ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD
APPLICATION FOR CHANGE OF OWNERSHIP EXEMPTION

RECEIVED
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HEALTH FACILITIES & SERVICES REVIEW BOARD

SECTION I. IDENTIFICATION, GENERAL INFORMATION, AND CERTIFICATION

This Section must be completed for all projects.

Facility/Project Identification

Facility Name: Kindred Chicago Central Hospital		
Street Address: 4058 West Melrose Street		
City and Zip Code: Chicago, Illinois 60641-4799		
County: Cook	Health Service Area: 6	Health Planning Area: A-01

Legislators

State Senator Name: Iris Y. Martinez
State Representative Name: Will Guzzardi

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: Kindred Healthcare, LLC
Street Address: 680 South Fourth Street
City and Zip Code: Louisville, Kentucky 40202-2412
Name of Registered Agent: The Corporation Trust Company
Registered Agent Street Address: Corporation Trust Center, 1209 Orange Street
Registered Agent City and Zip Code: Wilmington, Delaware 19801
Name of Chief Executive Officer: Benjamin A. Breier
Street Address: 680 South Fourth Street
City and Zip Code: Louisville, Kentucky 40202-2407
CEO Telephone Number: 502-596-7300

Type of Ownership of Applicants

☐ Non-profit Corporation
☐ For-profit Corporation
☒ Limited Liability Company
☐ Partnership
☐ Governmental
☐ Sole Proprietorship
☐ Other

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

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

Primary Contact [Person to receive ALL correspondence or inquiries]

Name: Anne M. Cooper
Title: Attorney
Company Name: Polsinelli P.C.
Address: 150 North Riverside Plaza, Suite 3000, Chicago, Illinois 60606
Telephone Number: 312-873-3606
E-mail Address: acooper@polsinelli.com
Fax Number:

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State Representative Name: Will Guzzardi

Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: Kindred THC Chicago, LLC
Street Address: 680 South Fourth Street
City and Zip Code: Louisville, Kentucky 40202-2412
Name of Registered Agent: CT Corporation System
Registered Agent Street Address: 208 South LaSalle Street, Suite 814
Registered Agent City and Zip Code: Chicago, Illinois 60604
Name of Chief Executive Officer: Benjamin A. Breier
Street Address: 680 South Fourth Street
City and Zip Code: Louisville, Kentucky 40202-2407
CEO Telephone Number: 502-596-7300

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Applicant(s) [Provide for each applicant (refer to Part 1130.220)]

Exact Legal Name: Kindred THC North Shore, LLC
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Name: Anne M. Cooper
Title: Attorney
Company Name: Polsinelli P.C.
Address: 150 North Riverside Plaza, Suite 3000, Chicago, Illinois 60606
Telephone Number: 312-873-3606
E-mail Address: acooper@polsinelli.com
Fax Number:

Additional Contact [Person who is also authorized to discuss the Application]

Name: Barbara N. Lankford
Title: Senior Director, Market Planning
Company Name: Kindred Healthcare, LLC
Address: 680 South Fourth Street, Louisville, Kentucky 40202-2407
Telephone Number: 502-596-7801
E-mail Address: Barbara.Lankford@kindred.com
Fax Number:

Post Exemption Contact
[Person to receive all correspondence subsequent to exemption issuance-**THIS PERSON MUST BE EMPLOYED BY THE LICENSED HEALTH CARE FACILITY AS DEFINED AT 20 ILCS 3960**]

Name: Barbara N. Lankford
Title: Senior Director, Market Planning
Company Name: Kindred Healthcare, LLC
Address: 680 South Fourth Street, Louisville, Kentucky 40202-2407
Telephone Number: 502-596-7801
E-mail Address: Barbara.Lankford@kindred.com
Fax Number:

Site Ownership after the Project is Complete
[Provide this information for each applicable site]

Exact Legal Name of Site Owner: Universal Health Realty Income Trust
Address of Site Owner: Universal Corporate Center, 367 Gulph Road, King of Prussia, PA 19406-0958
Street Address or Legal Description of the Site: 4058 West Melrose Street, Chicago, Illinois 60641 **Proof of ownership or control of the site is to be provided as Attachment 2. Examples of proof of ownership are property tax statements, tax assessor's documentation, deed, notarized statement of the corporation attesting to ownership, an option to lease, a letter of intent to lease, or a lease.**
APPEND DOCUMENTATION AS ATTACHMENT 2, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Current Operating Identity/Licensee
[Provide this information for each applicable facility and insert after this page.]

Exact Legal Name: Kindred THC Chicago, LLC
Street Address: 680 South Fourth Street, Louisville, Kentucky 40202-2407

- ☐ Non-profit Corporation
- ☐ For-profit Corporation
- ☒ Limited Liability Company
- ☐ Partnership
- ☐ Governmental
- ☐ Sole Proprietorship
- ☐ Other

Operating Identity/Licensee after the Project is Complete

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

Exact Legal Name: Kindred THC North Shore, LLC

Address: 680 South Fourth Street, Louisville, Kentucky 40202-2407

☐ Non-profit Corporation	☐ Partnership	
☐ For-profit Corporation	☐ Governmental	
☒ Limited Liability Company	☐ Sole Proprietorship	☐ Other

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

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

Organizational Relationships

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

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

Narrative Description

In the space below, provide a brief narrative description of the change of ownership. Explain **WHAT** is to be done in **State Board defined terms, NOT WHY** it is being done. If the project site does NOT have a street address, include a legal description of the site.

Kindred Healthcare, LLC, Kindred THC Chicago, LLC and Kindred THC North Shore, LLC (collectively, "Kindred" or the "Applicants") propose a restructuring of the ownership of Kindred Chicago Central. Kindred THC Chicago, LLC, operates Kindred Chicago Central Hospital ("Chicago Central") and is the sole member of Kindred THC North Shore, LLC. Kindred Healthcare Operating, LLC is the sole member of Kindred THC Chicago, LLC. Kindred Healthcare, LLC is the sole member of Kindred Healthcare Operating, LLC and the indirect parent of both Chicago Lakeshore and Chicago Central. Under the planned restructuring transaction, Kindred THC Chicago, LLC will be merged with and into Kindred THC North Shore, LLC. As a result, Kindred THC North Shore, LLC, the surviving entity, will be the operator/licensee of Kindred Chicago Central Hospital.

Related Project Costs

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

Land acquisition is related to project ☐ Yes ☒ No
Purchase Price: $__________

Fair Market Value: $__________

Project Status and Completion Schedules

Outstanding Permits: Does the facility have any projects for which the State Board issued a permit that is not complete? Yes __ No X. If yes, indicate the projects by project number and whether the project will be complete when the exemption that is the subject of this application is complete.

Anticipated exemption completion date (refer to Part 1130.570): __________

State Agency Submittals

Are the following submittals up to date as applicable:

☒ Cancer Registry
☐ APORS
☒ All formal document requests such as IDPH Questionnaires and Annual Bed Reports been submitted
☒ All reports regarding outstanding permits

Failure to be up to date with these requirements will result in the Application being deemed incomplete.

CERTIFICATION

The Application must be signed by the authorized representatives of the applicant entity. Authorized representatives are:

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

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

SIGNATURE	SIGNATURE
Joseph L. Landenwich	Joel W. Day
PRINTED NAME	PRINTED NAME
General Counsel and Corp. Secretary	Sr. Vice Pres., Operations, CFO
PRINTED TITLE	PRINTED TITLE
Notarization: Subscribed and sworn to before me this 21st day of October, 2019	Notarization: Subscribed and sworn to before me this 21 day of October
Signature of Notary Expiration 3/28/22	Signature of Notary
Seal	Seal

*Insert the EXACT legal name of the applicant

70867731.1

CERTIFICATION

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- in the case of a sole proprietor, the individual that is the proprietor.

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

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- in the case of a sole proprietor, the individual that is the proprietor.

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

SIGNATURE

Joseph L. Landenwich
PRINTED NAME

General Counsel and Corp. Secretary
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21st day of October, 2019

Penny Wilkey
Signature of Notary Expiration 3/28/2020

Seal

SIGNATURE

Joel W. Day
PRINTED NAME

Sr. Vice Pres., Operations, CFO
PRINTED TITLE

Notarization:
Subscribed and sworn to before me
this 21 day of October

Signature of Notary

Seal

*Insert the EXACT legal name of the applicant

70867731.1

SECTION II. BACKGROUND.

BACKGROUND OF APPLICANT

1. A listing of all health care facilities owned or operated by the applicant, including licensing, and certification if applicable.
2. A listing of all health care facilities currently owned and/or operated in Illinois, by any corporate officers or directors, LLC members, partners, or owners of at least 5% of the proposed health care facility.
3. A certified listing of any adverse action taken against any facility owned and/or operated by the applicant, directly or indirectly, during the three years prior to the filing of the application. Please provide information for each applicant, including corporate officers or directors, LLC members, partners and owners of at least 5% of the proposed facility. A health care facility is considered owned or operated by every person or entity that owns, directly or indirectly, an ownership interest.
4. Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other states, when applicable; and the records of nationally recognized accreditation organizations. **Failure to provide such authorization shall constitute an abandonment or withdrawal of the application without any further action by HFSRB.**
5. If, during a given calendar year, an applicant submits more than one Application, the documentation provided with the prior applications may be utilized to fulfill the information requirements of this criterion. In such instances, the applicant shall attest that the information was previously provided, cite the project number of the prior application, and certify that no changes have occurred regarding the information that has been previously provided. The applicant is able to submit amendments to previously submitted information, as needed, to update and/or clarify data.

APPEND DOCUMENTATION AS <u>ATTACHMENT 5</u>, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM. EACH ITEM (1-4) MUST BE IDENTIFIED IN ATTACHMENT 5.

SECTION III. CHANGE OF OWNERSHIP (CHOW)

Transaction Type. Check the Following that Applies to the Transaction:

- ☐ Purchase resulting in the issuance of a license to an entity different from current licensee.
- ☐ Lease resulting in the issuance of a license to an entity different from current licensee.
- ☐ Stock transfer resulting in the issuance of a license to a different entity from current licensee.
- ☐ Stock transfer resulting in no change from current licensee.
- ☐ Assignment or transfer of assets resulting in the issuance of a license to an entity different from the current licensee.
- ☐ Assignment or transfer of assets not resulting in the issuance of a license to an entity different from the current licensee.
- ☐ Change in membership or sponsorship of a not-for-profit corporation that is the licensed entity.
- ☐ Change of 50% or more of the voting members of a not-for-profit corporation's board of directors that controls a health care facility's operations, license, certification or physical plant and assets.
- ☐ Change in the sponsorship or control of the person who is licensed, certified or owns the physical plant and assets of a governmental health care facility.
- ☐ Sale or transfer of the physical plant and related assets of a health care facility not resulting in a change of current licensee.
- ☒ Change of ownership among related persons resulting in a license being issued to an entity different from the current licensee
- ☐ Change of ownership among related persons that does not result in a license being issued to an entity different from the current licensee.
- ☐ Any other transaction that results in a person obtaining control of a health care facility's operation or physical plant and assets and explain in "Narrative Description."

1130.520 Requirements for Exemptions Involving the Change of Ownership of a Health Care Facility

1. Prior to acquiring or entering into a contract to acquire an existing health care facility, a person shall submit an application for exemption to HFSRB, submit the required application-processing fee (see Section 1130.230) and receive approval from HFSRB.

2. If the transaction is not completed according to the key terms submitted in the exemption application, a new application is required.

3. READ the applicable review criteria outlined below and **submit the required documentation (key terms) for the criteria:**

APPLICABLE REVIEW CRITERIA	CHOW
1130.520(b)(1)(A) - Names of the parties	X
1130.520(b)(1)(B) - Background of the parties, which shall include proof that the applicant is fit, willing, able, and has the qualifications, background and character to adequately provide a proper standard of health service for the community by certifying that no adverse action has been taken against the applicant by the federal government, licensing or certifying bodies, or any other agency of the State of Illinois against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application.	X
1130.520(b)(1)(C) - Structure of the transaction	X
1130.520(b)(1)(D) - Name of the person who will be licensed or certified entity after the transaction	
1130.520(b)(1)(E) - List of the ownership or membership interests in such licensed or certified entity both prior to and after the transaction, including a description of the applicant's organizational structure with a listing of controlling or subsidiary persons.	X
1130.520(b)(1)(F) - Fair market value of assets to be transferred.	X
1130.520(b)(1)(G) - The purchase price or other forms of consideration to be provided for those assets. [20 ILCS 3960/8.5(a)]	X
1130.520(b)(2) - Affirmation that any projects for which permits have been issued have been completed or will be completed or altered in accordance with the provisions of this Section	X
1130.520(b)(3) - If the ownership change is for a hospital, affirmation that the facility will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction. The hospital must provide affirmation that the compliant charity care policy will remain in effect for a two-year period following the change of ownership transaction	X
1130.520(b)(4) - A statement as to the anticipated benefits of the proposed changes in ownership to the community	X

1130.520(b)(5) - The anticipated or potential cost savings, if any, that will result for the community and the facility because of the change in ownership;	X
1130.520(b)(6) - A description of the facility's quality improvement program mechanism that will be utilized to assure quality control;	X
1130.520(b)(7) - A description of the selection process that the acquiring entity will use to select the facility's governing body;	X
1130.520(b)(9)- A description or summary of any proposed changes to the scope of services or levels of care currently provided at the facility that are anticipated to occur within 24 months after acquisition.	X

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

SECTION IV.CHARITY CARE INFORMATION

1. All applicants and co-applicants shall indicate the amount of charity care for the latest three **audited** fiscal years, the cost of charity care and the ratio of that charity care cost to net patient revenue.

2. If the applicant owns or operates one or more facilities, the reporting shall be for each individual facility located in Illinois. If charity care costs are reported on a consolidated basis, the applicant shall provide documentation as to the cost of charity care; the ratio of that charity care to the net patient revenue for the consolidated financial statement; the allocation of charity care costs; and the ratio of charity care cost to net patient revenue for the facility under review.

3. If the applicant is not an existing facility, it shall submit the facility's projected patient mix by payer source, anticipated charity care expense and projected ratio of charity care to net patient revenue by the end of its second year of operation.

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

A table in the following format must be provided for all facilities as part of Attachment 7.

CHARITY CARE			
	Year	**Year**	**Year**
Net Patient Revenue			
Amount of Charity Care (charges)			
Cost of Charity Care			

APPEND DOCUMENTATION AS ATTACHMENT 7, IN NUMERIC SEQUENTIAL ORDER AFTER THE LAST PAGE OF THE APPLICATION FORM.

Section I, Identification, General Information, and Certification
Applicants

Certificates of Good Standing for Kindred Healthcare, LLC, Kindred THC Chicago, LLC and Kindred THC North Shore, LLC (collectively, "Kindred" or the "Applicants") are attached at Attachment – 1.

Kindred THC Chicago, LLC is the current operator of Kindred Chicago Central Hospital.

Kindred THC North Shore, LLC will be the operator after the planned restructuring of Kindred Chicago Hospital.

As the person with final control of the operator, Kindred Healthcare, LLC is named as an applicant for this application for exemption. Kindred Healthcare, LLC does not do business in the State of Illinois. A certificate of good standing for Kindred Healthcare, LLC from the state of its incorporation, Delaware, is attached.

Delaware

The First State

I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY "KINDRED HEALTHCARE, LLC" IS DULY FORMED UNDER THE LAWS OF THE STATE OF DELAWARE AND IS IN GOOD STANDING AND HAS A LEGAL EXISTENCE SO FAR AS THE RECORDS OF THIS OFFICE SHOW, AS OF THE FIFTH DAY OF NOVEMBER, A.D. 2019.

AND I DO HEREBY FURTHER CERTIFY THAT THE ANNUAL TAXES HAVE BEEN PAID TO DATE.

Jeffrey W. Bullock, Secretary of State

SECRETARY'S OFFICE DELAWARE

2875922 8300

SR# 20197916433

Authentication: 203936617

Date: 11-05-19

You may verify this certificate online at corp.delaware.gov/authver.shtml

File Number 0647087-4

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

KINDRED THC CHICAGO, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON JANUARY 29, 2018, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* OCTOBER *A.D.* 2019 .

SEAL OF THE STATE OF ILLINOIS AUG. 26TH 1818

Authentication #: 1930402196 verifiable until 10/31/2020
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

File Number 0647090-4

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

KINDRED THC NORTH SHORE, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON JANUARY 29, 2018, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* OCTOBER *A.D.* 2019 .

Authentication #: 1930402204 verifiable until 10/31/2020
Authenticate at: http://www.cyberdriveillinois.com

Jesse White
SECRETARY OF STATE

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

A copy of the lease and the lease extensions by and between Universal Health Realty Income Trust and Kindred THC Chicago, LLC are attached at Attachment - 2.

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LEASE

DATED DECEMBER , 1993

BY AND BETWEEN

UNIVERSAL HEALTH REALTY INCOME TRUST

AS LESSOR

AND

THC-CHICAGO, INC.

AS LESSEE

610-768-3336 (FAX)

01308238.09

Attachment - 2

Universal Health v. Chicago

TABLE OF CONTENTS

0130838.08

LEASE

THIS LEASE (the "Lease") is made as of December____, 1993, by UNIVERSAL HEALTH REALTY INCOME TRUST, a Maryland real estate investment trust, having its principal office at 367 South Gulph Road, King of Prussia, Pennsylvania 19406 as Lessor, and THC-CHICAGO, INC., an Illinois corporation ("THC"), having its principal office at 7000 Central Parkway, Suite 1000, Atlanta, Georgia 30328 as Lessee, with reference to the following facts:

A. Lessor holds a fee simple interest in the Land described in paragraph 1.1(i) and owns the Improvements, the Fixtures, and the Appurtenances described in paragraphs 1.1(ii) through 1.1(iv) respectively.

