reutlinger Intangible Property") of every kind and nature used in, derived from or necessary or intended for the operation of the Community 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 Community (collectively, the "Reutlinger Intellectual Property").

(4) All telephone numbers, telecopy 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 Community (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 Community and the Reutlinger Assets.

(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 Community 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) 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 (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.

(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 (collectively, the "Eskaton Intangible 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 thereof 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 (collectively, the "Eskaton Intellectual Property").

(4) All telephone numbers, telecopy 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.

(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 Closing. 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 tenth (10th) 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 Deliveries of Reutlinger. 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 reorganization and integration of Reutlinger and Eskaton, 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 date of Closing;

(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 Deliveries of Eskaton. 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 reorganization and integration of Reutlinger and Eskaton, 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 date of Closing;

(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 (the “Closing Opinion”).

(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. From the Effective Date and until the Closing Date, the parties shall continue to conduct their respective due diligence review of the matters set forth under this Article. On or before the Closing Date, the parties shall cause the representations and warranties set forth below to be supplemented or amended in order to correct any information set forth in this Agreement which the parties determine to have been inaccurately stated and represented as of the Effective Date. Subject to Section 5.2, on or before the Closing Date, Reutlinger shall also deliver to Eskaton the schedules required under this Agreement. Except as otherwise supplemented or amended by the parties on or prior to the Closing Date, 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 best of Reutlinger's knowledge 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**.

Section 3.2 Authorization 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. No

Section 3.3 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 Consents. Except as set forth in **Schedule 3.4**, 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. Except as set forth on **Schedule 3.5(a)** (the "Reutlinger Real Property Permitted Exceptions"), 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. 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. A true, correct and complete copy of the documents giving rise to each Reutlinger Real Property Permitted Exception has heretofore been delivered to Eskaton.

(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 **Schedule 3.5(b)**, Reutlinger is not aware of any 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) The zoning of each parcel of Reutlinger Real Property permits the presently existing Reutlinger Improvements and the continuation of the business of the Community 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) **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.

(a) 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 Community 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 **Schedule 3.7(b)** 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 material adverse 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, 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. Reutlinger has not received or otherwise has knowledge of 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 **Licenses and Permits**. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 Community and each of its departments as currently operated. Except as set forth in **Schedule 3.10**, to the best 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 **Schedule 3.11(a)** the Community has for at least the past 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 Community 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(d) Except as set forth in **Schedule 3.11(c)**, there is no dispute between the Community 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 **Schedule 3.11(c)**, Reutlinger has not received any notices that Medicare has any claims against such party or the Community that could result in offsets against future Community accounts receivable above any amounts reserved therefore. .

Section 3.12 Compliance with Law. Except as disclosed in **Schedule 3.12** or elsewhere in this Agreement, Reutlinger, and each entity constituting Reutlinger and the Community 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 Community 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 Employment Obligations. 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 best of Reutlinger's knowledge and except as set forth on **Schedule 3.14(a)**: (ii) there is no unfair labor practice complaint against Reutlinger pending before the National Labor Relations Board; (iii) there is no labor strike, dispute, slowdown or stoppage actually pending or, to the knowledge of Reutlinger, threatened against or involving or affecting Reutlinger; (iv) no representation question exists respecting the employees of Reutlinger; (v) no grievance or any arbitration proceeding is pending; (vi) Reutlinger has not experienced any labor stoppage during the last five (5) years; (vii) Reutlinger is in full compliance with all union contracts and collective bargaining agreements; (viii)

(b) Except as set forth on **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 this Affiliation, no binding agreements have been made or entered into between Reutlinger and any employee involved in the Community regarding changes in compensation, promotion or any other change in status.

Section 3.15 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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. Reutlinger does not have any dispute with any taxing authority as to taxes of any nature. Except as set forth in **Schedule 3.15**, there is no unassessed tax deficiency proposed or, to the best 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 best 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** sets forth an accurate and complete list of all of the Reutlinger 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
- (vi) other medical provider contracts

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

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. To Reutlinger's knowledge, Reutlinger is in compliance in all material respects with the terms and provisions of 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 due investigation, and Reutlinger shall be responsible for all facts which the CEO knew, or should have known as a result of such due investigation. The CEO's investigation shall consist of an inquiry 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 best 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, except as specifically provided in this Agreement, 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 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) Reutlinger's indemnification obligations under this Agreement or any other agreement executed in connection with the closing of this transaction; (ii) any material default by Reutlinger in the performance of any of Reutlinger's other obligations under this Agreement; (iii) the fraud of Reutlinger; (iv) any claims of Eskaton of arising out of liability to third parties for personal injury in connection with events arising, occurring or accruing prior to the Closing Date; or (v) any damages caused solely by the inaccuracy of any representation of Reutlinger set forth in Article III, (collectively, "Reutlinger Liabilities") Eskaton acknowledge and agree 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 which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

As a consequence of the foregoing waiver, Eskaton understand that even if Eskaton eventually incurs any damages arising from the affiliation with Reutlinger, neither Eskaton nor will 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.

Eskaton's Initials:_____

The provisions of this Section 3.22 shall survive the Closing.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF ESKATON

Section 4.1 The truth, accuracy and completeness of the representations, warranties and covenants of each entity comprising Eskaton contained in this Agreement shall, subject to section 4.21, 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. From the Effective Date and until the Closing Date, the parties shall continue to conduct their respective due diligence review of the matters set forth under this Article. On or before the Closing Date, the parties shall cause the representations and warranties set forth below to be supplemented or amended in order to correct any information set forth in this Agreement which the parties determine to have been inaccurately stated and represented as of the Effective Date. Subject to Section 5.2, on or before the Closing Date, Eskaton shall also deliver to Reutlinger the schedules required under this Agreement. Except as otherwise supplemented or amended by the parties on or prior to the Closing Date, Eskaton, as applicable, shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date:

Section 4.2 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 best 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 4.2.**

Section 4.3 Authorization. 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 4.4 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 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 4.6 Consents. Except as set forth in **Schedule 4.6**, 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 4.7 Eskaton Real Property.

(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 4.7(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 4.7(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 4.7(b)** (“Reutlinger

Real Property Leases"). Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Real Property Leases.

(c) Except as set forth in **Schedule 4.7(b)** 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 4.8 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.8** 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 4.9 Eskaton Financial Statements.

(a) Attached as **Schedule 4.9(a)** are copies of the audited balance sheet and statement of income and cash flows of each entity comprising Eskaton as of December 31, 2013, 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 4.9(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 material adverse 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 4.10 Insurance. **Schedule 4.10** 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 4.10** 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 4.10**, 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. Eskaton has not received or otherwise has knowledge of 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 4.11 Litigation. Except as set forth in **Schedule 4.11** (said matters set forth in **Schedule 4.11** 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 4.11**, 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 4.11** 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 4.12 Licenses and Permits. True and correct copies of the Eskaton Licenses and Permits have been delivered to Reutlinger by Eskaton. Except as set forth in **Schedule 4.12**, 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 4.12**, to the best 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 4.12**, 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 4.12**, 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 4.13 Government Program; Third Party Payors.

(a) Except as set forth on **Schedule 4.13(a)** 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 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 4.13(a)**.

(b) **Schedule 4.13(b)** 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 **Schedule 4.13(b)**.

(c) Except as set forth in **Schedule 4.13(c)**, 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 **Schedule 4.13(c)**, 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 4.14 **Compliance with Law**. Except as disclosed in **Schedule 4.14** or elsewhere in this Agreement, Eskaton, and each entity constituting Eskaton and the Eskaton Facilities and the operation thereof are, to the best 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 4.15 **Employment Obligations**. All obligations of Eskaton with respect to any of Eskaton'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 4.16 **Employment Matters**.

(a) To the best of Eskaton's knowledge and except as set forth on **Schedule 4.16(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 4.16(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 4.16(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 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 4.17 Tax Returns and Liabilities. Except as set forth in **Schedule 4.17**, 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 **Schedule 4.17**, 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 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 **Schedule 4.17**, there is no unassessed tax deficiency proposed or, to the best 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 best 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 4.18 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 **Schedule 4.18(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton'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 4.19 Contracts and Commitments.

(a) **Schedule 4.19(a)** 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
- (vi) other medical provider contracts

Section 4.20 Except as set forth in **Schedule 4.20**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.20**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.21 Brokers' and Finders' Fees. 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 4.22 Immigration Act. To Eskaton's knowledge, 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 Community 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 4.23 Eskaton Boards of Directors. **Schedule 4.23** 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 4.24 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 “best knowledge,” 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 best 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 4.25 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(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) Eskaton's indemnification obligations under this Agreement or any other agreement executed in connection with the closing of this transaction; (ii) any material default by Eskaton in the performance of any of their other obligations under this Agreement;

(iii) the fraud of Eskaton; (iv) any claims of Reutlinger arising out of liability to third parties for personal injury in connection with events arising, occurring or accruing prior to the Closing Date; or (v) any damages caused solely by the inaccuracy of any representation of Eskaton set forth in Article IV, (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 their 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 which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

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 their 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 their 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 4.25 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:

(a) 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 Schedules. This Agreement has been executed without any of the schedules or exhibits being completed by the parties. At least 30 days prior to the Closing Date, each party shall have prepared and submitted to the other parties a draft of each applicable schedule and exhibit. At least 10 days prior to the Closing Date, each party shall cause its schedules to be supplemented or amended as necessary to be accurate and complete. Each party shall be deemed to have accepted the Schedules and Exhibits of each other party if the Closing occurs.

Section 5.3 Reutlinger's Pre-Closing Activities. From the Effective Date to the Closing Date, Reutlinger will identify in **Schedule 5.3** 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 5.4 Reutlinger's Best Efforts. Reutlinger covenants and agrees to use its best and most diligent 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 5.5 Managed Care Contracts. Reutlinger agrees to use its best efforts to assist Eskaton in causing Reutlinger to maintain, after the Closing Date, the various managed care contracts in which the Community now participates.

Section 5.6 Required Approvals. 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 5.7 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 5.8 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 5.9 Payment of Liabilities. 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 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 Schedules. This Agreement has been executed without any of the schedules or exhibits being completed by the parties. At least 30 days prior to the Closing Date, each party shall have prepared and submitted to the other parties a draft of each applicable schedule and exhibit. At least 10 days prior to the Closing Date, each party shall cause its schedules to be supplemented or amended as necessary to be accurate and complete. Each party shall be deemed to have accepted the Schedules and Exhibits of each other party if the Closing occurs.

Section 6.3 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.3** 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 6.4 Eskaton's Best Efforts. Eskaton covenants and agrees to use its best and most diligent 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 6.5 Required Approvals. 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 6.6 Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals listed on Schedule 7.3 necessary for Reutlinger to consummate the transactions described herein including the consent of the California Attorney General.

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the documents, agreements and certificates required to be executed or delivered by Eskaton pursuant to any term or provision of this Agreement, including without limitation:

- (a) Closing Opinion;
- (b) The articles of incorporation and all amendments thereto of Eskaton, duly certified as of a recent date by the Secretary of State of California;
- (c) A copy of the approved Amended Eskaton Bylaws certified by the Secretary of the respective corporations.
- (d) Certificates dated as of a date not earlier than the third business day prior to the Closing as to the good standing of Eskaton and payment of all applicable state taxes by Eskaton, executed by the appropriate officials of the State of California; and
- (e) Such other documents as Reutlinger may reasonably request for the purpose of:
 - (i) evidencing the accuracy of any of Eskaton's representations and warranties;

- (ii) evidencing the performance by Eskaton of, or the compliance by Eskaton with, any covenant or obligation required to be performed or complied with by Eskaton;
- (iii) evidencing the satisfaction of any condition referred to in this Article VII; or
- (iv) otherwise facilitating the consummation or performance of any of the contemplated transactions.

Section 7.6 Consents. Each of the consents identified in **Schedule 7.6** (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 Due Diligence. Reutlinger shall have performed a comprehensive inspection and due diligence review of Eskaton and the Eskaton Assets and shall have determined, in its reasonable discretion, that the Eskaton business and the Eskaton Assets are acceptable to Reutlinger. Reutlinger shall be satisfied in their sole subjective discretion as to the completeness of the disclosure schedules of Eskaton

Section 7.8 No Material Adverse Change. There shall not have been a material adverse change in the Eskaton Assets or the Eskaton business or operations.

Section 7.9 Supplements or Amendments to the Representations and Warranties. Reutlinger’s obligation to close this Agreement is contingent upon Reutlinger’s approval, in its sole subjective discretion, of the representations and warranties set forth under Article IV of this Agreement. Notwithstanding anything to the contrary herein, Reutlinger shall not be required to close this Agreement if it fails to consent to the supplements or amendments to the representations and warranties under Article IV.

Section 7.10 Finalization of Exhibits. The exhibits have not been attached to this Agreement at the time of its signing. Instead, the text of those exhibits shall be agreed upon between the parties prior to the Closing. Reutlinger shall be satisfied, in its sole subjective discretion, with the text of each of these exhibits in a form accepted by Eskaton.

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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Eskaton shall have received all governmental approvals listed on **Schedule 8.3** for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the documents, agreements and certificates required to be executed or delivered by Reutlinger pursuant to any term or provision of this Agreement, including without limitation:

- (a) Closing Opinion;
- (b) The articles of incorporation and all amendments thereto of Reutlinger, duly certified as of a recent date by the Secretary of State of California;
- (c) A copy of the approved Amended Reutlinger Bylaws certified by the Secretary of the corporation.
- (d) Certificates dated as of a date not earlier than thirty business days prior to the Closing as to the good standing of Reutlinger and payment of all applicable state taxes by Reutlinger, executed by the appropriate officials of the State of California; and
- (e) Such other documents as Eskaton may reasonably request for the purpose of:
 - (i) evidencing the accuracy of any of Reutlinger's representations and warranties;
 - (ii) evidencing the performance by Reutlinger of, or the compliance by Reutlinger with, any covenant or obligation required to be performed or complied with by Reutlinger;
 - (iii) evidencing the satisfaction of any condition referred to in this Article VIII; or
 - (iv) otherwise facilitating the consummation or performance of any of the contemplated transactions.

Section 8.6 Consents. Each of the Material Consents identified in **Schedule 8.6** (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 8.7 Due Diligence. Eskaton shall have performed a comprehensive inspection and due diligence review of Reutlinger and the Reutlinger Assets and shall have determined, in its reasonable discretion, that the Reutlinger business and the Reutlinger Assets are acceptable to Eskaton. Eskaton shall be satisfied in its sole subjective discretion as to the completeness of the disclosure schedules of Reutlinger.

Section 8.8 No Material Adverse Change. There shall not have been a material adverse change in the Reutlinger Assets or the Reutlinger business or operations.

Section 8.9 Supplements or Amendments to the Representations and Warranties. Eskaton's obligation to close this Agreement is contingent upon its approval, in its sole subjective discretion, of the representations and warranties set forth under Article III of this Agreement. Notwithstanding anything to the contrary herein, Eskaton shall not be required to close this Agreement if it fails to consent to the supplements or amendments to the representations and warranties under Article III.

Section 8.10 Finalization of Exhibits. The exhibits have not been attached to this Agreement at the time of its signing. Instead, the text of those exhibits shall be agreed upon between the Parties prior to Closing. Eskaton shall be satisfied, in its sole subjective discretion, with the text of each of these exhibits in a form accepted by Eskaton.

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 Termination. 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 or destruction to the Reutlinger Assets, a Public Taking of the Reutlinger Assets, or a material

adverse change in the value of the Reutlinger Assets prior to Closing; 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 is not cured or 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 or destruction to the Eskaton Assets, a Public Taking of the Eskaton Assets, or a material adverse change in the value of the Eskaton Assets prior to Closing; 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 is not cured or waived by Reutlinger prior to Closing;

(c) By Reutlinger or Eskaton if the Closing hereunder shall not have taken place by _____, or such later date as shall be agreed upon by an amendment to this Agreement entered into in accordance with Section 11; provided, however, that a party shall not have the right to 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 Effect of Termination. 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 Section 13 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 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 INDEMNIFICATION

Section 12.1 Survival. The representations and warranties of Reutlinger and Eskaton contained in Articles III and IV, respectively, shall survive the Closing Date for a period of one (1) year and during such time shall be deemed to be material and to have been relied upon by Eskaton, and Reutlinger. The right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations shall not be affected by any investigation (including any environmental investigation or assessment) conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty, covenant or obligation. The waiver of any condition based upon the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations. Indemnification under this Article shall be limited to \$250,000.

Section 12.2 Indemnification and Reimbursement by Reutlinger. Reutlinger will indemnify and hold harmless Eskaton, and its representatives, subsidiaries and related persons (collectively, the “Eskaton Indemnified Persons”), and will reimburse the Eskaton Indemnified Persons for any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys’ fees and expenses) whether or not involving a third party claim (collectively, “Damages”), arising from or in connection with:

(a) any breach of any representation or warranty made by Reutlinger in (i) this Agreement (without giving effect to any supplement to any schedule hereto), (ii) all exhibits and schedules hereto, (iii) any supplements to any such schedules, (iv) the officer certificates delivered pursuant to Section 2.2(b), (v) any transfer instrument or (vi) any other certificate, document, writing or instrument delivered by Reutlinger pursuant to this Agreement;

(b) any breach of any covenant or obligation of Reutlinger in this Agreement or in any other certificate, document, writing or instrument delivered by Reutlinger pursuant to this Agreement;

(c) any liability arising out of the ownership or operation of the Reutlinger Assets prior to the Closing other than the assumed liabilities;

(d) any brokerage or finder’s fees or commissions or similar payments based upon any agreement or understanding made, or alleged to have been made, by any person with Reutlinger (or any person acting on their behalf) in connection with any of the contemplated transactions;

(e) any noncompliance with any Bulk Sales Laws or fraudulent transfer law in respect of the contemplated transactions; or

(f) any Benefit Plan established or maintained by Reutlinger.

Section 12.3 Indemnification and Reimbursement by Eskaton. Eskaton will indemnify and hold harmless Reutlinger, and its representatives, subsidiaries and related persons (collectively, the “Reutlinger Indemnified Persons”), and will reimburse the Reutlinger Indemnified Persons for any Damages arising from or in connection with:

(a) any breach of any representation or warranty made by Eskaton in (i) this Agreement (without giving effect to any supplement to any schedule hereto), (ii) all exhibits and schedules hereto, (iii) any supplements to any such schedules, (iv) the officer certificates delivered pursuant to Section 2.3(b), (v) any transfer instrument or (vi) any other certificate, document, writing or instrument delivered by Eskaton pursuant to this Agreement;

(b) any breach of any covenant or obligation of Eskaton in this Agreement or in any other certificate, document, writing or instrument delivered by Eskaton pursuant to this Agreement;

(c) any liability arising out of the ownership or operation of the Eskaton Assets prior to the Closing other than the assumed liabilities;

(d) any brokerage or finder’s fees or commissions or similar payments based upon any agreement or understanding made, or alleged to have been made, by any person with Eskaton (or any person acting on their behalf) in connection with any of the contemplated transactions.

(e) any noncompliance with any Bulk Sales Laws or fraudulent transfer law in respect of the contemplated transactions; or

(f) any Benefit Plan established or maintained by Eskaton.

Section 12.4 Third Party Claims.

(a) Promptly after receipt by a person entitled to indemnity under Section 12.2, 12.3 or 12.6 (an “Indemnified Person”) of notice of the assertion of a third party claim against it, such Indemnified Person shall give notice to the person obligated to indemnify under such Section (an “Indemnifying Person”) of the assertion of such third party claim, provided that the failure to notify the Indemnifying Person will not relieve the Indemnifying Person of any liability that it may have to any Indemnified Person, except to the extent that the Indemnifying Person demonstrates that the defense of such third party claim is prejudiced by the Indemnified Person’s failure to give such notice.

(b) If an Indemnified Person gives notice to the Indemnifying Person pursuant to Section 12.4(a) of the assertion of a third party claim, the Indemnifying Person shall be entitled to participate in the defense of such third party claim and, to the extent that it wishes (unless (i) the Indemnifying Person is also a Person against whom the third party claim is made and the

Indemnified Person determines in good faith that joint representation would be inappropriate or (ii) the Indemnifying Person fails to provide reasonable assurance to the Indemnified Person of its financial capacity to defend such third party claim and provide indemnification with respect to such third party claim), to assume the defense of such third party claim with counsel satisfactory to the Indemnified Person. After notice from the Indemnifying Person to the Indemnified Person of its election to assume the defense of such third party claim, the Indemnifying Person shall not, so long as it diligently conducts such defense, be liable to the Indemnified Person under this Section 12 for any fees of other counsel or any other expenses with respect to the defense of such third party claim, in each case subsequently incurred by the Indemnified Person in connection with the defense of such third party claim, other than reasonable costs of investigation. If the Indemnifying Person assumes the defense of a third party claim, (i) such assumption will conclusively establish for purposes of this Agreement that the claims made in that third party claim are within the scope of and subject to indemnification, and (ii) no compromise or settlement of such third party claims may be effected by the Indemnifying Person without the Indemnified Person's consent unless (A) there is no finding or admission of any violation of any legal requirement or any violation of the rights of any person; (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Person; and (C) the Indemnified Person shall have no liability with respect to any compromise or settlement of such third party claims effected without its consent. If notice is given to an Indemnifying Person of the assertion of any third party claim and the Indemnifying Person does not, within ten (10) days after the Indemnified Person's notice is given, give notice to the Indemnified Person of its election to assume the defense of such third party claim, the Indemnifying Person will be bound by any determination made in such third party claim or any compromise or settlement effected by the Indemnified Person.

(c) Notwithstanding the foregoing, if an Indemnified Person determines in good faith that there is a reasonable probability that a third party claim may adversely affect it or its related persons other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the Indemnified Person may, by notice to the Indemnifying Person, assume the exclusive right to defend, compromise or settle such third party claim, but the Indemnifying Person will not be bound by any determination of any third party claim so defended for the purposes of this Agreement or any compromise or settlement effected without its consent (which may not be unreasonably withheld).

(d) Notwithstanding the provisions of Section 16.10, the parties hereby consent to the nonexclusive jurisdiction of any court in which a proceeding in respect of a third party claim is brought against any Indemnified Person for purposes of any claim that an Indemnified Person may have under this Agreement with respect to such proceeding or the matters alleged therein and agree that process may be served on the parties with respect to such a claim anywhere in the world.

(e) With respect to any third party claim subject to indemnification under this Section 12: (i) both the Indemnified Person and the Indemnifying Person, as the case may be, shall keep the other person fully informed of the status of such third party claim and any related proceedings at all stages thereof where such person is not represented by its own counsel, and (ii) the parties shall (each at its own expense) render to each other such assistance as they may

reasonably require of each other and to cooperate in good faith with each other in order to ensure the proper and adequate defense of any third party claim.

(f) With respect to any third party claim subject to indemnification under this Section 12, the parties shall cooperate in such a manner as to preserve in full (to the extent possible) the confidentiality of all confidential information and the attorney-client and work-product privileges. In connection therewith, each party agrees that: (i) it will use its best efforts, in respect of any third party claim in which it has assumed or participated in the defense, to avoid production of confidential information (consistent with applicable law and rules of procedure), and (ii) all communications between any party hereto and counsel responsible for or participating in the defense of any third party claim shall, to the extent possible, be made so as to preserve any applicable attorney-client or work-product privilege.

Section 12.5 Other Claims. A claim for indemnification for any matter not involving a third party claim may be asserted by notice to the party from whom indemnification is sought and shall be paid promptly after such notice.

Section 12.6 Indemnification in Case of Strict Liability or Indemnitee Negligence.
THE INDEMNIFICATION PROVISIONS IN THIS SECTION 12 SHALL BE ENFORCEABLE REGARDLESS OF WHETHER THE LIABILITY IS BASED UPON PAST, PRESENT OR FUTURE ACTS, CLAIMS OR LEGAL REQUIREMENTS (INCLUDING ANY PAST, PRESENT OR FUTURE BULK SALES LAW, ENVIRONMENTAL LAW, FRAUDULENT TRANSFER ACT, OCCUPATIONAL SAFETY AND HEALTH LAW OR PRODUCTS LIABILITY, SECURITIES OR OTHER LEGAL REQUIREMENT) AND REGARDLESS OF WHETHER ANY PERSON (INCLUDING THE PERSON FROM WHOM INDEMNIFICATION IS SOUGHT) ALLEGES OR PROVES THE SOLE, CONCURRENT, CONTRIBUTORY OR COMPARATIVE NEGLIGENCE OF THE PERSON SEEKING INDEMNIFICATION OR THE SOLE OR CONCURRENT STRICT LIABILITY IMPOSED UPON THE PERSON SEEKING INDEMNIFICATION.

ARTICLE XIII CONFIDENTIALITY

Section 13.1 Confidential Information of Reutlinger. 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, 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. Further, Eskaton acknowledges that Reutlinger would be irreparably damaged if confidential information regarding the Community were disclosed (“Community Confidential Information”). 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 (i) any Reutlinger Confidential Information at any time, and (ii) any Community 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 13.1 shall survive the Closing, and if this transaction does not close it will survive the termination of this Agreement. For purposes of this Section 13.1, “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 13.1.

Section 13.2 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 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 13.2 shall survive the Closing, and if this transaction does not close it will survive the termination of this Agreement. For purposes of this Section 13.2, “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 13.2.

ARTICLE XIV PAYMENT OF EXPENSES

Legal, accounting and other expenses incident to this Agreement incurred by Reutlinger shall be paid by Reutlinger. Legal, accounting and other expenses incurred by Eskaton shall be paid by Eskaton. To the extent that Reutlinger and Eskaton jointly engage the services of experts or consultants, such expenses shall be shared equally by Reutlinger and Eskaton.

ARTICLE XV 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 or by telecopy, addressed as follows:

Reutlinger:

Copy to:

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 or telecopied and three (3) days after the date so mailed (if mailed).

ARTICLE XVI MISCELLANEOUS

Section 16.1 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 16.2 Representations. All representations, warranties, covenants, agreements and indemnification made by any party hereto in or pursuant to this Agreement, or in any instrument or certificate delivered pursuant to this Agreement, or in any instrument or certificate delivered pursuant thereto, shall be deemed to have been material and relied upon by the parties to which made and shall survive the execution, delivery and performance of this Agreement, the Closing hereunder, and any investigations made by or on behalf of any party hereto at any time.

Section 16.3 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 16.4 Binding Terms and Provisions. 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 16.5 Entire Agreement. 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 16.6 Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California.

Section 16.7 Public Announcements. 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.

Section 16.8 Waiver of Breach. 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 16.9 Third Party Beneficiaries. 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 16.10 Dispute Resolution; Jurisdiction; Service of Process. 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, 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 16.11 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 Properties, Inc. 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

From: Paul A. Gordon
Sent: Tuesday, December 11, 2018 5:41 PM PST
To: Mannisto, Jeffrey
Subject: RE: Reutlinger Affiliation Agreement [Eskaton draft 12-11-18].DOCX

Jeff, One key change already - the contracting party that becomes the sole member of Reutlinger should be Eskaton (the parent entity), not Eskaton Properties Inc., [EPI] its subsidiary. However, EPI would be the company with which TRC contracts for management services. Thanks. Paul

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Tuesday, December 11, 2018 4:48 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Reutlinger Affiliation Agreement [Eskaton draft 12-11-18].DOCX

Thanks Paul. I will take a look and revert back in due course

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP
11355 W. Olympic Blvd
Los Angeles, CA 90064
D (310) 312-4212 **F** (310) 914-5891

JMannisto@manatt.com

manatt.com

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Tuesday, December 11, 2018 3:57 PM
To: Mannisto, Jeffrey
Subject: Reutlinger Affiliation Agreement [Eskaton draft 12-11-18].DOCX

Jeff,

Here is the Eskaton draft of the affiliation agreement for your review and comment. Please let me know if you'd like to discuss.

Looking forward to working with you.

Paul

TRC0000110

PAUL A. GORDON
Partner
pgordon@hansonbridgett.com
(415) 995-5014 Direct
(415) 995-3430 Fax
www.SeniorCareLaw.com



Hanson Bridgett LLP
425 Market St.
24th Floor
San Francisco, California 94105

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The foregoing applies even if this notice is embedded in a message that is forwarded or attached.

From: Mannisto, Jeffrey
Sent: Wednesday, January 30, 2019 9:41 AM PST
To: 'Paul A. Gordon'
Subject: RE: Reutlinger Affiliation Agreement [Eskaton draft 12-11-18].DOCX
Attachments: Attachment to Exhibit 1.4(a).pdf, Comparison Result Reutlinger Affiliation Agreement Eskaton (Manatt revis....pdf, Reutlinger Affiliation Agreement Eskaton (Manatt revisions).DOCX

Paul: Attached is a revised draft of the agreement, along with a “redlined” copy of the same marked to show our proposed changes. My apologies for the delay and thanks for your patience – this is a really important transaction for my client, so they spent a lot of time with the draft (plus the holidays cause an additional slow down). We should be able to move much quicker from here.

Please take a look and then let me know if you would like to discuss.

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Tuesday, December 11, 2018 3:57 PM
To: Mannisto, Jeffrey
Subject: Reutlinger Affiliation Agreement [Eskaton draft 12-11-18].DOCX

Jeff,

Here is the Eskaton draft of the affiliation agreement for your review and comment. Please let me know if you'd like to discuss.

Looking forward to working with you.

Paul

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AFFILIATION AGREEMENT
BETWEEN
ESKATON**PROPERTIES, INC.**
AND
THE REUTLINGER COMMUNITY

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Exhibit 1.3 Eskaton Articles and Bylaws

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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 _____, ~~20~~2019 (“Effective Date”), by and ~~among~~between Eskaton ~~Properties Inc~~ (“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 “~~Community~~”;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, ~~having Reutlinger appoint Eskaton as its sole corporate member, all on the terms and conditions set forth in this Agreement~~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~~Parties hereto agree as follows:

ARTICLE I AFFILIATION FORMATION AND STRUCTURE

Section 1.1 Affiliation Transaction. The Parties shall take such actions, and enter into such transactions ~~as may be required, as are more fully set forth in this Agreement~~ to enter into and establish ~~an affiliation (the "Affiliation")~~, effective as of the Closing Date. ~~The specific actions and transactions necessary to establish the Affiliation are more fully set forth in this Agreement.~~ With respect to amendments to the governing documents of Reutlinger and Eskaton provided for in this Agreement, the ~~parties~~ 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 ~~Community~~ 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") ~~appointing substantially in the form attached hereto as Exhibit 1.2, which amendments shall, among other things, (i) designate~~ Eskaton, or an ~~agreed-upon~~ affiliate of Eskaton approved by Reutlinger, as its sole ~~corporate~~ 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) Reutlinger's Articles and Bylaws shall be further amended so 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.~~

~~(b)~~ (e) Effective as of the Closing Date, Reutlinger shall remain in existence as a California nonprofit public benefit corporation and ~~a subsidiary~~ 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 ~~as necessary to add~~ 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 ~~appointed~~ 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. ~~Upon~~, (ii) upon the death, incapacity, resignation or removal of the Reutlinger Designee for any reason, the right to ~~appoint designate and renew~~ his or her replacement shall be vested in ~~a Jewish community sponsored 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 Eskaton’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 ~~and~~, its written policies and its practices specifically designed to preserve Jewish values and practices, as in effect on the ~~date of~~ Closing Date, shall be maintained, ~~particularly including~~. Such policies and practices include (without limitation), the policies respecting the Residents’ Assistance Fund and those respecting Holocaust Survivors, all of which. All of such policies and practices shall continue in full force and effect. No material modifications to any said mission statement or 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 texts text of the mission statement and all such policies are attached hereto as Schedule 1.4(b). The Reutlinger 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. 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 agrees it~~ 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 meet such honor all of Reutlinger’s obligations and to carry out the capital expenditures contemplated in Reutlinger’s CAPEX plan and capital reserve study and to operate Reutlinger in the manner specified in this Agreement the CapEx Plan, provided that such expenditures by Eskaton shall not exceed Five Million Dollars (\$5,000,000.00) of its own capital over the five (5) year period following the Closing and (iii) shall not 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. The Reutlinger Designee shall be entitled to enforce, by seeking equitable remedies or otherwise, the commitments of (c) — Eskaton described in this section, all at the cost and expense of Eskaton.

(c) ~~(d)~~Eskaton and Reutlinger will continue to operate the Community 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. ~~The, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger 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.~~

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

(e) ~~(f)~~Eskaton—Neither Eskaton nor Reutlinger will ~~not~~ 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 Community Reutlinger Facilities in a manner substantially similar to that conducted by Reutlinger immediately prior to the Closing ~~—Eskaton—~~ 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. ~~The Reutlinger 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, 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 Designator 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.

(h) 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~~ 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~~ Plan of Reorganization; Further Assurances

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, and that receipt of such approvals or waivers shall have been obtained prior to the Closing Date. The parties.~~ The Parties shall execute and deliver such documents and obtain such consents as are necessary to bring about the ~~reorganization~~ Affiliation set forth in this Agreement. The ~~parties~~ 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~~ Party may reasonably request for the purpose of carrying out the intent of this Agreement and the ~~contemplated transactions~~ 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 ~~Community~~ 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 ~~Community~~ 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 ~~Community~~ 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 ~~Community~~ [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 ~~Community~~ [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 ~~Community~~ [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 (~~collectively, the “Reutlinger Intangible Property”~~) of every kind and nature used in, derived from or necessary or intended for the operation of the ~~Community~~ 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 ~~Community~~ (~~collectively, the “Reutlinger Intellectual Property”~~) Facilities;

(4) All telephone ~~numbers, telecopy~~ 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 ~~Community~~ 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 ~~Community~~ 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 ~~Community~~ 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 (~~collectively, the “Eskaton Intangible 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 thereof 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 (~~collectively, the “Eskaton Intellectual Property”~~). ;

(4) All telephone ~~numbers, telecopy~~ 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, reposessions, and products of any of the Eskaton Assets described above.

ARTICLE II CLOSING

Section 2.1 **Closing**. 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 ~~tenth~~ fifth (~~10th~~ 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 Deliveries of Reutlinger. 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 ~~reorganization and integration of Reutlinger and Eskaton~~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 ~~date of 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 Deliveries of Eskaton. 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 ~~reorganization and integration of Reutlinger and Eskaton~~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 ~~date of~~ 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 ~~(the “Closing Opinion”)~~.

(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~~ 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. ~~From the Effective Date and until the Closing Date, the parties shall continue to conduct their respective due diligence review of the matters set forth under this Article. On or before the Closing Date, the parties shall cause the representations and warranties set forth below to be supplemented or amended in order to correct any information set forth in this Agreement which the parties determine to have been inaccurately stated and represented as of the Effective Date. Subject to Section 5.2, on or before the Closing Date, Reutlinger shall also deliver to Eskaton the schedules required under this Agreement.~~ 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 ~~best Knowledge~~ of Reutlinger’s ~~knowledge~~, 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 Authorization. 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. ~~No~~

Section 3.3 Violation—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 Consents. Except as set forth in **Schedule 3.4**, 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 Real Property Permitted Exceptions”~~, ~~(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. ~~There 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. ~~A true, correct and complete copy of the documents giving rise to each Reutlinger Real Property Permitted Exception has heretofore been delivered to Eskaton.~~

(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 ~~**Schedule 3.5(b), 3.5(c), to the Knowledge of**~~ Reutlinger ~~is not aware of any~~, 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) ~~The~~ 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 ~~Community~~ 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) **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.

(a) 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 [Community 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 [Schedule 3.7\(b\)](#) 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 ~~material adverse~~ 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, 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 ~~or otherwise has knowledge of~~ 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 Licenses and Permits. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 Community Reutlinger Facilities and each of its departments as currently operated. Except as set forth in **Schedule 3.10**, to the ~~best knowledge~~ 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 **Schedule 3.11(a)** the Community Reutlinger Facilities has for at least the past ~~3~~ 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 Community 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) — Schedule 3.11(b) 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 Schedule 3.11(b).~~

~~(b)~~ ~~(e)~~ Schedule 3.11(b) 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 Schedule 3.11(b).

~~(c)~~ ~~(d)~~ Except as set forth in Schedule 3.11(c), there is no dispute between the ~~Community~~ 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 Schedule 3.11(c), Reutlinger has not received any notices that Medicare has any claims against such party or the ~~Community~~ Reutlinger Facilities that could result in offsets against future Community accounts receivable above any amounts reserved therefore.:-

Section 3.12 Compliance with Law. Except as disclosed in Schedule 3.12 or elsewhere in this Agreement, Reutlinger, and each entity constituting Reutlinger and the ~~Community~~ 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~~ 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 ~~Community~~ 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 Employment Obligations. 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 ~~best~~ Knowledge of Reutlinger's ~~knowledge~~ and except as set forth on Schedule 3.14(a): ~~(ii)~~ there is no unfair labor practice complaint against Reutlinger pending before

the National Labor Relations Board; ~~(iii)~~ there is no labor strike, dispute, slowdown or stoppage actually pending or, to the ~~knowledge~~ Knowledge of Reutlinger, threatened against or involving or affecting Reutlinger ; ~~(iv)~~ (iii) no representation question exists respecting the employees of Reutlinger; ~~(v)~~ (iv) no grievance or any arbitration proceeding is pending; ~~(vi)~~ (v) Reutlinger has not experienced any labor stoppage during the last five (5) years; ~~and~~ (vii) Reutlinger is in full compliance with all union contracts and collective bargaining agreements;~~(viii)~~

(b) Except as set forth on **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 ~~this~~ the Affiliation, no binding agreements have been made or entered into between Reutlinger and any employee involved in the ~~Community~~ Reutlinger Facilities regarding changes in compensation, promotion or any other change in status.

Section 3.15 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.15**, there is no unassessed tax deficiency proposed or, to the ~~best knowledge~~ 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 ~~best knowledge~~ 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. To ~~Reutlinger's knowledge~~the Knowledge of Reutlinger, Reutlinger is in compliance in all material respects with the terms and provisions of the Immigration ~~Act~~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~~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 Reutlinger Boards of Directors. **Schedule 3.20** 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 ~~due investigation, and Reutlinger shall be responsible for all facts which the CEO knew, or should have known as a result of such due investigation. The CEO's investigation shall consist of an inquiry~~ 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 ~~best knowledge~~ 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, ~~except as specifically provided in this Agreement,~~ 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 ~~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) ~~Reutlinger's indemnification obligations under this Agreement or any other agreement executed in connection with the closing of this transaction;~~ (ii) any material default by Reutlinger in the performance of any of Reutlinger's ~~other~~ obligations under this Agreement; ~~(iii) or (ii) the fraud of Reutlinger;~~ (iv) ~~any claims of Eskaton of arising out of liability to third parties for personal injury in connection with events arising, occurring or accruing prior to the Closing Date; or~~ (v) ~~any damages caused solely by the inaccuracy of any representation of Reutlinger set forth in Article III, (collectively, "Reutlinger Liabilities")~~ Eskaton acknowledges and agrees 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 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 ~~which 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, ~~which~~ if known by him or her ~~must~~, 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, ~~neither~~ Eskaton ~~nor~~ 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.

Eskaton's Initials: _____

The provisions of this Section 3.22 shall survive the Closing.

**ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF ESKATON**

~~Section 4.1~~ The truth, accuracy and completeness of the representations, warranties and covenants of each entity comprising Eskaton contained in this Agreement shall, subject to ~~section 4.21~~ [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. ~~From the Effective Date and until the Closing Date, the parties shall continue to conduct their respective due diligence review of the matters set forth under this Article. On or before the Closing Date, the parties shall cause the representations and warranties set forth below to be supplemented or amended in order to correct any information set forth in this Agreement which the parties determine to have been inaccurately stated and represented as of the Effective Date. Subject to Section 5.2, on or before the Closing Date, Eskaton shall also deliver to Reutlinger the schedules required under this Agreement.~~ 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](#) ~~Section 4.2~~ [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 ~~best knowledge~~ [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 4.24.1](#). [For purposes of this Agreement, the term “Knowledge of Eskaton” means the actual knowledge of \[_____\].](#)

[Section 4.2](#) ~~Section 4.3~~ [Authorization](#). 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](#) ~~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 4.4](#) ~~Section 4.5~~ 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](#) ~~Section 4.6~~ Consents. Except as set forth in ~~Schedule 4.6~~[4.5](#), 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](#) ~~Section 4.7~~ Eskaton Real Property.

(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 4.7(a)~~[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 4.7(b)~~[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 4.7(b)~~[4.6\(b\)](#) (“~~Reutlinger-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 **Schedule 4.7(b)(4.6(c))** 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 ~~Section 4.8~~ Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.8 4.7** 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 ~~Section 4.9~~ Eskaton Financial Statements.

(a) Attached as **Schedule 4.9(a)(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, ~~2013~~ 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 4.9(a)(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 ~~material adverse 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](#) ~~Section 4.10~~ **Insurance**. ~~Schedule 4.10~~ [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 4.10~~ [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 4.10~~ [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 ~~or otherwise has knowledge of~~ 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](#) ~~Section 4.11~~ **Litigation**. Except as set forth in ~~Schedule 4.11~~ [4.10](#) (said matters set forth in ~~Schedule 4.11~~ [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 4.11~~ [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 4.11~~ [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](#) ~~Section 4.12~~ **Licenses and Permits**. True and correct copies of the Eskaton Licenses and Permits have been delivered to Reutlinger by Eskaton. Except as set forth in ~~Schedule~~

4.124.11, 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 4.124.11, to the ~~best knowledge~~ 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 4.124.11, 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 4.124.11, 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 ~~Section 4.13~~ Government Program; Third Party Payors.

(a) Except as set forth on Schedule 4.13(a4.12(a)) 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 4.13(a4.12(a)).

(b) Schedule 4.13(b4.12(b)) 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 Schedule 4.13(b4.12(b)).

(c) Except as set forth in Schedule 4.13(e4.12(c)), 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 Schedule 4.13(e4.12(c)), 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 ~~Section 4.14~~ Compliance with Law. Except as disclosed in Schedule 4.14 4.13 or elsewhere in this Agreement, Eskaton, and each entity constituting Eskaton and the Eskaton Facilities and the operation thereof are, to the ~~best knowledge~~ 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~~-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 ~~Section 4.15~~ Employment Obligations. All obligations of Eskaton with respect to any of Eskaton'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 ~~Section 4.16~~ Employment Matters.

(a) To the ~~best~~-Knowledge of Eskaton's ~~s knowledge~~ and except as set forth on Schedule 4.16(a)~~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~~-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 4.16(b)~~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 4.16(b)~~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 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 ~~Section 4.17~~ Tax Returns and Liabilities. Except as set forth in **Schedule 4.174.16**, 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 **Schedule 4.174.16**, 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 **Schedule 4.174.16**, there is no unassessed tax deficiency proposed or, to the ~~best knowledge~~ 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 ~~best knowledge~~ 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 ~~Section 4.18~~ 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 **Schedule 4.18(b)**~~4.17(b)~~, 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 ~~Section 4.19~~ Contracts and Commitments.

(a) **Schedule 4.19(a)**~~4.18(a)~~ 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.

~~Section 4.20~~ Except as set forth in Schedule 4.20~~4.18~~, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in Schedule 4.20~~4.18~~, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 ~~Section 4.21~~ Brokers' and Finders' Fees. 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 ~~Eskaton's knowledge~~ 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 ~~Community~~ 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~~ 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 ~~Section 4.23~~ Eskaton Boards of Directors. ~~Schedule 4.23~~ 4.22 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 ~~Section 4.24~~ 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 "best knowledge 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 ~~best knowledge~~ 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 ~~Section 4.25~~ AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(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) ~~Eskaton's indemnification obligations under this Agreement or any other agreement executed in connection with the closing of this transaction;~~ (ii) any material default by Eskaton in the performance of any of ~~their~~ its other obligations under this Agreement; ~~or (iii) the fraud of Eskaton;~~ (iv) ~~any claims of Reutlinger arising out of liability to third parties for personal injury in connection with events arising, occurring or accruing prior to the Closing Date;~~ or (v) ~~any damages caused solely by the inaccuracy of any representation of Eskaton set forth in Article IV;~~ 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 ~~their~~ 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 ~~which~~ 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, ~~which~~ if known by him or her ~~must~~, 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 ~~their~~ 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 ~~their~~ 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 ~~4.25~~ 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 — Schedules. This Agreement has been executed without any of the schedules or exhibits being completed by the parties. At least 30 days prior to the Closing Date, each party shall have prepared and submitted to the other parties a draft of each applicable schedule and exhibit. At least 10 days prior to the Closing Date, each party shall cause its schedules to be supplemented or amended as necessary to be accurate and complete. Each party shall be deemed to have accepted the Schedules and Exhibits of each other party if the Closing occurs.~~

Section 5.2 ~~Section 5.3~~ Reutlinger's Pre-Closing Activities. From the Effective Date to the Closing Date, Reutlinger will identify in **Schedule 5.3-5.2** 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 ~~Section 5.4~~ Reutlinger's Best Commercially Reasonable Efforts. Reutlinger covenants and agrees to use its ~~best and most diligent~~ 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 ~~Section 5.5~~ Managed Care Contracts. Reutlinger agrees to use its ~~best~~ commercially reasonable efforts to assist Eskaton in causing Reutlinger to maintain, after the Closing Date, the various managed care contracts in which the ~~Community~~ Reutlinger Facilities now participates.

Section 5.5 ~~Section 5.6~~ Required Approvals. 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 ~~Section 5.7~~ 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 ~~Section 5.8~~ 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](#) ~~Section 5.9~~ **Payment of Liabilities.** 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 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 Schedules. This Agreement has been executed without any of the schedules or exhibits being completed by the parties. At least 30 days prior to the Closing Date, each party shall have prepared and submitted to the other parties a draft of each applicable schedule and exhibit. At least 10 days prior to the Closing Date, each party shall cause its schedules to be supplemented or amended as necessary to be accurate and complete. Each party shall be deemed to have accepted the Schedules and Exhibits of each other party if the Closing occurs.~~

[Section 6.2](#) ~~Section 6.3~~ **Eskaton Pre-Closing Activities.** From the Effective Date to the Closing Date, Eskaton will identify in Schedule 6.3-6.2 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 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](#) **Eskaton's Best-Commercially Reasonable Efforts.** Eskaton covenants and agrees to use its ~~best and most diligent~~ 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](#) ~~Section 6.5~~ Required Approvals. 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](#) ~~Section 6.6~~ Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on Schedule 7.3¹ necessary for Reutlinger to consummate the transactions described herein ~~including the consent of the California Attorney General~~.