B. Lessee desires to lease the properties described in Recital A from Lessor for use as a long-term patient-care facility, and as a hospital for long-term patients with chronic conditions and other patients with medically complex conditions who no longer require care in an intensive care or similar unit but must be seen daily by a physician, require high degrees of nursing, respiratory and like therapy and care and meet admission criteria for acute hospitalization.

In consideration of the foregoing, the parties agree as follows:

ARTICLE I

LEASED PROPERTY & TERM

1.1 Leased Property. Upon and subject to the terms and conditions hereinafter set forth, Lessor leases to Lessee, and Lessee rents or hires from Lessor all of the following (the "Leased Property"):

(i) the real property located at 4508 West Melrose Street, Chicago, Illinois and more particularly described in Exhibit A (the "Land");

(ii) all buildings, structures, and other improvements of every kind including, but not limited to, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and offsite), parking areas and roadways appurtenant to such buildings and structures now or in the future situated upon the Land (collectively, the "Improvements");

(iii) all equipment, machinery, fixtures, and other items of property, including all components thereof, now and hereafter permanently affixed to or incorporated into the Leased Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, all of which to the greatest extent permitted by law are hereby deemed by the parties to constitute

[redacted]

real estate, together with all replacements, modifications, alterations and additions thereto (collectively, the "Fixtures"); and

(iv) all easements, rights and appurtenances relating to the Land, the Improvements, and the Fixtures (the "Appurtenances").

1.2 Condition. The Leased Property is demised in its present condition, subject to the existing state of title including all covenants, conditions, restrictions, easements and other matters of record including all applicable Legal Requirements, and including other matters which would be disclosed by an inspection of the Leased Property or by an accurate survey thereof.

1.3 Term. The term of financing under this Lease is as follows:

1.3.1 Initial Term. The initial term of the Lease (the "Initial Term") shall be eight (8) years, commencing on December , 1993 (the "Commencement Date"), and terminating on December 31, 2001 (the "Termination Date").

1.3.2 Renewals. If no Event of Default has occurred and is continuing, Lessee shall have the right to renew this Lease for up to four (4) additional successive five (5) year terms (each, an "Extended Term").

(a) Exercise of Right to Renew. Lessee shall exercise its right to renew by giving Notice to Lessor at least nine (9) months prior to the expiration of the then current Term.

(b) Terms. During each Extended Term, all of the terms and conditions of this Lease in effect upon expiration of the immediately preceding Term shall continue in full force and effect, except that the Rent shall continue to be subject to adjustment pursuant to Section 3.1.

ARTICLE II

DEFINITIONS

For all purposes of this Lease, except as otherwise expressly provided or unless the context otherwise requires, (i) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular, (ii) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles at the time applicable, and (iii) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Lease as a whole and not to any particular Article, Section or other subdivision:

Additional Charges: As defined in Section 3.2.

Award: As defined in Section 15.1(c).

Base Rate: The rate of interest announced publicly by First National Bank of Boston, in Boston, Massachusetts, from time to time, as First National Bank of Boston's base rate.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which national banks in the cities of Philadelphia, Pennsylvania or Boston, Massachusetts are closed.

Capital Additions: One or more new buildings, or one or more additional structures (which may or may not be annexed to any portion of any of the Leased Improvements), which are constructed on any portion of the Leased Property during the Term, including the construction of a new wing or new story, or the renovation of existing improvements on the Leased Property, or any material expansion of the existing improvements on the Leased Property.

Commencement Date: As defined in Section 1.3.1.

Condemnation, Condemnor: As defined in Section 15.1.

Consolidated Net Worth: At any time, the sum of the following for THC and its consolidated subsidiaries, on a consolidated basis determined in accordance with generally accepted accounting principles:

(1) the amount of capital or stated capital (after deducting the cost of any shares held in its treasury), plus

(2) the amount of capital surplus and retained earnings (or, in the case of a capital or retained earnings deficit, minus the amount of such deficit), minus

(3) the sum of the following (without duplication of deductions with respect to items already deducted in arriving at surplus and retained earnings): (a) unamortized debt discount and expense; and (b) any write-up in the book value of assets resulting from a revaluation thereof subsequent to the most recent consolidated financial statements prior to the date thereof, except any net write-

up in value of foreign currency in accordance with generally accepted accounting principles.

Consumer Price Index: The Consumer Price Index for All Urban Consumers--Chicago Area, the average of 1982-1984 equals 100, as issued by the United States Department of Labor. If the manner in which the Consumer Price Index is determined by the Department of Labor shall be substantially revised, an adjustment shall be made in such revised index which would produce results equivalent, as nearly as possible, to those which would have been obtained if the Consumer Price Index had not been so revised. If the average of 1982-1984 average shall no longer be used as an index of 100, such change shall constitute a substantial revision. If the Consumer Price Index shall become unavailable to the public because publication is discontinued, or otherwise, Lessor and Lessee will substitute therefor a comparable index based upon changes in the cost of living or purchasing power of the consumer dollar published by any other governmental agency or, if no such index shall then be available, a comparable index published by a major bank or other financial institution or by a university or a recognized financial publication.

CPI Increase: As defined in Section 3.1.

Date of Taking: As defined in Section 15.1(b).

Encumbrance: . As defined in Section 34.1.

Event of Default: As defined in Section 16.1.

Extended Term: As defined in Section 1.3.2.

Facility: The licensed acute care, rehabilitative care, long-term care, psychiatric and/or substance abuse recovery facility, retirement housing facility, medical office building and/or other facility offering other health care-related products and services being operated or proposed to be operated on the Leased Property.

Fair Market Added Value: The Fair Market Value (as hereinafter defined) of the Leased Property (including all Capital Additions) less the Fair Market Value of the Leased Property determined as if no Capital Additions financed by Lessee had been constructed.

Fair Market Rental: With respect to the Leased Property (including any Capital Additions or portions thereof paid for by Lessor) the rental paid on a net basis as provided in Article III hereof which a willing tenant not compelled to rent would pay to a willing landlord not compelled to lease for the highest and best medical use of such property pursuant to this Lease for the term in question assuming that Lessee is not in default under this Lease. For purposes of this Lease, Fair Market Rental shall be determined in accordance with the appraisal procedures set forth in Articles XIV, XV or XXXIII, as the case may be, or in such other manner as shall be mutually agreed upon by Lessor and Lessee.

Fair Market Value: With respect to the Leased Property, including all Capital Additions or portions thereof paid for by Lessor, the price that a willing buyer not compelled to buy would pay to a willing seller not compelled to sell for such property (a) assuming this Lease is not in effect with respect to the Leased Property (except as otherwise provided below), (b) assuming that the Leased Property had been exposed for sale on the market for a reasonable period of time, and (c) assuming that the Leased Property is fully licensed by all governmental agencies having jurisdiction thereof, and is and will continue to be operated for the Primary Intended Use and is otherwise a going concern. Notwithstanding the foregoing, the computation of Fair Market Value shall assume that a lease of the Leased Property providing for payment of a Fair Market Rental for the remaining Term of this Lease is in effect if Lessee is to acquire the Leased Property pursuant to Article XXXIII. For purposes of this Lease, Fair Market Value shall be determined in accordance with the appraisal procedures set forth in Articles XIV, XV or XXXIII. as the case may be, or in such other manner as shall be mutually agreed upon by Lessor and Lessee.

Fair Market Value Purchase Price: The Fair Market Value of the Leased Property less the Fair Market Added Value.

Fiscal Year: The twelve (12) month period from January 1 to December 31.

Fixtures: As defined in Section 1.1(iii).

Guarantors: Community Psychiatric Centers, a Nevada corporation and Transitional Hospitals Corporation, a Delaware corporation.

Hazardous Substances: Any hazardous or toxic substances, materials or wastes, including but not limited to, those substances, materials and wastes listed in the United States Department of Transportation Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 301) and amendments thereto, or such substances, materials and wastes which are or become regulated under any applicable local, state or federal law, including without limitation, any material, waste or substances which is (i) hydrocarbons, petroleum and petroleum products, (ii) asbestos, (iii) polychlorinated biphenyls, (iv) formaldehyde, (v) radioactive substances, (vi) flammables and explosives, (vii) described as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Section 1251 et seq., 33 U.S.C. Section 1321 or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317), (viii) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 9601), as the same may be amended from time to time, or (ix) any other substance, waste or material (which shall include all soils and groundwater for purposes of this definition), which could presently or at any time in the future constitute or cause a health, safety or environmental hazard on, under, or about the Land, Facility, or the Leased Property or to any person who may enter on, under or about the Land, Facility, or the Leased Property and for which remediation is required, or fines, clean-up costs or other penalties are imposed, by law or governmental authorities.

Impositions: Collectively, all taxes (including, without limitation, all ad valorem, sales and use, single business, gross receipts, transaction privilege, rent or similar taxes as the same relate to or are imposed upon Lessee or its business conducted upon the Leased Property), assessments (including, without limitation, all assessments for public improvements or benefit, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term), water, sewer or other rents and charges, excises, tax inspection, authorization and similar fees and all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property or the business conducted thereon by Lessee (including all interest and penalties thereon caused by any failure in payment by Lessee), which at any time during or with respect to the Term hereof may be assessed or imposed on or with respect to or be a lien upon (a) Lessor's interest in the Leased Property, (b) the

Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (c) any occupancy, operation, use or possession of, or sales from, or activity conducted on or in connection with the Leased Property or the leasing or use of the Leased Property or any part thereof by Lessee, provided, however, nothing contained in this Lease shall be construed to require Lessee to pay (1) any tax based on net income (whether denominated as a franchise or capital stock or other tax) imposed on Lessor or any other person, or (2) any transfer or net revenue tax of Lessor or any other person, or (3) any tax imposed with respect to the sale, exchange or other disposition by Lessor of this Lease, the Leasehold Estate or any of the Leased Property or the proceeds thereof, or (4) any single business, gross receipts (other than a tax on any rent received by Lessor from Lessee (which shall be payable by Lessee), transaction privilege, rent or similar taxes as the same relate to or are imposed upon Lessor.

Initial Term: As defined in Section 1.3.1.

Insurance Requirements: All terms of any insurance policy required by this Lease and all requirements of the issuer of any such policy.

Land: As defined in Section 1.1.

Lease: As defined in the Preamble.

Leased Improvements; Leased Property: Each as defined in Article I.

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Leased Property or the maintenance, construction, use or alteration thereof, whether or not hereafter enacted and in force, including any that may (i) require repairs, modifications or alterations in or to the Leased Property or (ii) in any way adversely affect the use and enjoyment thereof, and all permits, licenses, exemptions, authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Lessee (other than encumbrances created by Lessor without the consent of Lessee), at any time in force affecting the Leased Property.

Lessee: THC-Chicago, Inc., an Illinois corporation, and its permitted successors and assigns.

Lessee's Personal Property: All machinery, equipment, furniture, furnishings, movable walls or partitions, computers or trade fixtures or other personal property, inventory and supplies, used or useful in Lessee's business on the Leased Property except items, if any, included within the definition of Fixtures.

Lessor: Universal Health Realty Income Trust, a Maryland real estate investment trust, and its successors and assigns.

Minimum Rent: The meaning set forth in Section 3.1.

Minimum Repurchase Price: $7,500,000, less the net amount (after deduction of all reasonable legal fees and other costs and expenses, including without limitation expert witness fees, incurred by Lessor in connection with obtaining any such proceeds or awards) of any proceeds of insurance paid to and retained by Lessor in accordance with Article XIV of this Lease and of any Awards received by Lessor and not applied to restoration of the Leased Property in accordance with Article XV of this Lease.

Notice: A notice given pursuant to Article XXXII hereof.

Officer's Certificate: A certificate of Lessee signed by the chief financial officer or another officer authorized so to sign by the board of directors or by-laws of Lessee, or any other person whose power and authority to act has been authorized by delegation in writing by any such officer.

Overdue Rate: On any date, a rate equal to the Base Rate plus two (2%) percent per annum, but in no event greater than the maximum rate then permitted under applicable law.

Payment Date: Any due date for the payment of any installment of Rent.

Permitted Encumbrances: (i) the matters set forth on Exhibit B hereto, (ii) property taxes which are a lien and which are not yet due and payable, and (iii) this Lease.

Primary Intended Use: As defined in Section 7.2(b).

Rent: As defined in Section 3.2.

State: The State of Illinois.

Taking: A taking or voluntary conveyance during the Term hereof of all or part of the Leased Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any condemnation or other eminent domain proceeding affecting the Leased Property whether or not the same shall have actually been commenced.

Term: Collectively, the Initial Term and any Extended Terms, as the context may require, unless and until earlier terminated pursuant to the provisions hereof.

Termination Date: As defined in Section 1.3.1.

Unavoidable Delays: Delays due to strikes, lock-outs, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the control of the party responsible for performing an obligation hereunder, provided that lack of funds shall not be deemed a cause beyond the control of either party hereto unless such lack of funds is caused by the failure of the other party hereto to perform any obligations of such party, under this Lease or any guaranty of this Lease.

ARTICLE III

RENT

3.1 Rent. Lessee will pay to Lessor in lawful money of the United States of America which shall be legal tender for the payment of public and private debts, in immediately available funds, at Lessor's address set forth above or at such other place or to such other person, firms or corporations as Lessor from time to time may designate in a Notice, Minimum Rent and Additional Charges, during the Term, as follows: The "Minimum Rent" shall be $1,044,000 for the first year of the Term, and shall increase effective on each anniversary of the Commencement Date, thereafter by the lesser of (i) the CPI Increase (to the extent greater than zero), or (ii) five percent (5%) of the Minimum Rent payable during the immediately preceding Lease year. For purposes of the foregoing, the "CPI Increase" shall be computed by the following formula:

$$M \times \frac{(CPIA - CPIB)}{CPIB} \times .75$$

For purposes of the foregoing formula:

M is the Minimum Rent:

CPIB is the Consumer Price Index for the month of December in the year of calculation:

CPIA is the Consumer Price Index for the month of December for the immediately preceding Lease year.

Minimum Rent is payable in advance in equal, consecutive monthly installments as set forth herein, on the first day of each calendar month of the Term: provided however, that the first monthly payment of Minimum Rent shall be payable on the Commencement Date and that the first and last monthly payments of Minimum Rent shall be prorated as to any partial month.

3.2 Additional Charges. In addition to the Minimum Rent, (1) Lessee will also pay and discharge as and when due and payable all other amounts, liabilities, obligations and Impositions that Lessee assumes or agrees to pay under this Lease, and (2) in the event of any failure on the part of Lessee to pay any of those items referred to in clause (1) above promptly after Notice from Lessor that any such amount shall be due if Notice of such item is sent to Lessor and not to Lessee, Lessee will also promptly pay and discharge every fine, penalty, interest and cost that may be added for non-payment or late payment of such items (the items referred to in clauses (1) and (2) above being additional Rent hereunder and being referred to herein collectively as the "Additional Charges"), and Lessor shall have all legal, equitable and contractual rights, powers and remedies provided either in this Lease or by statute or otherwise in the case of non-payment of the Additional Charges as in the case of non-payment of the Minimum Rent. Minimum Rent and Additional Charges are referred to collectively herein as "Rent." If any installment of Rent (but as to Additional Charges, only those that are payable directly to Lessor) shall not be paid on its due date, Lessee will pay Lessor on demand, as Additional Charges, a late charge (to the extent permitted by law) computed at the Overdue Rate on the amount of such installment, from the due date of such installment to the date of payment thereof.

3.3 Net Lease. The Rent shall be paid absolutely net to Lessor, so that this Lease shall yield to Lessor the full amount of the installments of Rent throughout the Term, all as more fully set forth in Article V and subject to any other provisions of this Lease that expressly provide for adjustment or abatement of Rent.

ARTICLE IV

IMPOSITIONS

4.1 Payment of Impositions. Subject to Article XII relating to permitted contests, Lessee will pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for late or non-payment, such payments to be made directly to the taxing authorities where feasible, and will promptly, without request, furnish to Lessor copies of official receipts or other satisfactory proof evidencing such payments. Lessee's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. If any such Imposition may, at the option of the taxpayer, lawfully be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may exercise the option to pay the same (and any accrued interest on the unpaid balance of such Imposition) in installments and in such event, shall pay such installments during the Term (subject to Lessee's right of contest pursuant to the provisions of Article XII) as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto. Lessor, at its expense, shall, to the extent required or permitted by applicable law, prepare and file all tax returns in respect of Lessor's net income, gross receipts, sales and use, single business, transaction privilege, rent, ad valorem, franchise taxes and taxes on its capital stock, and Lessee, at its expense, shall, to the extent required or permitted by applicable laws and regulations, prepare and file all other tax returns and reports in respect of any Impositions as may be required by governmental authorities. If any refund shall be due from any taxing authority in respect of any Imposition paid by Lessee, the same shall be paid over to or retained by Lessee if no Event of Default shall have occurred hereunder and be continuing. Any such funds retained by Lessor due to an Event of Default shall be applied as provided in Article XVI. In the event governmental authorities classify any of the Leased Property as personal property, Lessee shall file all personal property tax returns in such jurisdictions where it may legally so file. Lessee may, upon notice to Lessor, at Lessee's option and at Lessee's sole cost and expense, protest, appeal, or institute such other proceedings as Lessee may deem appropriate to effect a reduction of real estate or personal property assessments and Lessor, at Lessee's expense as aforesaid, shall fully cooperate with Lessee in such protest, appeal, or other action. Lessee hereby agrees to indemnify, defend, and hold harmless Lessor from and against any claims, obligations, and liabilities against or incurred by Lessor in connection with such cooperation.

4.2 Notice of Impositions. Lessor shall give prompt Notice to Lessee of all Impositions payable by Lessee under this Lease of which Lessor at any time has knowledge of which Lessee has not received written notice, provided that Lessor's failure to give any such Notice shall in no way diminish Lessee's obligations hereunder to pay such Impositions, but such failure shall obviate any default hereunder for a reasonable time after Lessee receives Notices of any Imposition which it is obligated to pay and shall obligate Lessor to pay any fine, penalty, interest or cost that may be added for late payment of such Imposition.