¹ [List to include all agencies listed in Section 1.6 hereof.](#)

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the ~~documents, agreements and certificates required to be executed or delivered by Eskaton pursuant to any term or provision of this Agreement, including without limitation:~~ Eskaton Closing Documents.

~~(a) — Closing Opinion;~~

~~(b) — The articles of incorporation and all amendments thereto of Eskaton, duly certified as of a recent date by the Secretary of State of California;~~

~~(c) — A copy of the approved Amended Eskaton Bylaws certified by the Secretary of the respective corporations;~~

~~(d) — Certificates dated as of a date not earlier than the third business day prior to the Closing as to the good standing of Eskaton and payment of all applicable state taxes by Eskaton, executed by the appropriate officials of the State of California; and~~

~~(e) — Such other documents as Reutlinger may reasonably request for the purpose of:~~

~~(i) — evidencing the accuracy of any of Eskaton's representations and warranties;~~

~~(ii) — evidencing the performance by Eskaton of, or the compliance by Eskaton with, any covenant or obligation required to be performed or complied with by Eskaton;~~

~~(iii) — evidencing the satisfaction of any condition referred to in this Article VII; or~~

~~(iv) — otherwise facilitating the consummation or performance of any of the contemplated transactions.~~

Section 7.6 Consents. Each of the consents identified in Schedule 7.6 (the "Material Consents") shall have been obtained and shall be in full force and effect.

~~Section 7.7 — Due Diligence. Reutlinger shall have performed a comprehensive inspection and due diligence review of Eskaton and the Eskaton Assets and shall have determined, in its reasonable discretion, that the Eskaton business and the Eskaton Assets are acceptable to Reutlinger. Reutlinger shall be satisfied in their sole subjective discretion as to the completeness of the disclosure schedules of Eskaton~~

Section 7.7 ~~Section 7.8~~ No Material Adverse Change. There shall not have been a material adverse change in the Eskaton Assets or the Eskaton business or operations.

~~Section 7.9 — Supplements or Amendments to the Representations and Warranties. Reutlinger's obligation to close this Agreement is contingent upon Reutlinger's approval, in its sole subjective discretion, of the representations and warranties set forth under Article IV of this Agreement. Notwithstanding anything to the contrary herein, Reutlinger shall not be required to close this Agreement if it fails to consent to the supplements or amendments to the representations and warranties under Article IV.~~

~~Section 7.10 — Finalization of Exhibits. The exhibits have not been attached to this Agreement at the time of its signing. Instead, the text of those exhibits shall be agreed upon between the parties prior to the Closing. Reutlinger shall be satisfied, in its sole subjective discretion, with the text of each of these exhibits in a form accepted by Eskaton.~~

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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on Schedule 8.3 for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the ~~documents, agreements and certificates required to be executed or delivered by Reutlinger pursuant to any term or provision of this Agreement, including without limitation:~~ Reutlinger Closing Documents.

~~(a) — Closing Opinion;~~

~~(b) — The articles of incorporation and all amendments thereto of Reutlinger, duly certified as of a recent date by the Secretary of State of California;~~

~~(c) — A copy of the approved Amended Reutlinger Bylaws certified by the Secretary of the corporation.~~

~~(d) — Certificates dated as of a date not earlier than thirty business days prior to the Closing as to the good standing of Reutlinger and payment of all applicable state taxes by Reutlinger, executed by the appropriate officials of the State of California; and~~

~~(e) — Such other documents as Eskaton may reasonably request for the purpose of:~~

~~(i) — evidencing the accuracy of any of Reutlinger’s representations and warranties;~~

~~(ii) — evidencing the performance by Reutlinger of, or the compliance by Reutlinger with, any covenant or obligation required to be performed or complied with by Reutlinger;~~

~~(iii) — evidencing the satisfaction of any condition referred to in this Article VIII; or~~

~~(iv) — otherwise facilitating the consummation or performance of any of the contemplated transactions.~~

Section 8.6 Consents. Each of the Material Consents identified in **Schedule 8.6** (the “Material Consents”) shall have been obtained and shall be in full force and effect.

~~Section 8.7 — Due Diligence. Eskaton shall have performed a comprehensive inspection and due diligence review of Reutlinger and the Reutlinger Assets and shall have determined, in its reasonable discretion, that the Reutlinger business and the Reutlinger Assets are acceptable to Eskaton. Eskaton shall be satisfied in its sole subjective discretion as to the completeness of the disclosure schedules of Reutlinger.~~

Section 8.7 ~~Section 8.8~~ No Material Adverse Change. There shall not have been a material adverse change in the Reutlinger Assets or the Reutlinger business or operations.

~~Section 8.9 — Supplements or Amendments to the Representations and Warranties. Eskaton's obligation to close this Agreement is contingent upon its approval, in its sole subjective discretion, of the representations and warranties set forth under Article III of this Agreement. Notwithstanding anything to the contrary herein, Eskaton shall not be required to close this Agreement if it fails to consent to the supplements or amendments to the representations and warranties under Article III.~~

~~Section 8.10 — Finalization of Exhibits. The exhibits have not been attached to this Agreement at the time of its signing. Instead, the text of those exhibits shall be agreed upon between the Parties prior to Closing. Eskaton shall be satisfied, in its sole subjective discretion, with the text of each of these exhibits in a form accepted by Eskaton.~~

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 Termination. 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 ~~or~~ destruction or loss to the Reutlinger Assets, ~~a Public Taking of the Reutlinger Assets, or a material adverse change in the value of the Reutlinger Assets prior to Closing (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 ~~is not cured or~~ 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 ~~or~~ destruction or loss to the Eskaton Assets, ~~a Public Taking of the Eskaton Assets, or a material adverse change in the value of the Eskaton Assets prior to Closing (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 ~~is not cured or~~ 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~~ 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 Agreement entered into in accordance with ~~Section 11~~ Article XI; provided,

² Discuss outside closing date.

however, that a party shall not have the right to 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 Effect of Termination. 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 ~~Section 13~~ 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~~ **ARTICLE XIII**

~~ARTICLE XII~~ **INDEMNIFICATION**

~~Section 12.1~~ Survival. ~~The representations and warranties of Reutlinger and Eskaton contained in Articles III and IV, respectively, shall survive the Closing Date for a period of one (1) year and during such time shall be deemed to be material and to have been relied upon by Eskaton, and Reutlinger. The right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations shall not be affected by any investigation (including any environmental investigation or assessment)~~

~~conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty, covenant or obligation. The waiver of any condition based upon the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations. Indemnification under this Article shall be limited to \$250,000.~~

~~Section 12.2~~ Indemnification and Reimbursement by Reutlinger. ~~Reutlinger will indemnify and hold harmless Eskaton, and its representatives, subsidiaries and related persons (collectively, the “Eskaton Indemnified Persons”), and will reimburse the Eskaton Indemnified Persons for any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys’ fees and expenses) whether or not involving a third party claim (collectively, “Damages”), arising from or in connection with:~~

~~(a) any breach of any representation or warranty made by Reutlinger in (i) this Agreement (without giving effect to any supplement to any schedule hereto), (ii) all exhibits and schedules hereto, (iii) any supplements to any such schedules, (iv) the officer certificates delivered pursuant to Section 2.2(b), (v) any transfer instrument or (vi) any other certificate, document, writing or instrument delivered by Reutlinger pursuant to this Agreement;~~

~~(b) any breach of any covenant or obligation of Reutlinger in this Agreement or in any other certificate, document, writing or instrument delivered by Reutlinger pursuant to this Agreement;~~

~~(c) any liability arising out of the ownership or operation of the Reutlinger Assets prior to the Closing other than the assumed liabilities;~~

~~(d) any brokerage or finder’s fees or commissions or similar payments based upon any agreement or understanding made, or alleged to have been made, by any person with Reutlinger (or any person acting on their behalf) in connection with any of the contemplated transactions;~~

~~(e) any noncompliance with any Bulk Sales Laws or fraudulent transfer law in respect of the contemplated transactions; or~~

~~(f) any Benefit Plan established or maintained by Reutlinger.~~

~~Section 12.3 ————— Indemnification and Reimbursement by Eskaton.~~ Eskaton will indemnify and hold harmless Reutlinger, and its representatives, subsidiaries and related persons (collectively, the “Reutlinger Indemnified Persons”), and will reimburse the Reutlinger Indemnified Persons for any Damages arising from or in connection with:

~~(a) — any breach of any representation or warranty made by Eskaton in (i) this Agreement (without giving effect to any supplement to any schedule hereto), (ii) all exhibits and schedules hereto, (iii) any supplements to any such schedules, (iv) the officer certificates delivered pursuant to Section 2.3(b), (v) any transfer instrument or (vi) any other certificate, document, writing or instrument delivered by Eskaton pursuant to this Agreement;~~

~~(b) — any breach of any covenant or obligation of Eskaton in this Agreement or in any other certificate, document, writing or instrument delivered by Eskaton pursuant to this Agreement;~~

~~(c) — any liability arising out of the ownership or operation of the Eskaton Assets prior to the Closing other than the assumed liabilities;~~

~~(d) — any brokerage or finder’s fees or commissions or similar payments based upon any agreement or understanding made, or alleged to have been made, by any person with Eskaton (or any person acting on their behalf) in connection with any of the contemplated transactions;~~

~~(e) — any noncompliance with any Bulk Sales Laws or fraudulent transfer law in respect of the contemplated transactions; or~~

~~(f) — any Benefit Plan established or maintained by Eskaton.~~

~~Section 12.4 ————— Third Party Claims.~~

~~(a) — Promptly after receipt by a person entitled to indemnity under Section 12.2, 12.3 or 12.6 (an “Indemnified Person”) of notice of the assertion of a third party claim against it, such Indemnified Person shall give notice to the person obligated to indemnify under such Section (an “Indemnifying Person”) of the assertion of such third party claim, provided that the failure to notify the Indemnifying Person will not relieve the Indemnifying Person of any liability that it may have to any Indemnified Person, except to the extent that the Indemnifying Person demonstrates that the defense of such third party claim is prejudiced by the Indemnified Person’s failure to give such notice.~~

~~(b) — If an Indemnified Person gives notice to the Indemnifying Person pursuant to Section 12.4(a) of the assertion of a third party claim, the Indemnifying Person shall be entitled to participate in the defense of such third party claim and, to the extent that it wishes (unless (i) the Indemnifying Person is also a Person against whom the third party claim is made and the Indemnified Person determines in good faith that joint representation would be inappropriate or (ii) the Indemnifying Person fails to provide reasonable assurance to the Indemnified Person of its financial capacity to defend such third party claim and provide indemnification with respect to~~

~~such third party claim), to assume the defense of such third party claim with counsel satisfactory to the Indemnified Person. After notice from the Indemnifying Person to the Indemnified Person of its election to assume the defense of such third party claim, the Indemnifying Person shall not, so long as it diligently conducts such defense, be liable to the Indemnified Person under this Section 12 for any fees of other counsel or any other expenses with respect to the defense of such third party claim, in each case subsequently incurred by the Indemnified Person in connection with the defense of such third party claim, other than reasonable costs of investigation. If the Indemnifying Person assumes the defense of a third party claim, (i) such assumption will conclusively establish for purposes of this Agreement that the claims made in that third party claim are within the scope of and subject to indemnification, and (ii) no compromise or settlement of such third party claims may be effected by the Indemnifying Person without the Indemnified Person's consent unless (A) there is no finding or admission of any violation of any legal requirement or any violation of the rights of any person; (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Person; and (C) the Indemnified Person shall have no liability with respect to any compromise or settlement of such third party claims effected without its consent. If notice is given to an Indemnifying Person of the assertion of any third party claim and the Indemnifying Person does not, within ten (10) days after the Indemnified Person's notice is given, give notice to the Indemnified Person of its election to assume the defense of such third party claim, the Indemnifying Person will be bound by any determination made in such third party claim or any compromise or settlement effected by the Indemnified Person.~~

~~(c) — Notwithstanding the foregoing, if an Indemnified Person determines in good faith that there is a reasonable probability that a third party claim may adversely affect it or its related persons other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the Indemnified Person may, by notice to the Indemnifying Person, assume the exclusive right to defend, compromise or settle such third party claim, but the Indemnifying Person will not be bound by any determination of any third party claim so defended for the purposes of this Agreement or any compromise or settlement effected without its consent (which may not be unreasonably withheld).~~

~~(d) — Notwithstanding the provisions of Section 16.10, the parties hereby consent to the nonexclusive jurisdiction of any court in which a proceeding in respect of a third party claim is brought against any Indemnified Person for purposes of any claim that an Indemnified Person may have under this Agreement with respect to such proceeding or the matters alleged therein and agree that process may be served on the parties with respect to such a claim anywhere in the world.~~

~~(e) — With respect to any third party claim subject to indemnification under this Section 12: (i) both the Indemnified Person and the Indemnifying Person, as the case may be, shall keep the other person fully informed of the status of such third party claim and any related proceedings at all stages thereof where such person is not represented by its own counsel, and (ii) the parties shall (each at its own expense) render to each other such assistance as they may reasonably require of each other and to cooperate in good faith with each other in order to ensure the proper and adequate defense of any third party claim.~~

~~(f) — With respect to any third party claim subject to indemnification under this Section 12, the parties shall cooperate in such a manner as to preserve in full (to the extent possible) the confidentiality of all confidential information and the attorney-client and work-product privileges. In connection therewith, each party agrees that: (i) it will use its best efforts, in respect of any third party claim in which it has assumed or participated in the defense, to avoid production of confidential information (consistent with applicable law and rules of procedure); and (ii) all communications between any party hereto and counsel responsible for or participating in the defense of any third party claim shall, to the extent possible, be made so as to preserve any applicable attorney-client or work-product privilege.~~

~~Section 12.5 — Other Claims. A claim for indemnification for any matter not involving a third party claim may be asserted by notice to the party from whom indemnification is sought and shall be paid promptly after such notice.~~

~~Section 12.6 — Indemnification in Case of Strict Liability or Indemnitee Negligence. THE INDEMNIFICATION PROVISIONS IN THIS SECTION 12 SHALL BE ENFORCEABLE REGARDLESS OF WHETHER THE LIABILITY IS BASED UPON PAST, PRESENT OR FUTURE ACTS, CLAIMS OR LEGAL REQUIREMENTS (INCLUDING ANY PAST, PRESENT OR FUTURE BULK SALES LAW, ENVIRONMENTAL LAW, FRAUDULENT TRANSFER ACT, OCCUPATIONAL SAFETY AND HEALTH LAW OR PRODUCTS LIABILITY, SECURITIES OR OTHER LEGAL REQUIREMENT) AND REGARDLESS OF WHETHER ANY PERSON (INCLUDING THE PERSON FROM WHOM INDEMNIFICATION IS SOUGHT) ALLEGES OR PROVES THE SOLE, CONCURRENT, CONTRIBUTORY OR COMPARATIVE NEGLIGENCE OF THE PERSON SEEKING INDEMNIFICATION OR THE SOLE OR CONCURRENT STRICT LIABILITY IMPOSED UPON THE PERSON SEEKING INDEMNIFICATION.~~**CONFIDENTIALITY**

Section 12.1 ~~Section 13.1~~ Confidential Information of Reutlinger. 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. ~~Further, Eskaton acknowledges that Reutlinger would be irreparably damaged if confidential information regarding the Community were disclosed (“Community Confidential Information”).~~ 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 ~~(i) any Reutlinger Confidential Information at any time, and (ii) any Community 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 ~~13.1~~ 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 ~~13.1~~ 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 ~~13.1~~12.1.

Section 12.2 ~~Section 13.2~~ 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 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 ~~13.2~~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 ~~13.2~~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 ~~13.2~~12.2.

~~ARTICLE XIII~~ARTICLE XIV PAYMENT OF EXPENSES

~~Legal~~ 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. ~~Legal, accounting and other expenses incurred by~~ 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~~ARTICLE XV 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 ~~or by telecopy~~, 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: [_____
_____]

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 ~~or telecopied~~ and three (3) days after the date so mailed (if mailed).

~~ARTICLE XV~~ **ARTICLE XVI**
MISCELLANEOUS

[Section 15.1](#) ~~Section 16.1~~ Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

~~Section 16.2~~ ~~Representations~~. ~~All representations, warranties, covenants, agreements and indemnification made by any party hereto in or pursuant to this Agreement, or in any instrument or certificate delivered pursuant to this Agreement, or in any instrument or certificate delivered pursuant thereto, shall be deemed to have been material and relied upon by the parties to which made and shall survive the execution, delivery and performance of this Agreement, the Closing hereunder, and any investigations made by or on behalf of any party hereto at any time.~~

[Section 15.2](#) Survival. 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](#) ~~Section 16.3~~ Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

[Section 15.4](#) ~~Section 16.4~~ Binding Terms and Provisions. 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 ~~Section 16.5~~ Entire Agreement. 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 ~~Section 16.6~~ Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California.

Section 15.7 ~~Section 16.7~~ Public Announcements; Public Relations. The ~~parties~~ 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 ~~Section 16.8~~ Waiver of Breach. 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 ~~Section 16.9~~ Third Party Beneficiaries. 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 ~~Section 16.10~~ Dispute Resolution; Jurisdiction; Service of Process. 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~~ 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 Drafting. 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 Severability. 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](#) ~~[Section 16.11](#)~~ 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~~ 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

~~Eskaton Properties, Inc. 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

[Signature Page]

15096733.1

321511933.5

Exhibit 1.2

Reutlinger Articles & Bylaws

Exhibit 1.2

321511933.5

15096733.1

Exhibit 1.3

Eskaton Articles and Bylaws

Exhibit 1.3

321511933.5

15096733.1

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

Financial Assistance Program: 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.

Exhibit 1.4(a)

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)

Exhibit 1.4(a)

321511933.5

15096733.1

TRC0000173

Exhibit 1.5

321511933.5

Exhibit 1.5

15096733.1

Exhibit 2.3(d)

321511933.5

Exhibit 2.3(d)

15096733.1

Comparison Details	
Title	pdfDocs compareDocs Comparison Results
Date & Time	1/30/2019 9:08:32 AM
Comparison Time	2.28 seconds
compareDocs version	v4.3.100.78

Sources	
Original Document	[WEST][#321511933] [v1] Reutlinger Affiliation Agreement Eskaton draft 12-11-18 (2).docx
Modified Document	[WEST][#321511933] [v5] Reutlinger Affiliation Agreement Eskaton (Manatt revisions).docx

Comparison Statistics	
Insertions	284
Deletions	142
Changes	265
Moves	0
Font Changes	0
Paragraph Style Changes	0
Character Style Changes	0
TOTAL CHANGES	691

Word Rendering Set Markup Options	
Name	Standard
<u>Insertions</u>	
Deletions	
<u>Moves / Moves</u>	
Font Changes	
Paragraph Style Changes	
Character Style Changes	
Inserted cells	
Deleted cells	
Merged cells	
Changed lines	Mark left border.
Comments color	By Author.
Balloons	False

compareDocs Settings Used	Category	Option Selected
Open Comparison Report after Saving	General	Always
Report Type	Word	Formatting
Character Level	Word	False
Include Headers / Footers	Word	True
Include Footnotes / Endnotes	Word	True
Include List Numbers	Word	True
Include Tables	Word	True
Include Field Codes	Word	True
Include Moves	Word	False
Show Track Changes Toolbar	Word	True
Show Reviewing Pane	Word	True
Update Automatic Links at Open	Word	False
Summary Report	Word	End
Include Change Detail Report	Word	Separate
Document View	Word	Print
Remove Personal Information	Word	False
Flatten Field Codes	Word	True



The Reutlinger Community

Financial Assistance Program

It is the desire of The Reutlinger Community ("Reutlinger") to provide financial assistance to residents ("Residents") that have outlived or depleted their financial resources and can no longer afford to pay the full current cost of residing at Reutlinger. The amount of funding available for the Financial Assistance Program ("Program") is determined annually by the Board ("Board"). Qualification for financial assistance is based on criteria and a screening process established by the Board. This document describes the Program, the application ("Application") needed for assistance and your responsibilities under the Program should you need or seek financial assistance from Reutlinger. Your signature at the end of this document signifies your understanding and agreement with the terms and conditions of the Program. Both Reutlinger and Residents agree that they will deal with each other honestly, fairly and in good faith.

1. Eligibility for Financial Assistance

- a. At the time Residents apply for admission to Reutlinger, they are assessed for their financial ability to pay privately using Finaid or other similar senior living software. Based on the results of their Finaid assessment, Prospective Residents must be able to prove they can pay privately all costs of residency at Reutlinger for their anticipated life expectancy. If and when Residents reach a sum equal to six (6) months of then current monthly rent in remaining assets, Residents become eligible to apply for financial assistance. Residents may also become eligible for financial assistance due to a significant negative change in assets or income that is beyond their control and as approved by Reutlinger. You agree to notify Reutlinger immediately of a material adverse change in your finances.
- b. Before you receive any financial assistance from Reutlinger, you must: (1) demonstrate your inability to pay your usual monthly fees and other charges at Reutlinger, including providing any financial statements Reutlinger reasonably requests documenting your financial activity in the current or previous years; (2) explore the availability of local, state and federal assistance, other public assistance programs, including Supplemental Security Income, and apply for such assistance; and (3) prove that you have exhausted all efforts to receive such assistance.
- c. If you are unable to pay your monthly fees or other charges promptly, Reutlinger may, in its sole discretion, grant you an extension of time to make payments that are due or work out another mutually acceptable arrangement for financial assistance. To qualify for and

maintain such assistance, you must comply with all the other provisions of the Program. You will not qualify for assistance if you: (1) have impaired your ability to meet your financial obligations by transferring your assets for less than their fair market value (e.g., by making gifts, bargain sales, bequests, donations, or other similar transfers); (2) encumber your assets or otherwise dilute their value; or (3) inappropriately spend your assets (e.g., by spending down, irresponsible expenditures, or waste) before or after you are accepted for residency at Reutlinger, which, in the reasonable judgment of Reutlinger, impairs your ability to pay all charges you may foreseeably incur while residing at Reutlinger.

- d. Except in certain cases, the maximum amount of financial assistance that may be provided to each applicant shall not exceed 33% of Resident's cost of care at Reutlinger.
- e. Residents and their responsible parties should anticipate a period of up to six (6) months between the time the application for financial assistance is submitted and the time the disposition of the application is provided. Accordingly, Residents and their responsible parties are encouraged to plan in advance and notify Reutlinger at least six months in advance of their anticipated need for financial assistance.
- f. To maintain any assistance arrangement, you must also report promptly to Reutlinger any material increase in your assets and their value, whether the increase occurs by way of gift, inheritance, appreciation in value, or otherwise.

2. Application for Financial Assistance

- a. Application forms may be obtained from the Reutlinger Administrator. By submitting an Application, you agree to move to the least expensive living accommodation available, which in some cases may be a shared apartment.
- b. The Application requires full disclosure of each Resident's income and assets for review to ensure that there has been no significant divestiture or waste of income and assets since the time Resident's financial ability to pay was initially assessed or since any subsequent disclosure of resident's assets or income. Resident and/or Resident's responsible party must certify that all information provided in the Application is complete, true, and correct, with the understanding that Reutlinger will rely on the provided information. In addition, Resident and/or Resident's responsible party agree to provide such additional and further information to Reutlinger upon request with respect to the information initially provided to Reutlinger in the Application. Reutlinger will do its best to promptly inform Residents and Residents' responsible party of the disposition of the Application.

3. Financial Assistance

- a. The amount of financial assistance will depend on the amount allocated by the Board, the availability of space in Program designated accommodations, need, medical acuity and anticipation of existing residents who may become eligible for financial assistance. If an

Application is approved, Reutlinger will provide financial assistance of up to one-third of the cost of Residents' current cost of care, including monthly rent, services and level of care fees. Financial assistance will not include incidental or other costs. Reutlinger retains full discretion in determining the percentage of financial assistance provided to each Resident. Reutlinger may increase its financial assistance if Resident's service needs increase or if the financial support of Resident's family members or others decrease. Reutlinger will provide such assistance only if it determines that it can do so without jeopardizing its own ability to operate on a sound financial basis.

- b. Reutlinger retains discretion to provide financial assistance of more than 33% of a resident's current cost of care for any resident who is a Holocaust Survivor.

4. Ongoing Obligations for Residents

- a. Residents who receive financial assistance agree to annual reviews of their financial status. The annual reviews shall occur during the period from October 1 through October 31 of each year that Residents reside at Reutlinger. During such reviews, recipients of financial assistance and/or their responsible parties must respond to a questionnaire regarding changes to income and/or transfers of assets, must provide financial statements, tax returns, banking and brokerage statements and any changes to their medical coverage and other verifying documents as required by Reutlinger.
- b. Residents of the Reutlinger Health Center receiving financial assistance must apply for Medi-Cal as soon as they become eligible.

5. Resident acknowledges and agrees that the following events may result in termination of Resident's Residency Agreement and Resident's residence at Reutlinger:

- a. Misrepresentations or omissions in the Application for residency at Reutlinger (including financial forms):
- b. Misrepresentations regarding Resident's financial condition after admission
- c. Breaches of the covenant of good faith and fair dealing as set forth above.
- d. Divestiture of assets or transfers for less than fair market value
- e. Failure to disclose material financial changes to Reutlinger in a timely manner
- f. Failure to furnish the financial information as required in section 4.a. above.

6. Repayment to Reutlinger

- a. You agree that the value of any subsidy or financial assistance that you receive through the Program shall be deemed a loan to you by Reutlinger at the maximum legal rate and

shall be a first lien against your estate. As such you agree to execute any instruments (including but not limited to promissory notes, assignments, security agreements and deeds of trust) that Reutlinger deems necessary to evidence or secure its claim for repayment of any sums due under the Program.

- b. If your financial situation improves while you are at Reutlinger, your financial assistance may be reduced or eliminated, as determined by Reutlinger in its sole discretion. In addition, if your financial situation improves to the extent that you are able to repay all or part of the value of the assistance, you will be required to make such repayment at a rate and on terms established by Reutlinger, in its sole discretion.

Resident/Responsible Party Signature

Reutlinger Witness

Date

Date

CLAIMS CONFERENCE
NAZI VICTIM DEFINITION
Updated January 2012

A Nazi victim is considered to be any Jew who lived in Germany, Austria or any other country occupied by the Nazis or their Axis allies during the dates below or who emigrated from any of the countries below after the beginning dates and before liberation:

- Germany – between 30 January 1933 and May 1945
- Austria – between July 1938 and May 1945
- Czechoslovakia – between October 1938 and liberation in May 1945
- Poland – between 1 September 1939 and liberation in January 1945 (NOTE: the city of Lvov (also known as Lemberg), formerly in Poland and now Ukraine was liberated in July 1944)
- Algeria – between July 1940 and November 1942
- Tunisia – between July 1940 and May 1943
- Morocco – between July 1940 and November 1942
- Denmark – between April 1940 and May 1945
- Norway – between April 1940 and May 1945
- Belgium – between May 1940 and February 1945
- Netherlands – between May 1940 and liberation in May 1945
- France – between May 1940 and liberation in September 1944
- Luxembourg – between May 1940 and February 1945
- Hungary – between April 1941 and liberation in Budapest in January 1945 (certain parts of Western Hungary were liberated in March 1945)
- Yugoslavia – between April 1941 and liberation in May 1945
- Greece – between April 1941 and November 1944 (liberation of some islands such as Rhodes was in May 1945)
- Libya – between February 1941 and February 1943
- Albania – between September 1943 and November 1944
- Italy – between 9 September 1943 and liberation in April 45 (NOTE: Rome was liberated in June 1944 and more southern parts of Italy were liberated even earlier.)
- Bulgaria – between April 1941 and September 1944
- Romania – between April 1941 and August 1944 (NOTE: Hungarian occupied Transilvania eg Satu Mare was liberated in October 1944)
- Former Soviet Union-occupied Western areas, which include:
 - Northern Caucasus between August 1942 and February 1943
 - Pskov Region, Russia between June 1941 and July 1944
 - Latvia and Lithuania between June 1941 and October 1944 (Kurland in Latvia was liberated in May 1945)
 - Estonia between June 1941 and October 1944
 - Belarus between June 1941 and July 1944
 - Moldova between June 1941 and August 1944
 - Ukraine between June 1941 and liberation in March 1944 (although the Eastern part of Ukraine was liberated earlier, such as Kiev, in November 1943, the former Polish parts of Galicia were liberated later in summer 1944 (e.g. Lwiw in July 1944) and the former Czechoslovakian Karpato-Ukraine was liberated in October 1944)
 - Leningrad/St Petersburg between June 1941 and January 1944

In addition, Jews who survived the Leningrad siege are eligible.

Included in the definition of Nazi victims are Jews that fled between June 22, 1941 and January 27, 1944 from areas of the Soviet Union that were up to 100 km from the most easterly advance of the German army (Wehrmacht) but were not later occupied by the Nazis. This covers cities such as Moscow and Stalingrad.

Further, Nazi victims include “fetus cases”, i.e., persons who were in utero at the time their mothers were persecuted. The Nazi victim’s mother must meet the above criteria.

From: Paul A. Gordon
Sent: Tuesday, March 19, 2019 10:12 AM PDT
To: Mannisto, Jeffrey
Subject: RE: Response to Affiliation Agreement changes

Jeffrey,

Here are Eskaton's responses to your 4 points from March 7 below.

1. Sounds good. We just want to be sure that the description of the values subject to specific performance is very clearly articulated.
2. Sounds good. My understanding is that staff and residents will be notified today and that it is estimated that due diligence will be completed by mid-to-late April.
3. There is no problem regarding disclosure of Eskaton's financial status. We will have a 2018 unaudited financial statement available by May. The \$36 million book value you cite for Eskaton is incorrect (we believe that may be Reutlinger's book value). Eskaton's, as of 2011-12, is approximately \$101 million.
4. Eskaton does not favor the idea of setting aside \$100,000 in cash, and suggest that we instead obtain a letter of credit in that amount that can be made available for the purpose of funding any enforcement action.

I also want to acknowledge that we owe you a sample management agreement. We will have an updated version for you shortly. For your information, the management fee for all Eskaton managed properties, including those owned by Eskaton, is 6% of gross revenue.

Would you be willing to take the next turn at preparing a revised draft based on our emails since your January 30th draft?

Thanks.

Paul

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Thursday, March 7, 2019 3:32 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Response to Affiliation Agreement changes

Paul: I have had a chance to discuss with Reutlinger the "open points" that we discussed. The results of the discussion are as follows:

1. We would be ok with revising the dispute resolution provisions of the Affiliation Agreement to provide for mandatory mediation (same as in current draft) and, if not resolved, JAMS arbitration, except in situations in which specific performance or injunctive relief is sought.

2. Reutlinger does not want to agree to a diligence contingency. Rather, we request that Eskaton complete all diligence prior to signing the Affiliation Agreement. It is our understanding that Eskaton's diligence is progress now and that all diligence materials are available.

3. Reutlinger would like to revise the agreement to include representations regarding (a) Eskaton's ownership of the parcels listed in the materials provided by Bill Pace, (b) current debt amounts encumbering such parcels and (c) that net fair value (at least of the real property) – our understanding is that NBV is about \$36 million as of the most recent financials, so they would like a representation that net fair value is at least that amount as of closing.

4. In regarding to the issue of advancing expenses in the event of an enforcement action (not that we expect this to be a regular occurrence) and as a compromise position, we suggest that Reutlinger advance some of its existing cash to the Designator Organization immediately before closing (say \$100K). The advanced funds will be used as a source for advancement of funds to cover an enforcement action and that Eskaton will replenish such funds if the enforcement action is successful.

Please review the above with your client and let me know your thoughts. Also, please let me know if I omitted a response to any "open" items. Once we can reach an agreement on these items, I will prepare a revised draft of the Affiliation Agreement (which will include the other items from your 2/11/19 email that we already discussed).

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

11355 W. Olympic Blvd

Los Angeles, CA 90064

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JMannisto@manatt.com

manatt.com

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]

Sent: Monday, March 04, 2019 4:30 PM

To: Mannisto, Jeffrey

Subject: RE: Response to Affiliation Agreement changes

My understanding is that the parties are talking to each other directly about document exchanges, an announcement date after March 12 and a due diligence deadline toward the end of April. I should have a sample management agreement for you shortly.

Also, Eskaton would like to have an arbitration clause in the agreement. At present, dispute resolution goes from mediation straight to court.

TRC0000183

PAUL A. GORDON
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From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Monday, February 25, 2019 12:50 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Response to Affiliation Agreement changes

Ok, so could we say cutoff is March 31 (since diligence is already under way)?

Also, are you sending me the details on the proposed management agreement? I am working on a revised draft of the Affiliation Agreement to address the points we discussed.

Jeffrey Mannisto
Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Thursday, February 21, 2019 4:28 PM
To: Mannisto, Jeffrey
Subject: RE: Response to Affiliation Agreement changes

TRC0000184

I'm told 30-45 days

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Thursday, February 21, 2019 2:34 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Response to Affiliation Agreement changes

Paul: just checking back to see if you were able to get any input from Eskaton regarding the timeframe for diligence. Please let me know. Thanks

Jeffrey Mannisto
Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Thursday, February 14, 2019 2:05 PM
To: Mannisto, Jeffrey
Subject: RE: Response to Affiliation Agreement changes

Yes; 10-12, 2-5; pick a time so I can be here. Will you call me?

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From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Thursday, February 14, 2019 2:00 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Response to Affiliation Agreement changes

Any time tomorrow?

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Thursday, February 14, 2019 1:36 PM
To: Mannisto, Jeffrey
Subject: RE: Response to Affiliation Agreement changes

This afternoon is open; is there a good time for you?

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Thursday, February 14, 2019 12:33 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Response to Affiliation Agreement changes

Hi Paul. I had a chance to review your comments with my client. There are a couple of points that I wanted to discuss with you. Also, I think it makes sense for us to discuss the timetable for the transaction. Can you let me know a convenient time for such a discussion? Thanks

Jeffrey Mannisto

TRC0000186

Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]

Sent: Monday, February 11, 2019 9:57 AM

To: Mannisto, Jeffrey

Subject: Response to Affiliation Agreement changes

Hello Jeffrey,

Here are Eskaton's responses to the redlined draft Affiliation Agreement you sent to me on January 30th.

1.3(b): we would like to know as soon as possible the identity of the Designator Organization; also to make it clear that any successor to the initial Reutlinger Designee can be nominated by the Designator Organization, but must be accepted by a majority vote of the Board.

1.4(g): we note that only the Reutlinger Designee is given the right to pursue enforcement of a breach of a Fundamental Commitment, but the Fundamental Commitments also include obligations of Reutlinger. Shouldn't Eskaton also have enforcement rights if Reutlinger breaches a Fundamental Commitment?

1.4(h): requiring Eskaton to advance all costs of Reutlinger's enforcement actions is unacceptable; while we don't anticipate any need for such enforcement action, the receipt of full advance funding could lead to the pursuit of frivolous claims.

1.5: it is unacceptable for the Reutlinger Designee to have the unilateral power to disapprove any change to Eskaton's management agreement

Article III: why did you strike the parties' obligation to supplement representations in the event of a change before Closing? This is a common provision and is bilateral.

3.21: why delete that your representations are accurate, correct and complete?

3.22(a): by deleting the exception for express representations in the agreement from the As-Is clause, you are effectively neutralizing all your representations and rendering them unenforceable.

TRC0000187

We note that you did not delete that same language from the parallel As-Is clause in section 4.23, leaving all of Eskaton's representations fully enforceable by Reutlinger

3.22(b): by disclaiming liability for damages to Eskaton due to personal injuries and Reutlinger misrepresentations, you are requiring that Eskaton fully bear the risk of such events; At a minimum Eskaton will require representations regarding the coverages and limits of Reutlinger's general liability and directors' and officers' insurance policies, and that such policies will remain available to cover any such claims that may damage Eskaton.

7.5: why were the items constituting the Closing Documents removed? What documentation are you proposing as a substitute?

Article XII: as we considered your removal of all the mutual indemnification provisions of our draft, we decided that it would be necessary to add an exclusive dealings clause, from now until Closing, preventing Reutlinger from walking away from the affiliation activities in favor of another affiliation partner. If that can be done, Eskaton is willing to strike the indemnity clauses.

15.2: remove the language providing that all representations and warranties expire on the Closing Date; If a major misrepresentation is discovered after Closing, Eskaton does not want to be without any recourse.

The rest of the changes, while extensive, are acceptable.

Please let me know if we can move forward on the basis outlined above.

Thanks.

Paul

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From: Jay Zimmer
Sent: Tuesday, March 19, 2019 11:25 AM PDT
To: Sheri.Peifer@eskaton.org
Subject: CBA

Sheri,

Response from our attorney re: Union notification:

Jay: we looked at section 28 of the CBA with one of our experts and we do not think that the proposed affiliation transaction will trigger any required action on the part of Reutlinger. Rather, the CBA will continue in place and Eskaton will be required to make sure that Reutlinger continues to comply. Jon has added the CBA to the drop box. Please let me know if you want to discuss further.

Jeffrey Mannisto
Partner

Manatt, Phelps & Phillips, LLP
11355 W. Olympic Blvd
Los Angeles, CA 90064
D (310) 312-4212 F (310) 914-5891

JMannisto@manatt.com
manatt.com

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Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



The Reutlinger Community



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.

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From: Mannisto, Jeffrey
Sent: Wednesday, April 10, 2019 1:31 PM PDT
To: pgordon@hansonbridgett.com
Subject: Revised Affiliation Agreement and Management Agreement Drafts
Attachments: Reutlinger Affiliation Agreement Eskaton (Manatt additional revisions).DOCX,
Comparison Result Reutlinger Affiliation Agreement Eskaton (Manatt addit....pdf,
Management Agreement (Reutlinger and Eskaton Properties).DOCX,
Comparison Result Management Agreement (Reutlinger and Eskaton Propertie....pdf

Paul: Attached for your consideration please find a revised draft of the Affiliation Agreement, along with a “redline” copy of the same marked to show our proposed changes from the version that I last circulated to you. The revisions are intended to address the various comments raised by you and my client since the last distribution.

Also, attached please find a revised draft of the proposed management agreement that you provided to me recently, along with a “redline” copy of the same marked to show our proposed changes to the draft. There are a few open items noted in the draft.

Please review the attached drafts with your client. To the extent possible, please provide me with the additional information to complete blanks in the drafts (for example, notice addresses and the names of persons in the definition of the term “Knowledge of Eskaton”). To the extent there are business points in the draft that Eskaton is concerned about, we may need to schedule a call with the business folks to discuss.

Finally, I note the following additional points:

1. Reutlinger proposes to designate Sinai Memorial Chapel Chevra Kadisha as the “Designator Organization.”
2. Reutlinger proposes to name Jordan Rose as the “Reutlinger Designee” director to both boards.
3. Sheri noted to Jay Zimmer that Eskaton sold an older affordable housing property in 2015 called Eskaton Hensen Manor. She explained the reasons for the sale, however, the client has asked me to confirm with you that the sale was not material to Eskaton’s net asset value. Can you confirm please?
4. Can you confirm that Myers, Nave will issue the bond opinion described in Section 2.3(d) of the Affiliation Agreement.
5. Reutlinger generally is ok with using a letter of credit instead of transferring Reutlinger cash at closing to provide a fund for costs to enforce the Fundamental Commitments. Can you give me details as to the cost and mechanics?

Jeffrey Mannisto
Partner

Manatt, Phelps & Phillips, LLP

11355 W. Olympic Blvd

Los Angeles, CA 90064

D (310) 312-4212 **F** (310) 914-5891

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MANAGEMENT AGREEMENT

This MANAGEMENT AGREEMENT, made as of the ___ day of _____, ~~20~~2019, between ESKATON PROPERTIES, INCORPORATED, a California nonprofit public benefit corporation ("Manager") and THE REUTLINGER COMMUNITY, a California nonprofit public benefit corporation ("OWNER"). Except where otherwise provided herein, the capitalized terms used in this Agreement shall have the respective meanings assigned to such terms in, and all Section references contained herein shall refer to, that certain Affiliation Agreement entered into effective as of _____, 2019 by and between Manager and OWNER (the "Affiliation Agreement"). This Agreement shall be subject to the terms, conditions and obligations set forth in the Affiliation Agreement.

RECITALS

A. OWNER desires to engage Manager to manage and supervise the operations of ~~the senior residential care~~ OWNER's continuing care retirement community and skilled nursing facility located ~~on approximately _____ +/- acres, including _____ () assisted living units and memory care units, commonly known as _____ located in _____~~ in Danville, California ("Facility"); ~~and~~.

B. Manager is skilled and experienced in the management and supervision of the operations of ~~assisted living~~ continuing care retirement communities and skilled nursing facilities; ~~and~~

C. Manager is willing to accept such engagement to manage and supervise the operations of the Facility for and on behalf of OWNER, and as OWNER's agent, upon and subject to the terms and conditions hereof.

NOW, THEREFORE, the parties agree as follows:

AGREEMENTS

1. **Appointment of Manager.** OWNER hereby appoints Manager as the manager and supervisor of the operations of the Facility, and hereby grants to Manager authority and discretion to manage and supervise the operations of the Facility for and on behalf of OWNER, and in OWNER's name, all subject to the general control, and pursuant to the general directions, orders, policies, regulations and standards, of OWNER; and Manager hereby accepts such appointment and assumes such responsibility. It is expressly understood and agreed that OWNER shall (i) retain general control over the operation of the Facility; ~~and~~ (ii) maintain; ~~and~~ retain full responsibility under, all licenses, certificates, permits and approvals necessary for the operation of the Facility issued by the State of California or any other governmental authority having jurisdiction over the Facility. It is further expressly understood and agreed that Manager shall act as OWNER's agent in the performance hereof. In accordance with the terms and conditions hereof, OWNER shall honor, as its own, all contracts, agreements and commitments entered into by Manager in connection with the management and

supervision of the operations of the Facility and the performance of its obligations hereunder, ~~and in accordance with the terms and conditions hereof.~~

2. **Term of Agreement.** The initial term hereof ("Initial Term") shall commence as of _____, ~~20—2019~~, and shall continue for ~~a period of ___ months or until renewed or terminated~~ an initial period of five (5) years and shall be renewed automatically for five (5) succeeding terms of one (1) year unless either party terminates this Agreement in accordance with ~~the terms of this Agreement~~ Section 12 below (hereafter referred to as the "Term").

3. **Compensation.** As compensation for management and supervision of the operations of the Facility, OWNER shall pay Manager ("Management Fee") in an amount equal to ~~six percent (6%) of the net revenues of the Facility. The Management Fee calculation shall be based on all revenues from or in connection with the Facility or the occupancy thereof booked, recognized or recorded thereby during the Term, specifically including, but not limited to, all interest income on reserves in respect to the Facility, as determined on the accrual basis of accounting and in accordance with generally accepted accounting principles (collectively, "GAAP"), less provisions for doubtful accounts and contractual adjustments in accordance with GAAP~~ six percent (6%)¹ of the net fees actually received from the accommodations and services provided by OWNER to its residents. The Management Fee for each calendar month (or portion thereof) during the Term shall be paid on or before the fifteenth (15th) day of the following calendar month. In addition, Manager shall be reimbursed for other direct reasonable out-of-pocket costs² incurred by Manager for the benefit of OWNER that are not part of the normal "Management Fee"Fee services, including but not limited to such examples as special training to help OWNER's employees maintain ~~CEU's~~ continuing education credits, and consultation and advice of Manager's staff of professional consultants, specifically including, but not limited to dietary consultants, nursing consultants and other management consultants, who are employees of Manager and ~~it's~~ its affiliates, as is the usual and customary practice with Manager's other facilities. The Management Fee shall be computed and paid according to HUD requirements. Notwithstanding any other provision of this Agreement, the Management Fee shall only be paid (a) to the extent that Eskaton is not in breach of any of its Fundamental Commitments (as defined in the Affiliation Agreement) and (b) to the extent such payment would not reduce OWNER's monthly "net operating margin" below zero and OWNER shall not be obligated to make up any shortfall of Management Fee arising out of the foregoing. For purposes of this Agreement, "net operating margin" shall be defined as total net revenue, including donations and transfers, less operating expenses other than depreciation and loan principal payments.

4. **Duties of Manager.** Subject to ~~the~~: (i) the conditions, duties and obligations set forth in the Affiliation Agreement; (ii) general control of OWNER and to compliance by OWNER

¹ NTD: to be discussed. Reutlinger's expectation is that the management fee would include use of Eskaton staff and other management personnel to carry out management function, resulting in cost savings at the Reutlinger entity level to partially offset the cost of the management fee.