4.3 Adjustment of Imposition. Impositions imposed in respect of the tax-fiscal period during which the Term begins or in which it terminates other than by reason of exercise of the option described in Section 33.2 shall be adjusted and prorated between Lessor and Lessee, whether or not such Imposition is imposed before or after such termination, and Lessee's obligation to pay its prorated share thereof after termination shall survive such termination.

4.4 Utility Charges. Lessee will pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in the Leased Property during the Term.

4.5 Insurance Premium. Lessee will pay or cause to be paid all premiums for the insurance coverage required to be maintained by Lessee pursuant to Article XIII during the Term.

ARTICLE V

NO ABATEMENT

5.1 No Termination, Abatement, etc. Except as otherwise specifically provided in this Lease in paragraph 5.2 or elsewhere, and except for those causes resulting from the fault of Lessor or any person whose claim arose under Lessor, Lessee, to the extent permitted by law, shall remain bound by this Lease in accordance with its terms and shall neither take any action without the consent of Lessor to modify, surrender or terminate the same, nor seek nor be entitled to any abatement, deduction, deferment or reduction of the Rent, or setoff against the Rent, nor shall the respective obligations of Lessor and Lessee be otherwise affected by reason of (a) any damage to, or destruction of, any Leased Property or any portion thereof from whatever cause or any Taking of the Leased Property or any portion thereof, (b) the lawful or unlawful prohibition of, or restriction upon, Lessee's use of the Leased Property, or any portion thereof, (c) any claim which Lessee has or might have under any warranty by Lessor under this Lease or any other agreement between Lessor and Lessee, or to which Lessor and Lessee are parties, (d) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceeding affecting Lessor or any assignee or transferee of Lessor, or (e) for any other cause whether similar or dissimilar to any of the foregoing other than a discharge of Lessee from any such obligations as a matter of law. To the extent permitted by applicable law, Lessee hereby specifically waives all rights, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law to (i) modify, surrender or terminate this Lease or quit or surrender the Leased Property or any portion thereof, or (ii) entitle Lessee to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Lessee hereunder, except as otherwise specifically provided in this Lease. The obligations of Lessor and Lessee hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Lessee hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Lease or by termination of this Lease other than by reason of an Event of Default.

5.2 Abatement on Partial Taking. In the event of a partial Taking as described in Section 15.5, the Lease shall not terminate, but the Rent shall be abated in the manner and to the extent that is fair, just and equitable to both Lessee and Lessor, taking into consideration, among other relevant factors, the number of usable beds, the amount of square footage, or the revenues affected by such partial or temporary taking or damage or destruction. If Lessor and Lessee are unable to agree upon the amount of such abatement within thirty (30) days after such partial Taking, the matter may be submitted by either party to a court of competent jurisdiction for resolution.

5.3 Lessee's Right to Cure. Subject to the provisions of Section 34.3, if Lessor breaches any covenant to be performed by it under this Lease, Lessee, after Notice to and demand upon Lessor, without waiving or releasing any obligation hereunder, and in addition to all other remedies available to Lessee, may (but shall be under no obligation at any time thereafter to) make such payment or perform such act for the account and at the expense of Lessor. All sums so paid by Lessee and all costs and expenses (including, without limitation, reasonable attorneys' fees and costs) so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessee, shall be paid by Lessor to Lessee on demand or may be offset by Lessee against the Rent payments next accruing or coming due. The rights of Lessee hereunder to cure and to secure payment from Lessor in accordance with this Section 5.3 shall survive the termination of this Lease with respect to the Leased Property.

ARTICLE VI

OWNERSHIP OF THE PREMISES

6.1 Ownership of the Leased Property. Lessee acknowledges that the Leased Property is the property of Lessor and that Lessee has only the right to the exclusive possession and use of the Leased Property upon the terms and conditions of this Lease.

6.2 Lessee's Personal Property. Lessee may (and shall as provided in this Lease) at its expense, install, affix or assemble or place on any parcels of the Land or in any of the Leased Improvements, any items of Lessee's Personal Property, and Lessee may, subject to the conditions set forth below, remove the same at any time during the Term or upon the expiration or any prior termination of the Term. All of Lessee's Personal Property not removed by Lessee within thirty (30) days following the expiration or earlier termination of the Term shall be considered abandoned by Lessee and may be appropriated, sold, destroyed or otherwise disposed of by Lessor without first giving Notice thereof to Lessee, without any payment to Lessee and without any obligation to account therefor. Lessee will, at its expense, restore the Leased Property to the condition required by Section 9.1(d), including repair of all damage to the Leased Property caused by the removal of Lessee's Personal Property, whether effected by Lessee or Lessor. Lessee may make such financing arrangements, title retention agreements, leases or other agreements with respect to the Lessee's Personal Property as it sees fit.

ARTICLE VII

CONDITION AND USE OF LEASED PROPERTY

7.1 Condition of the Leased Property. Lessee acknowledges receipt and delivery of possession of the Leased Property and that Lessee has examined and otherwise has knowledge of the condition of the Leased Property prior to the execution and delivery of this Lease and has found the same to be satisfactory for its purposes hereunder. Lessee is leasing the Leased Property "as is" in its present condition. Lessee waives any claim or action against Lessor in respect of the condition of the Leased Property. LESSOR MAKES NO WARRANTY OR REPRESENTATION EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO THE QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY LESSEE. LES-

SEE ACKNOWLEDGES THAT THE LEASED PROPERTY HAS BEEN INSPECTED BY LESSEE AND IS SATISFACTORY TO IT.

7.2 Use of the Leased Property.

(a) Lessee covenants that it will proceed with all due diligence and will exercise its best efforts to obtain and to maintain all approvals needed to use and operate the Leased Property and the Facility under applicable local, state and federal law, including but not limited to appropriate licensure.

(b) Lessee shall use or cause to be used the Leased Property only as a health care-related facility, including uses associated with acute care, rehabilitative care, long-term care, psychiatric and/or substance abuse recovery facilities, retirement housing facilities, medical office buildings, and/or other facilities offering other health care products and services, and for such other uses as may be necessary or incidental to such uses or otherwise approved by Lessor (the particular such use to which the Leased Property is put at any particular time is herein referred to as the "Primary Intended Use"). Lessee shall not use the Leased Property or any portion thereof for any other use without the prior written consent of Lessor, which consent may be withheld in Lessor's sole discretion. No use shall be made or permitted to be made of the Leased Property, and no acts shall be done, which will cause the cancellation of any insurance policy covering the Leased Property, or any part thereof, nor shall Lessee sell or otherwise provide to residents or patients therein, or permit to be kept, used or sold in or about the Leased Property any article which may be prohibited by law or fire underwriter's regulations. Lessee shall, at its sole cost, comply with all of the requirements pertaining to the Leased Property of any insurance board, association, organization or company necessary for the maintenance of insurance, as herein provided, covering the Leased Property and Lessee's Personal Property.

(c) Lessee shall not commit or suffer to be committed any waste on the Leased Property, or in the Facility, nor shall Lessee cause or permit any nuisance thereon.

(d) Lessee shall neither suffer nor permit the Leased Property or any portion thereof, including any Capital Addition or Lessee's Personal Property, to be used in such a manner as (i) might reasonably tend to impair title to or all or any portion thereof, or (ii) may reasonably make possible a claim or claims of adverse usage or adverse possession by the public, as such or of implied dedication of the Leased Property or any portion thereof, except as necessary in the ordinary and prudent operation of the Facility on the Leased Property.

7.3 Hazardous Substances.

(a) For the purposes of this Lease, the terms "Land" and "Leased Property" shall include all air, soil, groundwater, surface water or soils vapor at, on, about, under or within the Land. All operations or activities upon, or any use or occupancy of the Leased Property, or any portion thereof, by Lessee, or any agent, contractor or employee, or sublessee of Lessee shall at all times during the Term be in all respects in strict compliance with any and all Legal Requirements and Insurance Requirements relating to Hazardous Substances, including but not limited to the discharge and removal of Hazardous Substances. Lessee will keep the Leased Property free and clear of all Hazardous Substances other than those Hazardous Substances which are required for the operation of the Facility (which Hazardous Substances shall be handled, used and disposed of in strict compliance with the Legal Requirements and Insurance Requirements) and Lessee shall pay all costs required to properly use, handle and dispose of all Hazardous Substances as and when due and Lessee will keep the Leased Property free and clear of any lien relating to Hazardous Substances which may be imposed pursuant to the Legal Requirements and Insurance Requirements. Neither Lessee, nor any agent, contractor or employee, nor any sublessee of Lessee will allow the manufacture, storage, voluntary transmission or presence of any Hazardous Substances over or upon the Leased Property (except in strict compliance with the Legal Requirements and Insurance Requirements). Lessor shall have the right at any time to conduct an environmental audit of the Leased Property and Lessee shall cooperate in the conduct of such environmental audit. Furthermore, neither Lessee, nor any agent, contractor or employee, nor any sublessee of Lessee will install or permit to be installed, in or on the Leased Property friable asbestos or any substance containing asbestos or similarly deemed hazardous by governmental authorities or the Legal Requirements respecting such materials, and with respect to any such materials currently present in the Leased Property, shall promptly either (a) remove any material which such Legal Requirements deem hazardous and require be removed, at its sole cost and expense, or (b) otherwise comply with the Legal Requirements. Lessee shall promptly notify Lessor in writing of any order, receipt of any notice of violation or non-compliance with any applicable law, rule, regulation, standard or order, any threatened or pending action by any regulatory agency or other governmental authority, or any claims made by any third party relating to Hazardous Substances on, emanations on or from, released on or from, or threats of releases on or from any of the Leased Property; and shall promptly furnish the Lessor with copies of any correspondence, notices, or legal pleadings in connection therewith. Lessor shall have the right, but shall not be obligated, to notify any governmental authority of any state of facts which may come to its attention with respect to Hazardous Substances on, released from or emanating from any part of the Leased Property.

(b) Without limiting Section 22.1, Lessee agrees, with the right to participate in the applicable proceedings, to indemnify, protect, defend (with counsel reasonably approved by Lessor) and hold Lessor, and the directors, officers, shareholders, employees and agents of the Lessor, harmless from any claims (including, without limitation, third party claims for personal injury or real or personal property damage), or natural resources damage, actions, administrative proceedings (including informal proceedings), judgments, damages, punitive damages, penalties, fines, costs, liabilities (including sums paid in settlements of claims), interest or losses, including reasonable attorneys' and paralegals' fees and expenses (including any such fees and expenses incurred in enforcing the covenants and obligations of Lessee under this Lease or collecting any sums due hereunder), consultant fees, and expert fees, together with all other costs and expenses of any kind or nature (collectively, the "Costs") that arise directly or indirectly from or in connection with the presence, suspected presence, release or threatened release of any Hazardous Substance in or into or at, on, about, under or within the Leased Property, or any portion thereof, to the extent that such Costs are not attributable to either (a) the gross negligence or willful misconduct of

Lessor or (b) solely to events which occurred prior to the Commencement Date. The indemnification provided in this subsection (b) shall specifically apply to and include claims or actions brought by or on behalf of employees of Lessee, or contractors, or employees of contractors of Lessee and Lessee hereby expressly waives any immunity to which Lessee may otherwise be entitled under any industrial or worker's compensation laws. In the event Lessor shall suffer or incur any such Costs, Lessee shall pay to Lessor the total of all such Costs suffered or incurred by Lessor upon demand therefor by Lessor. Without limiting the generality of the foregoing, the indemnification provided by this subsection (b) shall specifically cover Costs, including capital, operating and maintenance costs, incurred in connection with any investigation or monitoring of site conditions, any clean-up, containment, remedial, removal or restoration work required or performed by any Federal, state or local governmental agency or political subdivision or performed by any non-governmental entity or person because of the presence, suspected presence, release or suspected release of any Hazardous Substance in or into the air, soil, groundwater, surface water or soil vapor at, on, about, under or within the Leased Property (or any portion thereof), and any claims of third parties for loss or damage due to such Hazardous Substance, to the extent that such Costs are not attributable to the gross negligence or willful misconduct of Lessor. In addition, the indemnification provided by this subsection (b) shall include, without limitation, all loss or damage sustained by Lessor or any third party due to any Hazardous Substance (i) that is present or suspected to be present in the air, soil, groundwater, surface water or soil vapor at, on, about, under or within the Leased Property (or any portion thereof) on or after the Commencement Date, or (ii) that migrates, flows, percolates, diffuses or in any way moves onto, into or under the air, soil, groundwater, surface water or soil vapor at, on, about, under or within the Leased Leased Property (or any portion thereof) after the Commencement Date, irrespective of whether such Hazardous Substance shall be present or suspected to be present in the air, soil, groundwater, surface water or soil vapor at, on, about, under or within the Leased Property (or any portion thereof) as a result of any release, discharge, disposal, dumping, spilling, or leaking (accidental or otherwise) onto the Leased Property (or any portion thereof) occurring on or after the Commencement Date or caused by any person or entity; provided, however, that the indemnification obligation under clauses (i) and (ii) above shall apply solely to the extent that such loss or damage is attributable to the gross negligence or willful misconduct of Lessee.

(c) In the event any investigation or monitoring of site conditions or any clean-up, containment, restoration, removal or other remedial work (collectively, the "Remedial Work") is required under any applicable Legal Requirements including, without limitation, any judicial order, or any order of any governmental entity, or in order to comply with any agreements affecting the Leased Property because of, or in connection with, any occurrence or event described in subsection (b) above, Lessee shall perform or cause to be performed the Remedial Work in compliance with such law, regulation, order or agreement and subject to the final review and approval of Lessor, which approval shall not be unreasonably withheld or delayed; provided, that Lessee may withhold such compliance pursuant to a good faith dispute regarding the application, interpretation or validity of the law, regulation, order, or agreement, subject to the requirements of subsection (d) below; provided, however, that Lessor shall reasonably cooperate with Lessee to the extent necessary to deliver such authorization as may be required in order for Lessee to perform its obligations under this subsection (c). All Remedial Work shall be performed by one or more contractors, selected by Lessee and approved in advance in writing by Lessor in its sole discretion, and under the supervision of a consulting engineer, selected by Lessee and approved in advance in writing by Lessor in its sole discretion. All costs and expenses of such Remedial Work shall be paid by Lessee including, without limitation, the charges of such contractor(s) and/or the consulting engineer, and Lessor's reasonable attorneys' and paralegals' fees and other costs incurred in connection with the monitoring or review of such Remedial Work. In performing its obligations hereunder, Lessee shall be subrogated to any rights Lessor may have under any indemnifications or warranties from any present, future or former owners, tenants or occupants or users of the Leased Property to the extent available. In the event Lessee shall fail timely to commence, or cause to be commenced, or fail diligently to prosecute to completion, or fail to complete to Lessor's sole satisfaction, such Remedial Work, Lessor after five (5) business days' Notice to Lessee may, but shall not be required to, cause such Remedial Work to be performed, and all reasonable documented costs and expenses thereof, paid or incurred in connection therewith, shall be Costs within the meaning of subsection (b) above. All such Costs shall be due and payable upon demand therefor by Lessor. If Lessee fails to perform its obligations hereunder, Lessor shall be subrogated to any rights Lessee may have under any indemnifications from any present, future or former owners, tenants or other occupants or users of the Leased Property (or any portion thereof), relating to the matters covered by this Section 7.3.

(d) Notwithstanding any provision of this Section 7.3 to the contrary, but without limiting the provisions of Article XXII, Lessee will be permitted to contest or cause to be contested, subject to compliance with the requirements of this subsection (d) and Article XII, by appropriate action any Remedial Work requirement, and Lessor shall not perform such requirement on its behalf, so long as Lessee has given Lessor written notice that Lessee is contesting or shall contest or cause to be contested the same, and Lessee actually contests or causes to be contested the application, interpretation or validity of the governmental law, regulation, order, or agreement pertaining to the Remedial Work by appropriate proceedings conducted in good faith with due diligence: provided, such contest shall not subject Lessor to civil liability and does not jeopardize Lessor's interest in the Leased Property or affect in any way the payment of any sums to be paid to Lessor. Lessee shall give such security or assurances as may be reasonably required by Lessor to insure compliance with the Legal Requirements pertaining to the Remedial Work (and payment of all costs, expenses, interest and penalties in connection therewith) and to prevent any sale, forfeiture or loss by reason of such nonpayment or noncompliance.

(e) The obligations of Lessee under this Section 7.3 shall survive expiration or earlier termination of this Lease. The provisions of this Section may be enforced by Lessor without regard to any other rights and remedies Lessor may have against Lessee under this Lease and without regard to any limitations on Lessor's recourse and/or specific performance as may be otherwise provided in this Lease. Lessee agrees, that notwithstanding any provision in the Lease to the contrary, a separate action or actions to enforce Lessee's obligations under this Section 7.3, may be brought and prosecuted against Lessee. Any costs and other payments required to be paid by Lessee to Lessor under this Section 7.3 which are not paid within ten (10) days after demand therefor, shall thereupon be considered delinquent. Lessee shall pay to Lessor within five (5) business days after demand therefor interest on such overdue amounts, from the date when due until paid, at the Overdue Rate.

7.4 Lessor to Grant Easements, etc. Lessor will, from time to time, so long as no Event of Default has occurred and is continuing, at the request of Lessee and at Lessee's cost and expense (but subject to the approval of Lessor, which approval shall not be unreasonably withheld), (i) grant easements and other rights in the nature of easements with respect to the Leased Property to third parties, (ii) release existing easements or other rights in the nature of easements which are for the benefit of the Leased Property, (iii) dedicate or transfer unimproved portions of the Leased Property for road, highway or other public purposes, (iv) execute amendments to any covenants and restrictions affecting the Leased Property and (v) execute and deliver to any person any instrument appropriate to confirm or effect such grants, releases, dedications, transfers, petitions and amendments (to the extent of its interests in the Leased Property), but only upon delivery to Lessor of an Officer's Certificate stating that such grant, release, dedication, transfer, petition or amendment is not detrimental to the proper conduct of the business of Lessee on the Leased Property and does not materially reduce the value of the Leased Property.