² NTD: same issue as footnote 1.

with each of the terms hereof, ~~(i)~~ and (iii) pursuant to the general directions, orders, policies, regulations and standards of OWNER, Manager shall, during the Term but not thereafter, and in addition to its duties and responsibilities set forth elsewhere herein:

a. Manage and supervise the operations of the Facility, in all respects, as more fully set forth herein;

b. Create and maintain a congenial and attractive environment for all residents of the Facility, and supervise the care of such residents;

c. Use its commercially reasonable best efforts to manage and supervise the operations of the Facility: (i) in accordance with the first class standards of ~~assisted living care~~ continuing care retirement communities and skilled nursing facilities; (ii) in a professional, competent, careful and proper manner; and (iii) in compliance with all applicable statutes, ordinances, rules and regulations of all governmental authorities having jurisdiction over the Facility;

d. Manage and supervise the operations of the Facility in an efficient and businesslike manner having due regard for the well-being of the residents thereof;

e. Develop and implement specific policies and procedures for the operations of the Facility; provided, however, that such policies and procedures shall be consistent with OWNER's general policies and subject to OWNER's prior approval, which approval shall not be unreasonably withheld or delayed;

f. Assist OWNER in obtaining and maintaining, at the expense of OWNER, all licenses, certificates, permits and approval necessary for the operation of the Facility;

g. Supply complete operational services for the Facility through Manager and its affiliates' employees and through independent contractors;

h. At the expense of ~~the appropriate~~ OWNER, and in accordance with the Annual Budget (as hereinafter defined), make or cause to be made such capital improvements as may be provided in the Annual Budget (or such substitute capital improvements as Manager may deem advisable or necessary), and such ordinary repairs and alterations as Manager may deem advisable or necessary; provided, however, that expenditures for such items aggregating materially in excess of the amount budgeted therefor shall not be made without OWNER's prior approval, which approval shall not be unreasonably withheld or delayed, except emergency capital improvements, repairs and alterations necessary in the opinion of Manager to protect the Facility from damage, to maintain services to residents as provided in the Admission Agreement (each as hereinafter defined), or to maintain licensure;

i. At the expense of OWNER, contract for those utilities and other operational and maintenance services (specifically including, but not limited to, a medical

director and ancillary services) as Manager may deem advisable or necessary, and review and analyze the performance thereof; provided, however, that no service contract shall be for a term exceeding two (2) years without OWNER's prior approval, which approval shall not be unreasonably withheld or delayed;

j. At the expense of OWNER, and in accordance with the Annual Budget, it shall purchase and keep the Facility furnished with all necessary furnishings, fixtures, equipment and supplies, utilizing Manager's purchasing programs and systems of inventory control to assure the lowest cost for such items consistent with maintaining the operation of the Facility in a first-class manner; provided, however, that no material nonbudgeted capital expenditure for furnishings, fixtures or equipment shall be made without OWNER's prior approval, which approval shall not be unreasonably withheld or delayed, except expenditures necessary in the opinion of Manager to maintain services to residents as provided in the Admission Agreement, or to maintain licensure;

k. At the expense of OWNER, provide a qualified full-time administrator at the Facility ("Administrator"), who shall assume general day-to-day administrative and operational responsibility for the Facility; provide (when deemed advisable or necessary by Manager) a qualified full-time assistant administrator of the Facility ("Assistant Administrator"), who shall assist the Administrator; recruit, hire, train, promote, direct and terminate the employment of all other personnel necessary to maintain and operate the Facility; establish performance standards, salary and compensation scales; promotion policies, fringe benefit arrangements, and other personnel policies and guidelines, all in accordance with the Annual Budget, provided, however, that no material nonbudgeted personnel expense shall be incurred without OWNER's prior approval, ~~—~~ which approval shall not be unreasonably withheld or delayed; provide management support to the Administrator and the Assistant Administrator; and provide such other supervision, management and financial direction as may be required for the Administrator and the Assistant Administrator efficiently to perform their duties and responsibilities;

l. At no additional cost to OWNER, provide complete accounting, bookkeeping and record keeping services for the Facility, specifically including, but not limited to, resident billings, accounts payable, accounts receivable, payroll, general ledger and inventory records;

m. Prepare and file in a timely manner in accordance with applicable regulations all necessary statistical reports (specifically including, but not limited to, payroll, sales, use and occupancy tax reports and returns) and data to meet all local, state and federal regulatory requirements;

n. Supply necessary technical support and management assistance, and professional consultation, to meet all local, state and federal regulatory requirements;

o. Collect the revenues from the Facility; deposit all such funds received by Manager for or on behalf of OWNER in a bank account established by OWNER for such purpose, as to which Manager shall have the right to deposit and withdraw funds; pay out such funds all operating expenses, all Management Fees, and other sums due it from OWNER, and all other sums properly payable pursuant to any of the provisions hereof (all expenditures authorized hereby being considered operating expenses to be paid from OWNER's funds received by Manager); and hold, remit or expend the balance of such funds, if any, as OWNER may direct; provided, however, that funds previously committed to investment in furnishings, fixtures, equipment, supplies or other tangible property may not be withdrawn by OWNER; and provided, further, that funds may not be withdrawn by OWNER if the minimum cash balance required by Paragraph 8 hereof would be impaired thereby;

p. At the expense of OWNER, and in accordance with the Annual Budget, engage counsel satisfactory thereto and cause such legal proceedings to be instituted as may be necessary to enforce payment of charges or compliance with other terms of the [Admission Continuing Care Residence and Services Agreement \(Entrance Fee\)](#), or to dispossess residents, with full authority to compromise disputes with residents involving set-offs or damage claims; provided, however, that no material nonbudgeted legal expense shall be incurred without OWNER's prior approval, which approval shall not be unreasonably withheld or delayed;

q. Develop, implement, manage and supervise marketing and public relations programs for the Facility; provided, however, that such programs shall be subject to OWNER's prior approval, which approval shall not be unreasonably withheld or delayed; and

r. At the expense of OWNER, pay all taxes and assessments on the Facility, all premiums for insurance on the Facility, and such reserves as OWNER may direct.

5. Expenses and Rebates. All expenses shall be charged to OWNER at net [actual](#) cost, and OWNER shall be credited with all rebates, refunds, allowances and discounts allowed to Manager.

6. Reports and Budget. Manager shall, at no additional cost to OWNER, prepare monthly and fiscal year-to-date statements of OWNER's operations, and management status reports of the Facility, to be submitted to OWNER within twenty (20) days after the end of each month. In addition, Manager shall prepare and submit ~~to OWNER~~ for OWNER's [prior](#) approval, which approval shall not be unreasonably withheld or delayed, at least thirty (30) days prior to the commencement of each calendar year, an annual plan and budget to cover all anticipated revenues and expenses of OWNER for such year, specifically including, but not limited to, capital improvements ("Annual Budget"); provided, however, that the Annual Budget for the partial year in which the Facility opens for occupancy shall be prepared by Manager, and submitted ~~to OWNER~~ for OWNER's [prior](#) approval, which approval shall not be unreasonably withheld or delayed, at least ninety (90) days prior to the scheduled date the Facility will be open for occupancy. OWNER acknowledges the Annual Budget will only be an estimate of its respective anticipated revenues and expenses, representing Manager's best judgment as a

skilled and experienced manager and supervisor of the operations of ~~assisted living facilities and healthcare~~ continuing care retirement communities and skilled nursing facilities. OWNER recognizes that, however, their respective actual revenues and expenses may be affected by factors beyond Manager's control. OWNER further acknowledges that, accordingly: (i) Manager cannot and does not represent or warrant that OWNER's respective actual revenues and expenses will not vary from the Annual Budget; and (ii) although Manager will use its best efforts to do so, Manager cannot be, and is not, obligated to limit expenditures to those set forth in the Annual Budget, provided, however, that, except as expressly provided otherwise herein, Manager shall not make expenditures for any item aggregating materially in excess of the amount budgeted therefor without OWNER's prior approval, which approval shall not be unreasonably withheld or delayed. The Annual Budget shall also include Manager's recommendations and suggestions for the fees and other charges to residents of the Facility; the salaries and fringe benefits of all groups of employees; and major purchase contracts for consumable supplies. OWNER shall use its best efforts to maintain levels of fees and charges sufficient to assure the operation of the Facility in a first-class manner, and to provide for the payment of all costs of operation of the Facility, specifically including, but not limited to, the Management Fee. Manager shall, at all times, maintain full and complete documentation regarding all of its actions taken to fulfill its duties as manager and supervisor of the operations of the Facility. All books, records and reports maintained or prepared by Manager for or in connection with the operation of the Facility shall be OWNER's property; provided, however, that Manager may make such copies thereof or extracts therefrom for its own proper business use as Manager may desire. During the Term, OWNER shall, at all times, have the right to inspect and audit such books, records and reports, and to inspect all parts of the Facility.

7. Employees.

a. All persons employed in the operation of the Facility, specifically including, but not limited to, all persons employed as the Administrator or the Assistant Administrator, shall be employees of OWNER, and shall not be deemed or construed to be employees of Manager. All compensation and other amounts payable with respect to persons who are so employed by OWNER and its affiliates in the operation of the Facility, specifically including, but not limited to, health insurance, unemployment insurance, social security, workers' compensation, and other charges imposed by a governmental authority or provided for in a union agreement, as well as all reasonable relocation expenses of all persons who are so employed by OWNER and its affiliates as the Administrator or the Assistant Administrator, are operating expenses of ~~the~~ OWNER. Manager shall maintain complete payroll records. All home office employees' payroll costs and overhead expenses are corporate administrative costs to be borne by Manager without reimbursement; provided, however, that all reasonable transportation and living expenses of such employees when traveling in connection with performance of duties hereunder are operating expenses to be reimbursed to Manager from OWNER's funds received by Manager.

b. All persons employed as the Administrator or the Assistant Administrator, and all other employees of Manager who handle or are responsible for OWNER's funds, shall be bonded by fidelity bonds in adequate amounts.

8. Responsibilities of Owner. In addition to its duties and responsibilities set forth elsewhere herein, OWNER shall, at all times during the Term, maintain a minimum cash balance in the bank account thereof described in subparagraph 4(o) thereof equal to all liabilities and obligations of OWNER in respect of the Facility (specifically including, but not limited to, obligations for debt service or rent payments, as the case may be, and Management Fees) to become due and payable within thirty (30) days. Should the cash balance in such bank account fall below such minimum, at any time and for any reason, Manager shall so notify OWNER and OWNER shall immediately deposit in such account funds sufficient to bring such balance up to such minimum. Nothing contained herein shall be deemed or construed to obligate Manager to advance any funds to pay such liabilities and obligations; provided, however, that in the event Manager elects to advance any funds to pay any such liability for obligation, then OWNER shall promptly reimburse Manager therefor at no additional cost.

9. Mutual Indemnification.

Each party (the "Indemnifying Party") shall at all times indemnify and hold harmless the other party and said other party's successors, assigns, shareholders, partners, directors, officers, agents, affiliates, subsidiaries, parent company, and employees (collectively, the "Indemnified Parties") from and against any and all ~~liabilities, damages, penalties, settlements, judgments, orders, losses, costs, charges, attorneys' fees, and all other expenses and shall, further, defend the Indemnified Parties from any and all claims, actions, suits, prosecutions, and all other legal and/or equitable proceedings resulting from or relating to (whether directly or indirectly) any allegation (whether founded or unfounded and regardless of the nature or character thereof) regarding: (i) any negligent, willful, reckless, or wrongful act or omission of the Indemnifying Party, its employees, representatives, contractors or agents; (ii) any breach of, or inaccuracy in, any representation and/or warranty made by the Indemnifying Party herein including, without limitation, claims for personal injury, death or damage to property or other demands; (iii) any failure to perform by the Indemnifying Party, or any defect in said party's performance of, its obligations and duties pursuant to this Agreement; or (iv) any alleged violation by the Indemnifying Party of any law, statute, regulation or ordinance.~~ losses, claims, demands, liabilities, costs, damages, expenses and causes of action to which such Indemnified Party may become subject in connection with any matter arising out of or incidental to any act performed or omitted to be performed by an such Indemnified Party in connection with this Agreement; provided, however, that such act or omission was taken in good faith, was reasonably believed by the Indemnified Party to be in the best interest of OWNER and within the scope of authority granted to such Indemnified Party, and was not attributable to such Indemnified Party's fraud, willful misconduct or gross negligence.

10. Insurance.

a. In accordance with the approved Budgets, MANAGER shall procure and maintain Property Insurance (including building, personal property, boiler and machinery, business interruption, but excluding flood and earthquake), General and Professional Public Liability, Automobile Liability, Worker's Compensation Liability, Employment Practices Liability, Excess Liability, Directors and Officers, and such other insurance as the parties agree upon for OWNER. The carrier and the amount of coverage of each policy of insurance shall be reasonably satisfactory to OWNER and MANAGER. The Property, General Liability, Professional Liability, Automobile Liability, Employment Practices Liability, and Excess Liability policies will name ~~the~~ OWNER as Loss Payee, and the General Liability, Professional Liability, Automobile Liability, Employment Practices Liability and Excess Liability policies will name the MANAGER as an additional insured. General Liability, Professional Liability, Automobile Liability, and Employment Practices Liability shall have a minimum limit of \$1,000,000 per claim ~~and aggregate limits of \$3,000,000.~~³ The Excess Liability shall have a minimum limit of \$~~_____~~ 1,000,000 per claim and aggregate limits of \$~~_____~~ 5,000,000.⁴ All policies shall be purchased from insurers with an AM Best Rating of ~~AVIII~~ A- or better.⁵ All policies shall provide for thirty (30) days' written notice to OWNER, MANAGER and any mortgagee designated by OWNER prior to cancellation or material modification.

b. If available and approved in the Budgets, MANAGER shall procure an appropriate clause in, or endorsement on, each of the policies of property insurance coverage, whereby the insurer waives subrogation or consents to a mutual waiver of subrogation for both parties the right of recovery against OWNER and/or ~~MANAGER's~~ Manager's negligence and intentional omissions/misconduct; to the extent that loss or damage is covered by each party's respective insurance coverage. Property insurance shall be written on an agreed amount basis and valued at replacement cost.

11. Termination.

a. This Agreement may be terminated, by OWNER or Manager, upon ninety (90) days' written notice, should the other fail substantially to perform in accordance with the terms hereof through no fault of the terminating party (provided, however, that Manager shall not be deemed or construed to be in default hereunder if it is prevented from performing in accordance with the terms hereof for any reason beyond its control, specifically including, but not limited to, shortages, war, acts of God and lack of OWNER's financial resources), and should such failure not be cured within such thirty (30) day period or such longer period as may reasonably be required diligently to cure such failure.

b. This Agreement may be terminated, by OWNER or Manager, immediately upon written notice, should a petition in bankruptcy be filed by or against the other and, in the

³ [NTD: The GuideOne Auto Policy's aggregate limit is the same as its minimum limit of \\$1,000,000.](#)

⁴ [NTD: Only excess liability policy is with General Star Management Company \(limit of liability and aggregate limit is \\$5,000,000\).](#)

⁵ [NTD: All of the insurers have at least an A rating except GuideOne, which has an A- rating.](#)

case of an involuntary petition, not be dismissed within ninety (90) days, or should the other take a general assignment for the benefit of creditors or take advantage of any insolvency act.

c. This agreement may be terminated by Manager, upon thirty (30) days written notice, should OWNER fail to pay Manager the Management Fee when due.

d. In the event of termination hereof, OWNER shall pay Manager, within ~~ten~~ thirty (4030) business days thereafter: (i) any unpaid Management Fee payable thereby for periods prior to the date of termination; and (ii) all reimbursements then due therefrom.

e. Upon expiration or termination hereof: (i) Manager shall cooperate fully with OWNER in effecting an orderly transition to avoid any interruption in the rendition of services and, in that connection, shall surrender to OWNER all keys, and all books, records and reports maintained by Manager in connection with the management and supervision of OWNER's operations; and (ii) OWNER shall assume the obligations of all contracts, agreements and commitments entered into by Manager in connection with the management and supervision of OWNER's operations and the performance of its obligations hereunder related hereto, and in accordance with the terms and conditions hereof.

12. Assignment. Manager shall not have the right to assign any of its rights or delegate any of its duties hereunder, except to an affiliate, without ~~OWNER's~~ the Reutlinger Designee's (or if there is no Reutlinger Designee, the Designator Organization's) express prior written consent, which consent shall not be unreasonably withheld or delayed.

13. No Waiver. No failure on the part of any party at any time to require the performance by any other party of any term hereof shall be taken or held to be a waiver of such term or in any way affect such party's right to enforce such term, and no waiver on the part of any party of any term hereof shall be taken or held to be a waiver of any other term hereof or the breach thereof.

14. Severability. The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had not been contained herein.

15. Benefit. This Agreement shall inure to the benefit of, and be binding upon, the parties and their respective legal representatives, successors and permitted assigns. The provisions hereof are solely for the benefit of the parties and their respective legal representatives, successors and permitted assigns, and shall not be deemed or construed to create any rights for the benefit of any other person.

16. Construction. Whenever a singular word is used herein, it shall also include the plural wherever required by the context, and vice versa. The terms and conditions hereof shall be interpreted and construed in accordance with their usual and customary meanings, and the parties hereby expressly waive and disclaim, in connection with the interpretation and

construction hereof, any rule of law or procedure requiring otherwise, specifically including, but not limited to, any rule of law to the effect that ambiguous or conflicting terms or conditions contained herein shall be interpreted or construed against any party.

17. Entire Agreement; Written Modifications. This Agreement contains the entire understanding among the parties with respect to the subject matter hereof; all representations, promises, and prior or contemporaneous understandings, among the parties with respect to the subject matter hereof are merged hereinto and expressed herein; and any other understandings among the parties with respect to the subject matter hereof are hereby canceled. This Agreement shall not be amended, modified or supplemented without the written agreement of the affected parties ~~at the time of such amendment, modification or supplement~~ or in a manner that conflicts with the Affiliation Agreement.

18. Governing Law. This Agreement shall be governed by and subject to the laws of the State of California.

19. Captions. The captions herein are for convenience and identification purposes only, are not an integral part hereof, and are not to be considered in the interpretation of any part hereof.

20. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if sent by certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

Manager: ESKATON PROPERTIES, INCORPORATED
5105 Manzanita Avenue
Carmichael, CA 95608

OWNER: _____ THE
REUTLINGER COMMUNITY

4000 Camino Tassajara

~~5105 Manzanita Avenue~~

~~Carmichael, CA 95608~~

Danville, CA 94506

or to such other address as shall be furnished in writing by any party to the other parties. All notices and other communications hereunder given in the manner provided above shall be deemed effective upon deposit with the United States Postal Service.

21. Communication. Each party shall, upon written request of any other party, make its officers, employees and agents available to such other party for the purpose of discussing the manner in which the parties are fulfilling their respective responsibilities hereunder.

22. Counterparts. This Agreement may be executed in separate counterparts, each of which when so executed shall be an original, but all of such counterparts shall together constitute but one and the same instrument.

23. Expiration of Time Periods. In the event that any date specified herein is, or that any period specified herein expires on, a Saturday, a Sunday or a holiday, then such date or the expiration date of such period, as the case may be, shall be extended to the next succeeding business day.

24. Attorneys' Fees. In the event that any action is instituted in connection with any controversy arising out of this Agreement, then the prevailing party or parties shall be entitled to recover, in addition to costs, such sum as the court may adjudge reasonable as attorneys' fees in such action and on any appeal from any judgment or decree entered therein.

25. Inconsistencies or Conflicts with Affiliation Agreement. In the event that any inconsistency or conflict between the provisions of the Affiliation Agreement and the provisions of this Agreement, the provisions of the Affiliation Agreement shall control.

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

MANAGER

ESKATON PROPERTIES, INCORPORATED,
a California nonprofit public benefit corporation

By: _____
Its: _____
Date: _____

OWNER

THE REUTLINGER COMMUNITY,
a California nonprofit public benefit corporation

By: _____
Its: _____
Date: _____

~~323191712.1~~

Comparison Details	
Title	pdfDocs compareDocs Comparison Results
Date & Time	4/10/2019 1:22:11 PM
Comparison Time	0.84 seconds
compareDocs version	v4.3.100.78

Sources	
Original Document	[WEST][#323191712] [v1] Management Agreement (Reutlinger and Eskaton Properties).docx
Modified Document	[WEST][#323191712] [v3] Management Agreement (Reutlinger and Eskaton Properties).docx

Comparison Statistics	
Insertions	32
Deletions	14
Changes	32
Moves	0
Font Changes	0
Paragraph Style Changes	0
Character Style Changes	0
TOTAL CHANGES	78

Word Rendering Set Markup Options	
Name	Standard
Insertions	
Deletions	
<u>Moves</u> / Moves	
Font Changes	
Paragraph Style Changes	
Character Style Changes	
Inserted cells	
Deleted cells	
Merged cells	
Changed lines	Mark left border.
Comments color	By Author.
Balloons	False

compareDocs Settings Used	Category	Option Selected
Open Comparison Report after Saving	General	Always
Report Type	Word	Formatting
Character Level	Word	False
Include Headers / Footers	Word	True
Include Footnotes / Endnotes	Word	True
Include List Numbers	Word	True
Include Tables	Word	True
Include Field Codes	Word	True
Include Moves	Word	False
Show Track Changes Toolbar	Word	True
Show Reviewing Pane	Word	True
Update Automatic Links at Open	Word	False
Summary Report	Word	End
Include Change Detail Report	Word	Separate
Document View	Word	Print
Remove Personal Information	Word	False
Flatten Field Codes	Word	True

AFFILIATION AGREEMENT
BETWEEN
ESKATON
AND
THE REUTLINGER COMMUNITY

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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 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 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 Affiliation Transaction. 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 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 (such designated Director and his or her replacement hereinafter are referred to as the "Reutlinger Designee") for ~~a three-year term, renewable for two (2) additional~~ an unlimited number of successive 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 Eskaton'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 or the Designator Organization, as applicable, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee or the Designator Organization, as applicable. The full text of the mission statement and a ~~list~~ 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 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 Designator 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.~~

(h) 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. 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. 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) provide for a management fee not to exceed [~~_____ Dollars (\$ _____)~~] per annum percent (___%) of the net fees actually received by Reutlinger from the accommodations and services provided by it to its residents, or such less fee as provided in the Management Agreement. and (ii) shall not be amended without the consent of the Reutlinger Designee.

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 **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 thereof 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 Closing. 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 Deliveries of Reutlinger. 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 Deliveries of Eskaton. 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 **Authorization.** 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 **Consents.** Except as set forth in **Schedule 3.4**, 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 **Schedule 3.5(c)**, 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) **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.

(a) 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 **Schedule 3.7(b)** 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 Licenses and Permits. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 **Schedule 3.11(a)** 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) Except as set forth in **Schedule 3.11(c)**, 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 **Schedule 3.11(c)**, 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 **Compliance with Law**. Except as disclosed in **Schedule 3.12** 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 **Employment Obligations**. 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 **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.

(a) Eskaton acknowledge that, 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 (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.

Eskaton's Initials: _____

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 the Board of Directors of Eskaton and [_____].

Section 4.2 Authorization. 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 Consents. Except as set forth in **Schedule 4.5**, 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.

(a) 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 ~~Reutlinger~~ 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 **Schedule 4.6(c)** 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 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.7** 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.

(a) 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 **Insurance.** **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 Licenses and Permits. 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 **Schedule 4.12(a)** 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) **Schedule 4.12(b)** 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 **Schedule 4.12(b)**.

(c) Except as set forth in **Schedule 4.12(c)**, 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 **Schedule 4.12(c)**, 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 Employment Obligations. All obligations of Eskaton with respect to any of Eskaton'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 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 Tax Returns and Liabilities. Except as set forth in **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.17(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton'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) **Schedule 4.18(a)** 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 **Schedule 4.18**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.18**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 Brokers' and Finders' Fees. 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 Eskaton Boards of Directors. **Schedule 4.22** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(a) Reutlinger acknowledges that, ~~except as specifically provided in this Agreement,~~ 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 4.24 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 Reutlinger's Commercially Reasonable Efforts. 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 Managed Care Contracts. 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 Required Approvals. 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 Payment of Liabilities. 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 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 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.2** 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 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 Eskaton’s Commercially Reasonable Efforts. 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 Required Approvals. 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 Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on Schedule 7.3¹ necessary for Reutlinger to consummate the transactions described herein.

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.

Section 7.6 Consents. Each of the consents identified in Schedule 7.6 (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 No Material Adverse Change. There shall not have been a material adverse change in the Eskaton Assets or the Eskaton business or operations.

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

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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on **Schedule 8.3** for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.

Section 8.6 Consents. Each of the Material Consents identified in **Schedule 8.6** (the "Material Consents") shall have been obtained and shall be in full force and effect.

Section 8.7 No Material Adverse Change. 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 Termination. 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~~December 31, 2019², or such later date as shall be agreed upon by an amendment to this Agreement entered into in accordance with Article XI; provided, however, that a party shall not have the right to 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 Effect of Termination. 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

² ~~Discuss outside closing date.~~

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 Confidential Information of Reutlinger. 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 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.

[Section 12.3 Exclusivity. 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
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Copy to: Manatt, Phelps & Phillips, LLP
One Embarcadero Center
30th 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 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 15.2 Survival. 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 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 15.4 Binding Terms and Provisions. 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 Entire Agreement. 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 Applicable Law. 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 Waiver of Breach. 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 Third Party Beneficiaries. 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 Dispute Resolution; Jurisdiction; Service of Process. 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.~~

(c) If the parties are unable to resolve the Dispute through mediation during the Mediation Period, the parties agree that the Dispute shall be submitted to JAMS, or its successor, for final and binding arbitration. The Dispute, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in San Francisco, California before three (3) arbitrator(s). 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 Drafting. 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 Severability. 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

[Signature Page]

15096733.1

Exhibit 1.2
Reutlinger Articles & Bylaws

Exhibit 1.2

15096733.1

~~321511933.5~~
[321511933.6](#)

TRC0000255

Exhibit 1.3
Eskaton Articles and Bylaws

Exhibit 1.3

15096733.1

~~321511933.5~~
[321511933.6](#)

TRC0000256

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

Financial Assistance Program: 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~~ Magnes Museum in Berkeley or some other appropriate Jewish organization selected by the Designator Organization.

Exhibit 1.4(a)

15096733.1

[321511933.5](#)

[321511933.6](#)

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)-. [This organization represents the 95+ Jewish senior living communities throughout the United States, Montreal and Toronto, Canada. In addition to an Annual Conference and several regional meetings throughout the year, AJAS is a source for funding projects that enhance the lives of the Reutlinger elderly residents. Over the past 3-years AJAS has donated \\$50,000 dollars toward the purchase of new vehicles for the Reutlinger community transportation program, and, is currently funding the 1st-year of a 3-year funding cycle project for the development of a memory and music program for the Reutlinger residents suffering from dementia.](#)

Exhibit 1.4(a)

15096733.1

~~321511933.5~~
[321511933.6](#)

TRC0000258

Exhibit 1.5

Form of Management Agreement

[see attached]

Exhibit 1.5

15096733.1

~~321511933.5~~
[321511933.6](#)

TRC0000259

Exhibit 2.3(d)

Opinion of Meyers Nave

[See Attached]

Exhibit 2.3(d)

15096733.1

~~321511933.5~~
[321511933.6](#)

TRC0000260

Comparison Details	
Title	pdfDocs compareDocs Comparison Results
Date & Time	4/10/2019 1:26:40 PM
Comparison Time	1.23 seconds
compareDocs version	v4.3.100.78

Sources	
Original Document	[WEST][#321511933] [v5] Reutlinger Affiliation Agreement Eskaton (Manatt revisions).docx
Modified Document	[WEST][#321511933] [v6] Reutlinger Affiliation Agreement Eskaton (Manatt additional revisions).docx

Comparison Statistics	
Insertions	37
Deletions	17
Changes	8
Moves	0
Font Changes	0
Paragraph Style Changes	0
Character Style Changes	0
TOTAL CHANGES	62

Word Rendering Set Markup Options	
Name	Standard
<u>Insertions</u>	
Deletions	
<u>Moves / Moves</u>	
Font Changes	
Paragraph Style Changes	
Character Style Changes	
Inserted cells	
Deleted cells	
Merged cells	
Changed lines	Mark left border.
Comments color	By Author.
Balloons	False

compareDocs Settings Used	Category	Option Selected
Open Comparison Report after Saving	General	Always
Report Type	Word	Formatting
Character Level	Word	False
Include Headers / Footers	Word	True
Include Footnotes / Endnotes	Word	True
Include List Numbers	Word	True
Include Tables	Word	True
Include Field Codes	Word	True
Include Moves	Word	False
Show Track Changes Toolbar	Word	True
Show Reviewing Pane	Word	True
Update Automatic Links at Open	Word	False
Summary Report	Word	End
Include Change Detail Report	Word	Separate
Document View	Word	Print
Remove Personal Information	Word	False
Flatten Field Codes	Word	True

From: Paul A. Gordon
Sent: Thursday, April 25, 2019 1:37 PM PDT
To: Mannisto, Jeffrey
Subject: RE: Revised Affiliation Agreement and Management Agreement Drafts

Jeffrey,

Eskaton is still looking at several issues raised by the last Affiliation Agreement draft and your proposed management agreement changes and I will get back to you when I have more specifics. In the meantime, I wanted to itemize for you several things I thought you and I had previously resolved from an earlier draft of the Affiliation Agreement that did not appear to be fixed in the current draft.

- a. 1.3(b): you have the Designator Organization (DO) designating the successor to the Reutlinger Designee (RD), but we said that this should be a nomination only, subject to approval of the whole TRC board
- b. 1.4(g): you told me that the enforcement rights, now only exercisable by the RD or DO, should have been extended to Eskaton; that it was a drafting error and you'd make it reciprocal
- c. 1.4(h): you still have an unlimited obligation for Eskaton to pay RD and DO enforcement expenses; in discussions, you said you'd limit it to \$100k withheld from the capital expense budget; we suggested and you seemed to agree to a \$100k letter of credit instead, but there is no change in the text. The \$100k should be a cap on the obligation, not just the first advance. We should specify that if the RD/DO loses the enforcement claim, Eskaton should be reimbursed for any advance funds from the TRC budget.
- d. 1.5: we told you it is unacceptable for the RD to have the power to approve or disapprove of management agreement changes, but the clause is still there
- e. 3.22: you said you'd add back the language "Except as expressly set forth in this agreement" at the beginning of the All Caps section, but didn't. It should also be added back to 4.23(a).

Please confirm that these changes will be made, and I'll find out about the status of the other issues.

Paul

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Thursday, April 25, 2019 8:15 AM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Affiliation Agreement and Management Agreement Drafts

Hi Paul. Just following up on this – please let me know if the revised draft is acceptable to your client.
Thanks

Jeffrey Mannisto
Partner

TRC0000262

Manatt, Phelps & Phillips, LLP

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From: Mannisto, Jeffrey

Sent: Wednesday, April 10, 2019 1:32 PM

To: pgordon@hansonbridgett.com

Subject: Revised Affiliation Agreement and Management Agreement Drafts

Paul: Attached for your consideration please find a revised draft of the Affiliation Agreement, along with a "redline" copy of the same marked to show our proposed changes from the version that I last circulated to you. The revisions are intended to address the various comments raised by you and my client since the last distribution.

Also, attached please find a revised draft of the proposed management agreement that you provided to me recently, along with a "redline" copy of the same marked to show our proposed changes to the draft. There are a few open items noted in the draft.

Please review the attached drafts with your client. To the extent possible, please provide me with the additional information to complete blanks in the drafts (for example, notice addresses and the names of persons in the definition of the term "Knowledge of Eskaton"). To the extent there are business points in the draft that Eskaton is concerned about, we may need to schedule a call with the business folks to discuss.

Finally, I note the following additional points:

1. Reutlinger proposes to designate Sinai Memorial Chapel Chevra Kadisha as the "Designator Organization."
2. Reutlinger proposes to name Jordan Rose as the "Reutlinger Designee" director to both boards.
3. Sheri noted to Jay Zimmer that Eskaton sold an older affordable housing property in 2015 called Eskaton Hensen Manor. She explained the reasons for the sale, however, the client has asked me to confirm with you that the sale was not material to Eskaton's net asset value. Can you confirm please?
4. Can you confirm that Myers, Nave will issue the bond opinion described in Section 2.3(d) of the Affiliation Agreement.

5. Reutlinger generally is ok with using a letter of credit instead of transferring Reutlinger cash at closing to provide a fund for costs to enforce the Fundamental Commitments. Can you give me details as to the cost and mechanics?

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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TRC0000264

From: Mannisto, Jeffrey
Sent: Monday, April 29, 2019 2:42 PM PDT
To: 'Paul A. Gordon'
Subject: RE: Revised Affiliation Agreement and Management Agreement Drafts

Paul: please see my responses below in red

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [mailto:pgordon@hansonbridgett.com]
Sent: Thursday, April 25, 2019 1:38 PM
To: Mannisto, Jeffrey
Subject: RE: Revised Affiliation Agreement and Management Agreement Drafts

Jeffrey,

Eskaton is still looking at several issues raised by the last Affiliation Agreement draft and your proposed management agreement changes and I will get back to you when I have more specifics. In the meantime, I wanted to itemize for you several things I thought you and I had previously resolved from an earlier draft of the Affiliation Agreement that did not appear to be fixed in the current draft.

- a. 1.3(b): you have the Designator Organization (DO) designating the successor to the Reutlinger Designee (RD), but we said that this should be a nomination only, subject to approval of the whole TRC board **JM: my apologies but I do not recall agreeing to this point. After discussing with TRC, this is not something that they would agree to as they do not control the full TRC board. Further, I believe there have been more specific discussions on the RD term and designee between our respective clients. Can you check with your client to see if they are in disagreement with the current draft. If so, we will need to arrange to have this point resolved at the business person level.**
- b. 1.4(g): you told me that the enforcement rights, now only exercisable by the RD or DO, should have been extended to Eskaton; that it was a drafting error and you'd make it

reciprocal JM: We need to discuss this further. The issue that I don't think we considered on the call is the fact that Eskaton controls both boards, so its "enforcement right" is simply to cause the board to take corrective action. The RD and DO need the enforcement rights because they do not control either board.

- c. 1.4(h): you still have an unlimited obligation for Eskaton to pay RD and DO enforcement expenses; in discussions, you said you'd limit it to \$100k withheld from the capital expense budget; we suggested and you seemed to agree to a \$100k letter of credit instead, but there is no change in the text. The \$100k should be a cap on the obligation, not just the first advance. We should specify that if the RD/DO loses the enforcement claim, Eskaton should be reimbursed for any advance funds from the TRC budget. JM: The discussion as to the cash advance/LC etc. had nothing to do with a cap. We never agreed to a cap. Rather the discuss was about covering the issue of having to come out of pocket to fund a challenge to a breach. My point #5 in my email to you below (copied here: 5. Reutlinger generally is ok with using a letter of credit instead of transferring Reutlinger cash at closing to provide a fund for costs to enforce the Fundamental Commitments. Can you give me details as to the cost and mechanics?) was in response to this point. As you will note, I asked you to elaborate on the LC idea. I believe that this point will require further discussion, so please elaborate on the LC mechanics.
- d. 1.5: we told you it is unacceptable for the RD to have the power to approve or disapprove of management agreement changes, but the clause is still there JM: I told you that we need to see the draft management agreement before agreeing to anything on this subject. After seeing the draft agreement and discussing with my client, they have several concerns with giving Eskaton the ability to simply amend the agreement any way it sees fit.
- e. 3.22: you said you'd add back the language "Except as expressly set forth in this agreement" at the beginning of the All Caps section, but didn't. It should also be added back to 4.23(a). JM: I will confirm this with my client and, assuming no issue, will include in the next turn.

Please confirm that these changes will be made, and I'll find out about the status of the other issues.

Paul

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Thursday, April 25, 2019 8:15 AM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Affiliation Agreement and Management Agreement Drafts

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Thanks

Jeffrey Mannisto
Partner

Manatt, Phelps & Phillips, LLP

TRC0000266

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To: pgordon@hansonbridgett.com
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TRC0000267

Jeffrey Mannisto

Partner

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From: Sheri Peifer
Sent: Friday, May 3, 2019 8:14 AM PDT
To: Jay Zimmer
CC: Todd Murch
Subject: Re: Call with Counsel, David and Jordan

We will be together thx!

Best, Sheri

Sheri Peifer

Chief Strategy Officer

Eskaton

916-334-0810

On Fri, May 3, 2019 at 7:56 AM -0700, "Jay Zimmer" <JZimmer@rcjl.org> wrote:

Will you be with Todd or shall I send out a call in number? J

Sent from my iPhone

On May 2, 2019, at 9:06 PM, Sheri Peifer <Sheri.Peifer@eskaton.org> wrote:

I can rearrange schedule to call at 10am in morning.

Thank you!

Best, Sheri

Sheri Peifer

Chief Strategy Officer

Eskaton

916-334-0810

On Thu, May 2, 2019 at 6:58 PM -0700, "Jay Zimmer" <JZimmer@rcjl.org> wrote:

10 works. J

Sent from my iPhone

On May 2, 2019, at 6:43 PM, Todd Murch <Todd.Murch@eskaton.org> wrote:

Jay,

I am available tomorrow to discuss the items.

Can't speak for Sheri's schedule, hope she can join.

Would mid-morning be convenient?

Todd Murch

President & CEO

ESKATON

5105 Manzanita Avenue

Carmichael, CA 95608

916.334.0810

Todd.Murch@eskaton.org

www.eskaton.org

Sent from my iPhone

On May 2, 2019, at 5:59 PM, Jay Zimmer <JZimmer@rcjl.org> wrote:

Todd and Sheri,

A number of relatively minor items came up on our call but as you can imagine the big Q and conversation was related to the recent verdict. Hopefully we can discuss and bring closure to the outstanding items in the Affiliation Agreement and keep

that process moving forward. I'm available tomorrow if you're up for it as I know this must have been a very tough week for you. These are the items in the agreement that Paul has passed along to TRC or in which we are awaiting responses:

1. Section 1.3(b) – Paul is insisting that the Eskaton Board, not TRC, must select and approve the 1st Board member. Our understanding was that TRC would select the 1st Board member and in the out years, the Designator Organization would select and Eskaton approve of subsequent Board members;
2. Reciprocal rights of fund commitments, enforcement rights, etc. Confused by Paul's comments. Perhaps you can articulate your position; (we don't view this as a major issue)
3. Enforcement expenses. TRC agrees to fund the 1st \$100K through a letter of credit but Paul has placed a cap of \$100K on expenses. We don't recall agreeing to a cap at that level or any cap for that matter;
4. Management Agreement – if there are any substantive changes to the management agreement, TRC would like approval rights by the designated Board member;
5. Release language needs to be finalized.
6. Bond Counsel Opinion
7. 2018 Audited Financial Statements

It was suggested that if the 2 or 3 of us can't come to terms and provide counsel direction, that we set a meeting for after May 14th, in person, with counsel present to complete.

That was the easy part...

- My Board is pressing me on what the full amount of your insurance coverage is, including any umbrella coverages;

- A bit more detail about the other trials e.g., were there deaths involved, etc.
- Worst-case scenario, if the judgement is upheld, how would it impact your net worth;
- What are your staffing levels and current 5-Star ratings across all of your communities;

Thank you and have a good night... jaz

Jay A. Zimmer, President & CEO

The Reutlinger Community

925-964-2063 (O)

609-405-0798 (C)

jzimmer@rcjl.org

<image004.jpg>

<image003.jpg>

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.

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Thank you.

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Thank you.

From: Jay Zimmer
Sent: Friday, May 3, 2019 11:11 AM PDT
To: Sheri.Peifer@eskaton.org
Subject: Items for Summary Response

This might be helpful as I was able to clean-up my notes:

- Section 1.3(b) of the Affiliation Agreement - Designating Organization's designation of the successor to the Reutlinger Designee without approval of the TRC Board (which will be controlled by Eskaton).
- Enforcement rights in Section 1.4(g) of the Affiliation Agreement extending only to the Designator Organization and Reutlinger Designee and not to Eskaton because Eskaton will control both Boards.
- Paul's proposal for a \$100k cap on Eskaton's payment of the Reutlinger Designee or Designator Organization's enforcement expenses in Section 1.4(h) of the Affiliation Agreement. We never agreed to any cap.
- Management Agreement - Reutlinger Designee's right to approve or disapprove any change to the management agreement (e.g., Eskaton cannot amend the agreement any way it sees fit).
- Eskaton's approval of the Designator Organization and Jordan Rose as Board Designee.
- Confirmation that there is no issue from bond counsel regarding a favorable opinion.

j

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org





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.

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From: Sheri Peifer
Sent: Friday, May 3, 2019 12:46 PM PDT
To: Jay Zimmer
CC: Todd Murch
Subject: RE: Items for Summary Response

See responses below in **green**. Let me know if you have any further questions!

Sheri Peifer

Senior VP, Chief Strategy Officer

ESKATON

5105 Manzanita Avenue
Carmichael, CA 95608
916-334-0810
sheri.peifer@eskaton.org

eskaton.org



[Got feedback? Click here to find ways to connect.](#)

From: Jay Zimmer <JZimmer@rcjl.org>
Sent: Friday, May 3, 2019 11:11 AM
To: Sheri Peifer <Sheri.Peifer@eskaton.org>
Subject: Items for Summary Response

This might be helpful as I was able to clean-up my notes:

- Section 1.3(b) of the Affiliation Agreement - Designating Organization's designation of the successor to the Reutlinger Designee without approval of the TRC Board (which will be controlled by Eskaton).
Eskaton proposes that the TRC Board nominate a board member to the Eskaton board to interview and accept. The theory behind this approach mirrors the CCRC statute language of how a CCRC voting Resident is nominated to the board.
- Enforcement rights in Section 1.4(g) of the Affiliation Agreement extending only to the Designator Organization and Reutlinger Designee and not to Eskaton because Eskaton will control both Boards.
This makes sense.

- Paul's proposal for a \$100k cap on Eskaton's payment of the Reutlinger Designee or Designator Organization's enforcement expenses in Section 1.4(h) of the Affiliation Agreement. We never agreed to any cap.
Eskaton believes \$100k to be sufficient and believe that is a reasonable amount to set aside. Not sure we stated a "cap" but would not want it to be open-ended or exorbitant. We believe we could work through any issues in due process.
- Management Agreement - Reutlinger Designee's right to approve or disapprove any change to the management agreement (e.g., Eskaton cannot amend the agreement any way it sees fit).
Eskaton's management agreement with TRC would mirror how all of Eskaton's subsidiary entities are handled; with the exception that donations made to TRC are excluded from the calculation of the management fee.
- Eskaton's approval of the Designator Organization and Jordan Rose as Board Designee.
TRC will determine the Designator Organization and TRC will nominate Jordan Rose as the TRC Board Designee to the Eskaton Board. The process in place is to set up an interview with the Eskaton Board Chair and several other board members to meet with and interview Jordan to therefore propose acceptance to the Eskaton board. This process would be the same following Jordan's term whereby the Designator Organization will nominate a TRC board member to the Eskaton board to interview and accept.
- Confirmation that there is no issue from bond counsel regarding a favorable opinion.
Mark Jenkins, Eskaton's CFO is reaching out to our bond counsel for their opinion.

j

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org





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Thank you.

From: Paul A. Gordon
Sent: Wednesday, May 8, 2019 10:51 AM PDT
To: Mannisto, Jeffrey
Subject: Response to your April 29 email
Attachments: Reutlinger Affiliation Agreement Eskaton (pag edits) (4-29-19).DOCX

Hello Jeffrey,

I'm attaching Eskaton's further draft of the Affiliation Agreement, with the changes noted below.

1.3(b): The Reutlinger Designee (RD) will be subject to the same terms and term limits as any Eskaton director; the right of the Designator Organization (DO) to nominate a successor RD remains in effect so long as Reutlinger remains a subsidiary of Eskaton. All RD nominations are subject to approval by the full Eskaton board.

1.4(h): I have incorporated the \$100,000 letter of credit, as we discussed, to be maintained by Eskaton to fund any need to the RD or DO to enforce the fundamental commitments.

1.5: The Management Agreement is the same for all Eskaton subsidiaries and is not subject to negotiation by Reutlinger, the RD or the DO. Eskaton will agree that donations to Reutlinger shall not be used to calculate management fees.

3.22(a), 4.23(a): added back language clarifying that it is an As-is transaction, except for express representations made by each side in the agreement.

4.1: Eskaton's knowledge will be determined by the actual knowledge of its CEO.

Changes to the form of the Management Agreement are not acceptable. The Management Agreement will be the same for all Eskaton subsidiaries, including Reutlinger. It is not separately negotiated for any Eskaton subsidiary. The "fundamental commitments" to Reutlinger are contained in the Affiliation Agreement and are not altered by the Management Agreement.

Thanks.

Paul

PAUL A. GORDON
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Hanson Bridgett LLP
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24th Floor
San Francisco, California 94105





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AFFILIATION AGREEMENT
BETWEEN
ESKATON
AND
THE REUTLINGER COMMUNITY

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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 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 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 Affiliation Transaction. 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 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) So long as Reutlinger remains a subsidiary of Eskaton, 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 (such designated Director and his or her replacement hereinafter are referred to as the "Reutlinger Designee") for ~~an unlimited number of successive~~ three-year terms, and subject to the limitation on successive terms applicable to all other Eskaton board members, (ii) upon the death, incapacity, resignation, ~~or removal,~~ or term limit of the Reutlinger Designee for any reason, the right to ~~designate and renew~~nominate his or her replacement, subject to the approval of the full Eskaton board, 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 Eskaton'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 or the Designator Organization, as applicable, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee or the Designator Organization, 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 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 Designator 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.

(h) 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 up to \$100,000 of the expenses incurred by such person in connection therewith. Eskaton agrees to maintain a letter of credit in the amount of \$100,000, and to make such funds available 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)~~ reimbursed to Eskaton by Reutlinger. 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 shall remain the obligation of Eskaton, 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. 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. 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; and (ii) provide that donations to Reutlinger shall not be included in the calculation of management fees. ~~(i) provide for a management fee not to exceed [____ percent (___%)] of the net fees actually received by Reutlinger from the accommodations and services provided by it to its residents, or such less fee as provided in the Management Agreement, and (ii) shall not be amended without the consent of the Reutlinger Designee.~~

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 **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 Closing. 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 Deliveries of Reutlinger. 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 Deliveries of Eskaton. 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 Authorization. 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 Consents. Except as set forth in **Schedule 3.4**, 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 **Schedule 3.5(c)**, 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) **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.

(a) 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 **Schedule 3.7(b)** 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 **Licenses and Permits**. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 **Schedule 3.11(a)** 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) Except as set forth in **Schedule 3.11(c)**, 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 **Schedule 3.11(c)**, 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 Compliance with Law. Except as disclosed in **Schedule 3.12** 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 Employment Obligations. 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 **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.

(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.

Eskaton's Initials: _____

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 the ~~Board of Directors~~**Chief Executive Officer** of Eskaton ~~and~~ .

Section 4.2 Authorization. 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 Consents. Except as set forth in **Schedule 4.5**, 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.

(a) **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 **Schedule 4.6(c)** 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 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.7** 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.

(a) 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 Insurance. **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 Licenses and Permits. 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 **Schedule 4.12(a)** 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) **Schedule 4.12(b)** 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 **Schedule 4.12(b)**.