ARTICLE VIII

LESSEE'S COMPLIANCE WITH LEGAL & INSURANCE REQUIREMENTS

8.1 Compliance with Legal and Insurance Requirements, etc. Subject to Article XII relating to permitted contests, Lessee, at its expense, will promptly (a) comply with all applicable Legal Requirements and Insurance Requirements in respect of the use, operation, maintenance, repair and restoration of the Leased Property, and (b) procure, maintain and comply with all appropriate licenses, certificates of need, provider agreements and other authorizations required for any use of the Leased Property and Lessee's Personal Property then being made, and for the proper erection, installation, operation and maintenance of the Leased Property or any part thereof, including without limitation any Capital Addition.

8.2 Legal Requirement Covenants. Lessee covenants and agrees that the Leased Property and Lessee's Personal Property shall not be used for any unlawful purpose. Lessee shall acquire and maintain all appropriate licenses, certifications, permits, provider agreements and other authorizations and approvals needed to operate the Leased Property in its customary manner for the Primary Intended Use, and any other use conducted on the Leased Property as may be permitted from time to time hereunder. Lessee further covenants and agrees that Lessee's use of the Leased Property and maintenance, alteration, and operation of the same, and all parts thereof, shall at all times conform to all Legal Requirements, unless the same are held by a court of competent jurisdiction to be unlawful. Lessee may, however, upon prior Notice to Lessor, contest the legality or applicability of any such Legal Requirement or any licensure or certification decision if Lessee maintains such action in good faith, with due diligence, without prejudice to Lessor's rights hereunder, and at Lessee's own expense. If by the terms of any such Legal Requirement compliance therewith pending the prosecution of any such proceeding may legally be delayed without the incurrence of any lien, charge or liability of any kind against the Facility or Lessee's leasehold interest therein and without subjecting Lessee or Lessor to any liability, civil or criminal, for failure to comply therewith, Lessee may delay compliance therewith until the final determination of such proceeding. If any lien, charge or civil or criminal liability would be incurred by reason of any such delay, Lessee, on the prior written consent of Lessor, which consent shall not be unreasonably withheld or delayed, may nonetheless contest and delay as aforesaid, provided that such delay would not subject Lessor to liability and Lessee both (a) furnishes to Lessor upon request security reasonably satisfactory to Lessor against any loss or injury by reason of such contest or delay and (b) prosecutes the contest with due diligence and in good faith.

ARTICLE IX

MAINTENANCE & REPAIR

9.1 Maintenance and Repair.

(a) Lessee, at its expense, will keep the Leased Property and all private roadways, sidewalks and curbs appurtenant thereto for the maintenance of which Lessor would otherwise be responsible in at least the same condition during the entire Term of this Lease as on the Commencement Date (whether or not the need for repairs occurred as a result of Lessee's use, any prior use, the elements or the age of the

Leased Property, or any portion thereof), and, except as otherwise provided in Article XIV, with reasonable promptness, make all necessary and appropriate repairs and replacements thereto of every kind and nature, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the commencement of the Term of this Lease (concealed or otherwise). All repairs shall, to the extent reasonably achievable, be at least equivalent in quality to the original work. Lessee will not take or omit to take any action, the taking or omission of which might materially impair the value or the usefulness of the Leased Property or any part thereof for its Primary Intended Use.

(b) Lessor shall not under any circumstances be required to build or rebuild any improvement on the Leased Property, or to make any repairs, replacements, alterations, restorations or renewals of any nature or description to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto, in connection with this Lease, or to maintain the Leased Property in any way, except as specifically provided herein. Lessee hereby waives, to the extent permitted by law, the right to make repairs at the expense of Lessor pursuant to any law in effect at the time of the execution of this Lease or hereafter enacted. Lessor shall have the right to give, record and post, as appropriate, notices of nonresponsibility under any mechanic's lien laws now or hereafter existing.

(c) Nothing contained in this Lease and no action or inaction by Lessor shall be construed as (i) constituting the request of Lessor, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof, or (ii) giving Lessee any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Lessor in respect thereof or to make any agreement that may create, or in any way be the basis for any right, title, interest, lien, claim or other encumbrance upon the estate of Lessor in the Leased Property, or any portion thereof.

(d) Unless Lessor conveys any of the Leased Property to Lessee pursuant to the provisions of this Lease, Lessee will, upon the expiration or prior termination of the Term, vacate and surrender the Leased Property to Lessor in the condition in which the Leased Property was originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Lease and except for ordinary wear (subject to the obligation of Lessee to maintain the Leased Property in at least the same condition during the entire Term of the Lease as on the Commencement Date).

9.2 Encroachments, Restrictions, etc. If any Capital Additions by Lessee, at any time, materially encroach upon any property, street or right-of-way adjacent to the Leased Property, or violate the agreements or conditions contained in any lawful restrictive covenant or other agreement affecting the Leased Property, or any part thereof, or impair the rights of others under any easement or right-of-way to which the Leased Property is subject, then promptly upon the request of Lessor or at the behest of any person affected by any such encroachment, violation or impairment. Lessee shall, at its expense, subject to its right to contest the existence of any encroachment, violation or impairment and in such case, in the event of an adverse final determination, either (i) obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Lessor or Lessee or (ii) make such changes in the Leased Improvements, and take such other actions, as Lessee in the good faith exercise of its judgment deems reasonably practicable to remove such encroachment, and to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Leased Improvements for the Primary Intended Use substantially in the manner and to the extent the Leased Improvements were operated prior to the assertion of such violation, impairment or encroachment. Any such alteration shall be made in conformity with the applicable requirements of Article X. Lessee's obligations under this Section 9.2 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and Lessee shall be entitled to a credit for any sums recovered by Lessor under any such policy of title or other insurance.

ARTICLE X

ADDITIONS TO THE LEASED PREMISES

10.1 Construction of Capital Additions to the Leased Property. If no Event of Default shall have occurred and be continuing, Lessee shall have the right, upon and subject to the terms and conditions set forth below, to construct or install Capital Additions on the Leased Property with the prior written consent of Lessor which may be withheld in Lessor's sole discretion. Prior to commencing construction of any Capital Addition, Lessee shall submit to Lessor in writing a proposal setting forth in reasonable detail any proposed Capital Addition and shall provide to Lessor such plans and specifications, permits, licenses, contracts and other information concerning the proposed Capital Addition as Lessor may reasonably request. Without limiting the generality of the foregoing, such proposal shall indicate the approximate projected cost of constructing such Capital Addition and the use or uses to which it will be put. No Capital Addition shall be made which would tie in or connect any Leased Improvements on the Leased Property with any other improvements on property adjacent to the Leased Property (and not part of the Land covered by this Lease) including, without limitation, tie-ins of buildings or other structures or utilities, unless Lessee shall have obtained the prior written approval of Lessor, which approval in Lessor's sole discretion may be granted or withheld.

10.2 Submittals.

(a) Lessee shall provide Lessor with the following:

(i) any information, certificates, licenses, permits or documents reasonably requested by either Lessor or any third party lender which are necessary to confirm that Lessee will be able to use the Capital Addition upon completion thereof in accordance with the

Primary Intended Use, including all required federal, state or local government licenses and approvals;

(ii) an Officer's Certificate and, if requested, a certificate from Lessee's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the Capital Addition;

(iii) upon completion of the Capital Addition, a final as-built survey and plans thereof reasonably satisfactory to Lessor;

(iv) prints or architectural and engineering drawings relating to the Capital Additions and such other certificates (including, but not limited to, endorsements increasing the insurance coverage, if any, at the time required by Section 13.1), documents, opinions of counsel, surveys and any other instruments as may be reasonably required by Lessor.

(b) In no event shall Lessee allow the creation of a security interest or lien of any sort against the Leased Property or Land without the prior written consent of Lessor.

(c) There shall be no adjustment in the Rent by reason of such Capital Addition.

(d) Unless this Lease is terminated pursuant to Lessee's exercise of the option described in Section 33, any Capital Additions, shall, upon expiration or earlier termination of this Lease pass to and become the property of Lessor, free and clear of all encumbrances.

(e) Upon making a request to make a Capital Addition, whether or not such Capital Addition is actually made, Lessee shall pay or agree to pay when done all reasonable costs and expenses of Lessor including, but not limited to the reasonable fees and expenses of legal counsel and construction consultants.

10.3 Joint Use Agreements. If Lessee constructs additional improvements and that are connected to the Leased Property or share maintenance facilities, HVAC, electrical, plumbing or other systems, utilities, parking or other amenities, the parties shall enter into a mutually agreeable cross-easement or joint use agreement to make available necessary services and facilities in connection with such additional improvements, to protect each of their respective interests in the properties affected, and to provide for separate ownership, use, and/or financing of such improvements.

ARTICLE XI

LIENS

Subject to the provision of Article XII relating to permitted contests, Lessee will not directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, encumbrance, attachment, title retention agreement or claim upon the Leased Property or any attachment, levy, claim or encumbrance in respect of the Rent, not including, however, (a) this Lease, (b) the matters, if any, included as exceptions in the title policy insuring Lessor's interest in the Leased Property, (c) restrictions, liens and other encumbrances which are consented to in writing by Lessor or any easements granted pursuant to Section 7.4 of this Lease, (d) liens for those taxes of Lessor which Lessee is not required to pay hereunder, (e) subleases permitted by Article XXIII hereof. (f) liens for Impositions or for sums resulting from noncompliance with Legal Requirements so long as (1) the same are not yet payable or are payable without the addition of any fine or penalty or (2) such liens are in the process of being contested as permitted by Article XII, and (g) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due provided that (l) the payment of such sums shall not be postponed under any related contract for more than sixty (60) days after the completion of the action giving rise to such lien and such reserve or other appropriate provisions as shall be required by law or generally accepted accounting principles shall have been made therefor or (2) any such liens are in the process of being contested as permitted by Article XII hereof.

ARTICLE XII

PERMITTED CONTESTS

Lessee shall have the right to contest the amount or validity of any Imposition or any Legal Requirement or Insurance Requirement or any lien, attachment, levy, encumbrance, charge or claim ("Claims") not otherwise permitted by Article XI, by appropriate legal proceedings in good faith and with due diligence (but this shall not be deemed or construed in any way to relieve, modify or extend Lessee's covenants to pay or its covenants to cause to be paid any such charges at the time and in the manner as in this Article provided), provided, however, that such legal proceedings shall not operate to relieve Lessee from its obligation hereunder and shall not cause the sale of the Leased Property, or any part thereof, to satisfy the same or cause Lessor or Lessee to be in default under any mortgage or deed of trust encumbering the Leased

Property or any interest therein. Upon the reasonable request of Lessor, Lessee shall either (1) provide a bond or other assurance reasonably satisfactory to Lessor that all Claims which may be assessed against the Leased Property together with interest and penalties, if any, thereon will be paid, or (ii) deposit within the time otherwise required for payment with a bank or trust company as trustee, as security for the payment of such Claims, money in an amount sufficient to pay the same, together with interest and penalties in connection therewith and all Claims which may be assessed against or become a Claim on the Leased Property, or any part thereof, in said legal proceedings. Lessee shall furnish Lessor and any lender of Lessor with reasonable evidence of such deposit within five (5) days of the same. Lessor agrees to join in any such proceedings if the same be required to legally prosecute such contest of the validity of such Claims; provided, however, that Lessor shall not thereby be subjected to any liability for the payment of any costs or expenses in connection with any proceedings brought by Lessee; and Lessee covenants to indemnify and save harmless Lessor from any such costs or expenses. Lessee shall be entitled to any refund of any Claims and such charges and penalties or interest thereon which have been paid by Lessee or paid by Lessor and for which Lessor has been fully reimbursed. In the event that Lessee fails to pay any Claims when due or to provide the security therefor as provided in this paragraph and to diligently prosecute any contest of the same, Lessor may, upon Notice to Lessee, pay such charges together with any interest and penalties and the same shall be repayable by Lessee to Lessor as Additional Charges at the next Payment Date provided for in this Lease, provided, however that should Lessor reasonably determine that the giving of such Notice would risk loss to the Leased Property or cause damage to Lessor, then Lessor shall give such Notice as is practical under the circumstances.

ARTICLE XIII

INSURANCE

13.1 General Insurance Requirements. During the Term of this Lease, Lessee shall at all times keep the Leased Property insured with the kinds and amounts of insurance described below. This insurance shall be written by companies authorized to issue insurance in the State. The policies must name Lessor as an additional insured. Losses shall be payable to Lessor or Lessee as provided in Article XIV. In addition, the policies shall name as an additional insured the holder of any mortgage, deed of trust or other security agreement identified by Lessor to Lessee ("Facility Mortgagee") by way of a standard form of mortgagee's loss payable endorsement. Any loss adjustment shall require the written consent of Lessor, Lessee and each Facility Mortgagee. Evidence of insurance shall be deposited with Lessor and, if requested, with any Facility Mortgagee(s). If any provision of any Facility Mortgage existing at the time of execution of any Lease requires deposits of premiums for insurance to be made with such Facility Mortgagees, provided that the Facility Mortgagee has not elected to waive such provision, Lessee shall either pay to Lessor monthly the amounts required and Lessor shall transfer such amounts to each Facility Mortgagee, or, pursuant to written direction by Lessor, Lessee shall make such deposits or premiums directly with such Facility Mortgagee. The policies on the Leased Property, including the Leased

Improvements, Fixtures and Lessee's Personal Property, shall insure against the following risks:

(a) Loss or damage by fire, vandalism and malicious mischief, extended coverage perils, and all physical loss perils insurance, if available and economically feasible, including but not limited to sprinkler leakage, in an amount not less than one hundred percent (100%) of the then full replacement cost thereof (as defined in Section 13.2);

(b) Loss or damage by explosion of steam boilers, pressure vessels or similar apparatus, now or hereafter installed in the Facility, in such amounts with respect to any one accident as may be reasonably requested by Lessor from time to time;

(c) Business interruption or loss of rental under a rental value insurance policy covering risk of loss during the lesser of the first twelve (12) months of reconstruction or the actual reconstruction period necessitated by the occurrence of any of the hazards described in Sections 13.1(a) or 13.1(b), in an amount sufficient to prevent Lessor from becoming a co-insurer;

(d) Claims for personal injury or property damage under a policy of comprehensive general public liability insurance, with amounts not less than Three Million and No/100 Dollars ($3,000,000.00) per occurrence in respect of bodily injury and death and Three Million Dollars and No/100 ($3,000,000.00) for property damage;

(e) Claims arising out of malpractice in an amount not less than Five Million Dollars ($5,000,000.00) for each person and for each occurrence.

13.2 Replacement Cost. The term "full replacement cost" as used herein shall mean the actual replacement cost of the Leased Property requiring replacement from time to time including an increased cost of construction endorsement, less exclusions provided in the standard form of fire insurance policy, but in no event in an amount less than $7,500,000. In the event either party believes that full replacement cost (the then replacement cost less such exclusions) has increased or decreased at any time during the Lease Term, it shall have the right to have such full replacement cost redetermined.

13.3 Worker's Compensation. Lessee shall at all times maintain adequate worker's compensation insurance coverage for all persons employed by Lessee on the Leased Property. Such worker's compensation shall be in accordance with the requirements of applicable local, state and federal law.

13.4 Waiver of Subrogation. All insurance policies carried by either party covering the Leased Property, the Fixtures, the Facility or Lessee's Personal Property, including, without limitation, contents, fire and casualty insurance, shall expressly waive any right of subrogation on the part of the insurer against the other party. The parties hereto agree that their policies will include such waiver clause or endorsement so long as the same are obtainable without extra cost, and in the event of such an extra charge the other party, at its election, may pay the same, but shall not be obligated to do so.

13.5 Form Satisfactory, etc. All of the policies of insurance referred to in this Article XIII shall be written in a form reasonably satisfactory to Lessor and by insurance companies reasonably satisfactory to Lessor. Lessee shall pay all of the premium therefor, and deliver such policies or certificates thereof to Lessor prior to their effective date (and, with respect to any renewal policy, thirty (30) days prior to the expiration of the existing policy), and in the event of the failure of Lessee either to effect such insurance as herein called for or to pay the premiums therefor, or to deliver such policies or certificates therefor to Lessor at the times required, Lessor shall be entitled, but shall have no obligation, to effect such insurance and pay the premiums therefor, which premiums shall be repayable to Lessor upon written demand therefor and failure to repay the same within thirty (30) days Notice of such failure from Lessor shall constitute an Event of Default within the meaning of Section 16.1(b). Each insurer mentioned in this Article XIII shall agree, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Lessor, that it will give to Lessor (and any Facility Mortgagee, if required by the same) thirty (30) days' written notice before the policy or policies in question shall be materially altered, allowed to expire or be canceled.

13.6 Increase in Limits. If either party at any time deems the limits of the personal injury or property damage public liability insurance then carried to be either excessive or insufficient, the parties shall endeavor to agree on the proper and reasonable limits for such insurance to be carried and such insurance shall thereafter be carried with the limits thus agreed on until further change pursuant to the provisions of this Section. Nothing herein shall permit the amount of insurance to be reduced below the amount or amounts required by any Facility Mortgagee.

13.7 Blanket Policy. Notwithstanding anything to the contrary contained in this Article XIII, Lessee's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Lessee; provided, that the coverage afforded to Lessor will not be reduced or diminished or otherwise be different from that which would exist under a separate policy meeting all other requirements of this Lease by reason of the use of such blanket policy of insurance, and provided further that the requirements of this Article XIII are otherwise satisfied.

13.8 No Separate Insurance. Lessee shall not on Lessee's own initiative or pursuant to the request or requirement of any third party, obtain separate insurance concurrent in form or contributing in the event of loss with that required in this Article to be furnished by Lessee, or increase the amount of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, are included therein as additional insureds, and the loss is payable under said insurance in the same manner as losses are payable under this Lease. Lessee shall immediately notify Lessor of the obtaining of any such separate insurance or of the increasing of any of the amounts of the then existing insurance.

ARTICLE XIV

CASUALTY

14.1 Insurance Proceeds. Except as provided in paragraph 14.5, all proceeds payable by reason of any loss or damage to the Leased Property, or any portion thereof, and insured under any policy of insurance required by Article XIII of this Lease shall be paid to Lessor and held in trust by Lessor in an interest-bearing account (subject to Section 14.6) and shall be made available for reconstruction or repair, as the case may be, or any damage to or destruction of the Leased Property, or any portion thereof, and shall be paid out by Lessor from time to time for the reasonable costs of such reconstruction or repair as work progresses but not more frequently than once every 30 days upon Lessor's receipt of (i) a requisition executed by Lessee specifying the amount requested, (ii) a certificate of Lessor's architect that the work for which such disbursement is made has been completed to the satisfaction of the architect, and (iii) lien waivers from all contractors, subcontractors and materialmen who have performed work or furnished supplies for the restoration of the Leased Property, and provided there are no outstanding mechanics' or materialmen's liens in respect of such work and after such disbursement is made, there remain on deposit with Lessor insurance proceeds (or other sums) sufficient to complete the restoration Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property shall be paid to Lessee, provided that an Event of Default has not occurred and is continuing. If neither Lessor nor Lessee is required or elects to repair and restore, and the Lease is terminated without purchase by Lessee as described in Section 14.2(a), all such insurance proceeds shall be retained by Lessor. All salvage resulting from any risk covered by insurance shall belong to Lessor except that any salvage relating to Capital Additions paid for by Lessee or to Lessee's Personal Property shall belong to Lessee.

14.2 Reconstruction in the Event of Damage or Destruction Covered by Insurance.

(a) Except as provided in Sections 14.6 and 14.7, if during the Term the Leased Property is totally destroyed or is destroyed to such an extent that the Leased Property is rendered unsuitable for its Primary Intended Use by a risk covered by the insurance described in Article XIII, Lessee may at its option either (i) restore the Facility to substantially the same condition as existed immediately before the damage or destruction in which event this Lease shall continue in full force and effect, or (ii) acquire the Leased Property from Lessor for a purchase price equal to the greater of the Minimum Repurchase Price or the Fair Market Value Purchase Price of the Leased Property immediately prior to such damage or destruction. If Lessee restores the Facility, the insurance proceeds shall be paid out by Lessor from time to time for the reasonable costs of such restoration, and any excess proceeds remaining after such restoration shall be paid to Lessee. If Lessee acquires the Leased Property, Lessee shall receive the insurance proceeds.

(b) Except as provided in Sections 14.6 and 14.7, if during the Term the Leased Property is partially destroyed by a risk covered by the insurance described in Article XIII but the Facility is not thereby rendered unsuitable for its Primary Intended Use, Lessee shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction. Such damage or destruction shall not terminate this Lease: provided, however, that if Lessee cannot within a reasonable time obtain all necessary government approvals, including building permits, licenses, conditional use permits and any certificates of need, after diligent efforts to do so, in order to be able to perform all required repair and restoration work and to operate the Facility for its Primary Intended Use in substantially the same manner as that existing immediately prior to such damage or destruction, Lessee may either (i) offer to purchase the Leased Property for a purchase price equal to the greater of the Minimum Repurchase Price or the Fair Market Value Purchase Price immediately prior to such damage or destruction, in the event of which purchase Lessee shall receive the insurance proceeds, or (ii) restore the Leased Property and continue with the Lease in full force and effect in which event Lessee shall be entitled to retain the insurance proceeds, less the amount needed to restore the Leased Property so that the portion of the Facility unaffected by the casualty can be used as a complete architectural unit. If Lessee restores the Facility, the insurance proceeds shall be paid out by Lessor from time to time for the reasonable costs of such restoration, and any excess proceeds remaining after such restoration shall be paid to Lessee.

(c) If the cost of the repair or restoration exceeds the amount of proceeds received by Lessor from the insurance required under Article XIII, Lessee shall be obligated to contribute any excess amounts needed to restore the Facility. Such difference shall be paid by Lessee to Lessor prior to commencement of any reconstruction, to be held in trust, together with any other insurance proceeds, for application to the cost of repair and restoration.

14.3 Reconstruction in the Event of Damage or Destruction Not Covered by Insurance. Except as provided in Sections 14.6 and 14.7 below, if during the Term the Facility is totally or materially destroyed by a risk not covered by the insurance described in Article XIII, whether or not such damage or destruction renders the Facility unsuitable for Its Primary Intended Use, Lessee shall restore the Facility to substantially the same condition it was in immediately before such damage or destruction and such damage or destruction shall not terminate this Lease. If such damage or destruction is not material, Lessee shall restore the Facility to substantially the same condition as existed immediately before the damage or destruction.

14.4 Lessee's Property. All insurance proceeds payable by reason of any loss of or damage to any of Lessee's Personal Property or Capital Additions shall be paid to Lessee and Lessee shall hold such insurance in trust to pay the cost of repairing or replacing damaged Lessee's Personal Property or Capital Additions fully paid for by Lessee in their entirety; provided, however, that if the damaged Lessee's Personal Property or Capital Additions in their entirety were no longer useful to Lessee's operations prior to their destruction, Lessee shall not be obligated to repair or replace them.

14.5 No Abatement of Rent. This Lease shall remain in full force and effect and Lessee's obligation to make rental payments and to pay all other charges required by this Lease shall remain unabated during any period required for repair and restoration. If an Event of Default has occurred, any proceeds from business interruption insurance required to be carried by the Lease shall be paid to Lessor, otherwise such proceeds shall be paid to Lessee.

14.6 Termination of Rights of First Refusal and Option to Purchase. Any termination of this Lease pursuant to this Article XIV shall cause any right of first refusal granted to Lessee under Section 33.1 and the option to purchase granted to Lessee under Section 33.2 of this Lease to be terminated and to be without further force or effect.

14.7 Casualty Permitting Termination of Lease. Lessee shall, in its sole option, be relieved of the obligations of Sections 14.2 (and in the case of (ii) below, 14.3) and shall be entitled to terminate this Lease effective upon Notice to Lessor if (i) the Leased Property is totally destroyed or it is destroyed to such an extent that the Leased Property is rendered unsuitable for its Primary Intended Use at any time during the term, or (ii) if damage or destruction which otherwise would be required to be repaired, restored or reconstructed by Lessee occurs during the final one (1) year of the Initial Term or the final one (1) year of any Extended Term then in effect, in each of which cases all insurance proceeds shall be paid to and retained by Lessor.

14.8 Waiver. To the extent permitted by applicable law, Lessee hereby waives any statutory rights of termination that may arise by reason of any damage or destruction of the Leased Property that Lessor is obligated to restore or may restore under any of the provisions of this Lease.

ARTICLE XV

CONDEMNATION

15.1 Condemnation; Definitions.

(a) "Condemnation" means a Taking resulting from (a) the exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor, and (b) a voluntary sale or transfer by Lessor to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

(b) "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

(c) "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation.

(d) "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

15.2 Parties' Rights and Obligations. If during the Term there is any Condemnation of all or any part of the Leased Property or any interest in this Lease, the rights and obligations of the parties shall be determined by this Article XV.

15.3 Total Taking. If title to the fee of the whole of the Leased Property is condemned by any Condemnor, this Lease shall cease and terminate as of the Date of Taking by said Condemnor. If title to the fee of less than the whole of the Leased Property is so taken or condemned, which nevertheless renders the Leased Property unsuitable for its Primary Intended Use, Lessee and Lessor shall each have the option, by notice to the other, at any time prior to the taking of possession by, or the date of vesting of title in, such Condemnor, whichever first occurs, to terminate this Lease as of the date so determined. Upon such date so determined, if such Notice has been given, this Lease shall thereupon cease and terminate. In either of such events, all Rent and Additional Charges paid or payable by Lessee hereunder shall be apportioned as of the date the Lease is so terminated as aforesaid.

15.4 Allocation of Portion of Award. Subject to the rights of any Facility Mortgagee, the total Condemnation Award made with respect to all or any portion of the Leased Property shall be distributed to Lessor and Lessee ratably in accordance with the value of their respective interests in and to such Leased Property as hereafter set forth in this Section 15.4. All of the Award shall be the sole and exclusive property of Lessor and shall be payable to Lessor, subject to the rights of any Facility Mortgagee; provided that, subject to the rights of any Facility Mortgagee, any portion of such Condemnation Award which is expressly allocated by the Condemnor to the taking of Lessee's leasehold interest in the Leased Property, the taking of any Capital Additions (or any portion thereof) fully paid for by Lessee in their entirety, any loss of business by Lessee during the remaining Term of this Lease, the taking of Lessee's Personal Property, or any removal and relocation expenses of Lessee in any such proceedings shall be the sole property of and payable to Lessee. In any Condemnation proceedings Lessor and Lessee each shall seek their own Award in conformity herewith, at their own expense.

15.5 Partial Taking. If title to the fee of less than the whole of the Leased Property is condemned, and the Leased Property is still suitable for its Primary Intended Use, or if Lessee or Lessor is entitled to but elects not to terminate this Lease as provided in Section 15.3 hereof, Lessee at its own cost and expense shall with all reasonable dispatch restore the untaken portion of any Leased Improvements on the Leased Property so that such Leased Improvements constitute a complete architectural unit of the same general character and condition (as nearly as may be possible under the circumstances) as the Leased Improvements existing immediately prior to the Condemnation. The Rent shall be reduced as set forth in Section 5.2.

15.6 Temporary Taking. If the whole or any part of the Leased Property or of Lessor's interest under this Lease is condemned by any Condemnor for its temporary use or occupancy, this Lease shall not terminate by reason thereof, and Lessee shall continue to pay, in the manner and at the terms specified, the full amounts of Rent and Additional Charges. Except only to the extent that Lessee may be prevented from so doing pursuant to the terms of the order of the Condemnor, Lessee shall continue to perform and observe all of the other terms, covenants, conditions an obligations hereof on the part of the Lessee to be performed and observed, as though such Condemnation had not occurred. In the event of any Condemnation as in this Section 15.6 described, the entire amount of any Award made for such Condemnation allocable to the Term of this Lease, whether paid by way of damages, rent or otherwise, shall be paid to Lessee. Lessee covenants that upon the termination of any such period of temporary use or occupancy it will, at its sole cost and expense, restore the Leased

Leased Property as nearly as may be reasonably possible to the condition in which the same was immediately prior to such Condemnation, unless such period of temporary use or occupancy extends beyond the expiration of the Term, in which case Lessee shall not be required to make such restoration.

ARTICLE XVI

DEFAULT

16.1 Events of Default. If any one or more of the following events (individually, an "Event of Default") occurs:

(a) if Lessee fails to make payment of the Rent payable by Lessee under this Lease when the same becomes due and payable and such failure is not cured by Lessee within a period of three (3) days after such due date, or

(b) If Lessee fails to observe or perform any other term, covenant or condition of this Lease and such failure is not cured by Lessee within a period of thirty (30) days after Notice thereof from Lessor, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case it shall not be deemed an Event of Default if Lessee proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof, or

(c) If Lessee or either Guarantor:

(i) admits in writing its inability to pay its debts generally as they become due,

(ii) files a petition in bankruptcy or a petition to take advantage of any insolvency law,

(iii) makes a general assignment for the benefit of its creditors,

(iv) consents to the appointment of a receiver of itself or of the whole or any substantial part of its property, or

(v) files a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, or

(d) If Lessee or Guarantor, on a petition in bankruptcy filed against it, is adjudicated a bankrupt or has an order for relief thereunder entered against it or a court of competent jurisdiction enters an order or decree appointing, without the consent of Lessee, as the case may be, a receiver of Lessee or of the whole or substantially all of its property, or approving a petition filed against Lessee seeking reorganization or arrangement of Lessee under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree is not vacated or set aside or stayed within sixty (60) days from the date of the entry thereof, or

(e) If Lessee or Guarantor is liquidated or dissolved, or begins proceedings toward such liquidation or dissolution, or, in any manner, permits the sale or divestiture of substantially all of its assets to another corporation, unless the purchaser of such assets assumes all of Lessee's obligations under this Lease by a written instrument, in form and substance reasonably satisfactory to Lessor, accompanied by an opinion of counsel, reasonably satisfactory to Lessor and addressed to Lessor stating that such instrument of assumption is valid, binding and enforceable against the parties thereto in accordance with its terms (subject to usual bankruptcy and other creditors' rights exceptions), and that immediately after giving effect to any such sale, Lessee or other corporation (if not Lessee) surviving the same, has a Consolidated Net Worth of not less than the Consolidated Net Worth of Lessee immediately prior to such sale, all as to be set forth in an Officer's Certificate and delivered to Lessor within a reasonable period of time after such sale, or

(f) if the estate or interest of Lessee in the Leased Property or any part thereof is levied upon or attached in any proceeding and the same is not vacated or discharged within the later of ninety (90) days after commencement thereof or sixty (60) days after Notice thereof from Lessor (unless Lessee is contesting such lien or attachment in good faith in accordance with Article XII hereof), or

(g) if, except as a result of damage, destruction or any Condemnation, Lessee voluntarily ceases operations on the Leased Property for a period in excess of thirty (30) days.

then Lessor may exercise any of the remedies available to it at law and in equity as a result of Lessee's breach of this Lease.

16.2 Remedies.

(a) Upon an Event of Default, Lessor at its option may terminate this Lease by Notice to Lessee, Lessor or Lessor's agents and servants may, to the extent permitted by State law, immediately or at any time thereafter reenter the Leased Property and remove all persons and all or any property therefrom, either by summary dispossess proceedings or by any suitable action or proceeding at law or by reasonable force or otherwise, and repossess and enjoy said premises together with all additions, alterations and improvements. provided. however. that Lessee shall have a period of thirty (30) days after an Event of Default within which to effect the removal of patients from the Leased Property, and Lessor shall not exercise any of the foregoing remedies or any other remedies provided by law unless and until the earlier of the expiration of such thirty (30) day period or the removal of all patients from the Leased Property. Upon the termination of this Lease by summary dispossess proceedings or under any provision of law now or at any time hereafter in force by reason of or based upon or arising out of a Default under or breach of this Lease on the part of the Lessee, or upon the Lessor's recovering possession of the Leased Property in the manner or in any of the circumstances hereinbefore mentioned or in any other manner or circumstances whatsoever, whether with or without legal proceedings, by reason of or based upon or arising out of a Default under or breach of this Lease on the part of the Lessee, the Lessor may, but unless required by applicable law, shall be under no obligation to, relet the Leased Property or such part or parts thereof as may be practicable, for the account of the Lessee or otherwise, and receive and collect the rents therefor, applying the same first to the payment of such expenses as the Lessor may have incurred in recovering possession of the Leased Property, including legal expenses and attorneys' fees, and in putting the same into good order or condition or preparing or altering the same for re-rental, and all other expenses, commissions and charges paid, assumed, or incurred by the Lessor in or about reletting the Leased Property, and then to the fulfillment of the covenants of the Lessee hereunder. Subject to the provisions of Article XXIII, the Lessor shall not be obligated to accept any substitute lessee or sublessee proffered or procured by the Lessee. Any such reletting herein provided for may be for the remainder of the term of this Lease as originally granted or for a longer or shorter period. Lessor may, for the purpose of such reletting, decorate or make any repairs, changes, alterations or additions in or to the Leased Property that Lessor may deem necessary or convenient. In any such case and whether or not the Leased Property, or any part thereof, be relet, the Lessee shall pay to the Lessor the Rent and all Additional Charges and other charges required to be paid by the Lessee up to the time of such termination of this Lease or of such recovery of possession of the Leased Property by the Lessor, as the case may be, and thereafter, the Lessee agrees to pay the equivalent of the amount of all the Rent reserved herein and all Additional Charges and other charges required to be paid by Lessee until the termination date or expiration of the Renewal even then in effect, as the case may be, less the net avails of reletting, if any, and the same shall be due and payable by the Lessee to the Lessor on the in the same manner as Minimum Rent as specified in Section 3.1, that is to say, the Lessee shall pay to the Lessor the amount of the deficiency then existing. In any of the circumstances hereinabove mentioned in which the Lessor shall have the right to hold the Lessee liable to pay to the Lessor the equivalent of the amount of all the Rent and all Additional Charges and other charges required to be paid by the Lessee less the net avails of reletting, if any, the Lessor shall have the election, instead of holding the Lessee so liable, forthwith to recover against the Lessee, as damages for loss of the bargain and not as a penalty, an aggregate sum representing, at the time of such termination of this Lease or of such recovery of possession of the Leased Property by the Lessor, as the case may be, the excess, if any, of the aggregate of the Rent and all Additional Charges and other charges payable by the Lessee hereunder that would have accrued to the end of the Term over the aggregate rental value of the Leased Property for the same period, unless any statute or rule of law governing the proceeding in which such damages are to be proved shall limit the amount of such claim capable of being so proved, in which case the Lessor shall be entitled to prove as and for liquidated damages by reason of such breach and termination of this Lease the maximum amount that may be allowed by or under any such statute or rule of law. Nothing herein contained shall limit or prejudice the Lessor's right to prove and obtain as liquidated damages arising out of such breach or termination the maximum amount allowed by any such statute or rule of law that may govern the proceedings in which such damages are to be proved, whether or not such an amount be equal to, or less than the amount of the excess of the rent over the rental value referred to above.

(b) In the event of any termination of this Lease by reason of the occurrence of any Event of Default, all unearned insurance premiums, all deposits theretofore made by the Lessee with utility companies or under this Lease, any claims for refund of any Imposition, any pending claims for insurance proceeds or condemnation awards, and all fuel and supplies on the Leased Property shall be deemed to be and are hereby assigned to and transferred to Lessor, and together with any deposits or funds held by Lessor pursuant to the provisions of this Lease, may be applied by the Lessor in payment of the Lessee's liabilities under this Lease. In addition, the Lessee shall deliver to the Lessor all existing subleases for the Leased Leased Property together with appropriate assignments thereof to Lessor.