(c) Except as set forth in **Schedule 4.12(c)**, 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 **Schedule 4.12(c)**, 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 Employment Obligations. All obligations of Eskaton with respect to any of Eskaton'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 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 Tax Returns and Liabilities. Except as set forth in **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.17(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton'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) **Schedule 4.18(a)** 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 **Schedule 4.18**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.18**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 Brokers' and Finders' Fees. 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 Eskaton Boards of Directors. **Schedule 4.22** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(a) Reutlinger acknowledges that, except as specifically provided in this Agreement, 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 4.24 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 Reutlinger's Commercially Reasonable Efforts. 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 Managed Care Contracts. 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 Required Approvals. 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 Payment of Liabilities. 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 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 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.2** 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 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 Eskaton's Commercially Reasonable Efforts. 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 Required Approvals. 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 Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on Schedule 7.3¹ necessary for Reutlinger to consummate the transactions described herein.

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.

Section 7.6 Consents. Each of the consents identified in Schedule 7.6 (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 No Material Adverse Change. There shall not have been a material adverse change in the Eskaton Assets or the Eskaton business or operations.

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

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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on Schedule 8.3 for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.

Section 8.6 Consents. Each of the Material Consents identified in Schedule 8.6 (the "Material Consents") shall have been obtained and shall be in full force and effect.

Section 8.7 No Material Adverse Change. 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 Termination. 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 December 31, 2019, or such later date as shall be agreed upon by an amendment to this Agreement entered into in accordance with Article XI; provided, however, that a party shall not have the right to 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 Effect of Termination. 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 Confidential Information of Reutlinger. 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 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.

Section 12.3 Exclusivity. 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: [_____]
[_____]

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 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 15.2 Survival. 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 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 15.4 Binding Terms and Provisions. 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 Entire Agreement. 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 Applicable Law. 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 Waiver of Breach. 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 Third Party Beneficiaries. 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 Dispute Resolution; Jurisdiction; Service of Process. 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, the parties agree that the Dispute shall be submitted to JAMS, or its successor, for final and binding arbitration. The Dispute, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in San Francisco, California before three (3) arbitrator(s). 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 Drafting. 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 Severability. 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

[Signature Page]

Exhibit 1.2
Reutlinger Articles & Bylaws

Exhibit 1.2

321511933.6

15460017.1

TRC0000330

Exhibit 1.3

Eskaton Articles and Bylaws

Exhibit 1.3

321511933.6

15460017.1

TRC0000331

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

Financial Assistance Program: 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 Magnes 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). This organization represents the 95+ Jewish senior living communities throughout the United States, Montreal and Toronto, Canada. In addition to an Annual Conference and several regional meetings throughout the year, AJAS is a source for funding projects that enhance the lives of the Reutlinger elderly residents. Over the past 3-years AJAS has donated \$50,000 dollars toward the purchase of new vehicles for the Reutlinger community transportation program, and, is currently funding the 1st-year of a 3-year funding cycle project for the development of a memory and music program for the Reutlinger residents suffering from dementia.

Exhibit 1.5
Form of Management Agreement

[see attached]

Exhibit 1.5

321511933.6

15460017.1

TRC0000334

Exhibit 2.3(d)

Opinion of Meyers Nave

[See Attached]

Exhibit 2.3(d)

321511933.6

15460017.1

TRC0000335

From: Paul A. Gordon
Sent: Thursday, May 9, 2019 10:40 AM PDT
To: Mannisto, Jeffrey
Subject: Reutlinger Affiliation Agreement Eskaton (pag edits) (5-9-19).DOCX
Attachments: Reutlinger Affiliation Agreement Eskaton (pag edits) (5-9-19).DOCX

Jeffrey,

I have made one further change, in Section 1.3(b) to clarify that the initial Reutlinger Director is nominated by the current Reutlinger Board and subject to approval by the full Eskaton Board. I believe that the person has been identified and is acceptable, but we wanted the agreement to specify the process.


Thanks.

Paul

PAUL A. GORDON
Partner
pgordon@hansonbridgett.com
(415) 995-5014 Direct
(415) 995-3430 Fax
www.SeniorCareLaw.com

Hanson Bridgett LLP
425 Market St.
24th Floor
San Francisco, California 94105



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The foregoing applies even if this notice is embedded in a message that is forwarded or attached.

TRC0000336

AFFILIATION AGREEMENT
BETWEEN
ESKATON
AND
THE REUTLINGER COMMUNITY

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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 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 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 Affiliation Transaction. 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 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) So long as Reutlinger remains a subsidiary of Eskaton, 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-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 and subject to the limitation on successive terms applicable to all other Eskaton board members, (ii) 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, 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 Eskaton'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 or the Designator Organization, as applicable, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee or the Designator Organization, 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 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 Designator 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.

(h) 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 responsible for up to \$100,000 of the expenses incurred by such person in connection therewith. Eskaton agrees to maintain a letter of credit in the amount of \$100,000, and to make such funds available to advance to the Reutlinger Designee or the Designator Organization, 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 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 reimbursed to Eskaton by Reutlinger. 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 shall remain the obligation of Eskaton.

(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.

Section 1.5 For the avoidance of doubt, the Reutlinger Designee and the Designator Organization are third party beneficiaries of this Agreement. 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. 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 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; and (ii) provide that donations to Reutlinger shall not be included in the calculation of management fees. 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 1.6 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 Closing. 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 Deliveries of Reutlinger. 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 Deliveries of Eskaton. 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 **Authorization**. 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 **Consents**. Except as set forth in **Schedule 3.4**, 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 **Schedule 3.5(c)**, 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) **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.

(a) 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 **Schedule 3.7(b)** 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 Licenses and Permits. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 **Schedule 3.11(a)** 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) Except as set forth in **Schedule 3.11(c)**, 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 **Schedule 3.11(c)**, 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 **Compliance with Law**. Except as disclosed in **Schedule 3.12** 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 **Employment Obligations**. 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 **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.

(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.

Eskaton’s Initials: _____

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 the Chief Executive Officer of Eskaton.

Section 4.2 Authorization. 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 Consents. Except as set forth in **Schedule 4.5**, 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.

(a) **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 **Schedule 4.6(c)** 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 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.7** 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.

(a) 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 Insurance. **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 Licenses and Permits. 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 **Schedule 4.12(a)** 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) **Schedule 4.12(b)** 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 **Schedule 4.12(b)**.

(c) Except as set forth in **Schedule 4.12(c)**, 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 **Schedule 4.12(c)**, 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 Employment Obligations. All obligations of Eskaton with respect to any of Eskaton'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 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 Tax Returns and Liabilities. Except as set forth in **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.17(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton’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) **Schedule 4.18(a)** 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 **Schedule 4.18**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.18**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 Brokers’ and Finders’ Fees. 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 Eskaton Boards of Directors. **Schedule 4.22** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(a) Reutlinger acknowledges that, except as specifically provided in this Agreement, 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 4.24 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 Reutlinger's Commercially Reasonable Efforts. 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 Managed Care Contracts. 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 Required Approvals. 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 Payment of Liabilities. 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 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 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.2** 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 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 Eskaton's Commercially Reasonable Efforts. 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 Required Approvals. 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 Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on **Schedule 7.3¹** necessary for Reutlinger to consummate the transactions described herein.

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.

Section 7.6 Consents. Each of the consents identified in **Schedule 7.6** (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 No Material Adverse Change. 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 Assurance of Facility License. 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 Representations/Warranties. 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

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

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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on Schedule 8.3 for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.

Section 8.6 Consents. Each of the Material Consents identified in Schedule 8.6 (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 8.7 No Material Adverse Change. 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 Termination. 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 December 31, 2019, or such later date as shall be agreed upon by an amendment to this Agreement entered into in accordance with Article XI; provided, however, that a party shall not have the right to 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 Effect of Termination. 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 Confidential Information of Reutlinger. 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 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.

Section 12.3 Exclusivity. 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: [_____
 _____]

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 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 15.2 Survival. 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 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 15.4 Binding Terms and Provisions. 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 Entire Agreement. 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 Applicable Law. 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 Waiver of Breach. 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 Third Party Beneficiaries. 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 Dispute Resolution; Jurisdiction; Service of Process. 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, the parties agree that the Dispute shall be submitted to JAMS, or its successor, for final and binding arbitration. The Dispute, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in San Francisco, California before three (3) arbitrator(s). 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 Drafting. 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 Severability. 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 1.2

321511933.6

15459169.3

TRC0000386

Exhibit 1.3

Eskaton Articles and Bylaws

Exhibit 1.3

321511933.6

15459169.3

TRC0000387

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

Financial Assistance Program: 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 Magnes 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). This organization represents the 95+ Jewish senior living communities throughout the United States, Montreal and Toronto, Canada. In addition to an Annual Conference and several regional meetings throughout the year, AJAS is a source for funding projects that enhance the lives of the Reutlinger elderly residents. Over the past 3-years AJAS has donated \$50,000 dollars toward the purchase of new vehicles for the Reutlinger community transportation program, and, is currently funding the 1st-year of a 3-year funding cycle project for the development of a memory and music program for the Reutlinger residents suffering from dementia.

Exhibit 1.5
Form of Management Agreement

[see attached]

Exhibit 1.5

321511933.6

15459169.3

TRC0000390

Exhibit 2.3(d)

Opinion of Meyers Nave

[See Attached]

Exhibit 2.3(d)

321511933.6

15459169.3

TRC0000391

From: Sheri Peifer
Sent: Thursday, May 9, 2019 5:51 PM PDT
To: Jay Zimmer
Subject: RE: Family Council Meeting Item

Hi Jay,
Paul sent the revised language to Mannat this morning. I'll forward to you.

Sheri Peifer
Senior VP, Chief Strategy Officer

ESKATON
5105 Manzanita Avenue
Carmichael, CA 95608
916-334-0810
sheri.peifer@eskaton.org

eskaton.org

AGE
IS
Beautiful

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From: Jay Zimmer <JZimmer@rcjl.org>
Sent: Thursday, May 9, 2019 10:08 AM
To: Sheri Peifer <Sheri.Peifer@eskaton.org>
Subject: RE: Family Council Meeting Item

Thank you! j

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org


The Reutlinger
Community



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.

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From: Sheri Peifer [<mailto:Sheri.Peifer@eskaton.org>]
Sent: Thursday, May 09, 2019 10:03 AM
To: Jay Zimmer
Subject: RE: Family Council Meeting Item

Absolutely. I will ask him to get that complete right away!

Sheri Peifer
Senior VP, Chief Strategy Officer

ESKATON
5105 Manzanita Avenue
Carmichael, CA 95608
916-334-0810
sheri.peifer@eskaton.org

eskaton.org



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From: Jay Zimmer <JZimmer@rcjl.org>
Sent: Thursday, May 9, 2019 9:30 AM
To: Sheri Peifer <Sheri.Peifer@eskaton.org>
Subject: RE: Family Council Meeting Item

Yes. Thank you. Will you have Paul update Section 1.3? Much appreciated. j

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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.

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From: Sheri Peifer [<mailto:Sheri.Peifer@eskaton.org>]

Sent: Thursday, May 09, 2019 7:21 AM

To: Jay Zimmer

Subject: Re: Family Council Meeting Item

Yes the language will follow the CCRC statute framework for nomination of a resident.

After the initial 9-year term, the DO will nominate a TRC- delegate to the Eskaton board who will interview and take a vote to accept or request another candidate. This is how all ESKATON board members are elected, through a nomination, interview and board vote.

Does that make sense?

Best, Sheri

Sheri Peifer
Chief Strategy Officer
Eskaton
916-334-0810

On Thu, May 9, 2019 at 6:58 AM -0700, "Jay Zimmer" <JZimmer@rcjl.org> wrote:

We need clarification regarding the selection by the DO and approval of the Board Member after the 1st 9 years. Sorry to belabor this but it's critical. Thank you.

Doing well. This FC issue is a bit of a distraction but we continue to move forward.

I'm more concerned with how the Board is reacting to the recent verdict. Hoping that we can get through any obstacles on Tuesday. J

Sent from my iPhone

On May 8, 2019, at 9:51 PM, Sheri Peifer <Sheri.Peifer@eskaton.org> wrote:

Hi Jay,

I reviewed the language again in section 3.1 and I think it could be made even more clear.

Eskaton board members serve up to three (3), three-year terms for a total of nine (9) years. This will be the same for the TRC board designee.

Initially the TRC board will nominate the TRC designee to the Eskaton board. We will set up an interview and the board will decide acceptance and vote in the board member.

I believe you said Jordan is the nominee and we are happy to set up an interview as soon as the affiliation agreement is signed.

I reached out to Paul to clarify this language.

Does that work for you?

How are you holding up- I have been channeling positive energy your way!

Best, Sheri

Sheri Peifer
Chief Strategy Officer
Eskaton
916-334-0810

On Wed, May 8, 2019 at 8:57 PM -0700, "Jay Zimmer" <JZimmer@rcjl.org> wrote:

Sheri,

On 4/10 you and I discussed the intended term of the Eskaton Board Member. We agreed that the Reutlinger representative was intended to be permanent as opposed to a 9-year limited term included in an earlier draft document, and, that the Designator Organization would nominate a candidate following the initial 9-years. Can you confirm that Paul has been advised of this and has amended the language in the agreement?

I'd like to be certain about this for Sunday's meeting, and a meeting I have on Monday with the Designator Organization Board representatives. Thanks. j

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Thank you.

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Thank you.

From: Mannisto, Jeffrey
Sent: Friday, May 10, 2019 2:10 PM PDT
To: 'Paul A. Gordon'
Subject: RE: Response to your April 29 email

Thanks Paul – I will rely to Reutlinger your position on the open items. I am sure they will not find them acceptable either.

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [mailto:pgordon@hansonbridgett.com]

Sent: Wednesday, May 08, 2019 10:51 AM

To: Mannisto, Jeffrey

Subject: Response to your April 29 email

Hello Jeffrey,

I'm attaching Eskaton's further draft of the Affiliation Agreement, with the changes noted below.

1.3(b): The Reutlinger Designee (RD) will be subject to the same terms and term limits as any Eskaton director; the right of the Designator Organization (DO) to nominate a successor RD remains in effect so long as Reutlinger remains a subsidiary of Eskaton. All RD nominations are subject to approval by the full Eskaton board.

1.4(h): I have incorporated the \$100,000 letter of credit, as we discussed, to be maintained by Eskaton to fund any need to the RD or DO to enforce the fundamental commitments.

1.5: The Management Agreement is the same for all Eskaton subsidiaries and is not subject to negotiation by Reutlinger, the RD or the DO. Eskaton will agree that donations to Reutlinger shall not be used to calculate management fees.

3.22(a), 4.23(a): added back language clarifying that it is an As-is transaction, except for express representations made by each side in the agreement.

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4.1: Eskaton's knowledge will be determined by the actual knowledge of its CEO.

Changes to the form of the Management Agreement are not acceptable. The Management Agreement will be the same for all Eskaton subsidiaries, including Reutlinger. It is not separately negotiated for any Eskaton subsidiary. The "fundamental commitments" to Reutlinger are contained in the Affiliation Agreement and are not altered by the Management Agreement.


Thanks.

Paul

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From: Paul A. Gordon
Sent: Friday, June 14, 2019 10:22 AM PDT
To: Mannisto, Jeffrey
Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits) (5-9-19).DOCX

I am working on a revised draft; should be ready shortly; was traveling this week.

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Friday, June 14, 2019 10:09 AM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits) (5-9-19).DOCX

Hi Paul. Just checking in with you – I had understood from my client that you are working on a revised draft of the Affiliation Agreement with changes to reflect the points discussed in the meeting. Please let me know if this is not the case.

Also, it looks like Reutlinger would like to shift from the Designator Organization concept to a standing committee concept. I am happy to make these changes in the event you are working on a revised draft. If you are not working on a revised draft, then I can make all revisions to reflect the meeting points and the shift to a committee.

Please let me know. Thanks

Jeffrey Mannisto
Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Thursday, May 09, 2019 10:40 AM
To: Mannisto, Jeffrey
Subject: Reutlinger Affiliation Agreement Eskaton (pag edits) (5-9-19).DOCX

Jeffrey,

I have made one further change, in Section 1.3(b) to clarify that the initial Reutlinger Director is nominated by the current Reutlinger Board and subject to approval by the full Eskaton Board. I

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believe that the person has been identified and is acceptable, but we wanted the agreement to specify the process.

Thanks.

Paul

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From: Paul A. Gordon
Sent: Friday, June 14, 2019 11:34 AM PDT
To: Mannisto, Jeffrey
Subject: Reutlinger Affiliation Agreement Eskaton (pag edits) (6-14-19).DOCX
Attachments: Reutlinger Affiliation Agreement Eskaton (pag edits) (6-14-19).DOCX

Jeff,


Here are the proposed changes. I leave to you the changes regarding the Designated Organization / Committee.

Paul

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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 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 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 Affiliation Transaction. 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 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) So long as Reutlinger remains a subsidiary of Eskaton, 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 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 and subject to the limitation on successive terms applicable to all other Eskaton board members, (ii) 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, 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 Eskaton'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 or the Designator Organization, as applicable, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee or the Designator Organization, 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 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 Designator 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 for temporary or preliminary injunctive relief, 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”). In the event that temporary or preliminary injunctive relief, or other expedited relief, is denied, then the parties shall engage in the arbitration procedures set forth in Section 15.10 of this agreement. 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.

(h) 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 responsible for ~~up to \$100,000 of~~ the expenses incurred by such person in connection therewith. Eskaton agrees to maintain a letter of credit in the amount of ~~\$100,000~~, and to make such funds available to advance to the Reutlinger Designee or the Designator Organization, 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 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 reimbursed to Eskaton by Reutlinger. 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 shall remain the obligation of Eskaton.

(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. 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 closing of the affiliation, 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; and (ii) provide that donations to Reutlinger shall not be included in the calculation of management fees. Provided further, that the Eskaton management fee shall be reduced to no less than four percent (4%) of gross revenue as necessary cover any Net Operating Income (NOI) losses. Such fee reductions shall be considered advanced funds that may be recouped by Eskaton from future revenue surpluses of Reutlinger.

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 1.6~~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 Closing. 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 Deliveries of Reutlinger. 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 Deliveries of Eskaton. 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 Authorization. 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 Consents. Except as set forth in **Schedule 3.4**, 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 **Schedule 3.5(c)**, 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) **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.

(a) 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 **Schedule 3.7(b)** 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 **Licenses and Permits**. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 **Schedule 3.11(a)** 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) Except as set forth in **Schedule 3.11(c)**, 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 **Schedule 3.11(c)**, 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 Compliance with Law. Except as disclosed in **Schedule 3.12** 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 Employment Obligations. 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 **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.

(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.

Eskaton's Initials:_____

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 the Chief Executive Officer of Eskaton.

Section 4.2 Authorization. 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 Consents. Except as set forth in **Schedule 4.5**, 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.

(a) **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 **Schedule 4.6(c)** 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 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.7** 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.

(a) 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 Insurance. **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 Licenses and Permits. 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 **Schedule 4.12(a)** 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) **Schedule 4.12(b)** 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 **Schedule 4.12(b)**.

(c) Except as set forth in **Schedule 4.12(c)**, 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 **Schedule 4.12(c)**, 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 Employment Obligations. All obligations of Eskaton with respect to any of Eskaton'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 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 Tax Returns and Liabilities. Except as set forth in **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.17(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton'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) **Schedule 4.18(a)** 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 **Schedule 4.18**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.18**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 Brokers' and Finders' Fees. 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 Eskaton Boards of Directors. **Schedule 4.22** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(a) Reutlinger acknowledges that, except as specifically provided in this Agreement, 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 4.24 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 Reutlinger's Commercially Reasonable Efforts. 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 Managed Care Contracts. 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 Required Approvals. 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 Payment of Liabilities. 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 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 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.2** 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 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 Eskaton's Commercially Reasonable Efforts. 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 Required Approvals. 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 Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on Schedule 7.3¹ necessary for Reutlinger to consummate the transactions described herein.

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.

Section 7.6 Consents. Each of the consents identified in Schedule 7.6 (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 No Material Adverse Change. There shall not have been a material adverse change in the Eskaton Assets or the Eskaton business or operations.

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

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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on Schedule 8.3 for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.

Section 8.6 Consents. Each of the Material Consents identified in Schedule 8.6 (the "Material Consents") shall have been obtained and shall be in full force and effect.

Section 8.7 No Material Adverse Change. 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 Termination. This Agreement and the obligations of the parties hereunder may be terminated on or prior to the Closing Date, ~~as follows: by either party, with or without cause.~~

~~(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 December 31, 2019, or such later date as shall be agreed upon by an amendment to this Agreement entered into in accordance with Article XI; provided, however, that a party shall not have the right to 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 Effect of Termination. 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 Confidential Information of Reutlinger. 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 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.

Section 12.3 Exclusivity. 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: [_____]
[_____]

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 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 15.2 Survival. 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 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 15.4 Binding Terms and Provisions. 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 Entire Agreement. 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 Applicable Law. 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 Waiver of Breach. 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 Third Party Beneficiaries. 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 Dispute Resolution; Jurisdiction; Service of Process. 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~~ submit the matter to binding arbitration ~~or court action~~. ~~Mediation-Arbitration~~ 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~~ Meet and Confer Discussions, or refuses to engage in Meet and Confer Discussions ~~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-arbitration~~ shall be conducted in San Francisco, California in accordance with the procedures of JAMS, Inc. by a single, neutral ~~mediator~~ 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 a ~~mediator~~ an arbitrator within the fifteen (15) day period, then a single neutral ~~mediator~~ arbitrator shall be selected by the then serving chief administrative officer of JAMS, Inc. The ~~mediation~~ arbitration shall be completed within forty-five (45) days of the selection of the ~~mediator~~ arbitrator (the "Mediation Arbitration Period").

(c) ~~If the parties are unable to resolve the Dispute through mediation during the Mediation Period, the parties agree that the Dispute shall be submitted to JAMS, or its successor, for final and binding arbitration. The Dispute, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by arbitration in San Francisco, California before three (3) arbitrator(s).~~ 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 Drafting. 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 Severability. 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

[Signature Page]

Exhibit 1.2
Reutlinger Articles & Bylaws

Exhibit 1.2

321511933.6

15459169.4

TRC0000452

Exhibit 1.3

Eskaton Articles and Bylaws

Exhibit 1.3

321511933.6

15459169.4

TRC0000453

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

Financial Assistance Program: 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 Magnes 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). This organization represents the 95+ Jewish senior living communities throughout the United States, Montreal and Toronto, Canada. In addition to an Annual Conference and several regional meetings throughout the year, AJAS is a source for funding projects that enhance the lives of the Reutlinger elderly residents. Over the past 3-years AJAS has donated \$50,000 dollars toward the purchase of new vehicles for the Reutlinger community transportation program, and, is currently funding the 1st-year of a 3-year funding cycle project for the development of a memory and music program for the Reutlinger residents suffering from dementia.

Exhibit 1.5
Form of Management Agreement

[see attached]

Exhibit 1.5

321511933.6

15459169.4

TRC0000456

Exhibit 2.3(d)

Opinion of Meyers Nave

[See Attached]

Exhibit 2.3(d)

From: Mannisto, Jeffrey
Sent: Friday, June 14, 2019 11:36 AM PDT
To: 'Paul A. Gordon'
Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits) (6-14-19).DOCX

Thanks Paul, I will take a look

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

11355 W. Olympic Blvd

Los Angeles, CA 90064

D (310) 312-4212 **F** (310) 914-5891

JMannisto@manatt.com

manatt.com

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Friday, June 14, 2019 11:34 AM
To: Mannisto, Jeffrey
Subject: Reutlinger Affiliation Agreement Eskaton (pag edits) (6-14-19).DOCX

Jeff,

Here are the proposed changes. I leave to you the changes regarding the Designated Organization / Committee.

Paul

PAUL A. GORDON
Partner
pgordon@hansonbridgett.com
(415) 995-5014 Direct
(415) 995-3430 Fax
www.SeniorCareLaw.com

Hanson Bridgett LLP
425 Market St.
24th Floor
San Francisco, California 94105



TRC0000458

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From: Mannisto, Jeffrey
Sent: Monday, June 24, 2019 9:13 AM PDT
To: 'Paul A. Gordon'
BCC: 'Reutlinger_49146_031_Project Analysis Correspondence_49146_031_<{{F1714002}}.WEST@dms.manatt.local>'
Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits) (6-14-19).DOCX
Attachments: Reutlinger Affiliation Agreement Eskaton (MPP revisions 6_24_19).DOCX,
Comparison Result Reutlinger Affiliation Agreement Eskaton (MPP revision....pdf

Paul: Attached is a revised draft agreement, along with a redline against your latest version.

Please review and let me know your thoughts. Also, I would like to discuss with you the concept of a an unwind that was discussed in the meeting at our offices on June 3.

Thanks

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

11355 W. Olympic Blvd

Los Angeles, CA 90064

D (310) 312-4212 **F** (310) 914-5891

JMannisto@manatt.com

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]

Sent: Friday, June 14, 2019 11:34 AM

To: Mannisto, Jeffrey

Subject: Reutlinger Affiliation Agreement Eskaton (pag edits) (6-14-19).DOCX

Jeff,

Here are the proposed changes. I leave to you the changes regarding the Designated Organization / Committee.

Paul

PAUL A. GORDON
Partner
pgordon@hansonbridgett.com
(415) 995-5014 Direct



TRC0000460

(415) 995-3430 Fax
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Hanson Bridgett LLP
425 Market St.
24th Floor
San Francisco, California 94105



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AFFILIATION AGREEMENT
BETWEEN
ESKATON
AND
THE REUTLINGER COMMUNITY

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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 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 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 Affiliation Transaction. 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 ~~Designator Organization~~ Commitment Committee, as applicable, as a breach of a charitable trust under Section 5142 of the California Corporations Code. Notwithstanding the foregoing, the rights of the Commitment Committee hereunder, including the aforesaid rights of enforcement, shall be effective only during, or with respect to legal actions commenced during, such periods as there is no TRC Designee.

(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) ~~So Effective on the Closing date and so~~ long as Reutlinger remains a subsidiary of Eskaton, 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 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 and subject to the limitation on successive terms applicable to all other Eskaton board members, (ii) 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 be withheld except for Reasonable Cause, shall be vested in ~~an organization selected by Reutlinger~~ a committee established in accordance with Section 1.8 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~~ 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 ~~Designator Organization~~ Commitment Committee, as applicable, as a breach of a charitable trust under Section 5142 of the California Corporations Code. For purposes of this Agreement, the term "Reasonable Cause" shall only mean, in respect of a nominee, any of the following: (i) the conviction of such nominee, or entry by such nominee of a guilty or no contest plea to, the commission of a felony (other than a traffic violation or by reason of vicarious liability) or a misdemeanor involving moral turpitude; (ii) prior engagement by such nominee in conduct involving fraud, embezzlement, theft or other dishonesty against any third party intended to cause harm to any property or person, unless in self-defense; (iii) any intentional or reckless act or omission by such nominee which resulted in the loss of a professional license (after all rights of appeal have expired) issued by any federal, state or local government agency or instrumentality; or (iv) habitual alcohol or substance abuse by such nominee. Notwithstanding

anything in this Agreement or elsewhere to the contrary, Eskaton hereby approved 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 ~~Designator Organization~~Commitment Committee, as applicable, which consent may be granted or withheld in the sole and absolute discretion of the Reutlinger Designee or the ~~Designator Organization~~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 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 ~~Designator~~ Organization 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 ~~Designator~~ Organization 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 ~~Designator~~ Organization 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 ~~Designator~~ Organization 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 ~~Designator~~ Organization Commitment Committee, as applicable, within thirty (30) days of the delivery of the Breach Notice, then the Reutlinger Designee or the ~~Designator~~ Organization Commitment Committee, as applicable, may bring and pursue any lawsuit for ~~temporary or preliminary injunctive equitable~~ relief, or similar proceeding brought by, and at the election of, the Reutlinger Designee or the ~~Designator~~ Organization 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 ~~temporary or preliminary injunctive equitable~~ relief, or other expedited relief, is not sought or denied in respect of an Enforcement Action, then the parties shall ~~engage~~ engage in the arbitration procedures set forth in Section 15.10 of this ~~agreement~~ Agreement to resolve such dispute. The Reutlinger Designee or the ~~Designator~~ Organization 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 ~~Designator~~ Organization 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 ~~Designator~~ Organization Commitment Committee, as applicable, has standing to assert and bring an Enforcement Action on behalf of Reutlinger.

(h) In the event that the Reutlinger Designee or the ~~Designator~~ Organization Commitment Committee, as applicable, incurs expenses following the submission of a Breach Notice to enforce the Fundamental Commitments, Eskaton shall be responsible for ~~the all~~ the 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 ~~Designator Organization~~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 ~~Designator Organization~~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 ~~Designator Organization~~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. ~~In 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 Designator Organization Commitment Committee, 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 reimbursed to Eskaton by Reutlinger. 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 shall remain the obligation of Eskaton~~such dispute.

(i) The Reutlinger Designee and the ~~Designator Organization~~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 ~~Designator Organization~~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 ~~Designator Organization~~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 ~~Designator Organization~~Commitment Committee are third party beneficiaries of this Agreement. 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 ~~closing of the affiliation~~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; ~~and~~ (ii) provide that donations to Reutlinger shall not be included in gross revenues for purposes of the calculation of management fees. ~~Provided further,;~~ (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 Income (NOI) losses. Such~~ net operating margin deficit and any such fee reductions shall be considered advanced funds that may be recouped by Eskaton from ~~future revenue surpluses of Reutlinger~~ any cumulative net operating margin surpluses of Reutlinger; (iv) 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) 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 **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 thereof 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) Composition of Commitment Committee. 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 the persons named in **Schedule 1.8(a)** hereto.

(b) **Voting.** 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 **Closing.** 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 **Deliveries of Reutlinger.** 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 Deliveries of Eskaton. 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 Authorization. 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 Consents. Except as set forth in **Schedule 3.4**, 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 **Schedule 3.5(c)**, 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) **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.

(a) 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 **Schedule 3.7(b)** 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 Licenses and Permits. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 **Schedule 3.11(a)** 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) Except as set forth in **Schedule 3.11(c)**, 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 **Schedule 3.11(c)**, 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 **Compliance with Law**. Except as disclosed in **Schedule 3.12** 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 **Employment Obligations**. 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 **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.

(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.

Eskaton’s Initials: _____

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 [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 [Bill Price](#), the Chief Financial Officer of Eskaton.

Section 4.2 Authorization. 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 Consents. Except as set forth in **Schedule 4.5**, 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.

(a) **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 **Schedule 4.6(c)** 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 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.7** 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.

(a) 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 Insurance. **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 **Licenses and Permits**. 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 **Schedule 4.12(a)** 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) **Schedule 4.12(b)** 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 **Schedule 4.12(b)**.

(c) Except as set forth in **Schedule 4.12(c)**, 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 **Schedule 4.12(c)**, 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 Employment Obligations. All obligations of Eskaton with respect to any of Eskaton'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 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 Tax Returns and Liabilities. Except as set forth in **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.17(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton’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) **Schedule 4.18(a)** 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 **Schedule 4.18**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.18**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 Brokers’ and Finders’ Fees. 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 Eskaton Boards of Directors. **Schedule 4.22** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(a) Reutlinger acknowledges that, except as specifically provided in this Agreement, 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 4.24 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 Reutlinger’s Commercially Reasonable Efforts. 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 Managed Care Contracts. 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 Required Approvals. 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 Payment of Liabilities. 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 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 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.2** 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 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 Eskaton's Commercially Reasonable Efforts. 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 Required Approvals. 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 Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on Schedule 7.3¹ necessary for Reutlinger to consummate the transactions described herein.

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.

Section 7.6 Consents. Each of the consents identified in Schedule 7.6 (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 No Material Adverse Change. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on Schedule 8.3 for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. No proceeding shall have been instituted or threatened to restrain or prohibit the contemplated transactions, and no governmental body shall have taken any

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

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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.

Section 8.6 Consents. Each of the Material Consents identified in Schedule 8.6 (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 8.7 No Material Adverse Change. 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 Termination. This Agreement and the obligations of the parties hereunder may be terminated on or prior to the Closing Date, ~~by either party, with or without cause.~~ 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); (iv) in the event of an Adverse Litigation Event; or (v) 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 March 1, 2020, or such later date as shall be agreed upon by an amendment to this Agreement entered into in accordance with Article XI; provided, however, that a party shall not have the right to 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.

For purposes of this Section 10.1, the term "Adverse Litigation Event" shall mean an adverse litigation decision against Eskaton and/or any of its Affiliates, including (without limitation) an entry of judgment by any court, arbitrator or any other tribunal requiring Eskaton and/or any of its Affiliates to pay restitution, damages (of any kind or nature), attorneys' fees, costs, and/or interest, with resulting loss or liability from such a decision not covered by insurance in excess of Twenty Million Dollars (\$20,000,000). The determination of whether an Adverse Litigation Event has occurred shall be made without regard to the possibility that such loss or liability may be reduced or eliminated upon successful appeal.

Section 10.2 Effect of Termination. 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 Confidential Information of Reutlinger. 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 ~~were~~ 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 Exclusivity. 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: [_____
 _____]

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 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 15.2 Survival. 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 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 15.4 Binding Terms and Provisions. 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 Entire Agreement. 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 Applicable Law. 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 Waiver of Breach. 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 Third Party Beneficiaries. 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 Dispute Resolution; Jurisdiction; Service of Process. 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~~ 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. Arbitration fees shall be divided equally between the parties. If, for any controversy to which this paragraph applies other than in respect of an Enforcement Action, 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 Drafting. 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 Severability. 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

[Signature Page]

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[321511933.7](#)
[321511933.9](#)

Exhibit 1.2
Reutlinger Articles & Bylaws

Exhibit 1.2

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Exhibit 1.3

Eskaton Articles and Bylaws

Exhibit 1.3

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[321511933.9](#)

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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

Financial Assistance Program: 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~~[Commitment Committee](#).

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 Magnes Museum in Berkeley or some

Exhibit 1.4(a)

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other appropriate Jewish organization selected by the ~~Designator-Organization~~[Commitment Committee](#).

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). This organization represents the 95+ Jewish senior living communities throughout the United States, Montreal and Toronto, Canada. In addition to an Annual Conference and several regional meetings throughout the year, AJAS is a source for funding projects that enhance the lives of the Reutlinger elderly residents. Over the past 3-years AJAS has donated \$50,000 dollars toward the purchase of new vehicles for the Reutlinger community transportation program, and, is currently funding the 1st-year of a 3-year funding cycle project for the development of a memory and music program for the Reutlinger residents suffering from dementia.

Exhibit 1.4(a)

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Exhibit 1.5
Form of Management Agreement

[see attached]

Exhibit 1.5

15459169.4

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[321511933.9](#)

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Exhibit 2.3(d)

Opinion of Meyers Nave

[See Attached]

Exhibit 2.3(d)

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Comparison Details	
Title	pdfDocs compareDocs Comparison Results
Date & Time	6/24/2019 9:09:19 AM
Comparison Time	1.56 seconds
compareDocs version	v4.3.100.78

Sources	
Original Document	[WEST][#321511933] [v7] Reutlinger Affiliation Agreement Eskaton (Paul Gordon revisions 6/14/19).docx
Modified Document	[WEST][#321511933] [v9] Reutlinger Affiliation Agreement Eskaton (MPP revisions 6/24/19).docx

Comparison Statistics	
Insertions	35
Deletions	12
Changes	42
Moves	0
Font Changes	0
Paragraph Style Changes	0
Character Style Changes	0
TOTAL CHANGES	89

Word Rendering Set Markup Options	
Name	Standard
<u>Insertions</u>	
Deletions	
<u>Moves / Moves</u>	
Font Changes	
Paragraph Style Changes	
Character Style Changes	
Inserted cells	
Deleted cells	
Merged cells	
Changed lines	Mark left border.
Comments color	By Author.
Balloons	False

compareDocs Settings Used	Category	Option Selected
Open Comparison Report after Saving	General	Always
Report Type	Word	Formatting
Character Level	Word	False
Include Headers / Footers	Word	True
Include Footnotes / Endnotes	Word	True
Include List Numbers	Word	True
Include Tables	Word	True
Include Field Codes	Word	True
Include Moves	Word	False
Show Track Changes Toolbar	Word	True
Show Reviewing Pane	Word	True
Update Automatic Links at Open	Word	False
Summary Report	Word	End
Include Change Detail Report	Word	Separate
Document View	Word	Print
Remove Personal Information	Word	False
Flatten Field Codes	Word	True

From: Paul A. Gordon
Sent: Monday, July 8, 2019 11:03 AM PDT
To: Mannisto, Jeffrey
Subject: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX
Attachments: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).pdf

Hi Jeff,

Hope you enjoyed the holiday.

Attached is Eskaton's response to your last round of edits. We have accepted all of them, except:

1.3(b): Eskaton's practice is not to amend its bylaws when adding subsidiaries, identifying board members appointed by third parties, or entering into contractual arrangements. For example, the statutorily mandated resident board member is not referenced. Eskaton will abide by the affiliation agreement, and will not amend its bylaws or articles to incorporate affiliation agreement terms into its governing corporate documents. Jordan Rose is accepted as the initial Reutlinger Designee. Any successor will be subject to Eskaton board approval, as is every Eskaton board member.

1.5: Your additional language about contributions to capital raises the concern that Eskaton has not been able to obtain satisfactory details about the amount of Reutlinger's liquid assets and whether there are any restrictions on their use. We are therefore asking for a certification and itemization regarding this due diligence item.

4.1: corrected the identity and spelling of officers' names.

10.1: the verdict and judgment will be over \$20 million, and the case must be appealed for there to be any significant reduction, so the litigation event definition is not useful. If Reutlinger wishes to have the right to terminate before Closing, Eskaton will agree to a mutual right for either party to terminate without cause. Eskaton will not agree to a post-closing "unwind" provision, because we believe they are too difficult to implement and can create more problems than they solve.

Please let me know if we can move forward with these changes.

Paul

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(415) 995-3430 Fax
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Hanson Bridgett LLP
425 Market St.
24th Floor



San Francisco, California 94105

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TRC0000520

AFFILIATION AGREEMENT
BETWEEN
ESKATON
AND
THE REUTLINGER COMMUNITY

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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 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 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 Affiliation Transaction. 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. Notwithstanding the foregoing, the rights of the Commitment Committee hereunder, including the aforesaid rights of enforcement, shall be effective only during, or with respect to legal actions commenced during, such periods as there is no TRC Designee.

(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, (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 and subject to the limitation on successive terms applicable to all other Eskaton board members, (ii) 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, 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 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.

(h) 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) 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. 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) 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) 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. Prior to and as a condition of Closing, Reutlinger shall provide to Eskaton a written certification and itemization by Reutlinger's Board of Directors of the amounts of Reutlinger's cash, investments and other liquid assets available to apply toward its CapEx Plan, and whether any such assets are encumbered or restricted.

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 **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 thereof 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) Composition of Commitment Committee. 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 the persons named in **Schedule 1.8(a)** hereto.

(b) Voting. 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 Closing. 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 Deliveries of Reutlinger. 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 Deliveries of Eskaton. 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 Authorization. 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 Consents. Except as set forth in **Schedule 3.4**, 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 **Schedule 3.5(c)**, 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) **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.

(a) 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 **Schedule 3.7(b)** 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 Licenses and Permits. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 **Schedule 3.11(a)** 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) Except as set forth in **Schedule 3.11(c)**, 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 **Schedule 3.11(c)**, 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 **Compliance with Law**. Except as disclosed in **Schedule 3.12** 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 **Employment Obligations**. 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 **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 **Tax Returns and Liabilities**. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.

(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.

Eskaton’s Initials: _____

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 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 Authorization. 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 Consents. Except as set forth in **Schedule 4.5**, 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.

(a) **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 **Schedule 4.6(c)** 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 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property.

Schedule 4.7 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.

(a) 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 Insurance. **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 Licenses and Permits. 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 **Schedule 4.12(a)** 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) **Schedule 4.12(b)** 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 **Schedule 4.12(b)**.

(c) Except as set forth in **Schedule 4.12(c)**, 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 **Schedule 4.12(c)**, 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 **Employment Obligations**. All obligations of Eskaton with respect to any of Eskaton'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 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 Tax Returns and Liabilities. Except as set forth in **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.17(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton'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) **Schedule 4.18(a)** 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 **Schedule 4.18**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.18**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 **Brokers' and Finders' Fees.** 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 Eskaton Boards of Directors. **Schedule 4.22** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(a) Reutlinger acknowledges that, except as specifically provided in this Agreement, 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 4.24 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 Reutlinger's Commercially Reasonable Efforts. 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 Managed Care Contracts. 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 Required Approvals. 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 Payment of Liabilities. 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 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 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.2** 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 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 Eskaton's Commercially Reasonable Efforts. 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 Required Approvals. 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 Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on Schedule 7.3¹ necessary for Reutlinger to consummate the transactions described herein.

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

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.

Section 7.6 Consents. Each of the consents identified in **Schedule 7.6** (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 No Material Adverse Change. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on **Schedule 8.3** for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.

Section 8.6 Consents. Each of the Material Consents identified in **Schedule 8.6** (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 8.7 No Material Adverse Change. 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 Termination. This Agreement and the obligations of the parties hereunder may be terminated on or prior to the Closing Date by either party, with or without cause.

(a) Effect of Termination. 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 Confidential Information of Reutlinger. 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 Exclusivity. 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: [_____
_____]

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 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 15.2 Survival. 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 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 15.4 Binding Terms and Provisions. 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 Entire Agreement. 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 Applicable Law. 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 Waiver of Breach. 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 Third Party Beneficiaries. 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 Dispute Resolution; Jurisdiction; Service of Process. 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. Arbitration fees shall be divided equally between the parties. If, for any controversy to which this paragraph applies other than in respect of an Enforcement Action, 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 Drafting. 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 Severability. 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 1.2

321511933.9

15652657.1

TRC0000570

Exhibit 1.3

Eskaton Articles and Bylaws

Exhibit 1.3

321511933.9

15652657.1

TRC0000571

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

Financial Assistance Program: 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 Commitment Committee.

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 Magnes Museum in Berkeley or some other appropriate Jewish organization selected by the Commitment Committee.

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). This organization represents the 95+ Jewish senior living communities throughout the United States, Montreal and Toronto, Canada. In addition to an Annual Conference and several regional meetings throughout the year, AJAS is a source for funding projects that enhance the lives of the Reutlinger elderly residents. Over the past 3-years AJAS has donated \$50,000 dollars toward the purchase of new vehicles for the Reutlinger community transportation program, and, is currently funding the 1st-year of a 3-year funding cycle project for the development of a memory and music program for the Reutlinger residents suffering from dementia.

Exhibit 1.5
Form of Management Agreement

[see attached]

Exhibit 1.5

321511933.9

15652657.1

TRC0000574

Exhibit 2.3(d)

Opinion of Meyers Nave

[See Attached]

Exhibit 2.3(d)

From: Mannisto, Jeffrey
Sent: Tuesday, July 16, 2019 9:29 AM PDT
To: 'Paul A. Gordon'
Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

Paul: did you have a chance to circle back with Todd regarding the issue we discussed for “disapproval” of a TRC board member nominee?

I think we are close on the agreement, but would like to have something on this issue to include in the next draft if possible.\

Thanks

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

11355 W. Olympic Blvd

Los Angeles, CA 90064

D (310) 312-4212 **F** (310) 914-5891

JMannisto@manatt.com

manatt.com

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Tuesday, July 09, 2019 4:51 PM
To: Mannisto, Jeffrey
Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

OK, will you call me at 415-995-5014?

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Tuesday, July 9, 2019 4:49 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

Yes, works for me

Jeffrey Mannisto

Partner

TRC0000576

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Sent: Tuesday, July 09, 2019 4:26 PM

To: Mannisto, Jeffrey

Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

Would around 12:15 tomorrow work?

From: Mannisto, Jeffrey <JMannisto@manatt.com>

Sent: Tuesday, July 9, 2019 4:18 PM

To: Paul A. Gordon <pgordon@hansonbridgett.com>

Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

I am on back to back calls today. I could discuss in the evening if that works for you or most anytime tomorrow if you could make that happen.

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]

Sent: Tuesday, July 09, 2019 2:48 PM

To: Mannisto, Jeffrey

TRC0000577

Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

Do you have any time this afternoon? Tomorrow is iffy and Thursday-Friday worse.

From: Mannisto, Jeffrey <JMannisto@manatt.com>

Sent: Tuesday, July 9, 2019 11:36 AM

To: Paul A. Gordon <pgordon@hansonbridgett.com>

Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

Paul: I have had a chance to discuss the revised draft with my client. Can we have a call to discuss the items identified in your email? I can be open tomorrow most any time.

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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Los Angeles, CA 90064

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From: Mannisto, Jeffrey

Sent: Monday, July 08, 2019 1:41 PM

To: 'Paul A. Gordon'

Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

Sorry for the multiple emails, but 1 more question. Do you know if there was any reduction in the Lovenstein verdict as a result of post-trial motions (or are they still pending)? Thanks

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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Los Angeles, CA 90064

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TRC0000578

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]

Sent: Monday, July 08, 2019 1:17 PM

To: Mannisto, Jeffrey

Subject: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

Here you go

TRC0000579

From: Paul A. Gordon
Sent: Thursday, July 18, 2019 9:20 AM PDT
To: Mannisto, Jeffrey
Subject: Reutlinger designated director

Jeffrey,

Yes. Todd feels strongly that any person nominated to succeed Jordan Rose should be subject to the same discretionary approval or disapproval by the full board as any other nominee, including the statutorily-mandated resident board representative. He believes it would be irresponsible governance to do otherwise.

Paul

PAUL A. GORDON
Partner
pgordon@hansonbridgett.com
(415) 995-5014 Direct
(415) 995-3430 Fax
www.SeniorCareLaw.com

Hanson Bridgett LLP
425 Market St.
24th Floor
San Francisco, California 94105



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The foregoing applies even if this notice is embedded in a message that is forwarded or attached.

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Sent: Tuesday, July 16, 2019 9:29 AM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

Paul: did you have a chance to circle back with Todd regarding the issue we discussed for "disapproval" of a TRC board member nominee?

TRC0000580

I think we are close on the agreement, but would like to have something on this issue to include in the next draft if possible.\

Thanks

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

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To: Paul A. Gordon <pgordon@hansonbridgett.com>

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Yes, works for me

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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TRC0000581

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Jeffrey Mannisto

Partner

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Sent: Tuesday, July 09, 2019 2:48 PM
To: Mannisto, Jeffrey
Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

Do you have any time this afternoon? Tomorrow is iffy and Thursday-Friday worse.

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Tuesday, July 9, 2019 11:36 AM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

TRC0000582

Paul: I have had a chance to discuss the revised draft with my client. Can we have a call to discuss the items identified in your email? I can be open tomorrow most any time.

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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Los Angeles, CA 90064

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From: Mannisto, Jeffrey

Sent: Monday, July 08, 2019 1:41 PM

To: 'Paul A. Gordon'

Subject: RE: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

Sorry for the multiple emails, but 1 more question. Do you know if there was any reduction in the Lovenstein verdict as a result of post-trial motions (or are they still pending)? Thanks

Jeffrey Mannisto

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]

Sent: Monday, July 08, 2019 1:17 PM

To: Mannisto, Jeffrey

Subject: Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6_24_19).DOCX

Here you go

TRC0000583

From: Mannisto, Jeffrey
Sent: Friday, July 19, 2019 7:32 PM PDT
To: 'Paul A. Gordon'
Subject: RE: acceptance of board nominee

Thanks Paul, I will check. I am traveling today , but should be able to send you a revised draft on Monday

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]

Sent: Friday, July 19, 2019 9:53 AM

To: Mannisto, Jeffrey

Subject: acceptance of board nominee

Jeff,

After further discussion, Eskaton is willing to agree to add a reasonableness modifier regarding board approval of nominees to succeed Jordan Rose, to the effect that the "board, exercising reasonable discretion, may accept or reject the nominee."

Does that get us to the finish line?

Paul

PAUL A. GORDON
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TRC0000585

24th Floor
San Francisco, California 94105

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From: Mannisto, Jeffrey
Sent: Monday, July 22, 2019 3:55 PM PDT
To: pgordon@hansonbridgett.com
BCC: Reutlinger _49146_031_ Project Analysis Correspondence _49146_031_ <{{F1714002}}.WEST@dms.manatt.local>
Subject: Revised Draft Affiliation Agreement, Restated Articles and Bylaws
Attachments: Comparison Result Reutlinger Affiliation Agreement Eskaton (MPP revision....pdf,
Reutlinger Affiliation Agreement Eskaton (MPP revisions 7_22_19).DOCX,
Restated Articles of Incorporation of The Reutlinger Community.DOC,
Second A&R Bylaws of The Reutlinger Community.DOC

Paul: Hopefully we are close. Attached for your consideration, please find copies of the following documents:

1. A revised draft of the Affiliation Agreement;
2. Restated Articles of Incorporation of The Reutlinger Community; and
3. Second Amended and Restated Bylaws of The Reutlinger Community.

Also, attached for your review is a redline copy of the Affiliation Agreement marked to show the revisions to the most recent version circulated by you.

As you will note, I have included a “reasonableness” modifier to the provision requiring “approval” of the Reutlinger board designee in section 1.3(b). I understand that Jay Zimmer read this verbiage to Sheri over the phone last week, but I am not sure if it made its way to you.

After you have had a chance to review, please contact me with questions or comments.

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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TRC0000587

AFFILIATION AGREEMENT
BETWEEN
ESKATON
AND
THE REUTLINGER COMMUNITY

[321511933.9](#)

[321511933.11](#)

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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~~ [Opinion of Meyers Nave](#)

AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT (this “Agreement”) is entered into as of this ____ day of July, 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 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 Affiliation Transaction. 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. ~~Notwithstanding the foregoing, the rights of the Commitment Committee hereunder, including the aforesaid rights of enforcement, shall be effective only during, or with respect to legal actions commenced during, such periods as there is no TRC Designee.~~

(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, (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) 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~~ 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 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.

(h) 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) 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) 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) 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. ~~Prior to and as a condition of Closing, Reutlinger shall provide to Eskaton a written certification and itemization by Reutlinger’s Board of~~

~~Directors of the amounts of Reutlinger's cash, investments and other liquid assets available to apply toward its CapEx Plan, and whether any such assets are encumbered or restricted.~~

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 **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.

Section 1.8 Establishment and Role of the Commitment Committee.

(a) Composition of Commitment Committee. 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 ~~the persons named in Schedule 1.8(a) hereto~~ [Craig Judson, Marc Usatin and Jordan Rose](#).

(b) Voting. 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 Closing. 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 Deliveries of Reutlinger. 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 Deliveries of Eskaton. 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 Authorization. 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 Consents. Except as set forth in **Schedule 3.4**, 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 **Schedule 3.5(c)**, 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) **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.

(a) 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 **Schedule 3.7(b)** 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 **Licenses and Permits**. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 **Schedule 3.11(a)** 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) Except as set forth in **Schedule 3.11(c)**, 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 **Schedule 3.11(c)**, 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 Compliance with Law. Except as disclosed in **Schedule 3.12** or elsewhere in this Agreement, Reutlinger, and each entity constituting Reutlinger and the Reutlinger Facilities and the operation thereof are, to the ~~best knowledge~~ 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 Employment Obligations. 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 **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.

(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.

Eskaton's Initials:_____

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~~represents, ~~warrant~~warrants and ~~covenant~~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 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 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 Authorization. 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 Consents. Except as set forth in **Schedule 4.5**, 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.

(a) **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 **Schedule 4.6(c)** 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 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.7** 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.

(a) 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 Insurance. **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 Licenses and Permits. 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 **Schedule 4.12(a)** 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) **Schedule 4.12(b)** 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 **Schedule 4.12(b)**.

(c) Except as set forth in **Schedule 4.12(c)**, 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 **Schedule 4.12(c)**, 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 **Employment Obligations**. All obligations of Eskaton with respect to any of Eskaton'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 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 Tax Returns and Liabilities. Except as set forth in **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.17(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton’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) **Schedule 4.18(a)** 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 **Schedule 4.18**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.18**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 Brokers' and Finders' Fees. 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 Eskaton Boards of Directors. **Schedule 4.22** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(a) Reutlinger acknowledges that, except as specifically provided in this Agreement, 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 4.24 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 Reutlinger's Commercially Reasonable Efforts. 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 Managed Care Contracts. 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 Required Approvals. 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 Payment of Liabilities. 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 ~~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 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.2** 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 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 Eskaton's Commercially Reasonable Efforts. 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 Required Approvals. 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 Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on Schedule 7.3¹ necessary for Reutlinger to consummate the transactions described herein.

Section 7.4 Action/Proceeding. No proceeding shall have been instituted or threatened to restrain or prohibit the contemplated transactions, and no governmental body shall have taken any

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

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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.

Section 7.6 Consents. Each of the consents identified in **Schedule 7.6** (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 No Material Adverse Change. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on **Schedule 8.3** for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.

Section 8.6 Consents. Each of the Material Consents identified in **Schedule 8.6** (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 8.7 No Material Adverse Change. 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 Termination. This Agreement and the obligations of the parties hereunder may be terminated ~~on or prior to the Closing Date~~ 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 Effect of Termination. 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, 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 Confidential Information of Reutlinger. 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 Exclusivity. 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 30 th Floor San Francisco, CA 94111 Attn: Jill Dodd Facsimile: (415) 291-7474
----------	---

Eskaton: [REDACTED] [Eskaton](#)
[Eskaton Administrative Center](#)
[5105 Manzanita Avenue](#)
[Carmichael, CA 95608-0598](#)
[Attn: Todd Murch, CEO](#)
[Facsimile: \(916\) 338-1248](#)

Copy to: [REDACTED] [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 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 15.2 Survival. 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 [REDACTED] [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 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 15.4 Binding Terms and Provisions. 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 Entire Agreement. 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 Applicable Law. 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 Waiver of Breach. 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 Third Party Beneficiaries. 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 Dispute Resolution; Jurisdiction; Service of Process. 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 ~~an Enforcement Action~~ 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 Drafting. 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 Severability. 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

[Signature Page]

15652657.1

~~321511933.9~~

[321511933.11](#)

Exhibit 1.2

Amended Reutlinger Articles & Bylaws

~~**Exhibit 1.3**~~

~~**Eskaton Articles and Bylaws**~~

Exhibit 1.2

15652657.1

~~321511933.9~~

321511933.11

TRC0000638

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

Financial Assistance Program: Since Reutlinger's founding in 1950, it has provided financial assistance to those individuals ~~that~~ who, 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 Commitment Committee.

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 other 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”~~ “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 Magnes Museum in Berkeley or some other appropriate Jewish organization selected by the Commitment Committee.

Exhibit ~~1.3~~ 1.4(a)

15652657.1

~~321511933.9~~

321511933.11

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). This organization represents the 95+ Jewish senior living communities throughout the United States, Montreal and Toronto, Canada. In addition to an Annual Conference and several regional meetings throughout the year, AJAS is a source for funding projects that enhance the lives of the Reutlinger elderly residents. Over the past 3-years AJAS has donated \$50,000 dollars toward the purchase of new vehicles for the Reutlinger community transportation program, and, is currently funding the 1st-year of a 3-year funding cycle project for the development of a memory and music program for the Reutlinger residents suffering from dementia.

Exhibit ~~1.3~~1.4(a)

15652657.1

~~321511933.9~~

321511933.11

TRC0000640

Exhibit 1.4(b)

Reutlinger's CAPEX Plan and Capital Reserve Study

[see attached]

Exhibit ~~1.4~~(a1.4(b))

15652657.1

~~321511933.9~~

321511933.11

TRC0000641

Exhibit 1.5
Form of Management Agreement

[see attached]

Exhibit 1.5

15652657.1

~~321511933.9~~

[321511933.11](#)

TRC0000642

Exhibit 2.3(d)

Opinion of Meyers Nave

[See Attached]

Exhibit 2.3(d)

15652657.1

~~321511933.9~~

[321511933.11](#)

TRC0000643

Comparison Details	
Title	pdfDocs compareDocs Comparison Results
Date & Time	7/22/2019 3:48:33 PM
Comparison Time	1.71 seconds
compareDocs version	v4.3.100.78

Sources	
Original Document	[WEST][#321511933] [v10] Reutlinger Affiliation Agreement Eskaton (pag edits 7-8-19 to Reutlinger revisions 6/24/19).docx
Modified Document	[WEST][#321511933] [v11] Reutlinger Affiliation Agreement Eskaton (MPP revisions 7/22/19).docx

Comparison Statistics	
Insertions	27
Deletions	16
Changes	22
Moves	0
Font Changes	0
Paragraph Style Changes	0
Character Style Changes	0
TOTAL CHANGES	65

Word Rendering Set Markup Options	
Name	Standard
<u>Insertions</u>	
Deletions	
<u>Moves / Moves</u>	
Font Changes	
Paragraph Style Changes	
Character Style Changes	
Inserted cells	
Deleted cells	
Merged cells	
Changed lines	Mark left border.
Comments color	By Author.
Balloons	False

compareDocs Settings Used	Category	Option Selected
Open Comparison Report after Saving	General	Always
Report Type	Word	Formatting
Character Level	Word	False
Include Headers / Footers	Word	True
Include Footnotes / Endnotes	Word	True
Include List Numbers	Word	True
Include Tables	Word	True
Include Field Codes	Word	True
Include Moves	Word	False
Show Track Changes Toolbar	Word	True
Show Reviewing Pane	Word	True
Update Automatic Links at Open	Word	False
Summary Report	Word	End
Include Change Detail Report	Word	Separate
Document View	Word	Print
Remove Personal Information	Word	False
Flatten Field Codes	Word	True

From: Paul A. Gordon
Sent: Wednesday, August 21, 2019 3:16 PM PDT
To: Mannisto, Jeffrey
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

I was just informed that the agreement was approved this morning and I am not aware of any changes required to the agreement.

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Wednesday, August 21, 2019 3:12 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Ok, thanks

Jeffrey Mannisto
Partner

Manatt, Phelps & Phillips, LLP
11355 W. Olympic Blvd
Los Angeles, CA 90064
D (310) 312-4212 **F** (310) 914-5891

JMannisto@manatt.com

manatt.com

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Wednesday, August 21, 2019 2:56 PM
To: Mannisto, Jeffrey
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

I'm still waiting to hear anything further from Eskaton and have nothing to add since our last round of communications. I believe the last significant issue was identifying and quantifying restrictions on liquid assets and haven't heard if that has been resolved. I will try again to get an update for you.

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Wednesday, August 21, 2019 2:45 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

TRC0000645

Paul: just following up on this. I assume by now that the Eskaton Board has reviewed and hopefully approved the draft Affiliation Agreement. I would like to add my minor revisions, so let me know if I should just mark-up the last version and send to you.

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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From: Mannisto, Jeffrey

Sent: Tuesday, August 20, 2019 8:46 AM

To: 'Paul A. Gordon'

Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: I am just following up on the status of your agreement review. We have noted a few minor edits – I can revise the agreement or incorporate with any final changes you and Eskaton may have. Please let me know your preference. Thanks

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]

Sent: Wednesday, August 07, 2019 4:37 PM

To: Mannisto, Jeffrey

Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Jeff,

TRC0000646

My understanding is that the restricted funds issues are still unresolved. Todd Murch will be meeting with Jordan Rose next week before the Eskaton Board meeting. Also, not everyone who needs to review the agreement has yet done so and met to discuss.

Sorry nothing more definitive.

Paul

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Wednesday, August 7, 2019 1:26 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: Just following up on the status of your final review. Reutlinger has a board meeting tomorrow and I was hoping to give them an update. Thanks in advance.

Jeffrey Mannisto
Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Thursday, July 25, 2019 9:25 AM
To: Mannisto, Jeffrey
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Jeff,

1. If this is the final draft of the Affiliation Agreement, then we will need to take one last read through it. To this point we have been responding to a series of red-lined changes.
2. The total cash and restricted balances will take several weeks at least to sort out. At that time we will have a better idea of what we might need from the board, if anything.
3. Eskaton's next quarterly board meeting is in four weeks, August 21. At that time we would like seek authority to execute the Affiliation Agreement then if possible.

Thanks.

TRC0000647

Paul

PAUL A. GORDON
Partner
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(415) 995-5014 Direct
(415) 995-3430 Fax
www.SeniorCareLaw.com



Hanson Bridgett LLP
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San Francisco, California 94105

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From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Wednesday, July 24, 2019 10:53 AM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: Thanks for the update. I will assume that the revised draft is ok from the Eskaton perspective other than the issue highlighted by you below in this email. Please correct me if this is not the case.

As for the issue you highlighted, I thought we had discussed that the issue would be resolved prior to signing the agreement and thus not require any sort of certification or alternative language. It is my understanding that Reutlinger is working now with their counterpart (and their auditor) to provide additional information that will satisfy Eskaton. So, hopefully this issue will be resolved soon. Please let me know if this path forward does not work for Eskaton.

Jeffrey Mannisto
Partner

Manatt, Phelps & Phillips, LLP

TRC0000648

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Wednesday, July 24, 2019 10:46 AM
To: Mannisto, Jeffrey
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Jeff,

My understanding is that the only outstanding issue is the apparent inability of Reutlinger to specify what funds and investments are subject to restrictions imposed by donors or the board. We are hopeful that the 6/30 FYE financial statements will help to clarify the situation. Eskaton needs to know what assets will be available to use in implementing the Reutlinger capital plan.

Please let me know if you have any ideas about how to do that. You deleted my language about a board certification but offer no alternative.

Thanks.

Paul

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Monday, July 22, 2019 3:55 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: Hopefully we are close. Attached for your consideration, please find copies of the following documents:

1. A revised draft of the Affiliation Agreement;
2. Restated Articles of Incorporation of The Reutlinger Community; and
3. Second Amended and Restated Bylaws of The Reutlinger Community.

Also, attached for your review is a redline copy of the Affiliation Agreement marked to show the revisions to the most recent version circulated by you.

As you will note, I have included a "reasonableness" modifier to the provision requiring "approval" of the Reutlinger board designee in section 1.3(b). I understand that Jay Zimmer read this verbiage to Sheri over the phone last week, but I am not sure if it made its way to you.

TRC0000649

After you have had a chance to review, please contact me with questions or comments.

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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Los Angeles, CA 90064

D (310) 312-4212 **F** (310) 914-5891

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From: Mannisto, Jeffrey
Sent: Wednesday, August 21, 2019 4:09 PM PDT
To: 'Paul A. Gordon'
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws
Attachments: Comparison Result Reutlinger Affiliation Agreement Eskaton (MPP revision....pdf, Reutlinger Affiliation Agreement Eskaton (MPP revisions 8_21_19).DOCX

Paul: Attached is a revised draft and a redline showing the requested changes from Reutlinger based on their "final read through."

I assume you find the changes non-substantive. Please let me know if you have any questions or comments.

I will begin the process of assembling an execution copy.

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Wednesday, August 21, 2019 3:17 PM
To: Mannisto, Jeffrey
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

I was just informed that the agreement was approved this morning and I am not aware of any changes required to the agreement.

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Wednesday, August 21, 2019 3:12 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Ok, thanks

Jeffrey Mannisto

Partner

TRC0000651

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]

Sent: Wednesday, August 21, 2019 2:56 PM

To: Mannisto, Jeffrey

Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

I'm still waiting to hear anything further from Eskaton and have nothing to add since our last round of communications. I believe the last significant issue was identifying and quantifying restrictions on liquid assets and haven't heard if that has been resolved. I will try again to get an update for you.

From: Mannisto, Jeffrey <JMannisto@manatt.com>

Sent: Wednesday, August 21, 2019 2:45 PM

To: Paul A. Gordon <pgordon@hansonbridgett.com>

Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: just following up on this. I assume by now that the Eskaton Board has reviewed and hopefully approved the draft Affiliation Agreement. I would like to add my minor revisions, so let me know if I should just mark-up the last version and send to you.

Jeffrey Mannisto

Partner

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TRC0000652

From: Mannisto, Jeffrey
Sent: Tuesday, August 20, 2019 8:46 AM
To: 'Paul A. Gordon'
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: I am just following up on the status of your agreement review. We have noted a few minor edits – I can revise the agreement or incorporate with any final changes you and Eskaton may have. Please let me know your preference. Thanks

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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Los Angeles, CA 90064

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Wednesday, August 07, 2019 4:37 PM
To: Mannisto, Jeffrey
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Jeff,

My understanding is that the restricted funds issues are still unresolved. Todd Murch will be meeting with Jordan Rose next week before the Eskaton Board meeting. Also, not everyone who needs to review the agreement has yet done so and met to discuss.

Sorry nothing more definitive.

Paul

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Wednesday, August 7, 2019 1:26 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: Just following up on the status of your final review. Reutlinger has a board meeting tomorrow and I was hoping to give them an update. Thanks in advance.

TRC0000653

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]

Sent: Thursday, July 25, 2019 9:25 AM

To: Mannisto, Jeffrey

Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Jeff,

1. If this is the final draft of the Affiliation Agreement, then we will need to take one last read through it. To this point we have been responding to a series of red-lined changes.
2. The total cash and restricted balances will take several weeks at least to sort out. At that time we will have a better idea of what we might need from the board, if anything.
3. Eskaton's next quarterly board meeting is in four weeks, August 21. At that time we would like seek authority to execute the Affiliation Agreement then if possible.

Thanks.

Paul

PAUL A. GORDON

Partner

pgordon@hansonbridgett.com

(415) 995-5014 Direct

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Hanson Bridgett LLP

425 Market St.

24th Floor

San Francisco, California 94105



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The foregoing applies even if this notice is embedded in a message that is forwarded or attached.

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Wednesday, July 24, 2019 10:53 AM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: Thanks for the update. I will assume that the revised draft is ok from the Eskaton perspective other than the issue highlighted by you below in this email. Please correct me if this is not the case.

As for the issue you highlighted, I thought we had discussed that the issue would be resolved prior to signing the agreement and thus not require any sort of certification or alternative language. It is my understanding that Reutlinger is working now with their counterpart (and their auditor) to provide additional information that will satisfy Eskaton. So, hopefully this issue will be resolved soon. Please let me know if this path forward does not work for Eskaton.

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Wednesday, July 24, 2019 10:46 AM
To: Mannisto, Jeffrey
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Jeff,

TRC0000655

My understanding is that the only outstanding issue is the apparent inability of Reutlinger to specify what funds and investments are subject to restrictions imposed by donors or the board. We are hopeful that the 6/30 FYE financial statements will help to clarify the situation. Eskaton needs to know what assets will be available to use in implementing the Reutlinger capital plan.

Please let me know if you have any ideas about how to do that. You deleted my language about a board certification but offer no alternative.

Thanks.

Paul

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Monday, July 22, 2019 3:55 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: Hopefully we are close. Attached for your consideration, please find copies of the following documents:

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3. Second Amended and Restated Bylaws of The Reutlinger Community.

Also, attached for your review is a redline copy of the Affiliation Agreement marked to show the revisions to the most recent version circulated by you.

As you will note, I have included a “reasonableness” modifier to the provision requiring “approval” of the Reutlinger board designee in section 1.3(b). I understand that Jay Zimmer read this verbiage to Sheri over the phone last week, but I am not sure if it made its way to you.

After you have had a chance to review, please contact me with questions or comments.

Jeffrey Mannisto

Partner

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AFFILIATION AGREEMENT
BETWEEN
ESKATON
AND
THE REUTLINGER COMMUNITY

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EXHIBITS:

Exhibit 1.2 Reutlinger 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) Opinion of Meyers Nave

AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT (this “Agreement”) is entered into as of this ____ day of ~~July~~August, 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 ~~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 Affiliation Transaction. 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

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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

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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 or its assets 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.

(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

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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.

(h) 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) ~~The 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) 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) 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,

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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

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(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

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(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 thereof 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) Composition of Commitment Committee. 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 ~~and~~ Jordan Rose and up to two (2) additional persons as they may designate.

(b) Voting. 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 Closing. 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 Deliveries of Reutlinger. 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 Deliveries of Eskaton. 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 Authorization. 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 Consents. Except as set forth in **Schedule 3.4**, 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 **Schedule 3.5(c)**, 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

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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) **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.

(a) 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 **Schedule 3.7(b)** 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 Licenses and Permits. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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

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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 **Schedule 3.11(a)** 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) Except as set forth in **Schedule 3.11(c)**, 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 **Schedule 3.11(c)**, 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 Compliance with Law. Except as disclosed in **Schedule 3.12** 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

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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 Employment Obligations. 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 **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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

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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 **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.

(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,

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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.

Eskaton's Initials: _____

The provisions of this Section 3.22 shall survive the Closing.

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**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 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 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 Authorization. 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 Consents. Except as set forth in **Schedule 4.5**, 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.

(a) **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 **Schedule 4.6(c)** 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 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.7** 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.

(a) 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 Insurance. **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, [321511933.12](#)

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 **Licenses and Permits**. 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.

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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 **Schedule 4.12(a)** 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) **Schedule 4.12(b)** 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 **Schedule 4.12(b)**.

(c) Except as set forth in **Schedule 4.12(c)**, 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 **Schedule 4.12(c)**, 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

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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 Employment Obligations. All obligations of Eskaton with respect to any of Eskaton'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 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 Tax Returns and Liabilities. Except as set forth in **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.17(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton’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) **Schedule 4.18(a)** 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 **Schedule 4.18**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.18**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 **Brokers' and Finders' Fees**. 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 **Eskaton Boards of Directors**. **Schedule 4.22** 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 **AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton**.

(a) Reutlinger acknowledges that, except as specifically provided in this Agreement, 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

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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.

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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 Reutlinger's Commercially Reasonable Efforts. 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 Managed Care Contracts. 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 Required Approvals. 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

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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 Payment of Liabilities. 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

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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 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.2** 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 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 Eskaton's Commercially Reasonable Efforts. 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 Required Approvals. 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 Notification. 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:

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Section 7.1 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on Schedule 7.3¹ necessary for Reutlinger to consummate the transactions described herein.

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.

Section 7.6 Consents. Each of the consents identified in Schedule 7.6 (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 No Material Adverse Change. 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 Assurance of Facility License. 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 Representations/Warranties. 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

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

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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on Schedule 8.3 for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.

Section 8.6 Consents. Each of the Material Consents identified in Schedule 8.6 (the "Material Consents") shall have been obtained and shall be in full force and effect.

Section 8.7 No Material Adverse Change. 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 Termination. 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 Effect of Termination. 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,

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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 Confidential Information of Reutlinger. 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

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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 Exclusivity. 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 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 15.2 Survival. 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 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 15.4 Binding Terms and Provisions. 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 Entire Agreement. 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 Applicable Law. 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 Waiver of Breach. 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 Third Party Beneficiaries. 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 Dispute Resolution; Jurisdiction; Service of Process. 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

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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 Drafting. 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 Severability. 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~~ _____

Jay A. Zimmer
Its: President and Chief Executive Officer

[Signature Page]

Exhibit 1.2

Amended Reutlinger Articles & Bylaws

Exhibit 1.2

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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

Financial Assistance Program: Since Reutlinger's founding in 1950, it has provided financial assistance to those individuals who, 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 Commitment Committee.

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 other 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 Magnes Museum in Berkeley or some other appropriate Jewish organization selected by the Commitment Committee.

Exhibit 1.4(a)

15652657.1

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). This organization represents the 95+ Jewish senior living communities throughout the United States, Montreal and Toronto, Canada. In addition to an Annual Conference and several regional meetings throughout the year, AJAS is a source for funding projects that enhance the lives of the Reutlinger elderly residents. Over the past 3-years AJAS has donated \$50,000 dollars toward the purchase of new vehicles for the Reutlinger community transportation program, and, is currently funding the 1st-year of a 3-year funding cycle project for the development of a memory and music program for the Reutlinger residents suffering from dementia.

Exhibit 1.4(a)

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Exhibit 1.4(b)

Reutlinger's CAPEX Plan and Capital Reserve Study

[see attached]

Exhibit 1.4(b)

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Exhibit 1.5
Form of Management Agreement

[see attached]

Exhibit 1.5

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Exhibit 2.3(d)

Opinion of Meyers Nave

[See Attached]

Exhibit 2.3(d)

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Comparison Details	
Title	pdfDocs compareDocs Comparison Results
Date & Time	8/21/2019 3:57:58 PM
Comparison Time	1.76 seconds
compareDocs version	v4.3.100.78

Sources	
Original Document	[WEST][#321511933] [v11] Reutlinger Affiliation Agreement Eskaton (MPP revisions 7/22/19).docx
Modified Document	[WEST][#321511933] [v12] Reutlinger Affiliation Agreement Eskaton (MPP revisions 8/21/19).docx

Comparison Statistics	
Insertions	127
Deletions	118
Changes	4
Moves	0
Font Changes	0
Paragraph Style Changes	0
Character Style Changes	0
TOTAL CHANGES	249

Word Rendering Set Markup Options	
Name	Standard
<u>Insertions</u>	
Deletions	
<u>Moves / Moves</u>	
Font Changes	
Paragraph Style Changes	
Character Style Changes	
Inserted cells	
Deleted cells	
Merged cells	
Changed lines	Mark left border.
Comments color	By Author.
Balloons	False

compareDocs Settings Used	Category	Option Selected
Open Comparison Report after Saving	General	Always
Report Type	Word	Formatting
Character Level	Word	False
Include Headers / Footers	Word	True
Include Footnotes / Endnotes	Word	True
Include List Numbers	Word	True
Include Tables	Word	True
Include Field Codes	Word	True
Include Moves	Word	False
Show Track Changes Toolbar	Word	True
Show Reviewing Pane	Word	True
Update Automatic Links at Open	Word	False
Summary Report	Word	End
Include Change Detail Report	Word	Separate
Document View	Word	Print
Remove Personal Information	Word	False
Flatten Field Codes	Word	True

From: Mannisto, Jeffrey
Sent: Thursday, August 22, 2019 11:00 AM PDT
To: 'Paul A. Gordon'
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws
Attachments: Reutlinger Affiliation Agreement Eskaton (MPP revisions 8_21_19).DOCX,
[Comparison Result] Reutlinger Affiliation Agreement Eskaton (MPP revisi....pdf

Paul: sorry for the confusion, but if you have not look at this yet, please use the attached instead. FYI, I corrected section 1.4(d) and (e) to relocate the phrase "or its assets"

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP
11355 W. Olympic Blvd
Los Angeles, CA 90064
D (310) 312-4212 **F** (310) 914-5891

JMannisto@manatt.com

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From: Mannisto, Jeffrey
Sent: Wednesday, August 21, 2019 4:10 PM
To: 'Paul A. Gordon'
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: Attached is a revised draft and a redline showing the requested changes from Reutlinger based on their "final read through."

I assume you find the changes non-substantive. Please let me know if you have any questions or comments.

I will begin the process of assembling an execution copy.

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP
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Los Angeles, CA 90064
D (310) 312-4212 **F** (310) 914-5891

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Wednesday, August 21, 2019 3:17 PM
To: Mannisto, Jeffrey
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

I was just informed that the agreement was approved this morning and I am not aware of any changes required to the agreement.

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Wednesday, August 21, 2019 3:12 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Ok, thanks

Jeffrey Mannisto

Partner

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Los Angeles, CA 90064

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Wednesday, August 21, 2019 2:56 PM
To: Mannisto, Jeffrey
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

I'm still waiting to hear anything further from Eskaton and have nothing to add since our last round of communications. I believe the last significant issue was identifying and quantifying restrictions on liquid assets and haven't heard if that has been resolved. I will try again to get an update for you.

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From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Wednesday, August 21, 2019 2:45 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: just following up on this. I assume by now that the Eskaton Board has reviewed and hopefully approved the draft Affiliation Agreement. I would like to add my minor revisions, so let me know if I should just mark-up the last version and send to you.

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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Los Angeles, CA 90064

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From: Mannisto, Jeffrey
Sent: Tuesday, August 20, 2019 8:46 AM
To: 'Paul A. Gordon'
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: I am just following up on the status of your agreement review. We have noted a few minor edits – I can revise the agreement or incorporate with any final changes you and Eskaton may have. Please let me know your preference. Thanks

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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Los Angeles, CA 90064

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Wednesday, August 07, 2019 4:37 PM
To: Mannisto, Jeffrey
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Jeff,

My understanding is that the restricted funds issues are still unresolved. Todd Murch will be meeting with Jordan Rose next week before the Eskaton Board meeting. Also, not everyone who needs to review the agreement has yet done so and met to discuss.

Sorry nothing more definitive.

Paul

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Wednesday, August 7, 2019 1:26 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: Just following up on the status of your final review. Reutlinger has a board meeting tomorrow and I was hoping to give them an update. Thanks in advance.

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Thursday, July 25, 2019 9:25 AM
To: Mannisto, Jeffrey
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Jeff,

TRC0000716

1. If this is the final draft of the Affiliation Agreement, then we will need to take one last read through it. To this point we have been responding to a series of red-lined changes.
2. The total cash and restricted balances will take several weeks at least to sort out. At that time we will have a better idea of what we might need from the board, if anything.
3. Eskaton's next quarterly board meeting is in four weeks, August 21. At that time we would like seek authority to execute the Affiliation Agreement then if possible.

Thanks.

Paul

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From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Wednesday, July 24, 2019 10:53 AM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: Thanks for the update. I will assume that the revised draft is ok from the Eskaton perspective other than the issue highlighted by you below in this email. Please correct me if this is not the case.

As for the issue you highlighted, I thought we had discussed that the issue would be resolved prior to signing the agreement and thus not require any sort of certification or alternative language. It is my

TRC0000717

understanding that Reutlinger is working now with their counterpart (and their auditor) to provide additional information that will satisfy Eskaton. So, hopefully this issue will be resolved soon. Please let me know if this path forward does not work for Eskaton.

Jeffrey Mannisto

Partner

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]

Sent: Wednesday, July 24, 2019 10:46 AM

To: Mannisto, Jeffrey

Subject: RE: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Jeff,

My understanding is that the only outstanding issue is the apparent inability of Reutlinger to specify what funds and investments are subject to restrictions imposed by donors or the board. We are hopeful that the 6/30 FYE financial statements will help to clarify the situation. Eskaton needs to know what assets will be available to use in implementing the Reutlinger capital plan.

Please let me know if you have any ideas about how to do that. You deleted my language about a board certification but offer no alternative.

Thanks.

Paul

From: Mannisto, Jeffrey <JMannisto@manatt.com>

Sent: Monday, July 22, 2019 3:55 PM

To: Paul A. Gordon <pgordon@hansonbridgett.com>

Subject: Revised Draft Affiliation Agreement, Restated Articles and Bylaws

Paul: Hopefully we are close. Attached for your consideration, please find copies of the following documents:

1. A revised draft of the Affiliation Agreement;

TRC0000718

2. Restated Articles of Incorporation of The Reutlinger Community; and
3. Second Amended and Restated Bylaws of The Reutlinger Community.

Also, attached for your review is a redline copy of the Affiliation Agreement marked to show the revisions to the most recent version circulated by you.

As you will note, I have included a “reasonableness” modifier to the provision requiring “approval” of the Reutlinger board designee in section 1.3(b). I understand that Jay Zimmer read this verbiage to Sheri over the phone last week, but I am not sure if it made its way to you.

After you have had a chance to review, please contact me with questions or comments.

Jeffrey Mannisto

Partner

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AFFILIATION AGREEMENT
BETWEEN
ESKATON
AND
THE REUTLINGER COMMUNITY

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EXHIBITS:

Exhibit 1.2 Reutlinger 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) Opinion of Meyers Nave

AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT (this “Agreement”) is entered into as of this ____ day of ~~July~~August, 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 ~~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 Affiliation Transaction. 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

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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

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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 [321511933.12](#)

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.

(h) 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) ~~The 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

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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) 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) 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

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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,

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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

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(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 [321511933.12](#)

(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

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office boxes, safe deposit boxes and the contents thereof 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) Composition of Commitment Committee. 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 ~~and~~, Jordan Rose and up to two (2) additional persons as they may designate.

(b) Voting. 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 Closing. 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 Deliveries of Reutlinger. 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"):

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(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 Deliveries of Eskaton. 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.

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(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 Authorization. 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

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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 Consents. Except as set forth in **Schedule 3.4**, 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 **Schedule 3.5(c)**, 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 [321511933.12](#)

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) **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.

(a) 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 **Schedule 3.7(b)** 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 Licenses and Permits. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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

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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 **Schedule 3.11(a)** 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) Except as set forth in **Schedule 3.11(c)**, 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 **Schedule 3.11(c)**, 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 Compliance with Law. Except as disclosed in **Schedule 3.12** 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

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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 Employment Obligations. 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 **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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

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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 **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 **Brokers' and Finders' Fees**. 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 **Immigration Act**. 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 **Reutlinger Boards of Directors**. **Schedule 3.20** 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 **AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger**.

(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,

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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.

Eskaton's Initials: _____

The provisions of this Section 3.22 shall survive the Closing.

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**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 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 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 Authorization. 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)

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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 Consents. Except as set forth in **Schedule 4.5**, 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.

(a) **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 **Schedule 4.6(c)** 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 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.7** 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.

(a) 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 Insurance. **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, [321511933.12](#)

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 **Licenses and Permits**. 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.

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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 **Schedule 4.12(a)** 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) **Schedule 4.12(b)** 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 **Schedule 4.12(b)**.

(c) Except as set forth in **Schedule 4.12(c)**, 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 **Schedule 4.12(c)**, 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 [321511933.12](#)

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 Employment Obligations. All obligations of Eskaton with respect to any of Eskaton'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 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 Tax Returns and Liabilities. Except as set forth in **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.17(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton’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) **Schedule 4.18(a)** 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 **Schedule 4.18**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.18**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 **Brokers' and Finders' Fees**. 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 **Eskaton Boards of Directors**. **Schedule 4.22** 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 **AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton**.

(a) Reutlinger acknowledges that, except as specifically provided in this Agreement, 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 [321511933.12](#)

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.

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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 Reutlinger's Commercially Reasonable Efforts. 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 Managed Care Contracts. 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 Required Approvals. 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

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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 Payment of Liabilities. 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 [321511933.12](#)

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 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.2** 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 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 Eskaton's Commercially Reasonable Efforts. 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 Required Approvals. 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 Notification. 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:

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Section 7.1 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on Schedule 7.3¹ necessary for Reutlinger to consummate the transactions described herein.

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.

Section 7.6 Consents. Each of the consents identified in Schedule 7.6 (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 No Material Adverse Change. 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 Assurance of Facility License. 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 Representations/Warranties. 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

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

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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on Schedule 8.3 for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.

Section 8.6 Consents. Each of the Material Consents identified in Schedule 8.6 (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 8.7 No Material Adverse Change. 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 Termination. 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 Effect of Termination. 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,

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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 Confidential Information of Reutlinger. 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

[321511933.12](#)

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 Exclusivity. 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 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 15.2 Survival. 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.

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Section 15.3 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 15.4 Binding Terms and Provisions. 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 Entire Agreement. 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 Applicable Law. 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 Waiver of Breach. 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 Third Party Beneficiaries. 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 Dispute Resolution; Jurisdiction; Service of Process. 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

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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 Drafting. 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 Severability. 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~~ By: _____

Jay A. Zimmer
Its: President and Chief Executive Officer

Exhibit 1.2
Amended Reutlinger Articles & Bylaws

Exhibit 1.2

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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

Financial Assistance Program: Since Reutlinger's founding in 1950, it has provided financial assistance to those individuals who, 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 Commitment Committee.

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 other 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 Magnes Museum in Berkeley or some other appropriate Jewish organization selected by the Commitment Committee.

Exhibit 1.4(a)

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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). This organization represents the 95+ Jewish senior living communities throughout the United States, Montreal and Toronto, Canada. In addition to an Annual Conference and several regional meetings throughout the year, AJAS is a source for funding projects that enhance the lives of the Reutlinger elderly residents. Over the past 3-years AJAS has donated \$50,000 dollars toward the purchase of new vehicles for the Reutlinger community transportation program, and, is currently funding the 1st-year of a 3-year funding cycle project for the development of a memory and music program for the Reutlinger residents suffering from dementia.

Exhibit 1.4(a)

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Exhibit 1.4(b)

Reutlinger's CAPEX Plan and Capital Reserve Study

[see attached]

Exhibit 1.4(b)

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TRC0000771

Exhibit 1.5
Form of Management Agreement

[see attached]

Exhibit 1.5

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TRC0000772

Exhibit 2.3(d)

Opinion of Meyers Nave

[See Attached]

Exhibit 2.3(d)

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Comparison Details	
Title	compareDocs Comparison Results
Date & Time	8/21/2019 5:33:21 PM
Comparison Time	2.95 seconds
compareDocs version	v4.2.300.9

Sources	
Original Document	[#321511933] [v11] Reutlinger Affiliation Agreement Eskaton (MPP revisions 7/22/19).docx
Modified Document	[#321511933] [v12] Reutlinger Affiliation Agreement Eskaton (MPP revisions 8/21/19).docx

Comparison Statistics	
Insertions	127
Deletions	118
Changes	4
Moves	0
TOTAL CHANGES	249

Word Rendering Set Markup Options	
Name	
<u>Insertions</u>	
Deletions	
<u>Moves</u> / Moves	
Inserted cells	
Deleted cells	
Merged cells	
Formatting	None.
Changed lines	Mark outside border.
Comments color	By Author.
Balloons	True

compareDocs Settings Used	Category	Option Selected
Open Comparison Report after Saving	General	Always
Report Type	Word	Formatting
Character Level	Word	False
Include Headers / Footers	Word	True
Include Footnotes / Endnotes	Word	False
Include List Numbers	Word	True
Include Tables	Word	True
Include Field Codes	Word	True
Include Moves	Word	False
Show Track Changes Toolbar	Word	True
Show Reviewing Pane	Word	True
Update Automatic Links at Open	Word	False
Summary Report	Word	End
Include Change Detail Report	Word	Separate
Document View	Word	Print
Remove Personal Information	Word	False
Flatten Field Codes	Word	True

From: Sheri Peifer
Sent: Thursday, September 5, 2019 5:30 PM PDT
To: Jay Zimmer
Subject: Affiliation agreement, Section 1.5 "operational management"

Hi Jay,

The following language clearly outlines our mutually-agreed upon terms for the operational management of TRC. Please review with Mannat again as some of the proposed changes contradict what is already in the affiliation agreement.

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) 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) 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.

Sheri Peifer

Senior VP, Chief Strategy Officer

ESKATON

5105 Manzanita Avenue

Carmichael, CA 95608

916-334-0810

sheri.peifer@eskaton.org

eskaton.org



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Thank you.

From: Paul A. Gordon
Sent: Monday, September 9, 2019 9:52 AM PDT
To: Mannisto, Jeffrey
Subject: RE: Management Agreement (FINAL 9-7-19).DOCX; Management Agreement (edits to TRC draft, 9-7-19).DOCX

Yes, the changes sent on 8/21 and 8/22 are acceptable.

From: Mannisto, Jeffrey <JMannisto@manatt.com>
Sent: Saturday, September 7, 2019 2:38 PM
To: Paul A. Gordon <pgordon@hansonbridgett.com>
Subject: RE: Management Agreement (FINAL 9-7-19).DOCX; Management Agreement (edits to TRC draft, 9-7-19).DOCX

Thank you – I will take a look

Also, can you confirm that the revised draft Affiliation Agreement that I sent to you on 8/21 (and 8/22) is acceptable to Eskaton. Thanks

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP
11355 W. Olympic Blvd
Los Angeles, CA 90064
D (310) 312-4212 **F** (310) 914-5891

JMannisto@manatt.com

manatt.com

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From: Paul A. Gordon [<mailto:pgordon@hansonbridgett.com>]
Sent: Saturday, September 07, 2019 12:38 PM
To: Mannisto, Jeffrey
Subject: Management Agreement (FINAL 9-7-19).DOCX; Management Agreement (edits to TRC draft, 9-7-19).DOCX

Jeff,

Here is a revised draft of the management agreement. I added the provisions of 1.5 of the affiliation agreement by reference and attachment, kept the changes about the kind of facilities operated by TRC and restored the other original provisions from the Eskaton form agreement. The only blanks are the term of the agreement and the limits of the excess insurance, which I have not heard were yet agreed to by the parties. Of course once we can get confirmation of that, it can easily be filled in.

Paul

TRC0000777

PAUL A. GORDON
Partner
pgordon@hansonbridgett.com
(415) 995-5014 Direct
(415) 995-3430 Fax
www.SeniorCareLaw.com



Hanson Bridgett LLP
425 Market St.
24th Floor
San Francisco, California 94105

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From: Mannisto, Jeffrey
Sent: Wednesday, September 11, 2019 11:42 AM PDT
To: pgordon@hansonbridgett.com
Subject: FW: Final Affiliation Agreement
Attachments: The Reutlinger Community Affiliation Agreement.pdf, Reutlinger Affiliation Agreement Eskaton (Final).DOCX

Paul: I corrected section 1.5 to include the "provide that" phrase to start subclauses (iv) and (v). I also deleted the footnote on page 35. Attached is the corrected version (both PDF and Word).

I have not received a response from Todd or Sheri to my earlier email.

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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From: Mannisto, Jeffrey
Sent: Wednesday, September 11, 2019 9:56 AM
To: Todd.Murch@eskaton.org; Jay Zimmer (JZimmer@rcjl.org)
Cc: Jordan Rose (jordanproseesq@gmail.com); David Grant (dagrant1945@gmail.com); Dodd, Jill; pgordon@hansonbridgett.com; 'Sheri Peifer'
Subject: Final Affiliation Agreement

Todd/Jay: The Reutlinger Board approved the attached Affiliation Agreement and related exhibits and schedules last night. Please note that we still need to attach the Meyers nave (bond counsel) opinion as Exhibit 2.3(d).

Both parties should now confirm that the attached agreement is final (I included a Word version) and, assuming so, print and sign 2 copies of the stand-alone signature page PDF. Please return your originals to me and I will in turn provide each of you with an originally-signed agreement with exhibits/schedules.

Please date the agreement with today's date (9/11/19). Please do not hesitate to contact me or Paul with any questions.

Thank you

TRC0000779

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

11355 W. Olympic Blvd

Los Angeles, CA 90064

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AFFILIATION AGREEMENT
BETWEEN
ESKATON
AND
THE REUTLINGER COMMUNITY

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EXHIBITS:

- Exhibit 1.2** Reutlinger 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)** 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 Affiliation Transaction. 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.

(h) 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 **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 thereof 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) Composition of Commitment Committee. 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) Voting. 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 Closing. 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 Deliveries of Reutlinger. 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 Deliveries of Eskaton. 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 Authorization. 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 Consents. Except as set forth in **Schedule 3.4**, 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 **Schedule 3.5(c)**, 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) **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.

(a) 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 **Schedule 3.7(b)** 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 Licenses and Permits. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 **Schedule 3.11(a)** 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) Except as set forth in **Schedule 3.11(c)**, 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 **Schedule 3.11(c)**, 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 Compliance with Law. Except as disclosed in **Schedule 3.12** 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 Employment Obligations. 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 **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.

(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.

Eskaton's Initials: _____

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 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 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 Authorization. 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 Consents. Except as set forth in **Schedule 4.5**, 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.

(a) **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 **Schedule 4.6(c)** 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 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.7** 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.

(a) 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 Insurance. **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 **Licenses and Permits**. 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 **Schedule 4.12(a)** 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) **Schedule 4.12(b)** 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 **Schedule 4.12(b)**.

(c) Except as set forth in **Schedule 4.12(c)**, 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 **Schedule 4.12(c)**, 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 Employment Obligations. All obligations of Eskaton with respect to any of Eskaton'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 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 Tax Returns and Liabilities. Except as set forth in **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.17(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton’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) **Schedule 4.18(a)** 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 **Schedule 4.18**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.18**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 Brokers' and Finders' Fees. 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 Eskaton Boards of Directors. **Schedule 4.22** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(a) Reutlinger acknowledges that, except as specifically provided in this Agreement, 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 4.24 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 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 Reutlinger's Commercially Reasonable Efforts. 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 Managed Care Contracts. 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 Required Approvals. 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 Payment of Liabilities. 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 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.2** 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 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 Eskaton’s Commercially Reasonable Efforts. 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 Required Approvals. 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 Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on Schedule 7.3 necessary for Reutlinger to consummate the transactions described herein.

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.

Section 7.6 Consents. Each of the consents identified in Schedule 7.6 (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 No Material Adverse Change. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on Schedule 8.3 for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.