16.3 Lessor Event of Default. If Lessor fails to observe or perform any term, covenant or condition of this Lease on its part to be performed and such failure continues for a period of thirty (30) days after Notice thereof from Lessee (or such shorter time as may be required in order to protect the health or welfare of any patients or other residents of the Leased Property) (a "Lessor Event of Default"), unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to continue if Lessor, within said thirty (30) day period, proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof. The time within which Lessor shall be obligated to cure any such failure shall also be subject to extension of time due to the occurrence of any Unavoidable Delay. If there is a Lessor Event of Default, Lessee shall have the remedies described in Section 5.3 and all other remedies provided by law.

16.4 Litigation. If litigation is commenced with respect to any alleged default under this Lease, the prevailing party in such litigation shall receive, in addition to its damages incurred, such sum as the court shall determine as its reasonable attorneys' fees, and all costs and expenses incurred in connection therewith.

ARTICLE XVII

LESSOR'S RIGHT TO CURE LESSEE'S DEFAULT

If Lessee fails to make any payment or to perform any act required to be made or performed under this Lease, and fails to cure the same within the relevant time periods provided in Section 16.1, Lessor, after three (3) days' Notice, without waiving or releasing any obligation of Lessee, and without waiving or releasing any obligation or default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Lessee, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Lessor's opinion, may be necessary or appropriate therefor. Provided, however, that should Lessor reasonably determine that the giving of such Notice would risk serious loss to the Leased Property or cause irrevocable damage to Lessor, then Lessor shall give such written Notice as is practical under the circumstances. No such entry shall be deemed an eviction of Lessee. All sums so paid by Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses, in each case to the extent permitted by law) so incurred, together with a late charge thereon (to the extent permitted by law) at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Lessors, shall be paid by Lessee to Lessor on demand. The obligations of Lessee and rights of Lessor contained in this Article shall survive the expiration or earlier termination of this Lease.

ARTICLE XVIII

PROVISIONS RELATING TO PURCHASE OF THE LEASED PROPERTY

If Lessee purchases the Leased Property from Lessor pursuant to any of the terms of this Lease, Lessor shall, upon receipt from Lessee of the applicable purchase price, together with full payment of any unpaid Rent due and payable with respect to any period ending on or before the date of the purchase, deliver to Lessee a title insurance policy, together with an appropriate deed or other conveyance conveying the entire interest of Lessor in and to the Leased Property to Lessee free and clear of all Encumbrances other than (i) those that Lessee has agreed hereunder to pay or discharge, (ii) those mortgage liens, if any, that Lessee has agreed in writing to accept and to take title subject to, (iii) Permitted Encumbrances, (iv) Encumbrances required to be imposed on the Leased Property under Section 7.4, and (v) any other Encumbrances that are assumable at no cost to Lessee or to which Lessee make take subject without cost to Lessee. The difference between the applicable purchase price and the total of the Encumbrances assumed or taken subject to shall be paid in cash to Lessor or as Lessor may direct, in federal or other immediately available funds except as otherwise mutually agreed by Lessor and Lessee. The closing of any such sale shall be contingent upon and subject to Lessee obtaining all required governmental consents and approvals for such transfer and if such sale fails to be consummated by reason of the inability of Lessee to obtain all such approvals and consents, any options to extend the Term of this Lease which otherwise would have expired during the escrow period of such proposed sale shall be deemed to remain in effect for 30 days after termination of the escrow or other arrangement covering the closing of such proposed sale. All expenses of such conveyance, including, without limitation, the cost of title examination or standard coverage title insurance, if reasonably required under the circumstances then existing, attorneys' fees incurred by Lessor in connection with such conveyance and release, and transfer taxes, shall be paid by Lessee. Recording fees shall be paid for by Lessee.

ARTICLE XIX

RENEWAL TERMS

The term of this Lease may be renewed as provided in Section 1.3.2 of this Lease.

ARTICLE XX

HOLDING OVER

If Lessee for any reason remains in possession of the Leased Property after the expiration or earlier termination of the Term hereof, such possession shall be as a month-to-month tenant during which time Lessee shall pay as rental each month two times the aggregate of (i) one-twelfth of the Rent payable with respect to the last Lease year of the preceding Term, (ii) all Additional Charges accruing during the month and (iii) all other sums, if any, payable by Lessee pursuant to the provisions of this Lease with respect to the Leased Property. During such period of month-to-month tenancy, Lessee shall be obligated to perform and observe all of the terms, covenants and conditions of this Lease, but shall have no rights hereunder other than the right, to the extent given by law to month-to-month tenancies, to continue its occupancy and use of the Leased Property. Nothing contained herein shall constitute the consent, express or implied, of Lessor to the holding over of Lessee after the expiration or earlier termination of this Lease.

ARTICLE XXI

RISK OF LOSS

During the Term, the risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property in consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than those caused by Lessor and those claiming from, through or under Lessor) is assumed by Lessee, and, in the absence of gross negligence, willful misconduct or breach of this Lease by Lessor pursuant to Section 34.3, Lessor shall in no event be answerable or accountable therefor nor shall any of the events mentioned in this Section entitle Lessee to any abatement of Rent except as specifically provided in this Lease.

ARTICLE XXII

INDEMNIFICATION

22.1 Indemnification. Notwithstanding the existence of any insurance provided for in Article XIII, and without regard to the policy limits of any such insurance, Lessee will protect, indemnify, hold harmless and defend Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses), to the extent permitted by law, each a "Claim" and collectively, "Claims") imposed upon or incurred by or asserted against Lessor as owner of the Leased Property by reason of: (a) any accident, injury to or death of persons or loss of or damage to property occurring in or about the Leased Property or adjoining sidewalks, including without limitation any Malpractice Claims, (b) any past, present or future use, misuse, non-use, condition, management, maintenance or repair by Lessee of the Leased Property or Lessee's Personal Property or any litigation, proceeding or Claim by governmental entities or other third parties to which Lessor is made a party or participant related to such use, misuse, non-use condition, management, maintenance, or repair thereof by Lessee, including Lessee's failure to perform obligations (other than condemnation proceedings), (c) any Impositions that are the obligations of Lessee pursuant to the applicable provisions of this Lease, (d) any failure on the part of Lessee to perform or comply with any of the terms of this Lease, and (e) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by the sublessor thereunder. Any amounts that become payable by Lessee under this Section shall be paid within ten (10) days after liability therefor on the part of Lessee is determined by litigation or otherwise, and if not timely paid, shall bear a late charge (to the extent permitted by law) at the Overdue Rate from the date of such determination to the date of payment. Lessee, at its expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against Lessor or may compromise or otherwise dispose of the same as Lessee sees fit. Nothing herein shall be construed as indemnifying Lessor against its own negligent acts or omissions or willful misconduct.

Lessor shall indemnify, save harmless and defend Lessee from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses imposed upon or incurred by or asserted against Lessee as a result of the gross negligence or willful misconduct of Lessor.

Lessee's or Lessor's liability for a breach of the provisions of this Article shall survive any termination of this Lease.

22.2 Nonliability of Trustees and Shareholders, etc. Lessor is a real estate investment trust organized and existing under the law of the State of Maryland, which provides that no personal liability for the obligations of Lessor will attach to its shareholders or trustees. Lessor's Declaration of Trust provides, and Lessee expressly agrees, that no shareholder, trustee, officer, employee, representative or agent of Lessor shall be personally liable for any obligations of Lessor hereunder and Lessee shall look solely to Lessor's property for satisfaction of any claim hereunder, and no recourse may be had against the private property of such shareholders, trustees, officers, employees, representatives or agents of Lessor to satisfy any obligations of Lessor. The foregoing provisions are not intended to, and shall not, limit any right that Lessee might otherwise have to obtain injunctive relief against Lessor or Lessor's successors in interest, or any action not involving the personal liability of the Trustees, shareholders, officers, employees or agents of Lessor (original or successor). The foregoing provisions are not intended to, and shall not, limit any right that Lessee might otherwise have to obtain injunctive relief against Lessor or Lessor's successors in interest, or any action not involving the personal liability of the Trustees, shareholders, officers, employees or agents of Lessor (original or successor).

ARTICLE XXIII

SUBLETTING AND ASSIGNMENT

23.1 Lessee's Consent Required. Lessee may not voluntarily assign or encumber its interest in this Lease or in the Leased Property, or sublease all or any part of the Leased Property, or allow any other person or entity (except Lessee's authorized representatives) to occupy or use all or any part of the Leased Property, without first obtaining Lessor's prior written consent, which consent may be withheld in Lessor's sole discretion except to an affiliate of Lessee in which case Lessor's consent shall not be required. Options to extend are not severable from this Lease and may not be separately assigned. Lessee shall pay all reasonable costs and expenses that may be incurred by Lessor in processing, documenting or administering any request of Lessee for Lessor's consent under this Article XXIII. Lessor may require as conditions precedent to consenting to any proposed assignment or subletting that the proposed assignee or sublessee have and demonstrate to Lessor net worth equal to or in excess of that of Lessee, that the rent from such proposed assignee or sublessee other than an affiliate of Lessee be paid directly to Lessor to the extent of the rent due to Lessor hereunder, and such other reasonable requirements as Lessor determines to be appropriate under the circumstances.

23.2 Deemed Assignment. Except as provided in Section 16.1(f), any dissolution, merger, consolidation, or other reorganization of Lessee, or the sale or any other transfer whatsoever of any of the capital stock or any interest in Lessee, or the sale of twenty-five percent (25%) of the value of the assets of Lessee, except, in each case, to or with an affiliate of Lessee, shall be deemed a voluntary assignment by Lessee of its interest hereunder.

23.3 Effect of Assignment: No Waiver. Any assignment, encumbrance, or sublease without Lessor's prior written consent (unless Lessor's consent is not required) shall be voidable and, at Lessor's election, shall constitute an Event of Default. Lessor's consent to any assignment, encumbrance, or sublease shall not constitute a waiver of the application of the consent provisions of this Lease to any subsequent assignment, encumbrance or subletting or be deemed to be a consent to or relieve Lessee from obtaining Lessor's consent to any subsequent assignment, subletting, use, occupancy, transfer or encumbrance, except to the extent, if any, expressly provided in such consent. Lessor's consent to any assignment, encumbrance, or subletting by Lessee shall not act as a release of Lessee from any of the provisions, covenants or conditions of this Lease. The consent by Lessor to any assignment, subletting, use, occupancy, transfer, or encumbrance, shall not operate to relieve Lessee from primary liabilities to perform each and every covenant or obligation hereunder.

23.4 Permitted Sublessees. Notwithstanding anything to the contrary contained herein, the Lessee may sublease not more than 25% in the aggregate of the square footage of the Facility to physicians and other health care professionals, third-party vendors and providers or operators of portions of the Facility without consent of Lessor.

23.5 Assumption by Assignee; Form of Agreement. If Lessee shall assign this Lease as permitted herein, the assignee shall expressly assume all of the obligations of Lessee hereunder in a written instrument satisfactory to Lessor and furnished to Lessor, not later than five (5) days prior to the effective date of such assignment. If Lessee shall sublease the premises as permitted herein, Lessee shall obtain and furnish to Lessor, not later than five (5) days prior to the effective date of such sublease, and in form satisfactory to Lessor, the written agreement of such sublessee to the effect that the sublessee will attorn to the Lessor, at Lessor's option and written request, in the event this Lease terminates before the expiration of the sublease.

ARTICLE XXIV

OFFICER'S CERTIFICATES; FINANCIAL STATEMENTS & LESSOR'S ESTOPPEL CERTIFICATES

(a) At any time and from time to time upon not less than twenty (20) days Notice by Lessor, Lessee will furnish to Lessor an Officer's Certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications) and the date to which the Rent has been paid. Any such certificate furnished pursuant to this Section may be relied upon by Lessor and any prospective purchaser of the Leased Property.

(b) Lessee shall furnish within the time periods specified with respect thereto, the following statements to Lessor:

(i) within 120 days after the end of each Fiscal Year, a balance sheet and statements of revenues and expenses and changes in retained earnings and cash flows of Lessee, all certified by the chief financial officer of Lessee (the form of such certification to be reasonably satisfactory to Lessor), prepared in accordance with generally accepted accounting principles applied, except as otherwise noted therein, on a basis consistent with prior periods, and fairly presenting the financial condition of Lessee at the end of such Fiscal Year and the immediately preceding Fiscal Year and the results of operations of Lessee for such Fiscal Year and the immediately preceding fiscal year and in comparative columnar form:

(ii) within 45 days after the end of each of the first three fiscal quarters of each Fiscal Year, financial statements similar to those referred to in subsection (i) of this Article XXIV, unaudited but certified by the principal financial officer of Lessee as fairly presenting the financial condition and results of operations and cash flows of Lessee and as having been prepared in accordance with generally accepted accounting principles applied, except as otherwise noted therein, on a basis consistent with prior periods, such financial statements to be for the period from the beginning of such Fiscal Year (and immediately preceding Fiscal Year) to the end of such quarter (and comparable quarter), in each case, subject to audit and year-end adjustments;

(iii) with the statements submitted pursuant to subsections (i) and (ii) of this Article XXIV, a certificate signed on behalf of Lessee by the Chairman of the Board, President or principal financial officer of Lessee to the effect that no Event of Default nor any event which, upon notice or with the passage of time or both, would constitute an Event of Default has occurred and is continuing, or, in each case, if any such Event of Default or event has occurred and is continuing, specifying the nature and extent thereof; and

(iv) promptly, from time to time, such other information regarding the operations, business affairs and financial condition of Lessee as Lessor may reasonably request, including, without limitation, prompt notice of any Event of Default or any event which, with the passage of time or the giving of notice, or both, would constitute an Event of Default and prompt notice of any action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency which, if adversely determined would materially adversely affect Lessee's business, operations, properties, assets or condition, financial or otherwise.

(c) Lessor agrees to preserve the confidential and trade secret status of the information provided by Lessee pursuant to this Section. Lessor shall only reproduce or duplicate any information or reveal, publish, transfer, disclose, disseminate or distribute the information to its employees, consultants, lenders, accountants, financial advisers, and other representatives who have a "need to know" such information and who agree to maintain the confidentiality thereof. Lessor may disclose the information to the extent that disclosure is made pursuant to the order or requirement of a court, administrative agency or other governmental body provided Lessor provides prompt notice thereof to Lessee.

(d) At any time and from time to time upon not less than 20 days notice by Lessee, Lessor will furnish to Lessee or to any person designated by Lessee an estoppel certificate certifying that this Lease is unmodified and in full force and effect (or that this Lease is in full force and effect as modified and setting forth the modifications), the date to which Rent has been paid, whether to the knowledge of Lessor there is in any existing default or Event of Default on Lessee's part hereunder, and such other information as may be reasonably required by Lessee.

ARTICLE XXV

LESSOR'S RIGHT TO INSPECT

Lessee shall permit Lessor and its authorized representatives to inspect the Leased Property during usual business hours upon reasonable notice subject to any security, health, safety or patient or business confidentiality requirements of Lessee or any governmental agency or Insurance Requirement relating to the Leased Property or imposed by law or applicable regulations.

ARTICLE XXVI

NO WAIVER

No failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of full or partial payment of Rent during the continuance of any such breach, shall constitute a waiver of any such breach or of any such term. To the extent permitted by law, no waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVII

REMEDIES CUMULATIVE

To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Lessor or Lessee now or hereafter provided either in this Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Lessor or Lessee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Lessor or Lessee of any or all of such other rights, powers and remedies.

ARTICLE XXVIII

ACCEPTANCE OF SURRENDER

No surrender to Lessor of this Lease or of the Leased Property or any part thereof, or of any interest therein, shall be valid or effective unless permitted or required by this Lease or agreed to and accepted in writing by Lessor and no act by Lessor or any representative or agent of Lessor, other than such a written acceptance by Lessor, shall constitute an acceptance of any such surrender not otherwise permitted or required by this Lease.

ARTICLE XXIX

NO MERGER OF TITLE

There shall be no merger of this Lease or of the leasehold estate created hereby by reason of the fact that the same person may acquire, own or hold, directly or indirectly: (a) this Lease or the leasehold estate created hereby or any interest in this Lease or such leasehold estate and (b) the fee estate in the Leased Property.

ARTICLE XXX

CONVEYANCE BY LESSOR

If Lessor or any successor owner of the Leased Property conveys the Leased Property in accordance with the terms hereof other than as security for a debt, and the grantee or transferee of the Leased Property expressly assumes all obligations of Lessor hereunder arising or accruing from and after the date of such conveyance or transfer and is reasonably capable of performing the obligations of Lessor hereunder, Lessor or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of Lessor under this Lease arising or accruing from and after the date of such conveyance or other transfer as to the Leased Property and all such future liabilities and obligations shall thereupon be binding upon the new owner.

ARTICLE XXXI

QUIET ENJOYMENT

So long as Lessee pays all Rent as the same becomes due and substantially complies with all of the terms of this Lease and substantially performs its obligations hereunder, in each case within the applicable grace periods, Lessee shall peaceably and quietly have, hold and enjoy the Leased Property for the Term hereof, free of any claim or other action by Lessor or anyone claiming by, through or under Lessor, but subject to all liens and Encumbrances subject to which the Leased Property was conveyed to Lessor or hereafter consented to by Lessee. Except as otherwise provided in this Lease, no failure by Lessor to comply with the foregoing covenant shall give Lessee any right to cancel or terminate this Lease or abate, reduce or make a deduction from or offset against the Rent or any other sum payable under this Lease, or to fail to perform any other obligation of Lessee hereunder. Notwithstanding the foregoing, Lessee shall have the right by separate and independent action to pursue any claim it may have against Lessor as a result of a breach by Lessor of the covenant of quiet enjoyment contained in this Section.