Section 8.6 Consents. Each of the Material Consents identified in Schedule 8.6 (the "Material Consents") shall have been obtained and shall be in full force and effect.

Section 8.7 No Material Adverse Change. 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 Termination. 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 Effect of Termination. 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 Confidential Information of Reutlinger. 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 Exclusivity. 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 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 15.2 Survival. 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 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 15.4 Binding Terms and Provisions. 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 Entire Agreement. 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 Applicable Law. 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 Waiver of Breach. 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 Third Party Beneficiaries. 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 Dispute Resolution; Jurisdiction; Service of Process. 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 Drafting. 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 Severability. 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

From: Mannisto, Jeffrey
Sent: Tuesday, September 17, 2019 3:55 PM PDT
To: Todd.Murch@eskaton.org; Jay Zimmer (JZimmer@rcjl.org)
CC: Jordan Rose (jordanproseesq@gmail.com); David Grant (dagrant1945@gmail.com); Dodd, Jill; pgordon@hansonbridgett.com; Sheri Peifer; Weiss, Jonathan
Subject: RE: Final Affiliation Agreement
Attachments: The Reutlinger Community Affiliation Agreement FULLY EXECUTED.PDF

All: For your records, please find attached a copy of the fully-executed Affiliation Agreement. We still need the Opinion of Meyers Nave (Exhibit 2.3(d) to the Affiliation Agreement). We did not include the other exhibits or schedules to the Affiliation Agreement in this email as they were distributed last week and have remained the same.

Please let us know if you have any questions.

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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From: Mannisto, Jeffrey
Sent: Wednesday, September 11, 2019 9:56 AM
To: Todd.Murch@eskaton.org; Jay Zimmer (JZimmer@rcjl.org)
Cc: Jordan Rose (jordanproseesq@gmail.com); David Grant (dagrant1945@gmail.com); Dodd, Jill; pgordon@hansonbridgett.com; 'Sheri Peifer'
Subject: Final Affiliation Agreement

Todd/Jay: The Reutlinger Board approved the attached Affiliation Agreement and related exhibits and schedules last night. Please note that we still need to attach the Meyers nave (bond counsel) opinion as Exhibit 2.3(d).

Both parties should now confirm that the attached agreement is final (I included a Word version) and, assuming so, print and sign 2 copies of the stand-alone signature page PDF. Please return your originals to me and I will in turn provide each of you with an originally-signed agreement with exhibits/schedules.

Please date the agreement with today's date (9/11/19). Please do not hesitate to contact me or Paul with any questions.

TRC0000830

Thank you

Jeffrey Mannisto

Partner

Manatt, Phelps & Phillips, LLP

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AFFILIATION AGREEMENT
BETWEEN
ESKATON
AND
THE REUTLINGER COMMUNITY

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EXHIBITS:

- Exhibit 1.2** Reutlinger 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)** 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 Affiliation Transaction. 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.

(h) 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 **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 thereof 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) Composition of Commitment Committee. 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) Voting. 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 Closing. 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 Deliveries of Reutlinger. 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 Deliveries of Eskaton. 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 Authorization. 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 Consents. Except as set forth in **Schedule 3.4**, 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 **Schedule 3.5(c)**, 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) **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.

(a) 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 **Schedule 3.7(b)** 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 Licenses and Permits. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 **Schedule 3.11(a)** 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) Except as set forth in **Schedule 3.11(c)**, 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 **Schedule 3.11(c)**, 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 Compliance with Law. Except as disclosed in **Schedule 3.12** 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 Employment Obligations. 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 **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.15**, 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** 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 **Schedule 3.17**, Reutlinger has provided Eskaton with complete and correct copies of all such Reutlinger Contracts. Except as set forth in **Schedule 3.17**, Reutlinger has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Reutlinger.

(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.

Eskaton's Initials: TK

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 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 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 Authorization. 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 Consents. Except as set forth in **Schedule 4.5**, 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.

(a) **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 **Schedule 4.6(c)** 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 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.7** 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.

(a) 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 Insurance. **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 **Licenses and Permits**. 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 **Schedule 4.12(a)** 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) **Schedule 4.12(b)** 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 **Schedule 4.12(b)**.

(c) Except as set forth in **Schedule 4.12(c)**, 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 **Schedule 4.12(c)**, 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 Employment Obligations. All obligations of Eskaton with respect to any of Eskaton'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 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 Tax Returns and Liabilities. Except as set forth in **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.16**, 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 **Schedule 4.17(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton’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) **Schedule 4.18(a)** 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 **Schedule 4.18**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.18**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.19 Brokers' and Finders' Fees. 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 Eskaton Boards of Directors. **Schedule 4.22** 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 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(a) Reutlinger acknowledges that, except as specifically provided in this Agreement, 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 4.24 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 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 Reutlinger's Commercially Reasonable Efforts. 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 Managed Care Contracts. 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 Required Approvals. 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 Payment of Liabilities. 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 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.2** 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 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 Eskaton’s Commercially Reasonable Efforts. 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 Required Approvals. 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 Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals or waivers listed on Schedule 7.3 necessary for Reutlinger to consummate the transactions described herein.

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the Eskaton Closing Documents.

Section 7.6 Consents. Each of the consents identified in Schedule 7.6 (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 No Material Adverse Change. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Eskaton shall have received all governmental approvals or waivers listed on Schedule 8.3 for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the Reutlinger Closing Documents.

Section 8.6 Consents. Each of the Material Consents identified in Schedule 8.6 (the "Material Consents") shall have been obtained and shall be in full force and effect.

Section 8.7 No Material Adverse Change. 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 Termination. 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 Effect of Termination. 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 Confidential Information of Reutlinger. 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 Exclusivity. 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 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 15.2 Survival. 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 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 15.4 Binding Terms and Provisions. 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 Entire Agreement. 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 Applicable Law. 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 Waiver of Breach. 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 Third Party Beneficiaries. 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 Dispute Resolution; Jurisdiction; Service of Process. 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 Drafting. 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 Severability. 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.

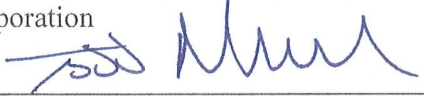
Section 15.13 Exhibits and Schedules. The exhibits and schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

[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.

Date: Sept. 13, 2019

Eskaton, a California nonprofit public benefit corporation

By: 

Todd Murch
Its: President and Chief Executive Officer

The Reutlinger Community, a California nonprofit public benefit corporation

Date: _____

By: _____

Jay A. Zimmer
Its: President and Chief Executive Officer

[Signature Page]

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: 9/11/2019

By: Jay A. Zimmer

Jay A. Zimmer

Its: President and Chief Executive Officer

[Signature Page]

TAB 8

From: Naheed Asalati
Sent: Thursday, March 1, 2018 2:57 PM PST
To: Sherry Berkman; David Grant; Richard Goldstein; Fred Isaac; Craig Judson; Marc Usatin; Philip Friedman; Joel White; Jordan Rose; Renee Powell; Sam Salkin; Gloria Ruth; Jean Jones; Jay Zimmer; Brian Morrow; Mary Goldhoff; Rabbi Debora Kohn; Beth Kyman
Subject: Board of Directors Meeting Materials March 13, 2018
Attachments: Board of Directors Agenda March 132018.docx, CEO Report February 2018 v.4 (002).pdf, Copy of SCORECARD 2018 (004)BOD March 2018.xlsx, Jan 2018 BOARD Financial Stmt Narrative v02.22.pdf, Jan 2018 Master Financial Statements v2.23.18.pdf, Development Report.docx, 2017-12-31 RCJL fund statements (003).pdf, 2017-11-30 RCJL fund statements.pdf, Board of Directors meeting minutes January 9 2018 Revised (002).docx, Committee Special Meeting Notes.docx, Dinner Menu.docx, Residents Council 2 8 18.docx, Copy of Copy of HOSPICE LIST.xlsx, Meeting dates.docx

Good Afternoon,

Attached are the Board of Directors Meeting Materials.

Best regards,

Naheed Asalati
Executive Assistant
(925)964-2098



President and CEO Report
February 2018

Association for Jewish Aging Services (AJAS) Annual Meeting

REDACTED - NOT RELEVANT

REDACTED - NOT RELEVANT

REDACTED - NOT RELEVANT

Marketing Update

REDACTED - NOT RELEVANT

REDACTED - NOT RELEVANT

Board Retreat

I'm excited and happy to announce that Molly Forrest, President and CEO of the LA Jewish Home in Los Angeles and Bill Pomeranz, Managing Director of Cain Bros./ BancOne have agreed to facilitate our Spring retreat. I have known Molly and Bill professionally for many years, and can state with confidence, that these two are on top of their games and will be of great service to our organization.

Please hold the date: April 15, 8:30 AM - 4 PM, The Reutlinger Community, Sussman Room.

Molly brings her experience of taking a financially struggling, mostly Medicaid nursing home and diversifying into new and profitable business lines - home and community based services, Hospice, CCRC, PACE, etc., including significant annual fund-raising to support their core business and mission.

Bill will bring a 'big' picture view of the industry, prospects and options for The Reutlinger including partnerships, merger or acquisition, etc.

Both will review the GSI report to incorporate into their presentations and the full-Board conversation. More to follow at our March meeting.

Operations

Beginning this past January, we've taken steps to reduce expenses over the last 5 months of the FY by about \$314,000 dollars. With census down across the board, we've reduced staffing hours and ratios wherever it was safe to do so.

In addition, a hiring-freeze was put into effect for any non-bedside support personal, e.g., dietary, housekeeping, etc. Several positions were also eliminated.

A number of actions have been addressed by the Board's Finance and Investment Committees to insure cash is available as needed for the remainder of the FY. A rebalancing of our portfolio and increased liquidity resolutions will be presented to the Board for consideration at our next meeting. You'll find in the Board packet the minutes of those meetings as background for your participation and/or questions.

Final Word

I left for the AJAS meeting with some very focused and particular concerns that I was looking for direction and answers to from our AJAS colleagues...

- 1) Where, in context to other organizations is TRC today, financially and strategically?
- 2) How can we update the 1950's vision and mission of TRC to still reflect what the founders of our organization put into place 68 years ago, but no longer reflect the changes in an ever increasingly challenging and highly regulated industry and changing populations?
- 3) How can we better engage and motivate our employees to contribute to the needs of our community and who are critical to the success of our community.
- 4) How can we leverage our commitment to the residents, their families and broader community - Jewish and non-Jewish alike - who have come to depend on us for their care and continue to grow and lead in this industry?
- 5) Our partners, e.g., John Muir Health, Affirma, Premier and others are all working to close the gaps in the continuum of care and the quality of that care. How can we strengthen our relationships with these organizations, add more value and seek out other organizations to assist in TRC providing quality care?
- 6) How can we best weather these financial downturns as a single-site, single business line community?

I'm happy to report that attending AJAS was reassuring and reaffirming. With perhaps a handful of exceptions, every one of those attending have experienced similar challenges to our own, or worse. Everyone that I had an opportunity to talk to about our current position fights similar battles or knew members who did and most have worked their way out of it.

Not to underestimate our financial challenges, but almost to a person, at one point or another it was a census challenge in their SNF's or AL's (the majority of these organizations began as large - 160+ beds - SNF's dependent on Medicaid) that motivated them to explore other business lines, e.g., home and community based services, etc.

I discovered that it was primarily Jewish organizations that were innovators in the introduction of Assisted Living and memory care as a result of declining reimbursement and census in their their 'over-sized' SNF's. Jewish organizations led the way into home and community based services, PACE programs, affordable housing, etc.

Yes, there are many technical and regulatory hurdles to manage day-in and day-out; many 'masters' to please - CMS, Medicare and Medicaid, State Surveyors, Title 22, OSHPD, DSS, CADPH, our Board...the list goes on.

Leadership - the Board and Management Team - can not give up, can not throw up their hands and simply walk away. We don't produce widgets, we care for the lives of our elders and in doing so honor the commandment of honoring our mothers and our fathers, performing a mitzvah with each and every encounter. We owe it to that commandment to identify the problems, determine our options, and to deploy and execute solutions effectively and together, in order to right the ship and continue on as good stewards of our resources.

I'm glad that I attended AJAS. The sessions were well thought out, reinvigorating and hopeful. I was surrounded by supportive, caring and concerned colleagues - old and new. And, for those who know me well, Marty Klein from Seashore Gardens (aka, Hebrew Old Age Home), Larry Minnix (Retired CEO of Leading Age) and Molly Forrest I was reminded of the challenges and the challenging communities that I have turned - around and that reminder helped me to break through the mixed feelings I had before attending the conference.

Marty actually showed me an aerial view of the Seashore Gardens campus and reminded me of how hard we all worked and the challenges that we overcame - financial, naysayers, etc. - to make that campus a reality, transforming from a 100 year-old nursing home, to a multi-site Independent Living, Affordable Housing, SNF, Rehab, AL and Memory Care campus.

We will find the right answer for TRC. The conversation will be constructive and comprehensive. The answers won't come without careful, compassionate and pragmatic thought. Our decisions will set the direction for a viable future for TRC. By keeping us rooted in an updated mission and vision that supports our values as an organization, I firmly believe that we will find the right path to follow. And in doing so will be respectful of the founders and their vision and the commandment we are so blessed to be chosen to carry out.

Respectfully submitted,

Jay Zimmer
President and CEO

From: Jay Zimmer
Sent: Friday, March 16, 2018 3:19 PM PDT
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Minutes of the March 13, 2018 Meeting
Attachments: TRCBoardofDirectorsMarch2018MeetingMinutes.docx

The document attached is not for distribution and will not be formatted or posted to BoardMax for the time being.

The information contained is confidential and for Board Members only.

If you have any questions or concerns, please contact either Sherry or me.

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jjzimmer@rcjl.org



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.

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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

5. 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, eventually polling the Board on their current position, given the choices presented.

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.

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

From: Sherry Berkman
Sent: Thursday, March 29, 2018 2:38 PM PDT
To: philip Friedman; Grant David; Rich Goldstein; Fred Isaac (fisaac63@gmail.com); Jones Jean; Craig Judson; Renee Powell; Rose Jordan; Sam Salkin; Marc Usatin; Joel White
CC: Sherry Berkman; Jay Zimmer
Subject: April 10 Board Meeting

Good Afternoon,

At our last Board meeting, we decided to explore the possibility of affiliation with another provider while improving our financial performance.

In order to begin the exploration process and give guidance to the Board's exploration committee, we need to settle on our preferences for a potential affiliate. While we will not find a partner who meets all of our criteria, we need to identify and rank the parameters that matter most to us.

Our discussion at the April 10 Board meeting will be most meaningful and decisive if you begin thinking now about those characteristics that you consider priorities. The following are some topics you might consider:

Closeness of alignment with our mission

Status: Jewish/nonsectarian, nonprofit/ for profit

Complement of services available: skilled nursing, assisted living, memory care, etc.

Physical attributes of facility: size/ single-site/multiple sites/ location

Availability of support for individuals without financial resources, i.e. RAF, holocaust survivors

Other

Every member will have an opportunity to express his/her thoughts on the subject at the Board meeting, and we will then prioritize the criteria in order to help the committee identify and focus on possible targets for affiliation.

See you on April 10th.

Happy Pesach, Chag Sameach

From: Jay Zimmer
Sent: Wednesday, July 11, 2018 9:01 AM PDT
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
CC: Sheri Peifer
Subject: Eskaton Visit - July 26, 2018

The following Board members have indicated an interest in visiting Eskaton on July 26:

Marc
Fred
Gloria
Rich
Sam

Sherry has expressed an interest in participating by phone. (I do not as yet have confirmation that the community can provide conference service in the room we are meeting. TBD)

Jordan and David have already visited the community and have met with Eskaton leadership.

Transportation:

I will be leaving from TRC at about 8 AM and can take 3 in my car.
Sam has volunteered to drive anyone from the western side of the East Bay, so it may make sense for Fred and Sam to arrange time and place.
Please confirm transportation arrangements ASAP.

The meeting and tour will take place at:

Eskaton Village – Carmichael
3939 Walnut Ave.
Carmichael, CA 95608
916-974-2000

10 AM – 2 PM

Please reach out with any questions. Thank you. j

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



The Reutlinger Community



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.

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From: Jay Zimmer
Sent: Monday, July 30, 2018 6:36 PM PDT
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Executive Session Agenda
Attachments: eskatonexecsession2018.docx
Importance: High

See attached for tomorrow evening's meeting. jaz

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
zimmer@rcjl.org



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The Reutlinger Community
Executive Session
July 31, 2018
6 PM – Sussman Room

1. Recap of the goals (Jewish Values, Quality of Care, Capital) and timetable (end of 2018 FY) established by the Board to either identify a partner or select an advisor.
2. Group's impression of Eskaton – go around room allowing each Board member 3-5 minutes.
3. What Eskaton hopes for with TRC? What is TRC looking for?
4. Reaction to Eskaton dashboard report (May 2018) distributed to BOD this past Monday.
5. Discuss various options based upon last week's discussions with Eskaton – management agreement, full affiliation, something else?
6. Recommendations (I would like to address Board at this time).
7. If going forward with Eskaton, agree to submit Letter of Intent (LOI). I also think that we should discuss a plan B that includes the engagement of an advisor – Cain Bros., Ziegler, etc. in the event that Eskaton partnership fails to make it through due diligence. You don't want to be 6-months into this and have to start all over again. The advisor can work both options – Eskaton, and, other potential partners.
8. Thoughts about timing of announcements, PR, etc.
9. Final thoughts/Adjourn

Jaz/07-31-18

From: Jay Zimmer
Sent: Friday, September 21, 2018 1:22 PM PDT
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
CC: Jay Zimmer
Subject: M and A Presentation - Ziegler Conference

Thought this might be of interest from an affiliation perspective. J

<https://custom.cvent.com/9DC787448F974BA58949D71117B21100/files/c1236d88dbf94acc81b9197998bf3df0.pdf>

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
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jjzimmer@rcjl.org



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From: Jay Zimmer
Sent: Tuesday, October 16, 2018 10:32 AM PDT
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Executive Session
Attachments: template eng letter for Reutlinger.pdf, draft LOI affiliation- [10-5-18].doc

Attached for your review, will be discussed at tonight's Executive Session. Hard copies will not be distributed. J

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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communication and notify the sender immediately. You should not retain, copy or use this e-mail for any purpose, nor disclose all or any part of its contents to any other person or persons. Thank you.

October 5, 2018

[ATTN: Jordan Rose, Board Member, The Reutlinger Community]

Re: Letter of Intent regarding Proposed Affiliation

Dear Jordan:

I am pleased to present the following Letter of Intent regarding a proposed affiliation between The Reutlinger Community and Eskaton.

Parties: The Reutlinger Community, a California nonprofit public benefit corporation ("TRC") and Eskaton., a California nonprofit public benefit corporation, and/or its affiliate Eskaton Properties, Inc., together ("Eskaton"), collectively, the "Parties."

Letter of Intent/Affiliation Agreement: This Letter of Intent is meant to be a general outline of the business terms upon which Eskaton and TRC will affiliate. This Letter of Intent shall not be binding on either Eskaton or TRC (except for the provisions of the "Confidentiality" and "Exclusivity" sections) unless and until both parties execute a binding 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 the office of the Eskaton prior to the end of business on October __, 2018. The terms of this Letter of Intent shall be incorporated into a binding Affiliation Agreement between the Parties on or before ____ __, 2018

Eskaton as Member of TRC: TRC's Articles and Bylaws shall be amended as necessary to make Eskaton the sole corporate member of TRC.

Eskaton Board Composition: Eskaton's Articles and Bylaws shall be amended as necessary to add a Director to the Eskaton Board who shall be appointed by TRC (the "TRC Designee") for a

three-year term, renewable for an additional two 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 at Closing.

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.

TRC Programming: TRC's programs as contained in its mission statement or written policies, 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 as specified in Exhibit A (list of all policies and/or procedures that should be maintained throughout the affiliation. 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 TR Designee. Following Closing, the TRC Designee shall be entitled to enforce, by seeking equitable remedies or otherwise, the rights of TRC specified in the Affiliation Agreement, all at the cost and expense of Eskaton.

Due Diligence Contingency: Eskaton shall have sixty (60) days from mutual execution of the Affiliation Agreement ("Contingency Period") to approve or disapprove the Affiliation, including but not limited to title review, physical inspection, review of income and expenses of TRC and of residence agreements and any other matters which Eskaton deems relevant to the Affiliation. Within five (5) business days after mutual execution of the Affiliation Agreement, TRC shall deliver to Eskaton or make available to Eskaton at the Community 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 access to the Community during the Due Diligence Contingency Period to conduct any inspections or investigations Eskaton deems prudent.

Confidentiality: All information received by the Parties in connection with the Property or the transactions contemplated by this Letter of Intent, 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 Closing shall occur on or before the date that is sixty (60) days after the expiration of the Contingency Period, subject to extension to a specified Outside Closing Date if required to obtain any required permitting or regulatory approvals, to be further addressed in the Affiliation Agreement.

**Contingencies to Closing;
Liquidated Damages** The obligation of Eskaton and TRC hereunder are contingent upon the receipt of all necessary regulatory approvals or permits by the Outside Closing Date. In the event that, after expiration of the Due Diligence Period, all necessary regulatory approvals are received and either party fails or refuses to close, the party that fails or refuses to close shall pay the other party liquidated damages in the sum of _____ Dollars (\$_____).

Exclusivity: TRC agrees not to seek to affiliate with any other entity, nor negotiate or discuss any sale, lease or option of the Community or any interest in the Community or TRC,

during the negotiation of the Affiliation Agreement. 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.

[The space below left intentionally blank]

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: _____

Title: _____

Date: _____

AGREED AND ACCEPTED:

THE REUTLINGER COMMUNITY

By: _____

Title: _____

Date: _____

From: Jay Zimmer
Sent: Thursday, October 18, 2018 9:15 AM PDT
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Executive Session
Importance: High

There will be an Executive Session Meeting of the Reutlinger Board of Directors on: **November 7, 2018 at 3 PM, TRC Sussman Room.** I will send a ZOOM Invite with a call-in number for any members wishing to participate by phone.

If, for any reason the meeting is cancelled, I will send out a notice ASAP.

Also, until further notice, please keep the regularly scheduled November 13, 2018 at 6 PM meeting on your calendars. Thank you. j

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.
2. 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.
5. Jordan and Jay will draft a note to SFJH requesting a draft LOI on/before November 7 for the TRC Board to review.
6. Legal team has been engaged, the Manatt Law Firm, Jill Dodd to lead legal team. Motion to approve: Usatin; 2nd White; All approved.
7. Following the above action, staff left meeting for Board to review CEO Evaluation.

Respectfully submitted,
Jay Zimmer, President and CEO

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jjzimmer@rcjl.org



The Reutlinger Community



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.

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From: Jay Zimmer
Sent: Monday, November 12, 2018 2:49 PM PST
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Executive Session - Confidential
Attachments: LOI Eskaton_Reutlinger (Proposed Revisions to Eskaton initial draft) (3)....doc
Importance: High

Attached is the draft Letter of Intent (LOI) for review at tomorrow's Executive Session. Below is a first pass of what will eventually become Exhibit 'A' of the LOI and addresses the issues related to preserving our Jewish values and programs. There will be no handouts for the Executive Session portion of the meeting. I'm reminding everyone once again to please refrain from any mention of the proposed affiliation during the regular meeting with staff present. Thank you. Jaz

Exhibit A

Full-time Rabbi
Jewish Holidays
Jewish Programming
Kosher and/or Kosher Style Menus
Holocaust PTSD Counseling
Jewish Heritage Museum Designation
Tree of Life
Jewish Artwork and Judaica collection

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[Eskaton Letterhead]

November 12, 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 November 26, 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 listed on Exhibit A attached hereto, 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 to operate TRC in the manner specified in this Letter of Intent, provided that such expenditures by Eskaton shall not exceed \$ _____ 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.

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.

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.

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 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.

[The space below left intentionally blank]

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: _____

Title: _____

Date: _____

AGREED AND ACCEPTED:

THE REUTLINGER COMMUNITY

By: _____

Title: _____

Date: _____

EXHIBIT A

DRAFT

From: Rich Goldstein
Sent: Monday, November 12, 2018 3:29 PM PST
To: Jay Zimmer; Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIIONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: RE: Executive Session - Confidential

Jay,
Questions about this email.

I know it mentions it in the LOI, but I would add to the list in Exhibit A the policy and restrictions on the following:

- a. Existing TRC Endowment and other Donor contributed Funds
- b. Future donations received and directed to TRC for Jewish programs
- c. Management of these funds
- d. Handling of the Schiff Trust funds

I think we should consider requiring a separate foundation be established to hold all of these funds with a Board of Directors separate from Eskaton with the majority of the Board for this foundation being from the East Bay Jewish Community.

Thank you.

Rich

From: Jay Zimmer <JZimmer@rcjl.org>
Sent: Monday, November 12, 2018 2:50 PM
To: Craig Judson <cjudson@bpmnj.com>; David Grant <dagrant1945@gmail.com>; Fred Isaac (fisaac63@gmail.com) <fisaac63@gmail.com>; gloriaruth13@gmail.com; JJALIIONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com) <zpz2mrz@gmail.com>; Jordan Rose (jordanproseesq@gmail.com) <jordanproseesq@gmail.com>; Marc Usatin, MD <musatin@yahoo.com>; Renee Powell <rcp2525@sbcglobal.net>; Rich Goldstein <rich@goldsteinmunger.com>; Sherry Berkman, PhD <isberkman@comcast.net>; ssalkin@sinaichapel.org
Subject: Executive Session - Confidential
Importance: High
Sensitivity: Confidential

Attached is the draft Letter of Intent (LOI) for review at tomorrow's Executive Session. Below is a first pass of what will eventually become Exhibit 'A' of the LOI and addresses the issues related to preserving our Jewish values and programs. There will be no handouts for the Executive Session portion of the meeting. I'm reminding everyone once again to please refrain from any mention of the proposed affiliation during the regular meeting with staff present. Thank you. Jaz

Exhibit A

Full-time Rabbi
Jewish Holidays
Jewish Programming
Kosher and/or Kosher Style Menus
Holocaust PTSD Counseling

TRC0000930

Jewish Heritage Museum Designation
Tree of Life
Jewish Artwork and Judaica collection

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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To: Rich Goldstein; Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIIONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: RE: Executive Session - Confidential

Just a quick reply and we can discuss further tomorrow night, but Eskaton has agreed in principle to the idea of any donations to TRC be restricted to TRC. The Schiff Fund issue could be a bit more challenging. I don't recall whether the Trust contained language regarding change of ownership, etc. j

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Sent: Monday, November 12, 2018 3:29 PM
To: Jay Zimmer; Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: RE: Executive Session - Confidential
Sensitivity: Confidential

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Questions about this email.

I know it mentions it in the LOI, but I would add to the list in Exhibit A the policy and restrictions on the following:

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I think we should consider requiring a separate foundation be established to hold all of these funds with a Board of Directors separate from Eskaton with the majority of the Board for this foundation being from the East Bay Jewish Community.

Thank you.

Rich

From: Jay Zimmer <JZimmer@rcjl.org>
Sent: Monday, November 12, 2018 2:50 PM
To: Craig Judson <cjudson@bpmnj.com>; David Grant <dagrant1945@gmail.com>; Fred Isaac (fisaac63@gmail.com) <fisaac63@gmail.com>; gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com) <zpz2mrz@gmail.com>; Jordan Rose (jordanproseesq@gmail.com) <jordanproseesq@gmail.com>; Marc Usatin, MD <musatin@yahoo.com>; Renee Powell <rcp2525@sbcglobal.net>; Rich Goldstein <rich@goldsteinmunger.com>; Sherry Berkman, PhD <isberkman@comcast.net>; ssalkin@sinaichapel.org
Subject: Executive Session - Confidential
Importance: High
Sensitivity: Confidential

Attached is the draft Letter of Intent (LOI) for review at tomorrow's Executive Session. Below is a first pass of what will eventually become Exhibit 'A' of the LOI and addresses the issues related to preserving our Jewish values and programs. There will be no handouts for the Executive Session portion of the meeting. I'm reminding everyone

once again to please refrain from any mention of the proposed affiliation during the regular meeting with staff present. Thank you. Jaz

Exhibit A

Full-time Rabbi
Jewish Holidays
Jewish Programming
Kosher and/or Kosher Style Menus
Holocaust PTSD Counseling
Jewish Heritage Museum Designation
Tree of Life
Jewish Artwork and Judaica collection

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From: Jay Zimmer
Sent: Tuesday, November 27, 2018 12:11 PM PST
To: Jordan Rose; David Grant
CC: Sherry Berkman
Subject: RE: LOI Eskaton_Reutlinger (tracked changes 11_21_18).DOC

Will do.

In reading several of the responses re: Jewish Values, I think there may be some misunderstanding. I believe the intent was for TRC to develop the full scope of Jewish programming, obligations e.g., the RAF and Holocaust survivors, Rabbinical presence, etc., as an exhibit in the Affiliation Agreement. Policies to be updated and developed in conjunction with counsel and included in the final document. An initial list was generated for the last Executive Session as a starting point. You may wish to clarify with the Board as I wouldn't want the members to think that we can hold-off on signing the LOI pending the development of these items. j

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jzimmer@rcjl.org



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From: Jordan Rose [<mailto:jordanproseesq@gmail.com>]
Sent: Tuesday, November 27, 2018 11:49 AM
To: David Grant
Cc: Jay Zimmer; Sherry Berkman
Subject: Re: LOI Eskaton_Reutlinger (tracked changes 11_21_18).DOC

Jay,

Suggest plan on signing and sending to Eskaton Thursday noon to give Board members adequate time (>48 hours) to express any concerns

Jordan

Sent from my iPhone

On Nov 27, 2018, at 11:18 AM, David Grant <dagrant1945@gmail.com> wrote:

Hello Jay – I just spoke via email with Jordan about signing the LOI with Eskaton on behalf of TRC. He would like you to do that but wants you to wait until tomorrow to make sure that there are no meritorious objections from our Board to signing and moving forward with Eskaton.

From: Jordan Rose [<mailto:jordanproseesq@gmail.com>]
Sent: Tuesday, November 27, 2018 10:50 AM
To: Craig Judson; Fred Isaac (fisaac63@gmail.com); gloria ruth; JJALIJONES@Gmail.com; Joel White; Renee Powell; Rich Goldstein; Sam Salkin; Marc Usatin
Cc: Jay Zimmer; David Grant; Sherry Berkman
Subject: Fwd: FW: LOI Eskaton_Reutlinger (tracked changes 11_21_18).DOC

All-

Attached for your information is the finalized Letter of Intent, signed on behalf of Eskaton. The LOI is identical to the draft approved by the Board during its executive session on November 13, other than those that have been modified consistent with the Board's authorization, i.e., the provisions relating to:

- (1) the deletion of Exhibit A (listing policies of TRC respecting Jewish values), and
- (2) Eskaton's obligation to expend capital.

It is contemplated that once TRC's written policies are finalized, a new Exhibit A will be incorporated into the final Affiliation Agreement. In this regard, it would be helpful to provide Jay with your suggestions as to what policies ought be included/excluded. As to capital expenditures, you will note from the attached that we have been successful in obtaining Eskaton's commitment to expend up to \$5M of its own capital. It is contemplated that there will be a further refinement of this obligation in the final Affiliation Agreement.

The LOI will be signed on behalf of TRC and transmitted to Eskaton within the next few days, at which time its provisions will become effective, including its provisions respecting exclusivity. Accordingly, Jay will be advising SF Jewish Home that TRC will not be moving forward with them. The confidentiality provisions will also become effective, which among other things, preclude any disclosure of the fact that discussions respecting affiliation with Eskaton are taking place.

Please fee free to contact any of Jay, David or me with any questions or comments.

----- Forwarded message -----

From: Todd Murch <Todd.Murch@eskaton.org>
Date: Mon, Nov 26, 2018 at 5:01 PM
Subject: RE: FW: LOI Eskaton_Reutlinger (tracked changes 11_21_18).DOC
To: Jordan Rose <jordanproseesq@gmail.com>
Cc: Sheri Peifer <Sheri.Peifer@eskaton.org>, Jay Zimmer <JZimmer@rcjl.org>, David Grant <dagrant1945@gmail.com>, Sherry Berkman <isberkman@icloud.com>, Bill Pace <Bill.Pace@eskaton.org>

Jordan,

Attached is a final revision, with the changes below, executed and ready for TRC signature.

Thank you

From: Jordan Rose [mailto:jordanproseesq@gmail.com]
Sent: Saturday, November 24, 2018 3:36 PM
To: Todd Murch
Cc: Sheri Peifer; Jay Zimmer; David Grant; Sherry Berkman
Subject: Re: FW: LOI Eskaton_Reutlinger (tracked changes 11_21_18).DOC

Thank you Todd. This looks fine to me; I assume the reference to "capital reserve study" is intended to refer to the capital reserve schedule included in the Property Condition Assessment which reflects TRC's CAPEX plan.

Please finalize and transmit executed copy. Suggest letterhead date be changed to transmission date and TRC response date (on first page) be changed to date one week later to allow for logistics of execution.

Once LOI is signed, we can then have our respective counsel begin implementing the next phase.

On Fri, Nov 23, 2018 at 3:05 PM Todd Murch <Todd.Murch@eskaton.org> wrote:

Jordan,
Revised Draft with \$5m.
Let me know how it looks to you.
Thank you.

This message (including any attachments) is intended only for the use of the individual or entity to which it is addressed and may contain information that is non-public, proprietary, privileged, confidential, and exempt from disclosure under applicable law or may constitute attorney work product. If you are not the intended recipient, you are hereby notified that any use, dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, notify us immediately by telephone and (i) destroy this message if a facsimile or (ii) delete this message immediately if this is an electronic communication.

Thank you.

--

Jordan

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Thank you.

--

Jordan

From: Jay Zimmer
Sent: Tuesday, November 27, 2018 1:03 PM PST
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Jewish Values Items
Importance: High

Please send me any suggestions that you may have for inclusion/deletion in any final affiliation agreement that we may reach with Eskaton. In order not to stifle your creativity or diminish what might be important to you, please send these suggestions to me only (I will keep a file with everybody's feedback). Please do not 'reply all.' We don't need comments or feedback at this time, just your ideas.

Once received, and assuming we continue moving forward, I will compile a complete list for the Board to review, comment and discuss at our December 11 Board Meeting.

Sam Salkin has volunteered to assist me in developing formal policies (for those items that we may not currently have), once everything is agreed upon and before we turn over the list to counsel. If you'd like to help out too, let me know.

Please call or email me if you have any questions.

The list below was distributed as a starting point for our discussion at the last Executive Session:

Exhibit A

Full-time Rabbi
Jewish Holidays
Jewish Programming
Kosher and/or Kosher Style Menus
Holocaust PTSD Counseling
Jewish Heritage Museum Designation
Tree of Life
Jewish Artwork and Judaica collection
AJAS Membership

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org





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.

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From: Jordan Rose
Sent: Tuesday, November 27, 2018 2:04 PM PST
To: Jay Zimmer
CC: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloria ruth; JJALIJONES@Gmail.com; Joel White; Marc Usatin; Renee Powell; Rich Goldstein; Sherry Berkman; Sam Salkin
Subject: Re: Jewish Values Items

I think it may be worth reviewing how we arrived at this point regarding the issue of Jewish values.

You may recall that our original Term Sheet, which was approved by the Board and presented to Eskaton in September, expressly provided that Eskaton would honor TRC's "mission statement [and] written policies... as in effect on the date of Closing, particularly including the policies respecting the Residents' Assistance Fund and respecting Holocaust Survivors, all of which policies shall continue in full force and effect."

A mechanism to enforce this obligation, i.e., giving the TRC Designee effective veto power over policy modifications and authority to enforce, at Eskaton's expense, was included.

Eskaton responded to our Term Sheet with a draft LOI which accepted the above, but included provision for an Exhibit A which would list the written policies. At our meeting on Nov 13, a proposed Exhibit A that Jay drafted was circulated and after extensive discussion, it was determined that there were, in fact, no written policies other than the RAF policy, and that written policies would need to be drafted and approved by the Board. It was decided to request Eskaton to delete the provision regarding Exhibit A, with the understanding that it would be included in the Affiliation Agreement. This approach was approved by the Board in recognition of the substantial delay that would result from attempting to not only come up with a list of policies that met with Board approval, but also to draft the policies themselves which would also require Board approval.

Given the express instruction by the Board, we then asked Eskaton to delete the reference to Exhibit A, which they did, making clear in the executed LOI that they would maintain TRC's "mission statement and its written policies designed to maintain Jewish values" (see paragraph captioned -TRC Programming). A separate provision states that they will "preserve the name and identity of TRC ... with a commitment to Jewish values." (see paragraph captioned - Eskaton Board Composition). The enforcement mechanisms remain in place.

I think it would be step in the wrong direction to insist on an Exhibit A at this stage, especially given the time necessary to develop a list which would constitute that Exhibit. Further, even if we could quickly develop a list and have it approved by the Board, doing so would not provide any assurance that the written policies, once they were drafted and approved by the Board, wouldn't themselves give rise to negotiations over their content.

The Board has already approved the LOI with the changes described in my earlier email and authorized its execution on behalf of TRC. If the Board wishes to revisit that approval, a meeting of the Board must be called and a vote taken. Unless such a vote were to result in a different approach, TRC will need to sign the LOI by Dec 3 in order to move forward.

On Tue, Nov 27, 2018 at 1:03 PM Jay Zimmer <JZimmer@rcjl.org> wrote:

Please send me any suggestions that you may have for inclusion/deletion in any final affiliation agreement that we may reach with Eskaton. In order not to stifle your creativity or diminish what might be important to you, please send these suggestions to me only (I will keep a file with everybody's feedback). Please do not 'reply all.' We don't need comments or feedback at this time, just your ideas.

Once received, and assuming we continue moving forward, I will compile a complete list for the Board to review, comment and discuss at our December 11 Board Meeting.

Sam Salkin has volunteered to assist me in developing formal policies (for those items that we may not currently have), once everything is agreed upon and before we turn over the list to counsel. If you'd like to help out too, let me know.

Please call or email me if you have any questions.

The list below was distributed as a starting point for our discussion at the last Executive Session:

- Exhibit A
- Full-time Rabbi
- Jewish Holidays
- Jewish Programming
- Kosher and/or Kosher Style Menus
- Holocaust PTSD Counseling
- Jewish Heritage Museum Designation
- Tree of Life
- Jewish Artwork and Judaica collection
- AJAS Membership

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[_Reutlinger Community Logo (2)]

[cid:image001.jpg@01D19CB4.21175A80]

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Thank you.

--

Jordan

From: isberkman@comcast.net
Sent: Tuesday, November 27, 2018 3:13 PM PST
To: Jay Zimmer
CC: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; ssalkin@sinaichapel.org
Subject: Re: Jewish Values Items

Good afternoon,

To reiterate and clarify, we will indeed have a Board Meeting on December 11, at which time we will develop and clarify those items to be included in the Attachment to be added later to the LOI.

So that we can have a meaningful discussion, please forward your suggestions for items to be included in the attachment. If we decide that existing policies need to be updated, or that new policies need to be written, we can determine leadership for those activities at the meeting also.

There are a few other critical issues to discuss, so it is important that you attend either in person or by phone.

See you on the 11th.

Sherry

Sent from my iPhone

On Nov 27, 2018, at 4:03 PM, Jay Zimmer <JZimmer@rcjl.org> wrote:

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AJAS Membership

Jay A. Zimmer, President & CEO

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<image004.jpg>

<image003.jpg>

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Thank you.

From: Rich Goldstein
Sent: Tuesday, November 27, 2018 3:54 PM PST
To: Jordan Rose; Jay Zimmer
CC: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloria ruth; JJALIIONES@Gmail.com; Joel White; Marc Usatin; Renee Powell; Sherry Berkman; Sam Salkin
Subject: RE: Jewish Values Items

I am in agreement with Jordan's understanding of where we are on this and I believe we should move forward to the due diligence and affiliation agreement phases while at the same time working on the Jewish Values list and policies. I see a risk in the developing of the list and polices of Jewish Values becoming unwieldy and I encourage those involved in that process to be mindful of not letting this happen.

Rich

From: Jordan Rose <jordanproseesq@gmail.com>
Sent: Tuesday, November 27, 2018 2:04 PM
To: Jay Zimmer <JZimmer@rcjl.org>
Cc: Craig Judson <cjudson@bpmnj.com>; David Grant <dagrant1945@gmail.com>; Fred Isaac (fisaac63@gmail.com) <fisaac63@gmail.com>; gloria ruth <gloriaruth13@gmail.com>; JJALIIONES@Gmail.com; Joel White <zpz2mrz@gmail.com>; Marc Usatin <musatin@yahoo.com>; Renee Powell <rcp2525@sbcglobal.net>; Rich Goldstein <rich@goldsteinmunger.com>; Sherry Berkman <isberkman@comcast.net>; Sam Salkin <ssalkin@sinaichapel.org>
Subject: Re: Jewish Values Items

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A mechanism to enforce this obligation, i.e., giving the TRC Designee effective veto power over policy modifications and authority to enforce, at Eskaton's expense, was included.

Eskaton responded to our Term Sheet with a draft LOI which accepted the above, but included provision for an Exhibit A which would list the written policies. At our meeting on Nov 13, a proposed Exhibit A that Jay drafted was circulated and after extensive discussion, it was determined that there were, in fact, no written policies other than the RAF policy, and that written policies would need to be drafted and approved by the Board. It was decided to request Eskaton to delete the provision regarding Exhibit A, with the understanding that it would be included in the Affiliation Agreement. This approach was approved by the Board in recognition of the substantial delay that would result from attempting to not only come up with a list of policies that met with Board approval, but also to draft the policies themselves which would also require Board approval.

Given the express instruction by the Board, we then asked Eskaton to delete the reference to Exhibit A, which they did, making clear in the executed LOI that they would maintain TRC's "mission statement and its written policies designed to maintain Jewish values" (see paragraph captioned -TRC Programming). A separate provision states that they will "preserve the name and identity of TRC ... with a commitment to Jewish values." (see paragraph captioned - Eskaton Board Composition). The enforcement mechanisms remain in place.

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Jay A. Zimmer, President & CEO

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[_ Reutlinger Community Logo (2)]

[[cid:image001.jpg@01D19CB4.21175A80](#)]

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Thank you.

--

Jordan

From: Marc Usatin
Sent: Tuesday, November 27, 2018 4:26 PM PST
To: Rich Goldstein
CC: Jordan Rose; Jay Zimmer; Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloria ruth; JJALIIONES@Gmail.com; Joel White; Renee Powell; Sherry Berkman; Sam Salkin
Subject: Re: Jewish Values Items

I am in agreement with Rich. My understanding of our decision was what Jordan just outlined. The final agreement. Should delineate Jewish values and contain any policies. The LOI isn't binding the Agreement that's developed from it is.

Marc

Sent from my iPad

On Nov 27, 2018, at 3:54 PM, Rich Goldstein <rich@goldsteinmunger.com> wrote:

I am in agreement with Jordan's understanding of where we are on this and I believe we should move forward to the due diligence and affiliation agreement phases while at the same time working on the Jewish Values list and policies. I see a risk in the developing of the list and polices of Jewish Values becoming unwieldy and I encourage those involved in that process to be mindful of not letting this happen.

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Cc: Craig Judson <cjudson@bpmnj.com>; David Grant <dagrant1945@gmail.com>; Fred Isaac (fisaac63@gmail.com) <fisaac63@gmail.com>; gloria ruth <gloriaruth13@gmail.com>; JJALIIONES@Gmail.com; Joel White <zpz2mrz@gmail.com>; Marc Usatin <musatin@yahoo.com>; Renee Powell <rcp2525@sbcglobal.net>; Rich Goldstein <rich@goldsteinmunger.com>; Sherry Berkman <isberkman@comcast.net>; Sam Salkin <ssalkin@sinaichapel.org>
Subject: Re: Jewish Values Items

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Thank you.

--

Jordan

From: Jay Zimmer
Sent: Thursday, December 13, 2018 4:34 PM PST
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Executive Session Minutes 12/11/18 - Draft
Attachments: TRCExecutiveSession121118v.1.docx

For review and comment. See attached. j

Jay A. Zimmer, President & CEO
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925-964-2063 (O)
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jjzimmer@rcjl.org



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Thank you.

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.

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.

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

From: Jay Zimmer
Sent: Wednesday, January 2, 2019 10:49 AM PST
To: ssalkin@sinaichapel.org
Subject: Draft Agenda

Sam,

For your review. Will call you between 1:30 and 2:30 PM. jaz

TRC/Eskaton Affiliation
Jewish Traditions Ad-Hoc Committee
01/03/2019
Agenda

-
- 1. Purpose/Deliverable
 - o To identify, and clarify, what we (TRC) wish to preserve?
- 2. The 3-pillars of Jewish Tradition – syncing our traditions/values within these pillars
 - o Charity
 - o Study
 - o Observance
- 3. Preamble
 - o Statement designed to provide guidance for current and future Eskaton Board members and leadership, legal team and other stakeholders.
- 4. Present to Board at January 8 meeting
- 5. Deliver preamble, complete list, policies (where necessary) and supporting documentation to attorney for inclusion in final affiliation agreement.
- 6. Final Thoughts
- 7. Adjourn

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From: Sam Salkin
Sent: Wednesday, January 2, 2019 11:06 AM PST
To: Jay Zimmer
Subject: DRAFT MEMO: Jewish expression
Attachments: MEMO.Reutlinger.Jewish expression.01.02.19.docx
Importance: High

Jay,

Attached is my first cut. I welcome your suggestions for improvement. I look forward to your call this afternoon. It would be good if we could get the Agenda and Memo out to the Committee members before the close of business today.