ARTICLE XXXII

NOTICES

All notices, demands, requests, consents, approvals and other communications ("Notice" or "Notices") hereunder shall be in writing and personally served or delivered by overnight courier such as Federal Express, transmitted by facsimile or the like or mailed (by registered or certified mail, return receipt requested and postage prepaid), addressed to Lessor:

Universal Health Realty Income Trust
367 South Gulph Road
King of Prussia, Pennsylvania 19406
Attention: President

with a copy to:

Fulbright and Jaworski L.L.P.
666 Fifth Avenue, 31st Floor
New York, New York 10103
Attention: Warren J. Nimetz, Esq.

and addressed to Lessee:

Transitional Hospitals Corporation
7000 Central Parkway, Suite 1000
Atlanta, Georgia 30328
Attention: President

with a copy to:

Community Psychiatric Centers
24502 Pacific Park Drive
Laguna Hills, CA 92653
Attention: Chief Financial Officer

or to such other address or addresses as either party may hereafter designate. Personally delivered Notice shall be effective upon receipt, and Notice given by mail shall be complete at the time of deposit in the U.S. Mail system, but any prescribed period of Notice and any right or duty to do any act or make any response within any prescribed period or on a date certain after the service of such Notice given by mail shall be extended five (5) days.

ARTICLE XXXIII

RIGHT OF FIRST REFUSAL; OPTION TO PURCHASE; APPRAISALS

33.1 First Refusal to Purchase. During the Term and the Extended Terms, if any, of this Lease, Lessee shall have a right of first refusal to purchase the Leased Property upon the same price, terms and conditions as Lessor shall propose to sell the Leased Property to any unrelated third party in an arm's length transaction that Lessor intends to accept (or has accepted subject to Lessee's right of first refusal herein). If, during the Term, Lessor reaches such agreement with a third party or proposes to offer the Leased Property for sale, Lessor shall promptly notify Lessee of the purchase price and all other material terms and conditions of such agreement or proposed sale and Lessee shall have thirty (30) days after the receipt of such Notice from Lessor within which time to exercise Lessee's right of first refusal. If Lessee exercises its right, then the sale to Lessee shall be consummated upon the same terms and conditions as contained in such agreement or proposed sale, including the price and other conditions set forth therein. If Lessee does not exercise its right, Lessee shall have no further rights to purchase the Leased Property. If Lessor does not sell to the same buyer within one hundred eighty (180) days after Lessee rejects the Leased Property, the procedure must be repeated.

33.2 Lessee's Option to Purchase the Leased Property. Provided no Event of Default has occurred and is continuing, Lessor hereby grants to Lessee the option (the "Call Option"), exercisable on not less than 90 days' nor more than 180 days' Notice, to purchase the Leased Property upon the expiration of the Initial Term or any Extended Term. The purchase price of the Leased Property shall be equal to at the greater of the Fair Market Value Purchase Price of the Leased Property as of the date on which Lessee exercises the Call Option or the Minimum Repurchase Price. If Lessee shall timely and properly exercise the Call Option, the sale of the Leased Property shall be consummated through an escrow (the "Escrow") to be opened with a title or escrow company mutually acceptable to Lessor and Lessee (the "Escrow Holder"). The purchase price for the Leased Property shall be deposited into Escrow in immediately available federal funds at least one business day prior to the close of Escrow and shall be paid to Lessor at the close of Escrow in immediately available federal funds. The close of Escrow shall occur within 90 days of the date on which the purchase price is finally determined in accordance with this Lease. Lessee acknowledges and agrees that it shall purchase the Leased Property from Lessor "AS IS" and subject to all faults, all defects in title and all other matters whatsoever, including without limitation all matters of record (except for any Encumbrances or other defects in title (other than Permitted Encumbrances) placed upon the Leased Property by or on account of the actions or omissions of Lessor, which shall be removed by Lessor), it being understood that such matters shall be taken into account in determining Fair Market Value. Lessor shall be conclusively deemed not to have made any warranty or representation regarding the title, condition or other status of the Leased Property. All title insurance premiums and closing costs associated with the sale of the Leased Property to Lessee pursuant to this Section shall be paid by Lessee.

33.3 Appraisers. If at any time it becomes necessary to determine the Fair Market Value, Fair Market Added Value or Fair Market Rental of the Leased Property for any purpose under this Lease, and the parties are unable to agree thereupon within 30 days of the date on which Lessee or Lessor (as the case may be) first receives Notice that such determination is necessary, the party required or permitted to give Notice of such prior determination shall give Notice to the other party (a) that the Fair Market Value, Fair Market Added Value or Fair Market Rental of the Leased Property will be determined by appraisal pursuant to this Section 33.3 and (b) the name of a person selected to act as appraiser on behalf of the party giving such Notice; provided that, notwithstanding the foregoing to the contrary, no appraisal of Fair Market Rental for any Extended Term shall be instituted by Lessee unless and until Lessee has properly exercised the option to extend the Term of the Lease for such Extended Term in accordance with Article XVIII. Within 10 days after such Notice, Lessor or Lessee, as the case may be, shall by Notice to the other party, either agree to the appointment of the appraiser identified in the initial Notice, in which case such appraiser shall be the sole appraiser for purposes of determining the Fair Market Value, Fair Market Added Value or Fair Market Rental, as the case may be, or shall appoint a second person as an appraiser on its behalf. Any appraiser appointed pursuant to this Section 33.3 must be a member of the American Institute of Real Estate Appraisers (or any successor organization thereto). The appraiser(s) thus appointed shall, within 30 days after the date of the Notice appointing the first appraiser, proceed to appraise the Leased Property to determine the Fair Market Value, Fair Market Added Value or Fair Market Rental thereof (as the case may be) as of the relevant date (giving effect to the impact, if any, of market changes from the date of their decision to the relevant date). In the case of two appraisers, except as provided in Section 33.4, the two appraisals shall be averaged to determine the Fair Market Value, Fair Market Added Value or Fair Market Rental, as the case may be. In any event, the appraised value determined in accordance with this Section 33.3 and Section 33.4 shall be final and binding upon Lessor and Lessee.

33.4 Method of Appraisal. Any appraisal required or permitted by the terms of this Lease shall be conducted in a manner consistent with sound appraisal practice. Notwithstanding Section 33.3, if the difference between the appraisal amounts determined by the appraisers appointed pursuant to Section 33.3 exceeds ten percent of the lesser of such appraisal amounts, then the two appraisers shall appoint a third appraiser within twenty (20) days. If no such appraiser is appointed within such 20 days or within 90 days of the original request for a determination of Fair Market Value, Fair Market Added Value or Fair Market Rental (as the case may be), whichever is earlier, either Lessor or Lessee may apply to any court having jurisdiction to have such appointment made by such court. Any appraiser appointed by the original appraisers or by such court shall be instructed to determine the Fair Market Value or Fair Market Rental (as the case may be) within 30 days after the appointment of such appraiser.

The determination of the appraiser which differs most in the terms of dollar amount from the determinations of the other two appraisers shall be excluded, and 50% of the sum of the remaining two determinations shall be the appraised value, which appraised value shall be final and binding upon Lessor and Lessee as the Fair Market Value, Fair Market Added Value or Fair Market Rental of the Leased Property, as the case may be. If the lowest and highest appraised values are equidistant in amount from the middle appraised value, then such middle appraised value shall be the Fair Market Value, Fair Market Added Value or Fair Market Rental (as the case may be). The provisions of this Article shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law. Lessor and Lessee each shall pay the fees and expenses of the appraiser appointed by it and all other costs and expenses incurred in connection with such appraisal, and each shall pay one-half of the fees and expenses of the third appraiser.

ARTICLE XXXIV

LESSOR'S RIGHT TO GRANT LIENS

34.1 Lessor May Grant Liens. Without the consent of Lessee, Lessor may, subject to the terms and conditions set forth below in this Section 34.1, from time to time, directly or indirectly, create or otherwise cause to exist any lien, encumbrance or title retention agreement ("Encumbrance") upon the Leased Property, or any portion thereof or interest therein, whether to secure any borrowing or other means of financing or refinancing. Any such Encumbrance shall (a) contain the right to prepay (whether or not subject to a prepayment penalty); (b) provide that it is subject to the rights of Lessee under this Lease, including the rights of Lessee to acquire the Leased Property in the condition, with title and on the other terms set forth in Sections 33.1, 33.2, 33.3 and 33.4 and to assume such lien, except that Lessee's right of first refusal to purchase the Leased Property pursuant to Section 33.1 shall not be applicable upon a foreclosure sale or transfer in lieu thereof provided, however, that any such purchaser on foreclosure or transferee in lieu thereof takes title subject to Lessee's rights to acquire the Leased Property pursuant to Article XXXIII; (c) contain the Agreement by the holder of the Encumbrance that it will (i) give Lessee the same notice, if any, given to Lessor of any default or acceleration of any obligation underlying any such Encumbrance or any sale in foreclosure under such Encumbrance, (ii) permit Lessee to cure any such default on Lessor's behalf within any applicable cure period, and Lessee shall be reimbursed by Lessor or shall be entitled to offset against Rent payments next accruing or coming due for any and all costs incurred in effecting such cure, including without limitation all costs incurred to effect any such cure (including reasonable attorneys' fees), and (iii) permit Lessee to appear by its representative and to bid at any sale in foreclosure made with respect to any such Encumbrance. Upon the reasonable request of Lessor, Lessee shall subordinate this Lease to the lien of a new mortgage on the Leased Property, on the condition that the proposed mortgagee executes a non-disturbance agreement recognizing this Lease, including all other options, preemptive, substitution and other rights of Lessee under this Lease and agreeing, for itself and its successors and assigns, to comply with the provisions of this Article XXXIV.

ARTICLE XXXV

MISCELLANEOUS

35.1 Anything contained in this Lease to the contrary notwithstanding, all claims against, and liabilities of, Lessee or Lessor arising prior to any date of termination of this Lease shall survive such termination. If any term or provision of this Lease or any application thereof is invalid or unenforceable, the remainder of this Lease and any other application of such term or provision shall not be affected thereby. If any late charges or any interest rate provided for in any provision of this Lease are based upon a rate in excess of the maximum rate permitted by applicable law, the parties agree that such charges shall be fixed at the maximum permissible rate. Neither this Lease nor any provision hereof may be changed, waived, discharged or terminated except by an instrument in writing and in recordable form signed by Lessor and Lessee. All the terms and provisions of this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The headings in this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Lease shall be governed by and construed in accordance with the laws of the State, but not including its conflicts of laws rules.

35.2 This Lease is made on behalf of Lessor by an Officer or Trustee of Lessor, not individually, but solely in the Trustee's capacity in such office as authorized by the Trustees pursuant to Lessor's Declaration of Trust, and the obligations of this

Lease are not binding upon, nor shall resort be had to, the private property of any of the Trustees, shareholders, officers, employees or agents of Lessor personally, but bind only Lessor's property.

Further, except as otherwise expressly provided herein, in no event shall either party (original or successor) ever be liable to the other for any indirect or consequential damages suffered by the other from whatever cause.

35.3 Upon the expiration or earlier termination of the Term, Lessee shall use all reasonable efforts to transfer to Lessor or Lessor's nominee or to cooperate with Lessor or Lessor's nominee in connection with the processing by Lessor or Lessor's nominee of any applications for all licenses, operating permits and other governmental authorizations and all contracts, including contracts with governmental or quasi-governmental entities which may be necessary for the operation of the Facility; provided that the costs and expenses of any such transfer or the processing of any such application shall be paid by Lessor or Lessor's nominee and Lessor or Lessor's nominee shall advance without reimbursement all reasonable costs incurred by Lessee in complying with this Section 35.3. Lessee shall refund to Lessor or Lessor's nominee any unused advances.

35.4 Effective upon not less than 90 days' prior Notice given at any time within 180 days prior to the expiration of the Term of this Lease, or upon such shorter Notice as shall be reasonable if this Lease is terminated prior to its expiration date, Lessor shall have the option to purchase all (but not less than all) of Lessee's Personal

Property, if any, at the expiration or termination of this Lease, for an amount equal to the then fair market value thereof (as determined by an appraisal conducted pursuant to Section 33.3) subject to, and with appropriate price adjustments for, all equipment leases. conditional sale contracts, UCC financing statements and other Encumbrances to which Lessee's Personal Property is subject.

35.5 Lessee waives all presentments, demands for performance, notices of nonperformance. protests, notice of protest, notices of dishonor, and notices of acceptance and waives all notices of the existence, creation, or incurring of new or additional obligations, except as expressly granted herein.

ARTICLE XXXVI

MEMORANDUM OF LEASE

Lessor and Lessee shall promptly enter into a short form memorandum of this Lease, suitable for recording under the laws of the State in which reference to this Lease, and all options contained herein, shall be made. Lessee shall pay all costs and expenses of recording such memorandum of this Lease.

ARTICLE XXXVII

COMPLIANCE WITH LAW

During the term of this Lease, Lessee will, at its expense, make whatever capital improvements are required to conform the Leased Property to such standard as may from time to time be required by applicable Federal Medicare (Title 18) or Medicaid (Title 19) programs or legislation, or capital improvements required by any other governmental agency having jurisdiction over the Leased Property as a condition of the continued operation of the Leased Property as a licensed general acute care hospital.

IN WITNESS WHEREOF, the parties have executed this Lease by their duly authorized partners, trustees or officers as of the date first above written.

UNIVERSAL HEALTH REALTY INCOME TRUST, a Maryland real estate investment trust,

BY: ______________________
Kirk E. Gorman
President

THC-CHICAGO, INC., an Illinois corporation,

BY: ______________________
____

IN WITNESS WHEREOF, the parties have executed this Lease by their duly authorized partners, trustees or officers as of the date first above written.

UNIVERSAL HEALTH REALTY INCOME TRUST, a Maryland real estate investment trust,

BY:__________________________
Kirk E. Gorman
President

THC-CHICAGO, INC., an Illinois corporation.

BY: James R. Franklin
____

Kindred

Writer's Fax No. (502) 596-4075
Writer's Direct Dial No. (502) 596-7243

April 24, 2001

VIA FAX AND AIRBORNE EXPRESS

Universal Health Realty Income Trust
Universal Corporate Center
367 S. Gulph Road
King of Prussia, PA 19406-0958
Attention: President

RE: Universal Health Realty Income Trust ("Lessor")
THC-Chicago, Inc. ("Lessee")
Lease Dated December 1993 (the "Lease")
Vencor Hospital – Chicago Central #4667 ("Facility")

Dear Sir or Madam:

The initial term of the above-referenced Lease expires December 31, 2001. Pursuant to Section 1.3.2 of the Lease, Lessee has the right to renew the Lease for up to four (4) additional successive five (5) year terms. Lessee hereby exercises its right to renew the lease for the first five (5) year renewal term, which term will commence January 1, 2002 and expire December 31, 2006.

Please acknowledge your acceptance of the renewal term by executing a duplicate original of this letter and returning the same to:

Marilyn A. Weaver
Leased Property Manager
680 S. 4th Avenue, 3rd Floor
Louisville, KY 40202-2412

If you have any questions, please advise.

Sincerely yours,

Marilyn A. Weaver

Marilyn A. Weaver
Leased Property Manager

maw

cc: Douglas L. Curnutte

ACKNOWLEDGED AND AGREED TO THIS 30 DAY OF April, 2001.

UNIVERSAL HEALTH REALTY INCOME TRUST

By: Cheryl K. Ramagano

Its: Vice President + Treasurer

Attachment - 2

Kindred Healthcare

Writer's Fax No. (502) 596-4007
Writer's Direct Dial No. (502) 596-7329
E-mail: douglas_curnutte@kindredhealthcare.com

March 24, 2006

VIA FAX AND UPS

Universal Health Realty Income Trust
Universal Corporate Center
367 S. Gulph Road
King of Prussia, PA 19406-0958
Attention: Cheryl K. Ramagano
Vice President and Treasurer

RE: Universal Health Realty Income Trust ("Lessor")
THC-Chicago, Inc. ("Lessee")
Lease Dated December 1993 (the "Lease")
4058 West Melrose Street, Chicago, IL (the "Premises")

Dear Ms. Ramagano:

The current term of the above-referenced Lease expires December 31, 2006. Pursuant to Section 1.3.2 of the Lease, Lessee has the right to renew the Lease for up to four (4) additional successive five (5) year terms. Lessee hereby exercises its right to renew the lease for the second five (5) year renewal term, which term will commence January 1, 2007 and expire December 31, 2011 (the "Second Renewal Term"). The Lease will continue under the same terms and conditions except that Rent will increase pursuant to Section 3.1 of the Lease.

Please acknowledge your acceptance of the renewal term by executing a duplicate original of this letter and returning the same to the undersigned.

If you have any questions, please advise.

Sincerely yours,

Douglas L. Curnutte
Vice President of Facilities and Real
Estate Development

muw

ACKNOWLEDGED AND AGREED TO THIS 31 DAY OF March, 2006.

UNIVERSAL HEALTH REALTY INCOME TRUST

By: Cheryl K Ramagano

Its: Vice President

680 South Fourth Avenue Louisville, Kentucky 40202
502.596.7300 www.kindredhealthcare.com

Attachment - 2

#E-002-20

Kindred

Writer's Direct Dial No. (502) 596-7243
Writer's Fax No. (502) 596-4785
E-mail: marilyn.weaver@kindredhealthcare.com

February 2, 2011

VIA FAX AND UPS

Universal Health Realty Income Trust
Universal Corporate Center
367 S. Gulph Road
King of Prussia, PA 19406-0958
Attention: Cheryl K. Ramagano
Vice President and Treasurer

RE: Universal Health Realty Income Trust ("Lessor")
THC-Chicago, Inc. ("Lessee")
Lease Dated December 1993 (the "Lease")
4058 West Melrose Street, Chicago, IL (the "Premises")

Dear Ms. Ramagano:

The current term of the above-referenced Lease expires December 31, 2011. Pursuant to Section 1.3.2 of the Lease, Lessee has the right to renew the Lease for up to four (4) additional successive five (5) year terms. Lessee hereby exercises its right to renew the Lease for the third five (5) year renewal term, which term will commence January 1, 2012 and expire December 31, 2016 (the "Third Renewal Term"). The Lease will continue under the same terms and conditions, and Rent during the Third Renewal Term will increase pursuant to the terms of Section 3.1 of the Lease.