Sam

Samuel J. Salkin FDR 3371
Executive Director
SINAI MEMORIAL CHAPEL CHEVRA KADISHA FD262
BEIT OLAM OF CONTRA COSTA, INC.
1501 Divisadero Street
P.O. Box 15579
San Francisco, California 94115

E: ssalkin@sinaichapel.org
F: 415.673.3407
P: 415.921.3636
W: <http://sinaichapel.org>

שלום עליכם

MEMORANDUM

2 January 2019
25 Tevat 5779

TO: Reutlinger Ad Hoc Committee on Jewish Expression
Dr. Sherry Berkman, Dr. Marc Usatin, Craig Judson, Renee Powell and Jay Zimmer

FROM: Sam Salkin, Chair

RE: Our Assignment

PREFACE: I suggest that our assignment is two-fold: 1.) to create a policy framework, which clarifies for Eskaton and our Jewish community what is most important to retain in terms of continuity of institutional Jewish expression and practice and 2.) to keep it as simple as possible. Our focus should be on “what” – policy. Jay and the attorneys will then articulate “how” as part of the affiliation agreement. Our exercise should focus on a policy framework of Jewish practice not “values”, which are vague and not necessarily actionable. At our last Board Meeting, Sherry proposed a framework of core Jewish expression: charity, learning and observance, to which I suggest we add “institutional tradition”. We should try to fit our proposed elements into this framework. We want to be positive, minimizing what they should not do.

Charity

- Residence Assistance Fund
- Holocaust Survivors
- Holocaust PTSD Counseling

Learning Community

- Full-time Rabbi: Conservative, Reform or Reconstructionist. Selected by...? If Jewish population declines to say less than 35% for six-consecutive quarters, the position may become half-time
- Jewish Programming: Purim Festival, building a Sukkah, Hanukkah candle lighting (eight evenings), Tu BiShevat (?), Passover Seder (2?)
- Maintenance of Torahs, prayer books and Chumashim

Observance

- Shabbat Service (Friday evening & Saturday morning?)
- Jewish Religious Holidays: Rosh Hashanah (two days?), Yom Kippur, Sukkot (two days?); Shemini Atzeret, Simchat Torah, Passover (eight days), Shavuot (two days?)
- Kosher and/or Kosher Style Menus: Kosher meals for those who life practice is keeping Kosher; otherwise no pork or shell-fish. No bread or leavened products during Passover.
- Mezuzahs on doorposts

Institutional Tradition

- Jewish Heritage Museum Designation (needs elaboration; limited period?)
- Tree of Life (needs elaboration)

- Jewish Artwork and Judaica collection (it needs a named successor and should be treated as on “permanent loan”, if Eskaton ever chooses to no longer publicly present the collection.)
- AJAS Membership (unless Jewish resident population is below “X”?)

From: Jay Zimmer
Sent: Wednesday, January 2, 2019 11:07 AM PST
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Executive Session Agenda
Attachments: TRCExecutiveSession121118v.2.docx
Importance: High

TRC Executive Session
January 8, 2019
6 PM – Dinner Served
Sussman Room

1. Approval of Executive Session Minutes (attached), December 2018 - Chair
2. Presentation and Approval of Ad-Hoc Committee, Preservation of Jewish Traditions/Values – Sam Salkin
3. Approval of Joint (TRC and Eskaton) Public Relations Group – Michael Fineman – Jay Zimmer
4. Affiliation Due Diligence Update – Jay Zimmer
5. Approval of CEO Employment Agreement Amendment – Chair
6. Other Business - Board
7. Adjourn

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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

From: Sam Salkin
Sent: Wednesday, January 2, 2019 11:14 AM PST
To: Jay Zimmer
Subject: Draft Agenda

Jay,

I look forward to your call. I have made a few editorial suggestions to create consistency between the agenda and my memo, highlighted in **RED**.

Sam

From: Jay Zimmer <JZimmer@rcjl.org>
Sent: Wednesday, January 2, 2019 10:50 AM
To: Sam Salkin <ssalkin@sinaichapel.org>
Subject: Draft Agenda

Sam,

For your review. Will call you between 1:30 and 2:30 PM. jaz

TRC/Eskaton Affiliation
Jewish Traditions Ad-Hoc Committee
01/03/2019
Agenda

-

1. Purpose/Deliverable
 - o To identify, and clarify, what we (TRC) wish to preserve?
2. The 3-pillars of Jewish Tradition – syncing our traditions/values within these pillars
 - o Charity
 - o Study
 - o Observance
 - o **Institutional Tradition**
3. Preamble
 - o Statement designed to provide guidance for current and future Eskaton Board members and leadership, legal team and other stakeholders.
4. Present to Board at January 8 meeting
5. Deliver preamble, complete list, policies (where necessary) and supporting documentation to attorney for inclusion in final affiliation agreement.
6. Final Thoughts
7. Adjourn

Jay A. Zimmer, President & CEO
The Reutlinger Community

925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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From: Sam Salkin
Sent: Wednesday, January 2, 2019 11:37 AM PST
To: Jay Zimmer
Subject: DRAFT: Reutlinger Jewish Traditions Preamble
Attachments: MEMO.Reutlinger Preamble.01.02.19.docx

Jay,

For our call later today.

Sam

Samuel J. Salkin FDR 3371
Executive Director
SINAI MEMORIAL CHAPEL CHEVRA KADISHA FD262
BEIT OLAM OF CONTRA COSTA, INC.
1501 Divisadero Street
P.O. Box 15579
San Francisco, California 94115

E: ssalkin@sinaichapel.org

F: 415.673.3407

P: 415.921.3636

W: <http://sinaichapel.org>

שלום עליכם

PREAMBLE

The Reutlinger Community was created by the East Bay Jewish community in Oakland seventy years ago as the Home for Jewish Parents to provide end-of-life care for community residents in a communal and nonprofit context. It combined Jewish traditions and practices with quality care.

Both the Jewish community and end-of-life care are undergoing significant transformation. A standalone facility like The Reutlinger Community is no longer viable, given the state of senior community economics and the devolving nature of the East Bay Jewish community.

Affiliation has become a necessity for The Reutlinger Community. As part of that affiliation process, the Board of Directors of The Reutlinger Community is committed to the continuity of a policy framework and related practices which will assure that the institution demonstrate core Jewish identity under the new ownership.

From: Sam Salkin
Sent: Wednesday, January 2, 2019 2:28 PM PST
To: Jay Zimmer
Subject: MEMO: The Reutlinger Community and continuity of Jewish tradition
Attachments: MEMO.Reutlinger.Jewish expression.01.02.19.docx

Jay,

As per our conversation.

Sam

Samuel J. Salkin FDR 3371
Executive Director
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שלום עליכם

MEMORANDUM

2 January 2019
25 Tevat 5779

TO: Reutlinger Ad Hoc Committee on Jewish Traditions
Dr. Sherry Berkman, Dr. Marc Usatin, Craig Judson, Renee Powell and Jay Zimmer

FROM: Sam Salkin, Chair

RE: Our Assignment

PREFACE: I suggest that our assignment is two-fold: 1.) to create a policy framework, which clarifies for Eskaton and our Jewish community what is most important to retain in terms of continuity of institutional Jewish expression of traditions and practice and 2.) to keep it as simple as possible. Our focus should be on “what” – policy. Jay and the attorneys will then articulate “how” as part of the affiliation agreement. Our exercise should focus on a policy framework of Jewish practice not “values”, which are vague and not necessarily actionable. At our last Board Meeting, Sherry proposed a framework of core Jewish expression: charity, learning and observance, to which I suggest we add “institutional tradition”. We should try to fit our proposed elements into this framework. We want to be positive, minimizing what they should not do.

PREAMBLE

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Charity

- Residence Assistance Fund
- Holocaust Survivors
- Holocaust PTSD Counseling

Learning Community

- Full-time Rabbi: Conservative, Reform or Reconstructionist. Selected by...? If Jewish population declines to less than X% for Y consecutive quarters, the position may become half-time
- Jewish Programming: Purim Festival, building a Sukkah, Hanukkah candle lighting (eight evenings), Tu BiShevat (?), Passover Seder (2?)
- Maintenance of Torahs, prayer books and Chumashim

Observance

- Shabbat Service (Friday evening & Saturday morning?)
- Jewish Religious Holidays: Rosh Hashanah (two days?), Yom Kippur, Sukkot (two days?); Shemini Atzeret, Simchat Torah, Passover (eight days), Shavuot (two days?)
- Kosher and/or Kosher Style Menus: Kosher meals for those who life practice is keeping Kosher; otherwise no pork or shell-fish. No bread or leavened products during Passover.
- Mezuzahs on doorposts

Institutional Tradition

- Jewish Heritage Museum Designation (needs elaboration; limited period?)
- Tree of Life (needs elaboration)
- Jewish Artwork and Judaica collection (it needs a named successor and should be treated as on "permanent loan", if Eskaton ever chooses to no longer publicly present the collection.)
- AJAS Membership (unless Jewish resident population is below "Z"?)

From: Jay Zimmer
Sent: Wednesday, January 2, 2019 2:39 PM PST
To: ssalkin@sinaichapel.org; Sherry Berkman, PhD; Marc Usatin, MD; Renee Powell
Subject: AdHoc Committee - TRC/Eskaton
Attachments: MEMO.Reutlinger.Jewish expression.01.02.19.docx, AgendaADHoc CommitteeJewish Valuesv.1.docx
Importance: High

Sending on behalf of Sam Salkin, agenda and memo for our call tomorrow at 5 PM.
jaz

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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MEMORANDUM

2 January 2019
25 Tevat 5779

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TRC/Eskaton Affiliation
Jewish Traditions Ad-Hoc Committee
01/03/2019
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7. Adjourn

From: Jay Zimmer
Sent: Wednesday, January 2, 2019 4:48 PM PST
To: Rich Goldstein; Sherry Berkman, PhD; Jordan Rose
Subject: RE: Board Meeting

The thinking was to have sufficient time to work through the 'Jewish Values' item for inclusion in the affiliation agreement. j

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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From: Rich Goldstein [mailto:rich@goldsteinmunger.com]
Sent: Wednesday, January 02, 2019 4:41 PM
To: Jay Zimmer; Sherry Berkman, PhD; Jordan Rose
Subject: Board Meeting

Team,

Why is the January Board Meeting just an executive session meeting and not a full Board meeting?

Rich

From: Jay Zimmer
Sent: Thursday, January 3, 2019 10:59 AM PST
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
CC: Brian Morrow
BCC: Jay Zimmer
Subject: Meeting Agenda Revised
Attachments: Nov 2018 Master Financial Statements.pdf, Nov 2018 BOARD Financial Stmt Narrative v12.21.18.pdf, The Reutlinger Community Board of Directors Meeting Minutes Dec. 11, 201....docx
Importance: High

There is a slight change to next Tuesday's Board meeting. There will be a short regular meeting to approve the minutes and review the November financials, beginning with dinner at 6 PM and call to order at 6:15 PM.

Following the regular meeting, the Board will reconvene in Executive Session. Jaz

Board of Director's Meeting

January 8, 2019

6 PM – Sussman Room

Agenda

6:00 – Dinner Served

2. 6:05 – D'Var Torah, Rabbi Kohn
3. 6:15 – Approval of October 2018 Meeting Minutes
5. 6:20 – Finance – November 2018 and YTD Results, Brian Morrow

6:30 – Adjourn

6:35 – Executive Session

- Approval of Executive Session Minutes (attached previously), December 2018 – Chair
- Presentation and Approval of Ad-Hoc Committee Recommendation(s), Preservation of Jewish Traditions/Values – Sam Salkin
- Approval of Joint (TRC and Eskaton) Public Relations Group – Michael Fineman – Jay Zimmer
- Affiliation Due Diligence Update – Jay Zimmer
- Other Business – Board

- Adjourn

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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From: Barbara Klick, RN, MBA
Sent: Thursday, January 3, 2019 12:04 PM PST
To: Jay Zimmer
Subject: AJAS list serve response
Attachments: 2019.01.03 Religious Affairs guidelines.docx

Jay,

Our Sholom Religious Affairs Committee created this document that might be of service for you.

Good luck!

Barb

Barbara Klick, RN, MBA

Chief Executive Officer
bklick@sholom.com

www.sholom.com | O: 952-939-1661 | Address: 3620 Phillips Parkway, St. Louis Park, MN 55426



Sholom, in partnership with our community, supports adults in need across the continuum of care, to live life fully in a Jewish environment where all are welcome.

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Purpose: To tie our Sholom Mission with behavioral guidelines that are grounded upon the values of compassion, care, community, empathy, loving kindness, respect, reverence for all persons, justice, gracious hospitality, and peace within our Sholom Community. At the same time, we are committed to establishing a meaningful Jewish environment within Sholom as well as fashioning an inclusive and welcoming place for all individuals regardless of their affiliation with any faith or spirituality (if any).

1. Creating a Sholom Community utilizing respectful dialogue to interact with our participants (residents, tenants, clients, families, staff, lay leadership, and volunteers) to gain an understanding of each other's religious and spiritual world views and explore commonalities and differences within a welcoming Jewish environment.

- a. Applies to all Sholom staff, residents, tenants, clients, families, volunteers and lay leadership, hence known as participants.
- b. Adhering to the **PROUD** Standard of **P**ositive, **R**espectful, **O**utstanding, **U**nderstanding and **D**ependable.
- c. Realization that Sholom is a service organization where employees are to always be mindful that they are working in someone else's home.
- d. Ensure that spiritual and religious needs are met in our Sholom community by providing support to our residents, tenants, clients and families so they may practice their faith traditions.
- e. Assure our Jewish participants have the opportunity to fully engage in Jewish life.
- f. Evaluate and promote educational and resource opportunities to assist Sholom employees to be knowledgeable about Sholom participants' Jewish and non-Jewish religions and cultures.

2. Sholom Religious Affairs Committee (charter approved by Sholom Board on 11/21/2016)

- Committee Purpose:
 - To ensure that spiritual and religious needs are met in our Sholom community by providing support so that our Jewish participants may fully participate in Jewish life and that our clients, residents and tenants may practice their faith traditions.
- Committee Accountabilities:
 - Support community engagement in pursuit of our Sholom mission, vision and values via development of strong connections between Sholom and religious communities.
 - Support our Rabbis and chaplains in service of our Sholom mission.

- Ensure that Sholom operations and events are conducted in accordance with the values and traditions of Judaism.
- Evaluate and promote educational and resource opportunities to assist Sholom employees (especially senior leadership) to be knowledgeable about the Jewish and non-Jewish religions and cultures.
- Oversee the needs of our community with regard to nourishment and religious traditions and observations.
- Support our community with healing during times of grief and loss.

3. What is Judaism?

- a. It is important to understand that Judaism is both a religion and a culture. A Jewish person may not be observant however they strongly identify themselves as being Jewish.
- b. There is no uniform way of being Jewish. There are a variety of beliefs and practices.
- c. Judaism is about moral/ethical principles
- d. Judaism is about living the best life you can while on this earth while also affirming the immortality of the soul.

4. What makes a Jewish environment?

People want to live in a Jewish community so they can feel that they are back at their roots.

- a. Kashrut
- b. Observance of Shabbat and Holidays (and their traditions)
- c. Language: Hebrew and Yiddish
- d. Jewish/Hebrew music
- e. Jewish programming
- f. Jewish artwork and artifacts
- g. Jewish traditions
- h. Fulfillment of spiritual needs
- i. Jewish clergy on staff
- j. Respect for others
- k. Israeli programs
- l. Education/Social Justice/Torah/Avodah
- m. Tzedakkah (charity)
- n. Respect
- o. We are our brothers and sisters keeper
- p. Mitzvot (good deeds)

- q. Proud and safe to display Judaism
- r. Compassion, empathy, and loving-kindness

*The board of directors and lay leadership are primarily Jewish

5. What are Jewish values?

- b. Derech Eretz: Common Courtesy/Respect
- c. Mentlichkeit: Decency towards others
- d. Tzedek/Tzedakah: Justice/Righteousness/Fairness
- e. Gemilut Chasadim: Deeds of Loving Kindness
- f. Tikkun Olam: Improving the World
- g. Hiddur P'nay Zaken: Honoring Elders
- h. V'Ahavta L'ray-acha kamocho: Love your neighbor as yourself/empathy
- i. Hach-nasat Or-Chim: Welcoming Guests (treasure diversity)
- j. Shalom Bayit: Peace in the home (never cover up justice & truth)
- k. Emet: Truth
- l. Rachamim/Rachamanut: Compassion
- m. Pekuach Nefesh: Saving Life
- n. Bikkur Cholim: Visiting the Sick
- o. Lashon Harah/Dibbur B/Neemus: Improper Speech /Respectful Speech, instead of evil speech and gossip.
- p. Psychologically & spiritually safe- Due to the centuries of oppression that Jewish people have felt, it is important for them to feel safe and comfortable.

6. Behaviors

A. Religious Programs and Services

In order to ensure a Jewish environment as well as the comfort and well-being of our Jewish residents, tenants, clients, and families: Jewish or interfaith blessings, prayers, and songs may be recited and sung at programs that Sholom publicizes as being open to the entire Sholom Community. We ask for discretion and communication at events that are customarily seen as being secular (non-religious/spiritual) in nature. Be sure to know your audience when planning a program.

B. Prayers/Blessings/Entertainment

Definition of Interfaith blessing: An interfaith blessing will be considerate of everyone present and respectful of all religions. The leader will not ask people to respond to blessings. Only pre-approved blessings by our Sholom Rabbi may be used in partial or full verse. See attachment.

Blessings, songs and movies of other faiths may be offered at a program that has been publicized as an event for members of that specific faith tradition on campus however it should not be held in common areas. While staff should always seek the resident's consent to participate in any Sholom program (or the families permission in cases where the resident is living with significant dementia), this is all the more important when it comes to religious programs and services. Staff should not bring any resident to events that are publicized as being different from his/her faith tradition unless the staff member has first received consent from the resident or his/her family member.

"Messianic Jews", "Jews for Jesus" and other similar groups may not be invited to entertain or perform on our campus.

There is absolutely no propaganda or conversion effort allowed on-site. If a resident or their family member request religious literature, an article or item, seek out the clergy to fulfill the request.

C. Decorations

While residents and tenants may place religious decorations within their rooms/apartments and on their doors, we ask Sholom staff to refrain from placing any religious symbol or verses from their Holy Scriptures on the door or outside of their office. If the staff member customarily meets with residents and family members, e.g. Admissions, he/she should be discrete with regard to displaying religious symbols in his/her office. Mezzuzahs will continue to be displayed on every door throughout the campus.

HUD Buildings:

Sholom is intentionally very much a "home to people of all different faiths." This means that every one of our residents is of equal value to us and that it is our mission to ensure that everyone feels equally at home in any of our residences. This is especially true for our federally funded HUD buildings. They are homes for both our Jewish and non-Jewish residents.

In practice, this means that in public spaces Hannukah decorations will remain up through the duration of the holiday. In the week leading up to Christmas, you should also expect to see decorations which celebrate that holiday as well.

D. Attire

Staff may wear a small religious symbol on their person. Staff should not wear any clothing that has religious symbols so as not to offend any of the residents, tenants, volunteers, or outside guests.

E. Food

Kashrut-Dietary laws. Please see Sholom brochure with policies and procedures.

F. Tours

Be mindful when touring potential residents to ensure that you are meeting their needs. For example, don't show an apartment that is decorated with Christian artifacts to a Jewish family. Please seek to understand your audience and work to meet their needs.

G. Education

To be determined.

From: Jay Zimmer
Sent: Thursday, January 3, 2019 12:17 PM PST
To: Sam Salkin
Subject: Fwd: AJAS list serve response
Attachments: image001.jpg, ATT00001.htm, 2019.01.03 Religious Affairs guidelines.docx, ATT00002.htm

FYI

Sent from my iPhone

Begin forwarded message:

From: "Barbara Klick, RN, MBA" <BKlick@SHOLOM.com>
Date: January 3, 2019 at 12:04:15 PM PST
To: "JZimmer@rcjl.org" <JZimmer@rcjl.org>
Subject: AJAS list serve response

Jay,

Our Sholom Religious Affairs Committee created this document that might be of service for you.

Good luck!

Barb

Barbara Klick, RN, MBA

Chief Executive Officer

bklick@sholom.com

www.sholom.com | O: 952-939-1661 | Address: 3620 Phillips Parkway, St. Louis Park, MN 55426

TRC0000988

Sholom, in partnership with our community, supports adults in need across the continuum of care, to live life fully in a Jewish environment where all are welcome.

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- Committee Accountabilities:
 - Support community engagement in pursuit of our Sholom mission, vision and values via development of strong connections between Sholom and religious communities.
 - Support our Rabbis and chaplains in service of our Sholom mission.

- Ensure that Sholom operations and events are conducted in accordance with the values and traditions of Judaism.
- Evaluate and promote educational and resource opportunities to assist Sholom employees (especially senior leadership) to be knowledgeable about the Jewish and non-Jewish religions and cultures.
- Oversee the needs of our community with regard to nourishment and religious traditions and observations.
- Support our community with healing during times of grief and loss.

3. What is Judaism?

- a. It is important to understand that Judaism is both a religion and a culture. A Jewish person may not be observant however they strongly identify themselves as being Jewish.
- b. There is no uniform way of being Jewish. There are a variety of beliefs and practices.
- c. Judaism is about moral/ethical principles
- d. Judaism is about living the best life you can while on this earth while also affirming the immortality of the soul.

4. What makes a Jewish environment?

People want to live in a Jewish community so they can feel that they are back at their roots.

- a. Kashrut
- b. Observance of Shabbat and Holidays (and their traditions)
- c. Language: Hebrew and Yiddish
- d. Jewish/Hebrew music
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- f. Jewish artwork and artifacts
- g. Jewish traditions
- h. Fulfillment of spiritual needs
- i. Jewish clergy on staff
- j. Respect for others
- k. Israeli programs
- l. Education/Social Justice/Torah/Avodah
- m. Tzedakkah (charity)
- n. Respect
- o. We are our brothers and sisters keeper
- p. Mitzvot (good deeds)

- q. Proud and safe to display Judaism
- r. Compassion, empathy, and loving-kindness

*The board of directors and lay leadership are primarily Jewish

5. What are Jewish values?

- b. Derech Eretz: Common Courtesy/Respect
- c. Mentlichkeit: Decency towards others
- d. Tzedek/Tzedakah: Justice/Righteousness/Fairness
- e. Gemilut Chasadim: Deeds of Loving Kindness
- f. Tikkun Olam: Improving the World
- g. Hiddur P'nay Zaken: Honoring Elders
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- i. Hach-nasat Or-Chim: Welcoming Guests (treasure diversity)
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- n. Bikkur Cholim: Visiting the Sick
- o. Lashon Harah/Dibbur B/Neemus: Improper Speech /Respectful Speech, instead of evil speech and gossip.
- p. Psychologically & spiritually safe- Due to the centuries of oppression that Jewish people have felt, it is important for them to feel safe and comfortable.

6. Behaviors

A. Religious Programs and Services

In order to ensure a Jewish environment as well as the comfort and well-being of our Jewish residents, tenants, clients, and families: Jewish or interfaith blessings, prayers, and songs may be recited and sung at programs that Sholom publicizes as being open to the entire Sholom Community. We ask for discretion and communication at events that are customarily seen as being secular (non-religious/spiritual) in nature. Be sure to know your audience when planning a program.

B. Prayers/Blessings/Entertainment

Definition of Interfaith blessing: An interfaith blessing will be considerate of everyone present and respectful of all religions. The leader will not ask people to respond to blessings. Only pre-approved blessings by our Sholom Rabbi may be used in partial or full verse. See attachment.

Blessings, songs and movies of other faiths may be offered at a program that has been publicized as an event for members of that specific faith tradition on campus however it should not be held in common areas. While staff should always seek the resident's consent to participate in any Sholom program (or the families permission in cases where the resident is living with significant dementia), this is all the more important when it comes to religious programs and services. Staff should not bring any resident to events that are publicized as being different from his/her faith tradition unless the staff member has first received consent from the resident or his/her family member.

"Messianic Jews", "Jews for Jesus" and other similar groups may not be invited to entertain or perform on our campus.

There is absolutely no propaganda or conversion effort allowed on-site. If a resident or their family member request religious literature, an article or item, seek out the clergy to fulfill the request.

C. Decorations

While residents and tenants may place religious decorations within their rooms/apartments and on their doors, we ask Sholom staff to refrain from placing any religious symbol or verses from their Holy Scriptures on the door or outside of their office. If the staff member customarily meets with residents and family members, e.g. Admissions, he/she should be discrete with regard to displaying religious symbols in his/her office. Mezzuzahs will continue to be displayed on every door throughout the campus.

HUD Buildings:

Sholom is intentionally very much a "home to people of all different faiths." This means that every one of our residents is of equal value to us and that it is our mission to ensure that everyone feels equally at home in any of our residences. This is especially true for our federally funded HUD buildings. They are homes for both our Jewish and non-Jewish residents.

In practice, this means that in public spaces Hannukah decorations will remain up through the duration of the holiday. In the week leading up to Christmas, you should also expect to see decorations which celebrate that holiday as well.

D. Attire

Staff may wear a small religious symbol on their person. Staff should not wear any clothing that has religious symbols so as not to offend any of the residents, tenants, volunteers, or outside guests.

E. Food

Kashrut-Dietary laws. Please see Sholom brochure with policies and procedures.

F. Tours

Be mindful when touring potential residents to ensure that you are meeting their needs. For example, don't show an apartment that is decorated with Christian artifacts to a Jewish family. Please seek to understand your audience and work to meet their needs.

G. Education

To be determined.

From: Jay Zimmer
Sent: Thursday, January 3, 2019 1:28 PM PST
To: ssalkin@sinaichapel.org; Sherry Berkman, PhD; Marc Usatin, MD; Renee Powell; Craig Judson
Subject: AJAS Responses - Jewish Values
Attachments: The Towers Mission and Values.msg, AJAS list serve response.msg, FW Member Request.msg

Just arrived earlier today. j

From: Gus Keach-Longo
Sent: Thursday, January 3, 2019 12:27 PM PST
To: Jay Zimmer
Subject: The Towers Mission and Values

Hi Jay:

We are right in the middle of reviewing our mission, values, branding, logo and a strategic planning process. We plan to make our values more specifically “Jewish” but not use Hebrew or Yiddish words. So, use the English version. That way it is open to others...and the Jewish community members can identify with it. Like Hamish, and Kavod etc. but not use those words specifically.

Thanks

Gus

Gustave (Gus) Keach-Longo
President/CEO

THE TOWERS

www.towerone.org | 18 Tower Lane, New Haven CT 06519

P: 203.772.1816 ext. 320 | F: 203.777.5921



Make a difference in the lives of our seniors.

[Click here to donate today!](#)

From: Lou Woolf
Sent: Thursday, January 3, 2019 11:57 AM PST
To: Jay Zimmer
CC: 'Don Shulman'
Subject: FW: Member Request

Hi Jay,

We did address this question in some recent strategic planning, that resulted in the below slide.

HSL's Jewish heritage guides our increasing inclusiveness

- **As Jewish tradition suggests**, it is our duty to care for our neighbors, for people in need, and for the stranger in our midst
- HSL strives to fulfill these ideals by **servicing a growing number of seniors in Eastern Massachusetts** with a focus on the most vulnerable and under-served seniors, e.g: 75+, low and middle income, medically complex, and with Alzheimer's and other dementias
- We **honor Jewish life and tradition** by respecting **people of all religions**, as well as cultures, races, sexual orientation, gender expression, and class backgrounds
- While promoting HSL as celebrating diversity and desiring to serve seniors of all backgrounds, we do also wish to **fulfill the spiritual care and cultural needs of Jewish seniors** as we feel this is **an important and historical niche that we fill in Boston**

25

You may also find useful some of the comments made by Ron Liebowitz when he was named president of Brandeis recently. I find it analogous.

<http://www.brandeis.edu/now/2016/july/ron-liebowitz-qa.html>

Happy to discuss if it would be helpful.

Lou

Louis J. Woolf
President & Chief Executive Officer
Hebrew SeniorLife
1200 Centre Street

TRC0000997

Boston, MA 02131
www.hebrewseniorlife.org
<https://www.marcusinstituteforaging.org/>

email: louwoolf@hsl.harvard.edu
Tel: 617-363-8210
Fax: 617-363-8911

Executive Assistant: Michele Rezendes
email: rezendes@hsl.harvard.edu
Tel: 617-363-8212



From: ajas-ceos@googlegroups.com [mailto:ajas-ceos@googlegroups.com] **On Behalf Of** Rachel Stevens
Sent: Thursday, January 03, 2019 11:51 AM
To: ajas-ceos@googlegroups.com
Subject: [ajas-ceos] Member Request

Good morning,

Please see the below member request and send responses to Jay Zimmer at JZimmer@rcjl.org.

"Our Board is having a discussion about better and more granularly articulating the elements of "Jewish" for the Reutlinger Community that go beyond our statement of Mission and Values. Have any other communities been through this process and would they be willing to share their experiences?"

Thank you,

 **Rachel Stevens**
Director of
Operations

Association of Jewish Aging Services
2519 Connecticut Ave NW | Washington D.C. | 20008
rachel@ajas.org | www.ajas.org
Direct: 202-543-3676 | Fax: 202-543-4090





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To post to this group, send email to ajas-ceos@googlegroups.com.

Visit this group at <https://groups.google.com/group/ajas-ceos>.

For more options, visit <https://groups.google.com/d/optout>.

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From: Barbara Klick, RN, MBA
Sent: Thursday, January 3, 2019 12:04 PM PST
To: Jay Zimmer
Subject: AJAS list serve response
Attachments: 2019.01.03 Religious Affairs guidelines.docx

Jay,

Our Sholom Religious Affairs Committee created this document that might be of service for you.

Good luck!

Barb

Barbara Klick, RN, MBA

Chief Executive Officer
bklick@sholom.com

www.sholom.com | O: 952-939-1661 | Address: 3620 Phillips Parkway, St. Louis Park, MN 55426



Sholom, in partnership with our community, supports adults in need across the continuum of care, to live life fully in a Jewish environment where all are welcome.

Confidentiality Notice: *This email message, including any attachments, is intended only for the use of the recipient(s) and may contain privileged and confidential information, including but not limited to information that is protected under HIPAA or other state/federal privacy rules. If you are not the addressee, you are hereby notified that any disclosure, copying, distribution or use of this information may be a violation of State or Federal law. If this message has reached you in error, please notify the sender, then delete this message and any attachments without distributing them to any other person.*

Purpose: To tie our Sholom Mission with behavioral guidelines that are grounded upon the values of compassion, care, community, empathy, loving kindness, respect, reverence for all persons, justice, gracious hospitality, and peace within our Sholom Community. At the same time, we are committed to establishing a meaningful Jewish environment within Sholom as well as fashioning an inclusive and welcoming place for all individuals regardless of their affiliation with any faith or spirituality (if any).

1. Creating a Sholom Community utilizing respectful dialogue to interact with our participants (residents, tenants, clients, families, staff, lay leadership, and volunteers) to gain an understanding of each other's religious and spiritual world views and explore commonalities and differences within a welcoming Jewish environment.

- a. Applies to all Sholom staff, residents, tenants, clients, families, volunteers and lay leadership, hence known as participants.
- b. Adhering to the **PROUD** Standard of **P**ositive, **R**espectful, **O**utstanding, **U**nderstanding and **D**ependable.
- c. Realization that Sholom is a service organization where employees are to always be mindful that they are working in someone else's home.
- d. Ensure that spiritual and religious needs are met in our Sholom community by providing support to our residents, tenants, clients and families so they may practice their faith traditions.
- e. Assure our Jewish participants have the opportunity to fully engage in Jewish life.
- f. Evaluate and promote educational and resource opportunities to assist Sholom employees to be knowledgeable about Sholom participants' Jewish and non-Jewish religions and cultures.

2. Sholom Religious Affairs Committee (charter approved by Sholom Board on 11/21/2016)

- Committee Purpose:
 - To ensure that spiritual and religious needs are met in our Sholom community by providing support so that our Jewish participants may fully participate in Jewish life and that our clients, residents and tenants may practice their faith traditions.
- Committee Accountabilities:
 - Support community engagement in pursuit of our Sholom mission, vision and values via development of strong connections between Sholom and religious communities.
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G. Education

To be determined.

From: Sam Salkin
Sent: Friday, January 4, 2019 9:04 AM PST
To: Jay Zimmer
Subject: MEMO: Reutlinger Jewish expression
Attachments: MEMO.Reutlinger.Jewish expression.01.04.19.v.2.docx

Jay,

This draft reflects my best effort to capture the input from yesterday's meeting. Please review and feel free to edit for greater accuracy of intent.

I hope that you are feeling better.

Best regards,

Sam

Samuel J. Salkin FDR 3371
Executive Director
SINAI MEMORIAL CHAPEL CHEVRA KADISHA FD262
BEIT OLAM OF CONTRA COSTA, INC.
1501 Divisadero Street
P.O. Box 15579
San Francisco, California 94115

E: ssalkin@sinaichapel.org

F: 415.673.3407

P: 415.921.3636

W: <http://sinaichapel.org>

שלום עליכם

MEMORANDUM

4 January 2019
27 Tevat 5779

TO: The Reutlinger Community Board of Directors

FROM: The Reutlinger Community Ad Hoc Committee on Jewish Traditions
Dr. Sherry Berkman, Dr. Marc Usatin, Craig Judson, Renee Powell and Jay
Zimmer; Sam Salkin, Chair

RE: Our Assignment

PREFACE: We suggest that our assignment is two-fold: 1.) to create a policy framework, which clarifies for Eskaton and our Jewish community what is most important to retain in terms of continuity of institutional Jewish expression of traditions and practice and 2.) to keep it as simple as possible. Our focus should be on “what” – policy. Jay and the attorneys will then articulate “how” as part of the affiliation agreement. Our exercise should focus on a policy framework of Jewish practice not “values”, which are vague and not necessarily actionable. At our last Board Meeting, Sherry proposed a framework of core Jewish expression: charity, learning and observance, to which we added “institutional tradition”. We tried to fit our proposed elements into this framework. We want to be positive, minimizing what they should not do.

PREAMBLE

The Reutlinger Community was created by the East Bay Jewish community in Oakland seventy years ago as the Home for Jewish Parents to provide end-of-life care for community residents in a communal and nonprofit context. It combined Jewish traditions and practices with quality care.

Both the local Jewish community and the end-of-life care industry are undergoing significant transformation. A standalone facility like The Reutlinger Community is no longer viable, given the state of senior community economics and the devolving nature of the East Bay Jewish community.

Affiliation has become a necessity for The Reutlinger Community. As part of that affiliation process, the Board of Directors of The Reutlinger Community is committed to the continuity of a policy framework and related practices which will assure that the institution demonstrate core Jewish identity under the new ownership.

Charity

- Residence Assistance Fund
- Holocaust Survivors
- Holocaust PTSD Counseling

Learning Community

- Full-time Rabbi for religious, cultural and pastoral service: Conservative, Reform or Reconstructionist. Selected by [TBD]
- Jewish Programming: Purim Festival, building a Sukkah, Hanukkah candle lighting, Passover Seder, and Jewish cultural programming, e.g. speakers, music, art, poetry, etc.
- Maintenance of Torahs, prayer books and Chumashim

Observance

- Maintain sanctuary as sacred space for Jewish worship
- Shabbat Services
- Major Jewish Religious Holidays: Rosh Hashanah, Yom Kippur, Sukkot, Simchat Torah, Passover, and Shavuot
- Kosher dietary observance in public areas: Kosher meals for those who life practice is keeping Kosher; otherwise, Kosher Style Menus, no pork or shell-fish and no bread or leavened products during Passover.
- Mezuzahs on doorposts

Institutional Tradition

- Jewish Heritage Museum Designation continues
- Tree of Life (needs elaboration)
- Jewish Artwork, Judaica collection, and all Jewish articles needs to be addressed, reviewing for donor intent. We then need an agreement as to is deaccessioning to the East Bay Jewish community if at some point the new member wishes to no longer publicly present it
- Maintenance of AJAS Membership

From: Jay Zimmer
Sent: Friday, January 4, 2019 2:19 PM PST
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Memo from Sam Salkin, Chair - Jewish Expression AdHoc Committee
Attachments: MEMO.Reutlinger.Jewish expression.01.04.19.v.2.docx

For your review and in preparation for next Tuesday's Executive Session. Jaz

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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.

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- Maintenance of AJAS Membership

From: Jay Zimmer
Sent: Saturday, January 5, 2019 8:21 PM PST
To: Jordan Rose
Subject: Re: Affiliation Status

I'm heading to LA Jewish for the West Coast AJAS Meeting. Will call Tuesday when I'm back in the office. Quick update:

1. PR Firm Agreement with Eskaton-Michael Fineman, SF;
2. Assembling data as outlined in Affiliation Agreement; the first batch will be sent to Jeff this week. Mostly financial documents and various contracts.
3. Jewish values group met this past week and agreed on preamble language and list of programs, policies, etc. To be presented and reviewed Tuesday.
4. Sheri and Todd would like to attend February Board meeting if we can change date to the 5th or 19th.
5. Sheri and I have a standing call each week to review progress, etc.
6. Potential issue: Bill Pomeranz was informed by a SFJH Board member that we would not be moving forward with SF.
7. Sheri, Todd, the PR firm and I are in agreement that we should issue a public statement that we are in affiliation talks. Not quite ready with proposed messaging to present to the Board, and we'll need Board approval. Will discuss Tuesday.

Sorry for delay in responding; [Redacted - Privacy]

[Redacted - Privacy] Leaving in AM for LA. J

Sent from my iPhone

On Jan 5, 2019, at 12:12 PM, Jordan Rose <jordanproseesq@gmail.com> wrote:

Jay,

Since I won't be at the meeting on Tuesday, I would appreciate an update from you. Please give me a call at your convenience. (510) 816-5010

Thanks

--

Jordan

From: Jordan Rose
Sent: Monday, January 7, 2019 9:54 AM PST
To: Jay Zimmer
CC: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Re: Memo from Sam Salkin, Chair - Jewish Expression AdHoc Committee

Very thoughtful and considered approach by the Committee. Fred's comments are well-taken.

I will not be able to attend Tuesday's Board meeting. My thoughts on the topic, which I hope will add to the Board's discussion, are as follows:

In addition to insuring that the policies to be adopted do not place an unreasonable burden on Eskaton (whether financial or otherwise), I suggest we also take into account the various recommendations that resulted in our seeking an affiliation, including the recommendation that TRC seek to become more inclusive. Given our consultant's conclusion that our target market in the 680 corridor is not limited to its Jewish population, it would seem beneficial that we temper our desire to maintain "Jewish values" (however they may be defined), by recognizing that TRC will ultimately need to attract more non-Jewish residents.

How we might thread that needle is, of course, the challenge before us, and I trust the Committee and the Board will do so with the long term viability of TRC firmly in mind.

On Fri, Jan 4, 2019 at 2:19 PM Jay Zimmer <JZimmer@rcjl.org> wrote:
For your review and in preparation for next Tuesday's Executive Session. Jaz

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org<mailto:jzimmer@rcjl.org>

[_Reutlinger Community Logo (2)]

[cid:image001.jpg@01D19CB4.21175A80]

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.

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please destroy this communication and notify the sender immediately. You should not retain, copy or use this e-mail for any purpose, nor disclose all or any part of its contents to any other person or persons.

Thank you.

--

Jordan

From: Jay Zimmer
Sent: Wednesday, January 9, 2019 10:09 AM PST
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Draft Affiliation Agreement
Attachments: Reutlinger Affiliation Agreement [Eskaton draft 12-11-18].docx

The attached item was requested for distribution at last evening's meeting. J

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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communication and notify the sender immediately. You should not retain, copy or use this e-mail for any purpose, nor disclose all or any part of its contents to any other person or persons. Thank you.

AFFILIATION AGREEMENT
BETWEEN
ESKATON PROPERTIES, INC.
AND
THE REUTLINGER COMMUNITY

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AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT (this "Agreement") is entered into as of this ____ day of _____, 20__ ("Effective Date"), by and among Eskaton Properties Inc ("Eskaton"), 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 located in Danville, California (the "Community"); 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, having Reutlinger appoint Eskaton as its sole corporate member, all on the terms and conditions set forth in this Agreement;

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 Affiliation Transaction. The Parties shall take such actions, and enter into such transactions as may be required to enter into and establish an affiliation (the "Affiliation") effective as of the Closing Date. The specific actions and transactions necessary to establish the Affiliation are more fully set forth in this Agreement. With respect to amendments to the governing documents of Reutlinger and Eskaton provided 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 Community.

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") appointing Eskaton, or an agreed-upon affiliate of Eskaton, as its sole corporate member.

(b) Reutlinger's Articles and Bylaws shall be further amended so 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.

(c) Effective as of the Closing Date, Reutlinger shall remain in existence as a California nonprofit public benefit corporation and a subsidiary 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 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 as necessary to add a Director to the Eskaton Board who shall be appointed 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. Upon the resignation or removal of the Reutlinger Designee, the right to appoint his or her replacement shall be vested in a Jewish community sponsored organization selected by Reutlinger, to be named in Eskaton's Articles and Bylaws.

Section 1.4 Additional Agreements

(a) Eskaton will preserve the name and identity of Reutlinger as a skilled nursing and residential care facility with a commitment to Jewish values.

(b) Reutlinger's mission statement and its written policies specifically 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 said mission statement or written policies 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 texts of the mission statement and all such policies are attached hereto as **Schedule 1.4(b)**. The Reutlinger 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.

(c) Eskaton agrees it (i) will not exercise any reserved power to impede or prevent the expenditure by Reutlinger of its own capital to honor all of its obligations, (ii) will expend its own capital (to the extent Reutlinger's is insufficient) to meet such obligations and to carry out the capital expenditures contemplated in Reutlinger's CAPEX plan and capital reserve study and to operate Reutlinger in the manner specified in this Agreement, 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 and (iii) shall not distribute or otherwise transfer Reutlinger funds to Eskaton or any of its affiliates during the five (5) year period following the Closing. The Reutlinger 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.

(d) Eskaton will continue to operate the Community 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. The Reutlinger 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.

(e) Eskaton will honor the intent of and any restrictions imposed on any philanthropic gifts donated to Reutlinger. The Reutlinger 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.

(f) Eskaton will not sell, transfer, dispose of or otherwise change control of Reutlinger during the five (5) year period following the Closing. During the five (5) year period following the Closing, Eskaton will cause the principal business and operations of Reutlinger to be conducted at the Community in a manner substantially similar to that conducted by Reutlinger immediately prior to the Closing. Eskaton 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. The Reutlinger 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.

Section 1.5 Operational Management. All operations of Reutlinger shall be performed by and at the direction of Eskaton pursuant to a management agreement to be entered into between the parties.

Section 1.6 Plan of Reorganization; Further Assurances

. Reutlinger and Eskaton agree to use their best efforts to obtain any and all necessary third party approvals, including approvals from the California Department of Social Services, the California Department of Public Health, and the California Attorney General's office, and that receipt of such approvals or waivers shall have been obtained prior to the Closing Date. The parties shall execute and deliver such documents and obtain such consents as are necessary to bring about the reorganization 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 contemplated transactions.

Section 1.7 Reutlinger and Eskaton Assets

(a) On the Closing Date, Reutlinger shall retain its right, title and interest in and to the Community 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 Community 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 Community 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 (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 Community 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 Community 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 Community 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.

(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 (collectively, the "Reutlinger Intangible Property") of every kind and nature used in, derived from or necessary or intended for the operation of the Community 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 Community (collectively, the "Reutlinger Intellectual Property").

(4) All telephone numbers, telecopy 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 Community (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 Community and the Reutlinger Assets.

(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 Community 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) 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 (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.

(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 (collectively, the "Eskaton Intangible 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 thereof 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 (collectively, the "Eskaton Intellectual Property").

(4) All telephone numbers, telecopy 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.

(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 Closing. 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 tenth (10th) 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 Deliveries of Reutlinger. 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 reorganization and integration of Reutlinger and Eskaton, 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 date of Closing;

(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 Deliveries of Eskaton. 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 reorganization and integration of Reutlinger and Eskaton, 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 date of Closing;

(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 (the “Closing Opinion”).

(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. From the Effective Date and until the Closing Date, the parties shall continue to conduct their respective due diligence review of the matters set forth under this Article. On or before the Closing Date, the parties shall cause the representations and warranties set forth below to be supplemented or amended in order to correct any information set forth in this Agreement which the parties determine to have been inaccurately stated and represented as of the Effective Date. Subject to Section 5.2, on or before the Closing Date, Reutlinger shall also deliver to Eskaton the schedules required under this Agreement. Except as otherwise supplemented or amended by the parties on or prior to the Closing Date, 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 best of Reutlinger's knowledge 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**.

Section 3.2 Authorization 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. No

Section 3.3 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 Consents. Except as set forth in **Schedule 3.4**, 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. Except as set forth on **Schedule 3.5(a)** (the "Reutlinger Real Property Permitted Exceptions"), 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. 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. A true, correct and complete copy of the documents giving rise to each Reutlinger Real Property Permitted Exception has heretofore been delivered to Eskaton.

(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 **Schedule 3.5(b)**, Reutlinger is not aware of any 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) The zoning of each parcel of Reutlinger Real Property permits the presently existing Reutlinger Improvements and the continuation of the business of the Community 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) **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.

(a) 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 Community 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 **Schedule 3.7(b)** 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 material adverse 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, 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. Reutlinger has not received or otherwise has knowledge of 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 **Licenses and Permits**. True and correct copies of the Reutlinger Licenses and Permits have been delivered to Eskaton by Reutlinger. Except as set forth in **Schedule 3.10**, 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 Community and each of its departments as currently operated. Except as set forth in **Schedule 3.10**, to the best 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 **Schedule 3.11(a)** the Community has for at least the past 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 Community 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) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(c) **Schedule 3.11(b)** 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 **Schedule 3.11(b)**.

(d) Except as set forth in **Schedule 3.11(c)**, there is no dispute between the Community 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 **Schedule 3.11(c)**, Reutlinger has not received any notices that Medicare has any claims against such party or the Community that could result in offsets against future Community accounts receivable above any amounts reserved therefore. .

Section 3.12 Compliance with Law. Except as disclosed in **Schedule 3.12** or elsewhere in this Agreement, Reutlinger, and each entity constituting Reutlinger and the Community 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 Community 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 Employment Obligations. 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 best of Reutlinger's knowledge and except as set forth on **Schedule 3.14(a)**: (ii) there is no unfair labor practice complaint against Reutlinger pending before the National Labor Relations Board; (iii) there is no labor strike, dispute, slowdown or stoppage actually pending or, to the knowledge of Reutlinger, threatened against or involving or affecting Reutlinger; (iv) no representation question exists respecting the employees of Reutlinger; (v) no grievance or any arbitration proceeding is pending; (vi) Reutlinger has not experienced any labor stoppage during the last five (5) years; (vii) Reutlinger is in full compliance with all union contracts and collective bargaining agreements; (viii)

(b) Except as set forth on **Schedule 3.14(b)**, 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 **Schedule 3.14(b)**, 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 this Affiliation, no binding agreements have been made or entered into between Reutlinger and any employee involved in the Community regarding changes in compensation, promotion or any other change in status.

Section 3.15 Tax Returns and Liabilities. Except as set forth in **Schedule 3.15**, 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 **Schedule 3.15**, 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. Reutlinger does not have any dispute with any taxing authority as to taxes of any nature. Except as set forth in **Schedule 3.15**, there is no unassessed tax deficiency proposed or, to the best 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 best 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 **Schedule 3.16(b)**, 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 Contracts and Commitments. **Schedule 3.17** sets forth an accurate and complete list of all of the Reutlinger 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
- (vi) other medical provider contracts

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

Section 3.18 Brokers' and Finders' Fees. 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 Immigration Act. To Reutlinger's knowledge, Reutlinger is in compliance in all material respects with the terms and provisions of 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 Reutlinger Boards of Directors. **Schedule 3.20** 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 due investigation, and Reutlinger shall be responsible for all facts which the CEO knew, or should have known as a result of such due investigation. The CEO's investigation shall consist of an inquiry 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 best 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, except as specifically provided in this Agreement, 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 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) Reutlinger's indemnification obligations under this Agreement or any other agreement executed in connection with the closing of this transaction; (ii) any material default by Reutlinger in the performance of any of Reutlinger's other obligations under this Agreement; (iii) the fraud of Reutlinger; (iv) any claims of Eskaton of arising out of liability to third parties for personal injury in connection with events arising, occurring or accruing prior to the Closing Date; or (v) any damages caused solely by the inaccuracy of any representation of Reutlinger set forth in Article III, (collectively, "Reutlinger Liabilities") Eskaton acknowledge and agree 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 which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

As a consequence of the foregoing waiver, Eskaton understand that even if Eskaton eventually incurs any damages arising from the affiliation with Reutlinger, neither Eskaton nor will 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.

Eskaton's Initials:_____

The provisions of this Section 3.22 shall survive the Closing.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF ESKATON

Section 4.1 The truth, accuracy and completeness of the representations, warranties and covenants of each entity comprising Eskaton contained in this Agreement shall, subject to section 4.21, 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. From the Effective Date and until the Closing Date, the parties shall continue to conduct their respective due diligence review of the matters set forth under this Article. On or before the Closing Date, the parties shall cause the representations and warranties set forth below to be supplemented or amended in order to correct any information set forth in this Agreement which the parties determine to have been inaccurately stated and represented as of the Effective Date. Subject to Section 5.2, on or before the Closing Date, Eskaton shall also deliver to Reutlinger the schedules required under this Agreement. Except as otherwise supplemented or amended by the parties on or prior to the Closing Date, Eskaton, as applicable, shall be deemed to remake all of the following representations, warranties and covenants as of the Closing Date:

Section 4.2 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 best 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 4.2.**

Section 4.3 Authorization. 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 4.4 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 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 4.6 Consents. Except as set forth in **Schedule 4.6**, 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 4.7 Eskaton Real Property.

(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 4.7(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 4.7(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 4.7(b)** ("Reutlinger

Real Property Leases"). Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Real Property Leases.

(c) Except as set forth in **Schedule 4.7(b)** 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 4.8 Eskaton Personal Property. Except for the Eskaton Personal Property that is leased by Eskaton, Eskaton has good and marketable title to all of the Eskaton Personal Property. **Schedule 4.8** 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 4.9 Eskaton Financial Statements.

(a) Attached as **Schedule 4.9(a)** are copies of the audited balance sheet and statement of income and cash flows of each entity comprising Eskaton as of December 31, 2013, 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 4.9(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 material adverse 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 4.10 Insurance. **Schedule 4.10** 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 4.10** 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 4.10**, 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. Eskaton has not received or otherwise has knowledge of 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 4.11 Litigation. Except as set forth in **Schedule 4.11** (said matters set forth in **Schedule 4.11** 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 4.11**, 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 4.11** 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 4.12 Licenses and Permits. True and correct copies of the Eskaton Licenses and Permits have been delivered to Reutlinger by Eskaton. Except as set forth in **Schedule 4.12**, 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 4.12**, to the best 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 4.12**, 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 4.12**, 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 4.13 Government Program; Third Party Payors.

(a) Except as set forth on **Schedule 4.13(a)** 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 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 4.13(a)**.

(b) **Schedule 4.13(b)** 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 **Schedule 4.13(b)**.

(c) Except as set forth in **Schedule 4.13(c)**, 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 **Schedule 4.13(c)**, 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 4.14 **Compliance with Law**. Except as disclosed in **Schedule 4.14** or elsewhere in this Agreement, Eskaton, and each entity constituting Eskaton and the Eskaton Facilities and the operation thereof are, to the best 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 4.15 **Employment Obligations**. All obligations of Eskaton with respect to any of Eskaton'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 4.16 **Employment Matters**.

(a) To the best of Eskaton's knowledge and except as set forth on **Schedule 4.16(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 4.16(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 4.16(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 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 4.17 Tax Returns and Liabilities. Except as set forth in **Schedule 4.17**, 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 **Schedule 4.17**, 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 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 **Schedule 4.17**, there is no unassessed tax deficiency proposed or, to the best 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 best 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 4.18 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 **Schedule 4.18(b)**, Eskaton does not have and has never had any Benefit Plan or arrangement covering Eskaton'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 4.19 Contracts and Commitments.

(a) **Schedule 4.19(a)** 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
- (vi) other medical provider contracts

Section 4.20 Except as set forth in **Schedule 4.20**, Eskaton has provided Reutlinger with complete and correct copies of all Eskaton Contracts. Except as set forth in **Schedule 4.20**, Eskaton has received no notice of any default, offset, counterclaim or defense under any Contract.

Section 4.21 Brokers' and Finders' Fees. 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 4.22 Immigration Act. To Eskaton's knowledge, 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 Community 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 4.23 Eskaton Boards of Directors. **Schedule 4.23** 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 4.24 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 “best knowledge,” 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 best 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 4.25 AS IS Affiliation; Release; Indemnity; Representations, Warranties and Covenants of Eskaton.

(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) Eskaton's indemnification obligations under this Agreement or any other agreement executed in connection with the closing of this transaction; (ii) any material default by Eskaton in the performance of any of their other obligations under this Agreement;

(iii) the fraud of Eskaton; (iv) any claims of Reutlinger arising out of liability to third parties for personal injury in connection with events arising, occurring or accruing prior to the Closing Date; or (v) any damages caused solely by the inaccuracy of any representation of Eskaton set forth in Article IV, (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 their 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 which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

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 their 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 their 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 4.25 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:

(a) 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 Schedules. This Agreement has been executed without any of the schedules or exhibits being completed by the parties. At least 30 days prior to the Closing Date, each party shall have prepared and submitted to the other parties a draft of each applicable schedule and exhibit. At least 10 days prior to the Closing Date, each party shall cause its schedules to be supplemented or amended as necessary to be accurate and complete. Each party shall be deemed to have accepted the Schedules and Exhibits of each other party if the Closing occurs.

Section 5.3 Reutlinger's Pre-Closing Activities. From the Effective Date to the Closing Date, Reutlinger will identify in **Schedule 5.3** 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 5.4 Reutlinger's Best Efforts. Reutlinger covenants and agrees to use its best and most diligent 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 5.5 Managed Care Contracts. Reutlinger agrees to use its best efforts to assist Eskaton in causing Reutlinger to maintain, after the Closing Date, the various managed care contracts in which the Community now participates.

Section 5.6 Required Approvals. 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 5.7 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 5.8 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 5.9 Payment of Liabilities. 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 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 Schedules. This Agreement has been executed without any of the schedules or exhibits being completed by the parties. At least 30 days prior to the Closing Date, each party shall have prepared and submitted to the other parties a draft of each applicable schedule and exhibit. At least 10 days prior to the Closing Date, each party shall cause its schedules to be supplemented or amended as necessary to be accurate and complete. Each party shall be deemed to have accepted the Schedules and Exhibits of each other party if the Closing occurs.

Section 6.3 Eskaton Pre-Closing Activities. From the Effective Date to the Closing Date, Eskaton will identify in **Schedule 6.3** 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 6.4 Eskaton's Best Efforts. Eskaton covenants and agrees to use its best and most diligent 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 6.5 Required Approvals. 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 6.6 Notification. 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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Reutlinger shall have received all governmental approvals listed on Schedule 7.3 necessary for Reutlinger to consummate the transactions described herein including the consent of the California Attorney General.

Section 7.4 Action/Proceeding. 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 Closing Documents. Eskaton shall have executed and delivered to Reutlinger at Closing all of the documents, agreements and certificates required to be executed or delivered by Eskaton pursuant to any term or provision of this Agreement, including without limitation:

- (a) Closing Opinion;
- (b) The articles of incorporation and all amendments thereto of Eskaton, duly certified as of a recent date by the Secretary of State of California;
- (c) A copy of the approved Amended Eskaton Bylaws certified by the Secretary of the respective corporations.
- (d) Certificates dated as of a date not earlier than the third business day prior to the Closing as to the good standing of Eskaton and payment of all applicable state taxes by Eskaton, executed by the appropriate officials of the State of California; and
- (e) Such other documents as Reutlinger may reasonably request for the purpose of:
 - (i) evidencing the accuracy of any of Eskaton's representations and warranties;

- (ii) evidencing the performance by Eskaton of, or the compliance by Eskaton with, any covenant or obligation required to be performed or complied with by Eskaton;
- (iii) evidencing the satisfaction of any condition referred to in this Article VII; or
- (iv) otherwise facilitating the consummation or performance of any of the contemplated transactions.

Section 7.6 Consents. Each of the consents identified in **Schedule 7.6** (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 7.7 Due Diligence. Reutlinger shall have performed a comprehensive inspection and due diligence review of Eskaton and the Eskaton Assets and shall have determined, in its reasonable discretion, that the Eskaton business and the Eskaton Assets are acceptable to Reutlinger. Reutlinger shall be satisfied in their sole subjective discretion as to the completeness of the disclosure schedules of Eskaton

Section 7.8 No Material Adverse Change. There shall not have been a material adverse change in the Eskaton Assets or the Eskaton business or operations.

Section 7.9 Supplements or Amendments to the Representations and Warranties. Reutlinger’s obligation to close this Agreement is contingent upon Reutlinger’s approval, in its sole subjective discretion, of the representations and warranties set forth under Article IV of this Agreement. Notwithstanding anything to the contrary herein, Reutlinger shall not be required to close this Agreement if it fails to consent to the supplements or amendments to the representations and warranties under Article IV.

Section 7.10 Finalization of Exhibits. The exhibits have not been attached to this Agreement at the time of its signing. Instead, the text of those exhibits shall be agreed upon between the parties prior to the Closing. Reutlinger shall be satisfied, in its sole subjective discretion, with the text of each of these exhibits in a form accepted by Eskaton.

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 Assurance of Facility License. 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 Representations/Warranties. 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 Governmental Approvals. Eskaton shall have received all governmental approvals listed on **Schedule 8.3** for Eskaton to consummate the transactions described herein.

Section 8.4 Action/Proceeding. 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 Closing Documents. Reutlinger shall have executed and delivered to Eskaton at the Closing all of the documents, agreements and certificates required to be executed or delivered by Reutlinger pursuant to any term or provision of this Agreement, including without limitation:

- (a) Closing Opinion;
- (b) The articles of incorporation and all amendments thereto of Reutlinger, duly certified as of a recent date by the Secretary of State of California;
- (c) A copy of the approved Amended Reutlinger Bylaws certified by the Secretary of the corporation.
- (d) Certificates dated as of a date not earlier than thirty business days prior to the Closing as to the good standing of Reutlinger and payment of all applicable state taxes by Reutlinger, executed by the appropriate officials of the State of California; and
- (e) Such other documents as Eskaton may reasonably request for the purpose of:
 - (i) evidencing the accuracy of any of Reutlinger's representations and warranties;
 - (ii) evidencing the performance by Reutlinger of, or the compliance by Reutlinger with, any covenant or obligation required to be performed or complied with by Reutlinger;
 - (iii) evidencing the satisfaction of any condition referred to in this Article VIII; or
 - (iv) otherwise facilitating the consummation or performance of any of the contemplated transactions.

Section 8.6 Consents. Each of the Material Consents identified in **Schedule 8.6** (the “Material Consents”) shall have been obtained and shall be in full force and effect.

Section 8.7 Due Diligence. Eskaton shall have performed a comprehensive inspection and due diligence review of Reutlinger and the Reutlinger Assets and shall have determined, in its reasonable discretion, that the Reutlinger business and the Reutlinger Assets are acceptable to Eskaton. Eskaton shall be satisfied in its sole subjective discretion as to the completeness of the disclosure schedules of Reutlinger.

Section 8.8 No Material Adverse Change. There shall not have been a material adverse change in the Reutlinger Assets or the Reutlinger business or operations.

Section 8.9 Supplements or Amendments to the Representations and Warranties. Eskaton's obligation to close this Agreement is contingent upon its approval, in its sole subjective discretion, of the representations and warranties set forth under Article III of this Agreement. Notwithstanding anything to the contrary herein, Eskaton shall not be required to close this Agreement if it fails to consent to the supplements or amendments to the representations and warranties under Article III.

Section 8.10 Finalization of Exhibits. The exhibits have not been attached to this Agreement at the time of its signing. Instead, the text of those exhibits shall be agreed upon between the Parties prior to Closing. Eskaton shall be satisfied, in its sole subjective discretion, with the text of each of these exhibits in a form accepted by Eskaton.

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 Termination. 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 or destruction to the Reutlinger Assets, a Public Taking of the Reutlinger Assets, or a material

adverse change in the value of the Reutlinger Assets prior to Closing; 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 is not cured or 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 or destruction to the Eskaton Assets, a Public Taking of the Eskaton Assets, or a material adverse change in the value of the Eskaton Assets prior to Closing; 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 is not cured or waived by Reutlinger prior to Closing;

(c) By Reutlinger or Eskaton if the Closing hereunder shall not have taken place by _____, or such later date as shall be agreed upon by an amendment to this Agreement entered into in accordance with Section 11; provided, however, that a party shall not have the right to 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 Effect of Termination. 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 Section 13 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 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 INDEMNIFICATION

Section 12.1 Survival. The representations and warranties of Reutlinger and Eskaton contained in Articles III and IV, respectively, shall survive the Closing Date for a period of one (1) year and during such time shall be deemed to be material and to have been relied upon by Eskaton, and Reutlinger. The right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations shall not be affected by any investigation (including any environmental investigation or assessment) conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with any such representation, warranty, covenant or obligation. The waiver of any condition based upon the accuracy of any representation or warranty, or on the performance of or compliance with any covenant or obligation, will not affect the right to indemnification, reimbursement or other remedy based upon such representations, warranties, covenants and obligations. Indemnification under this Article shall be limited to \$250,000.

Section 12.2 Indemnification and Reimbursement by Reutlinger. Reutlinger will indemnify and hold harmless Eskaton, and its representatives, subsidiaries and related persons (collectively, the “Eskaton Indemnified Persons”), and will reimburse the Eskaton Indemnified Persons for any loss, liability, claim, damage, expense (including costs of investigation and defense and reasonable attorneys’ fees and expenses) whether or not involving a third party claim (collectively, “Damages”), arising from or in connection with:

(a) any breach of any representation or warranty made by Reutlinger in (i) this Agreement (without giving effect to any supplement to any schedule hereto), (ii) all exhibits and schedules hereto, (iii) any supplements to any such schedules, (iv) the officer certificates delivered pursuant to Section 2.2(b), (v) any transfer instrument or (vi) any other certificate, document, writing or instrument delivered by Reutlinger pursuant to this Agreement;

(b) any breach of any covenant or obligation of Reutlinger in this Agreement or in any other certificate, document, writing or instrument delivered by Reutlinger pursuant to this Agreement;

(c) any liability arising out of the ownership or operation of the Reutlinger Assets prior to the Closing other than the assumed liabilities;

(d) any brokerage or finder’s fees or commissions or similar payments based upon any agreement or understanding made, or alleged to have been made, by any person with Reutlinger (or any person acting on their behalf) in connection with any of the contemplated transactions;

(e) any noncompliance with any Bulk Sales Laws or fraudulent transfer law in respect of the contemplated transactions; or

(f) any Benefit Plan established or maintained by Reutlinger.

Section 12.3 Indemnification and Reimbursement by Eskaton. Eskaton will indemnify and hold harmless Reutlinger, and its representatives, subsidiaries and related persons (collectively, the “Reutlinger Indemnified Persons”), and will reimburse the Reutlinger Indemnified Persons for any Damages arising from or in connection with:

(a) any breach of any representation or warranty made by Eskaton in (i) this Agreement (without giving effect to any supplement to any schedule hereto), (ii) all exhibits and schedules hereto, (iii) any supplements to any such schedules, (iv) the officer certificates delivered pursuant to Section 2.3(b), (v) any transfer instrument or (vi) any other certificate, document, writing or instrument delivered by Eskaton pursuant to this Agreement;

(b) any breach of any covenant or obligation of Eskaton in this Agreement or in any other certificate, document, writing or instrument delivered by Eskaton pursuant to this Agreement;

(c) any liability arising out of the ownership or operation of the Eskaton Assets prior to the Closing other than the assumed liabilities;

(d) any brokerage or finder’s fees or commissions or similar payments based upon any agreement or understanding made, or alleged to have been made, by any person with Eskaton (or any person acting on their behalf) in connection with any of the contemplated transactions.

(e) any noncompliance with any Bulk Sales Laws or fraudulent transfer law in respect of the contemplated transactions; or

(f) any Benefit Plan established or maintained by Eskaton.

Section 12.4 Third Party Claims.

(a) Promptly after receipt by a person entitled to indemnity under Section 12.2, 12.3 or 12.6 (an “Indemnified Person”) of notice of the assertion of a third party claim against it, such Indemnified Person shall give notice to the person obligated to indemnify under such Section (an “Indemnifying Person”) of the assertion of such third party claim, provided that the failure to notify the Indemnifying Person will not relieve the Indemnifying Person of any liability that it may have to any Indemnified Person, except to the extent that the Indemnifying Person demonstrates that the defense of such third party claim is prejudiced by the Indemnified Person’s failure to give such notice.

(b) If an Indemnified Person gives notice to the Indemnifying Person pursuant to Section 12.4(a) of the assertion of a third party claim, the Indemnifying Person shall be entitled to participate in the defense of such third party claim and, to the extent that it wishes (unless (i) the Indemnifying Person is also a Person against whom the third party claim is made and the

Indemnified Person determines in good faith that joint representation would be inappropriate or (ii) the Indemnifying Person fails to provide reasonable assurance to the Indemnified Person of its financial capacity to defend such third party claim and provide indemnification with respect to such third party claim), to assume the defense of such third party claim with counsel satisfactory to the Indemnified Person. After notice from the Indemnifying Person to the Indemnified Person of its election to assume the defense of such third party claim, the Indemnifying Person shall not, so long as it diligently conducts such defense, be liable to the Indemnified Person under this Section 12 for any fees of other counsel or any other expenses with respect to the defense of such third party claim, in each case subsequently incurred by the Indemnified Person in connection with the defense of such third party claim, other than reasonable costs of investigation. If the Indemnifying Person assumes the defense of a third party claim, (i) such assumption will conclusively establish for purposes of this Agreement that the claims made in that third party claim are within the scope of and subject to indemnification, and (ii) no compromise or settlement of such third party claims may be effected by the Indemnifying Person without the Indemnified Person's consent unless (A) there is no finding or admission of any violation of any legal requirement or any violation of the rights of any person; (B) the sole relief provided is monetary damages that are paid in full by the Indemnifying Person; and (C) the Indemnified Person shall have no liability with respect to any compromise or settlement of such third party claims effected without its consent. If notice is given to an Indemnifying Person of the assertion of any third party claim and the Indemnifying Person does not, within ten (10) days after the Indemnified Person's notice is given, give notice to the Indemnified Person of its election to assume the defense of such third party claim, the Indemnifying Person will be bound by any determination made in such third party claim or any compromise or settlement effected by the Indemnified Person.

(c) Notwithstanding the foregoing, if an Indemnified Person determines in good faith that there is a reasonable probability that a third party claim may adversely affect it or its related persons other than as a result of monetary damages for which it would be entitled to indemnification under this Agreement, the Indemnified Person may, by notice to the Indemnifying Person, assume the exclusive right to defend, compromise or settle such third party claim, but the Indemnifying Person will not be bound by any determination of any third party claim so defended for the purposes of this Agreement or any compromise or settlement effected without its consent (which may not be unreasonably withheld).

(d) Notwithstanding the provisions of Section 16.10, the parties hereby consent to the nonexclusive jurisdiction of any court in which a proceeding in respect of a third party claim is brought against any Indemnified Person for purposes of any claim that an Indemnified Person may have under this Agreement with respect to such proceeding or the matters alleged therein and agree that process may be served on the parties with respect to such a claim anywhere in the world.

(e) With respect to any third party claim subject to indemnification under this Section 12: (i) both the Indemnified Person and the Indemnifying Person, as the case may be, shall keep the other person fully informed of the status of such third party claim and any related proceedings at all stages thereof where such person is not represented by its own counsel, and (ii) the parties shall (each at its own expense) render to each other such assistance as they may

reasonably require of each other and to cooperate in good faith with each other in order to ensure the proper and adequate defense of any third party claim.

(f) With respect to any third party claim subject to indemnification under this Section 12, the parties shall cooperate in such a manner as to preserve in full (to the extent possible) the confidentiality of all confidential information and the attorney-client and work-product privileges. In connection therewith, each party agrees that: (i) it will use its best efforts, in respect of any third party claim in which it has assumed or participated in the defense, to avoid production of confidential information (consistent with applicable law and rules of procedure), and (ii) all communications between any party hereto and counsel responsible for or participating in the defense of any third party claim shall, to the extent possible, be made so as to preserve any applicable attorney-client or work-product privilege.

Section 12.5 Other Claims. A claim for indemnification for any matter not involving a third party claim may be asserted by notice to the party from whom indemnification is sought and shall be paid promptly after such notice.

Section 12.6 Indemnification in Case of Strict Liability or Indemnitee Negligence.
THE INDEMNIFICATION PROVISIONS IN THIS SECTION 12 SHALL BE ENFORCEABLE REGARDLESS OF WHETHER THE LIABILITY IS BASED UPON PAST, PRESENT OR FUTURE ACTS, CLAIMS OR LEGAL REQUIREMENTS (INCLUDING ANY PAST, PRESENT OR FUTURE BULK SALES LAW, ENVIRONMENTAL LAW, FRAUDULENT TRANSFER ACT, OCCUPATIONAL SAFETY AND HEALTH LAW OR PRODUCTS LIABILITY, SECURITIES OR OTHER LEGAL REQUIREMENT) AND REGARDLESS OF WHETHER ANY PERSON (INCLUDING THE PERSON FROM WHOM INDEMNIFICATION IS SOUGHT) ALLEGES OR PROVES THE SOLE, CONCURRENT, CONTRIBUTORY OR COMPARATIVE NEGLIGENCE OF THE PERSON SEEKING INDEMNIFICATION OR THE SOLE OR CONCURRENT STRICT LIABILITY IMPOSED UPON THE PERSON SEEKING INDEMNIFICATION.

ARTICLE XIII CONFIDENTIALITY

Section 13.1 Confidential Information of Reutlinger. 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, 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. Further, Eskaton acknowledges that Reutlinger would be irreparably damaged if confidential information regarding the Community were disclosed (“Community Confidential Information”). 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 (i) any Reutlinger Confidential Information at any time, and (ii) any Community 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 13.1 shall survive the Closing, and if this transaction does not close it will survive the termination of this Agreement. For purposes of this Section 13.1, “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 13.1.

Section 13.2 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 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 13.2 shall survive the Closing, and if this transaction does not close it will survive the termination of this Agreement. For purposes of this Section 13.2, “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 13.2.

ARTICLE XIV PAYMENT OF EXPENSES

Legal, accounting and other expenses incident to this Agreement incurred by Reutlinger shall be paid by Reutlinger. Legal, accounting and other expenses incurred by Eskaton shall be paid by Eskaton. To the extent that Reutlinger and Eskaton jointly engage the services of experts or consultants, such expenses shall be shared equally by Reutlinger and Eskaton.

ARTICLE XV 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 or by telecopy, addressed as follows:

Reutlinger:

Copy to:

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 or telecopied and three (3) days after the date so mailed (if mailed).

ARTICLE XVI MISCELLANEOUS

Section 16.1 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be one and the same Agreement.

Section 16.2 Representations. All representations, warranties, covenants, agreements and indemnification made by any party hereto in or pursuant to this Agreement, or in any instrument or certificate delivered pursuant to this Agreement, or in any instrument or certificate delivered pursuant thereto, shall be deemed to have been material and relied upon by the parties to which made and shall survive the execution, delivery and performance of this Agreement, the Closing hereunder, and any investigations made by or on behalf of any party hereto at any time.

Section 16.3 Headings. The headings in this Agreement are for convenience only and shall not affect the construction hereof.

Section 16.4 Binding Terms and Provisions. 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 16.5 Entire Agreement. 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 16.6 Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of California.

Section 16.7 Public Announcements. 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.

Section 16.8 Waiver of Breach. 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 16.9 Third Party Beneficiaries. 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 16.10 Dispute Resolution; Jurisdiction; Service of Process. 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, 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 16.11 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 Properties, Inc. 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

From: Sam Salkin
Sent: Wednesday, January 9, 2019 11:45 AM PST
To: Jay Zimmer
Subject: Edits
Attachments: MEMO.Reutlinger.Jewish expression.01.04.19.v.2.docx

Jay,

Thank you for the compliment.

Attached is an updated version of the document in track-changes. I think that I got it all. Feel free to make additional edits.

Let me know what else you may need from me.

Best regards,

Sam

Samuel J. Salkin FDR 3371
Executive Director
SINAI MEMORIAL CHAPEL CHEVRA KADISHA FD262
BEIT OLAM OF CONTRA COSTA, INC.
1501 Divisadero Street
P.O. Box 15579
San Francisco, California 94115

E: ssalkin@sinaichapel.org

F: 415.673.3407

P: 415.921.3636

W: <http://sinaichapel.org>

שלום עליכם

From: Jay Zimmer <JZimmer@rcjl.org>
Sent: Wednesday, January 9, 2019 9:06 AM
To: Sam Salkin <ssalkin@sinaichapel.org>
Subject: Edits

TRC0001067

Sam,

I'm crushed for time today and for most of tomorrow. Would you be so kind as to send me your edits? If I have anything significantly different in my notes, I'll reach out to you before sending out.

I'd like to get the document into Fineman's team and Eskaton before our workgroup meets on Monday. Thank you. Great job last night, wish I had you on the Board 3 years ago! j

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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MEMORANDUM

4 January 2019
27 Tevat 5779

TO: The Reutlinger Community Board of Directors

FROM: The Reutlinger Community Ad Hoc Committee on Jewish Traditions
Dr. Sherry Berkman, Dr. Marc Usatin, Craig Judson, Renee Powell and Jay
Zimmer; Sam Salkin, Chair

RE: Our Assignment

PREFACE: We suggest that our assignment is two-fold: 1.) to create a policy framework, which clarifies for Eskaton and our Jewish community what is most important to retain in terms of continuity of institutional Jewish expression of traditions and practice and 2.) to keep it as simple as possible. Our focus should be on “what” – policy. Jay and the attorneys will then articulate “how” as part of the affiliation agreement. Our exercise should focus on a policy framework of Jewish practice not “values”, which are vague and not necessarily actionable. At our last Board Meeting, Sherry proposed a framework of core Jewish expression: charity, learning and observance, to which we added “institutional tradition”. We tried to fit our proposed elements into this framework. While we recognize that this is a balancing act, we want to be positive, minimizing what they should not do.

PREAMBLE

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Affiliation has become a necessity for The Reutlinger Community. As part of that affiliation process, the Board of Directors of The Reutlinger Community is committed to the continuity of a policy framework and related practices which will assure that the institution demonstrate core Jewish identity under the new controlownership.

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- Holocaust Survivors
- Holocaust PTSD Counseling

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- Maintenance of AJAS Membership

From: Jay Zimmer
Sent: Wednesday, January 9, 2019 3:59 PM PST
To: ssalkin@sinaichapel.org
Subject: Memo v.3
Attachments: MEMO.Reutlinger.Jewish expression.01.04.19.v.3.docx

Sam,
Made a few minor changes. Can you please clarify bullet 4 under observances. Seems confusing to me. For some reason I'm unable to edit that section. j

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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MEMORANDUM

4 January 2019
27 Tevat 5779

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Affiliation [with multi-site communities](#) has become a necessity for The Reutlinger Community. As part of that affiliation process, the Board of Directors of The Reutlinger Community is committed to the continuity of a policy framework and related practices which will assure that the institution demonstrate core Jewish identity under the new [control of ownership](#).

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- Maintenance of AJAS Membership

From: Jay Zimmer
Sent: Wednesday, January 9, 2019 5:37 PM PST
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Executive Session Minutes and AdHoc Committee Report with edits
Attachments: TRCExecutiveSession01082019v.1.docx, MEMO.Reutlinger.Jewish expression.01.04.19.v.3.docx

Please review and comment. Thank you. jaz

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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Thank you.

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.

MEMORANDUM

4 January 2019
27 Tevat 5779

TO: The Reutlinger Community Board of Directors

FROM: The Reutlinger Community Ad Hoc Committee on Jewish Traditions
Dr. Sherry Berkman, Dr. Marc Usatin, Craig Judson, Renee Powell and Jay
Zimmer; Sam Salkin, Chair

RE: Our Assignment

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- Maintenance of AJAS Membership

From: Jay Zimmer
Sent: Wednesday, January 9, 2019 5:56 PM PST
To: Michael Fineman; Sheri Peifer
CC: Vanessa Maykel; Kelsey Frost; Kristina Console
Subject: RE: Letter of Agreement
Attachments: MEMO.Reutlinger.Jewish expression.01.04.19.v.3.docx

I've attached a draft of the Jewish Traditions 'memo' prepared by the AdHoc Board work group and I for your review. This is a work in progress and could be helpful on Monday. FYI, I've invited our Board Chair, Sherry Berkman, to join us on Monday. Please emphasize the need to get our messaging out sooner rather than later as we've discussed. The Chair and one other Board member need to understand the rationale for an offensive strategy vs. a defensive position, in order to get more comfortable. Jordan is also concerned that if we message too early and the deal falls through, then what? Hope this helps. Sheri and I will also bring/send the core talking points/stakeholders list created by Sheri with my input. Let us know if you'd like ahead of the meeting. I'll try to get to the agreement tomorrow. Thank you. j

Jay A. Zimmer, President & CEO
The Reutlinger Community
925-964-2063 (O)
609-405-0798 (C)
jzimmer@rcjl.org



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From: Michael Fineman [mailto:mfineman@finemanpr.com]
Sent: Wednesday, January 09, 2019 12:25 PM
To: Jay Zimmer; Sheri Peifer
Cc: Vanessa Maykel; Kelsey Frost; Kristina Console
Subject: Letter of Agreement

Hi Jay and Sheri –

The phone conference yesterday was a great start, and our team here thanks you for your trust in Fineman PR to communicate your M&A initiative. We fully understand your interest in assuring your various audiences of the need, the wisdom and the efficacy of this development, and we are confident that it is a matter of accurately framing this story to win the day for all concerned.

Jay, is there anything from your Board meeting last night to report that could be helpful to us in our initial planning?

We look forward to our kickoff meeting on Monday, and I've attached a draft Letter of Agreement for your review. I hope we can nail this down by tomorrow so that we can begin preparing for our meeting. Prior to Monday, we would like to start work in developing questions, drafting what we see are the most positive attributes of this upcoming transition, as well as developing lists of the most critical influencers to approach in Phase 1, potential partnerships to pursue, events that could help orient and warm the community to the merger idea, and potential scenarios for which to be prepared.

Thank you again. Please know that we will work hard to justify your selection of Fineman PR. I am personally committed to your ultimate success.

Best,

Michael

Michael Fineman
President

FINEMAN PR)))
530 Bush St. Suite 403

San Francisco, CA 94108

O: [415.392.1000](tel:415.392.1000) | C: [415.309.3811](tel:415.309.3811)

FinemanPR.com | [Blog](#)

MEMORANDUM

4 January 2019
27 Tevat 5779

TO: The Reutlinger Community Board of Directors

FROM: The Reutlinger Community Ad Hoc Committee on Jewish Traditions
Dr. Sherry Berkman, Dr. Marc Usatin, Craig Judson, Renee Powell and Jay
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- Maintenance of AJAS Membership

From: Jay Zimmer
Sent: Wednesday, March 27, 2019 12:50 PM PDT
To: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Richard Goldstein; Sherry Berkman, PhD; ssalkin@sinaichapel.org
BCC: jzimmer52@gmail.com; Sheri.Peifer@eskaton.org; Todd.Murch@eskaton.org; Betsy Donovan; Michael Fineman; Mannisto, Jeffrey
Subject: Affiliation Update

I'll be off-site next week attending AJAS and just taking a couple of days for myself while in San Diego. I thought it might be helpful to share my impressions of the meetings that were conducted over the past week.

Generally speaking, the sessions were effective in getting our message out. I thought the questions were thoughtful and provided ample opportunity for in-depth conversation regarding the who, what, why, etc., as to how we arrived at this critical strategic decision. Each group had its own unique perspective and questions. While I sense concern, I also sensed that by the end of the meetings, most attendees, at a minimum, came away with a better understanding.

Most of the feedback to me following the meetings came from our employees and Major Donors/Trustees. Follow-up meetings were held with employees to 'squash' rumors around having to 're-apply for their jobs', and that the 'union would be abolished.' The Major Donors/Trustees, as you could imagine given their long-standing support and involvement in the community, seem to still be skeptical according to my sources. I've been in constant communication with several Trustees and Major Donors in order to keep the lines of communication and transparency open. We've discussed arranging several parlor meetings in Berkeley, Oakland and Lafayette, upon my return and after Passover. Several key members are in the desert until the end of April.

The best attended meeting occurred with families on Sunday. While there is definitely some concern, the conversation was quite extensive and healthy. It seems the single-most critical question among the families is 'proof' of our maintaining Jewish values. They've asked to review Exhibit 1.4(a) to provide input into its final form. I'm struggling to find a way to accomplish that and not sure that we can, or should. The exhibit is tied back to the Affiliation Agreement that is not yet finalized. I'm open to any suggestions...

Timetable

-
- On-site due diligence begins this week, through about the middle of April.
- Final details are being worked out on the Affiliation Agreement.
- If those details are ironed out, the TRC Board will be asked to approve 2 resolutions at our April 9 meeting in order to meet certain requirements for the Attorney General application, approving the affiliation.

- Upon completion and submission of that AG application, there will be about a 120-day blackout/waiting period before Eskaton steps-in.
- I'll attend the April Resident Council meetings in SNF and AL to follow-up with residents, and, I'll attend departmental staff meetings, too.
- The Family Council has asked that I return in May. Right now, their date conflicts with a planned trip back east, the 1st of 3 this summer for weddings and my Mom's and Rochelle's Dad's 90th birthdays. Redacted - Privacy
Redacted - Privacy My plan is to try and arrange during the AG application black-out period.
- A 2nd round of FAQ's is in draft-form as I await additional input before sending to the key stakeholder groups. The questions were taken from the meetings last week.
- Jewish Family and Community Services is interested in learning more about becoming the Designator Organization. I have a call with Avi Rose next week. I have not had an opportunity to discuss the same with Sam Salkin at Sinai Chapel, but will.
- Rabbi Kohn is reaching out to all the Rabbi's and the major Jewish organizations, through Federation.

Please send me any comments or concerns that you may hear while out and about the community. I'm happy to arrange 1-1 meetings or small groups from the synagogues, etc.

Thank you.

With gratitude, J

Jay A. Zimmer, President & CEO
 The Reutlinger Community
 925-964-2063 (O)
 609-405-0798 (C)
jzimmer@rcjl.org





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.

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From: Jay Zimmer
Sent: Thursday, June 6, 2019 8:52 AM PDT
To: Sherry Berkman
CC: Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White; Jordan Rose (jordanproseesq@gmail.com); Marc Usatin; Renee Powell; Rich Goldstein; ssalkin@sinaichapel.org
Subject: RE: Affiliation Conversation

I'll circulate a summary on Monday. j

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Thank you.

From: Sherry Berkman [mailto:isberkman@comcast.net]
Sent: Wednesday, June 05, 2019 8:42 PM
To: Jay Zimmer
Cc: Sherry Berkman; Craig Judson; David Grant; Fred Isaac (fisaac63@gmail.com); gloriaruth13@gmail.com; JJALIJONES@Gmail.com; Joel White; Jordan Rose (jordanproseesq@gmail.com); Marc Usatin; Renee Powell; Rich Goldstein; ssalkin@sinaichapel.org
Subject: Re: Affiliation Conversation

i think it would be worthwhile to send a summary in advance for us to digest in order to have a beneficial discussion at the Board meeting.

s

On Jun 5, 2019, at 2:16 PM, Jay Zimmer <jzimmer@rcjl.org> wrote:

Earlier today, I completed several weeks of a series of 1-1 discussions, meetings and calls with major donors, Trustee Advisory members, Board members of East Bay Jewish organizations, Family Council, etc. I hope to have some time at our next meeting to discuss.

Over the course of the last 3 ½ weeks, some were angry, some critical but many understanding and supportive - although with reservations. The persons I met with were told that their voices and opinions would remain confidential. My role was to listen carefully, answer what I could and provide clarity when possible. I neither promoted nor defended the decision to affiliate but did my best to provide context.

I think it would be time well spent to listen and perhaps consider several of the recommendations – particularly those raised by long-term supporters of the community. Alternatively, since its looking like the meeting will be missing several Board members, I could summarize key points for your review. j

Jay A. Zimmer, President & CEO
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<image004.jpg>

<image003.jpg>

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From: Jay Zimmer
Sent: Monday, August 12, 2019 11:52 AM PDT
To: Craig Judson; David Grant; gloriaruth13@gmail.com; Jack Katz; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Sherry Berkman, PhD; ssalkin@sinaichapel.org
CC: Naheed Asalati; Brian Morrow
BCC: Sheri.Peifer@eskaton.org; Todd.Murch@eskaton.org
Subject: Affiliation Update

TRC Board Members,

Jordan and I spoke to Todd Murch and Sheri Pfeiffer of Eskaton this past Friday. Todd confirmed that the draft Affiliation Agreement appears to be satisfactory, subject to a "final read through" by senior Eskaton personnel and counsel. As of now, he does not expect any additional issues to surface.

Our team will also conduct a final review and Todd will advise once Eskaton has completed its read through; he intends to present the Agreement to the Eskaton Board for its approval on August 21. We will present the document to the TRC Board once we complete our review and have word from Eskaton that they have no further proposed modifications.

Stay tuned for either an in-person meeting, or, unanimous consent via e-mail sometime later this month. More information to follow as we have anything of import to report. j

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From: Jay Zimmer
Sent: Monday, September 16, 2019 5:37 PM PDT
To: Craig Judson; David Grant; gloriaruth13@gmail.com; Jack Katz; JJALIJONES@Gmail.com; Joel White MD (zpz2mrz@gmail.com); Jordan Rose (jordanproseesq@gmail.com); Marc Usatin, MD; Renee Powell; Sherry Berkman, PhD; ssalkin@sinaichapel.org
Subject: Phase 2 PR
Importance: High

PS – Sorry, forgot to add this to last message. Fineman Group is finishing up Phase 2 (Affiliation Agreement signed) package of direct mail pieces for all stakeholders and, press release to J Weekly, etc. These pieces will emphasize the positive aspects of the relationship and the commitments contained within the agreement – Jewish Values, Quality of Care and Access to Capital. The pieces will be focused on the long-term sustainability of the community...

On another matter the Eskaton litigation is moving in the right direction. The judgement for compensatory damages has been reduced to \$250,000 dollars and the punitive damages will be reduced to 4 or 5 times (Todd was not certain) the compensatory damages. The Judge ruled inappropriately the 1st time around, so this is where things stand right now, pending additional motions and/or appeals. Good news! j

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**Minutes of Special Meeting
of
The Reutlinger Community Board of Directors
Held on October 30, 2019**

Meeting Minutes: Jordan Rose, Chair, called the meeting to order at 6:05 PM. In addition to Mr. Rose, the following directors were in attendance in person: David Grant, Craig Judson, Sam Salkin, Jack Katz, Jean Jones and Gloria Ruth. Renee Powell, Sherry Berkman, Joel White and Marc Usatin were absent. Staff in attendance were Jay Zimmer, CEO, and Naheed Asalati, who acted as secretary of the meeting..

Approval of October 3, 2019 Meeting Minutes: Upon motion made by David Grant and seconded by Craig Judson, the minutes of the meeting held October 3, 2019 were approved.

REDACTED - NOT RELEVANT

Affiliation update: Jordan Rose stated that the meeting had been called so that the Board could consider an alternative structure to the affiliation with Eskaton that has been proposed by Don Chaiken.

Mr. Rose reported that, at Mr. Chaiken's request, he and Mr. Chaiken met on October 16 for about three hours in an attempt to settle what appeared to be a threat of litigation arising out of Mr. Chaiken's concerns over the proposed affiliation. He noted that in the course of that meeting, Mr. Chaiken proposed that TRC both refinance its real estate and enter into a management agreement with Eskaton or another third party; in Mr. Chaiken's view, by doing so TRC would achieve the goals and benefits it is seeking by virtue of an affiliation with Eskaton, but would retain control of its assets. Mr. Rose noted that the Board had previously considered and rejected (separately) a refinancing and use of a management agreement, but had not considered them together as an alternative to affiliation.

Mr. Rose stated that Mr. Chaiken would be joining the meeting to present his views on the proposed affiliation and his proposed alternative structure; and that Todd Murch, CEO of Eskaton, would be joining the meeting by telephone so that he might comment on the relative benefits of a management agreement as an alternative to affiliation.

Mr. Murch joined the meeting by telephone at 6:30 PM and Mr. Chaiken joined the meeting in person at 6:35 PM.

Following introductions, Mr. Chaiken expressed his views as to the disadvantages of the proposed affiliation and stated that he had two proposals for the Board to consider:

1. Refinance TRC's real estate to obtain additional capital, through an interest only loan for five years, with amortized payments thereafter; and
2. Hire a management Company.

There then followed an extensive discussion, with Mr. Chaiken expressing his views respecting the disadvantages of affiliation and the advantages of his proposal, questions to Board members from Mr. Chaiken and from Board members to Mr. Chaiken, and comments by Mr. Murch respecting the benefits of a management agreement as compared to an affiliation. Mr. Chaiken left the meeting at approximately 7:45 PM. Mr. Murch left the meeting shortly thereafter.

The meeting continued with further discussion among the Board members as to the merits of Mr. Chaiken's proposal and the various issues that had been raised by him.

Sam Salkin then moved that, after considering the proposal made by Mr. Chaiken, TRC continue to move forward with the affiliation with Eskaton. The motion was seconded by Jack Katz. After some further discussion, it was determined that Mr. Chaiken's proposal did not appear likely to achieve the goals and benefits sought from an affiliation with Eskaton and Mr. Salkin's motion was approved unanimously.

Adjournment: There being no further business, Craig Judson moved to adjourn the meeting, Jack Katz seconded and the meeting was adjourned at 8:15 PM

Respectfully Submitted



Naheed Asalati

Secretary of the Meeting

Next Board of Directors Meeting is on December 10, 2019 at 6 PM.

**The Reutlinger Community Board of Directors Meeting
Minutes of October 3, 2019**

Meeting Minutes: Jordan Rose called the meeting to order at 6:05 PM. In attendance in person were David Grant, Marc Usatin, Sherry Berkman, Joel White, Jack Katz, Jean Jones and Gloria Ruth. Renee Powell attended by telephone. Sam Salkin and Craig Judson were absent. Staff in attendance were Jay Zimmer, Brian Morrow and Naheed Asalati.

Affiliation update: Jordan Rose reported that attorney Jeffrey Maurer will call in at 6:30 PM to discuss [REDACTED - PRIVILEGED]

[REDACTED]

[REDACTED] Jeffrey Maurer will be available to [REDACTED]

[REDACTED] Jordan Rose also reported that the AG application will be submitted tomorrow. The AG will evaluate the application and take comments from public, make the decision whether or not to approve or conditionally approve the agreement.

Approval of last three meetings June 11, 2019 amended, July 9, 2019 and August 13, 2019 minutes: Upon motion made by Joel White and seconded by Jean Jones, the minutes from last three meetings were approved.

REDACTED - NOT RELEVANT

Jeffrey Maurer called into the meeting and reported on

REDACTED - PRIVILEGED

After the extensive discussion and addressing questions, Joel White made a motion to authorize counsel to file the application and Marc Usatin seconded. The motion passed.

Consent Agenda: there being no further questions Joel White moved to approve the consent agenda and Marc Usatin seconded. The motion passed.

PR Plan: Jay Zimmer reported that the PR plan starts tomorrow following the submission of the Application to the AG office:

- J weekly
- Letter to family members, Donors, Rabbi's, Synagogues, and etc.
- Updated frequently asked question.
- Website – banner linked to AG application including affiliation agreement, schedules and exhibits.
- Sign will be posted in the lobby.
- Hard copy will be available for public to read in administration office.

REDACTED - NOT RELEVANT

In light of the fact that there is an Attorney General process that provides for public comment, Joel White moved that a separate meeting with individuals concerned about the proposed affiliation is unnecessary and need not be held. Seconded by David Grant. The motion was approved with Renee Powell and Jack Katz abstaining.

There being no further business, Joel White moved to adjourn the meeting, Marc Usatin seconded and the meeting was adjourned at 8:20 PM

Respectfully Submitted

Naheed Asalati