Please acknowledge your acceptance of the renewal term by executing a duplicate original of this letter and returning the same to the undersigned.

If you have any questions, please call me.

Sincerely yours,

Marilyn A. Weaver

Marilyn A. Weaver
Corporate Administrative Manager of
Leased Property

maw

ACKNOWLEDGED AND AGREED TO THIS 4th DAY OF February, 2011.

UNIVERSAL HEALTH REALTY INCOME TRUST

By: Cheryl K. Ramagano

Its: Vice President + Treasurer

680 South Fourth Street Louisville, Kentucky 40202

Attachment - 2

Kindred
Healthcare

Writer's Direct Dial No. (502) 596-7243
Email: LeAndra.Conrad@kindred.com

April 14, 2016

VIA UPS OVERNIGHT AND EMAIL
Cheryl K. Ramagano
Vice President & Treasurer
Universal Health Realty Income Trust
Universal Corporate Center
367 Gulph Road
King of Prussia, PA 19406-0958
Cheryl.Ramagano@uhsinc.com

RE: EXERCISE RENEWAL OPTION
Universal Health Realty Income Trust ("Lessor")
THC-Chicago, Inc. ("Tenant")
4058 West Melrose Street, Chicago, IL (the "Premises")
Lease dated December 1993 (the "Lease")

Dear Ms. Ramagano:

The current term of the Lease expires December 31, 2016. Pursuant to Section 1.3.2 of the Lease, Lessee has one (1), five (5) year renewal option remaining. Lessee hereby exercises said option therefore the term of the Lease is extended starting January 1, 2017 and ending December 31, 2022 (the "Fourth Renewal Term"). The Rent during the Fourth Renewal Term will increase as set forth in Section 3.1 of the Lease. All other terms of the Lease shall remain unchanged.

Please do not hesitate to contact me if you have any questions.

Sincerely,

LeAndra Conrad

LeAndra Conrad
Manager of Leased Property

cc: Warren J. Nimetz, Esq.

Attachment - 2

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

Kindred THC Chicago, LLC is currently the approved operating entity for Kindred Chicago Central Hospital. Following the planned restructuring of the hospital, Kindred THC North Shore, LLC will become the operating entity for the hospital. The Illinois Certificate of Good Standing for Kindred THC North Shore, LLC is attached at Attachment – 3.

File Number 0647090-4

STATE OF ILLINOIS
OFFICE OF THE SECRETARY OF STATE

To all to whom these Presents Shall Come, Greeting:

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

KINDRED THC NORTH SHORE, LLC, HAVING ORGANIZED IN THE STATE OF ILLINOIS ON JANUARY 29, 2018, APPEARS TO HAVE COMPLIED WITH ALL PROVISIONS OF THE LIMITED LIABILITY COMPANY ACT OF THIS STATE, AND AS OF THIS DATE IS IN GOOD STANDING AS A DOMESTIC LIMITED LIABILITY COMPANY IN THE STATE OF ILLINOIS.

In Testimony Whereof, *I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, this* 31ST *day of* OCTOBER *A.D.* 2019 .

SEAL OF THE STATE OF ILLINOIS AUG. 26th 1818

Authentication #: 1930402204 verifiable until 10/31/2020
Authenticate at: http://www.cyberdriveillinois.com

Jesse White

SECRETARY OF STATE

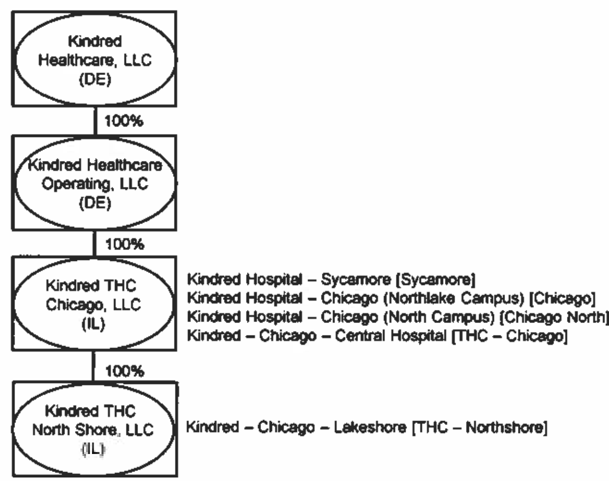
Section I, Identification, General Information, and Certification
Organizational Relationships

The organizational chart showing the current ownership structure of Kindred Chicago Central Hospital, along with the ownership structure after the planned restructuring is attached at Attachment – 4.

#E-002-20

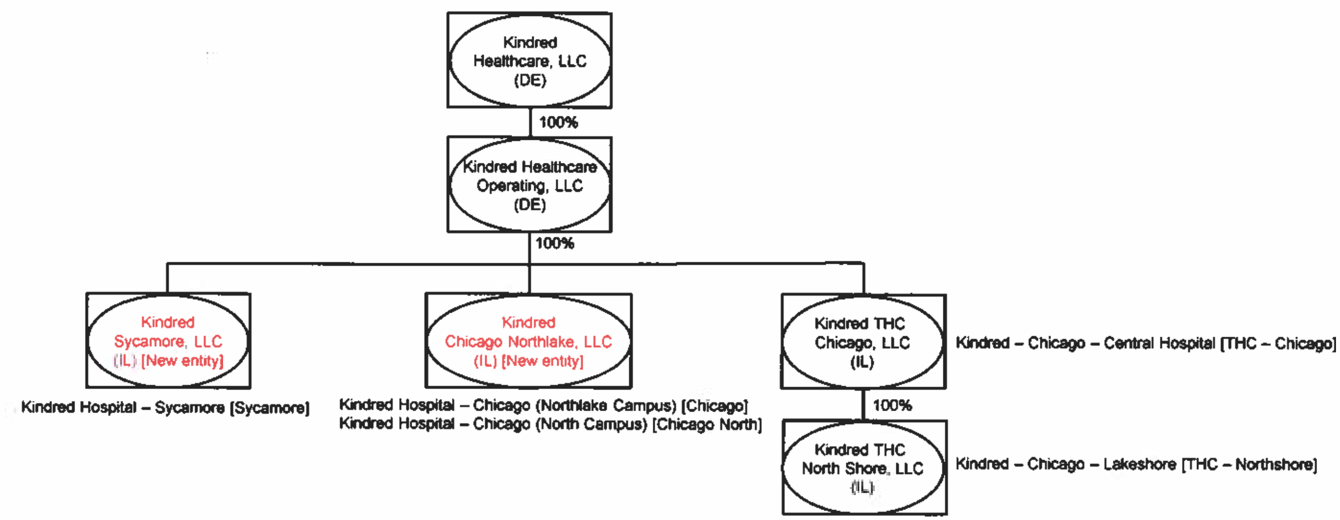
Kindred Chicago-Area Hospital Legal Entity Structure Proposal

Current Structure



Kindred Chicago-Area Hospital Legal Entity Structure Proposal

Post-Transaction



December 30, 2019

CONFIDENTIAL AND PROPRIETARY

#E-002-20

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

Background of Applicant

1. **A listing of all health care facilities owned or operated by the Applicants, including licensing, and certificates, if applicable.**

   Subsidiaries of Kindred Healthcare, LLC own and operate the following health care facilities in Illinois:

   Kindred THC Chicago, LLC d/b/a Kindred Hospital – Sycamore
   225 Edward Street
   Sycamore, Illinois 60178

   Kindred THC Chicago, LLC d/b/a Kindred Chicago Central Hospital
   4058 West Melrose Street
   Chicago, Illinois 60641

   Kindred THC North Shore, LLC d/b/a Kindred Chicago Lakeshore Hospital
   6130 North Sheridan Road
   Chicago, Illinois 60660

   Kindred THC Chicago, LLC d/b/a Kindred Hospital Chicago North
   2544 West Montrose Avenue
   Chicago, Illinois 60618

   Kindred THC Chicago, LLC d/b/a Kindred Hospital Chicago Northlake
   365 East North Avenue
   Northlake, Illinois 60164

   Greater Peoria Specialty Hospital, LLC d/b/a Kindred Hospital Peoria
   500 West Romeo B Garrett Avenue
   Peoria, Illinois 61605

   Copies of IDPH licenses and Joint Commission accreditation for all health care facilities owned or operated by the Applicants in Illinois are attached at Attachment – 5A.

2. **A certified listing of any adverse action taken against any facility owned and/or operated by the Applicant during the three years prior to the filling of the application.**

   Certification of adverse actions taken against any of the Applicants or against any health care facilities owned or operated by the Applicants in Illinois within three years preceding the filing of this application is attached at Attachment – 5B.

3. **Authorization permitting HFSRB and DPH access to any documents necessary to verify the information submitted, including but not limited to: official records of DPH or other State Agencies; the licensing or certification records of other states, when applicable; and the records of national recognized accreditation organizations.**

   An authorization permitting the Illinois Health Facilities and Services Review Board ("State Board") and IDPH access to any documents necessary to verify information submitted, including, but not limited to: official records of IDPH or other State agencies; and the records of nationally recognized accreditation organizations is attached at Attachment – 5B.

HF 118239

Illinois Department of
PUBLIC HEALTH

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Ngozi O. Ezike, M.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
6/30/2020		0004564

Long Term Acute Care Hospital

Effective: 07/01/2019

Kindred Chicago Central Hospital
4058 W Melrose St
Chicago, IL 60641

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #19-493-001 10M 9/18

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp Date 6/30/2020
Lic Number 0004564

Date Printed 5/13/2019

Kindred Chicago Central Hospital

4058 W Melrose St
Chicago, IL 60641

FEE RECEIPT NO.

HF116855

Illinois Department of
PUBLIC HEALTH

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Nirav D. Shah, M.D.,J.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
11/1/2019		4000014

Subacute Care Hospital Demonstration Program

Licensed Beds: 103

Kindred Chicago- Lakeshore
6130 North Sheridan Road
Chicago, IL 60660

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #48240 5M 5/16

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 11/1/2019
Lic Number 4000014

Date Printed 11/7/2018

Kindred Chicago- Lakeshore

6130 Sheridan Road
Chicago, IL 60641

FEE RECEIPT NO.

Attachment - 5A

Illinois Department of PUBLIC HEALTH HF 119013

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Ngozi O. Ezike, M.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	ID NUMBER
11/1/2020		4000014

Subacute Care Hospital Demonstration Program

Licensed Beds: 103

Kindred Chicago- Lakeshore
6130 North Sheridan Road
Chicago, IL 60660

The face of this license has a colored background. Printed by Authority of the State of Illinois • PO #19-493-001 10M 9/18

← DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 11/1/2020
Lic Number 4000014
Date Printed 10/8/2019
Validation Num 8075

Kindred Chicago- Lakeshore

6130 Sheridan Road
Chicago, IL 60641

FEE RECEIPT NO.

HF 118407

Illinois Department of
PUBLIC HEALTH

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Ngozi O. Ezike, M.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	ID NUMBER
7/24/2020		0004945

Long Term Acute Care Hospital

Effective: 07/25/2019

Kindred Hospital - Sycamore
225 Edward Street
Sycamore, IL 60178

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #19 493-001 10M 9/18

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 7/24/2020
Lic Number 0004945

Date Printed 6/12/2019

Kindred Hospital - Sycamore

225 Edward Street
Sycamore, IL 60178

FEE RECEIPT NO.

HF 118406

Illinois Department of PUBLIC HEALTH

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Ngozi O. Ezike, M.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	ID NUMBER
7/24/2020		0004937

Long Term Acute Care Hospital

Effective: 07/25/2019

Kindred Hospital - Chicago
2544 W Montrose Ave
Chicago, IL 60618

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #19-493-001 10M 9/18

DISPLAY THIS PART IN A CONSPICUOUS PLACE

Exp. Date 7/24/2020

Lic Number 0004937

Date Printed 6/12/2019

Kindred Hospital - Chicago

2544 W Montrose Ave
Chicago, IL 60618

FEE RECEIPT NO.

Illinois Department of
PUBLIC HEALTH

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

Ngozi O. Ezike, M.D.
Director

7/24/2020

0004952

Long Term Acute Care Hospital

Effective: 07/25/2019

Kindred Hospital - Chicago
365 E North Ave
Northlake, IL 60164

Exp. Date 7/24/2020
Lic Number 0004952

Date Printed 6/12/2019

Kindred Hospital - Chicago

365 E North Ave
Northlake, IL 60164

Attachment – 5A

Illinois Department of PUBLIC HEALTH

HF 118028

LICENSE, PERMIT, CERTIFICATION, REGISTRATION

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

Ngozi O. Ezike, M.D.
Director

Issued under the authority of the Illinois Department of Public Health

EXPIRATION DATE	CATEGORY	I.D. NUMBER
5/31/2020		0005777

Long Term Acute Care Hospital

Effective: 06/01/2019

Greater Peoria Specialty Hospital LLC
dba Kindred Hospital Peoria
500 W Romeo B Garrett Ave

Peoria, IL 61605

The face of this license has a colored background. Printed by Authority of the State of Illinois • P.O. #19-493-001 10M 9/18

Attachment – 5A

The Joint Commission

March 13, 2018

Tim Page
CEO
THC Chicago, Inc and THC North Shore, Inc
4058 West Melrose
Chicago, IL 60641

Joint Commission ID #: 518225
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of Standards Compliance
Accreditation Activity Completed: 03/13/2018

Dear Mr. Page:

The Joint Commission is pleased to grant your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- **Comprehensive Accreditation Manual for Hospitals**

This accreditation cycle is effective beginning December 02, 2017 and is customarily valid for up to 36 months. Please note, The Joint Commission reserves the right to shorten or lengthen the duration of the cycle.

Should you wish to promote your accreditation decision, please view the information listed under the 'Publicity Kit' link located on your secure extranet site, The Joint Commission Connect.

The Joint Commission will update your accreditation decision on Quality Check®.

Congratulations on your achievement.

Sincerely,

Mark Pelletier

Mark G.Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

The Joint Commission

March 13, 2018

Re: # 518225
CCN: #142009
Program: Hospital
Accreditation Expiration Date: December 02, 2020

Tim Page
CEO
THC Chicago, Inc and THC North Shore, Inc
4058 West Melrose
Chicago, Illinois 60641

Dear Mr. Page:

This letter confirms that your November 28, 2017 - December 01, 2017 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on March 12, 2018, The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of December 02, 2017.

The Joint Commission is also recommending your organization for continued Medicare certification effective December 02, 2017. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following locations:

THC Chicago, Inc.
d/b/a Kindred Hospital Chicago Central
4058 West Melrose, Chicago, IL, 60641

THC North Shore, Inc.
d/b/a Kindred Chicago Lakeshore
6130 North Sheridan Road, Chicago, IL, 60660

Please be assured that The Joint Commission will keep the report confidential, except as required by law or court order. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

The Joint Commission

Mark Pelletier

Mark G. Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 5 /Survey and Certification Staff

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

The Joint Commission

May 22, 2017

Beverly Foster
CEO
THC Chicago, Inc.
365 East North Avenue
Northlake, IL 60164

Joint Commission ID #: 5018
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of Standards Compliance
Accreditation Activity Completed: 05/22/2017

Dear Mrs. Foster:

The Joint Commission is pleased to grant your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning February 25, 2017 and is customarily valid for up to 36 months. Please note, The Joint Commission reserves the right to shorten or lengthen the duration of the cycle.

Should you wish to promote your accreditation decision, please view the information listed under the 'Publicity Kit' link located on your secure extranet site, The Joint Commission Connect.

The Joint Commission will update your accreditation decision on Quality Check®.

Congratulations on your achievement.

Sincerely,

Mark Pelletier

Mark G.Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

Attachment - 5A

The Joint Commission

May 22, 2017

Re: # 5018
CCN: #142008
Program: Hospital
Accreditation Expiration Date: February 25, 2020

Beverly Foster
CEO
THC Chicago, Inc.
365 East North Avenue
Northlake, Illinois 60164

Dear Mrs. Foster:

This letter confirms that your February 22, 2017 - February 24, 2017 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on May 19, 2017 and the successful on-site unannounced Medicare Deficiency Follow-up event conducted on April 07, 2017, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of February 25, 2017. We congratulate you on your effective resolution of these deficiencies.

§482.41 Physical Environment

The Joint Commission is also recommending your organization for continued Medicare certification effective February 25, 2017. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following locations:

Kindred Hospital - Chicago North
2544 W. Montrose Avenue, Chicago, IL, 60618

Kindred Hospital - Chicago Northlake
365 East North Avenue, Northlake, IL, 60164

Please be assured that The Joint Commission will keep the report confidential, except as required by law or court order. To ensure that The Joint Commission's information about your organization is always

The Joint Commission

accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Mark Pelletier

Mark G. Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 5 /Survey and Certification Staff

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

The Joint Commission

November 29, 2018

Christopher Curry
CEO
Greater Peoria Specialty Hospital, LLC
500 W. Romeo B. Garrett Avenue
Peoria , IL 61605

Joint Commission ID #: 484161
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of Standards Compliance
Accreditation Activity Completed : 11/28/2018

Dear Mr. Curry:

The Joint Commission is pleased to grant your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Hospital

This accreditation cycle is effective beginning August 31, 2018 and is customarily valid for up to 36 months. Please note, The Joint Commission reserves the right to shorten or lengthen the duration of the cycle.

Should you wish to promote your accreditation decision, please view the information listed under the 'Publicity Kit' link located on your secure extranet site, The Joint Commission Connect.

The Joint Commission will update your accreditation decision on Quality Check®.

Congratulations on your achievement.

Sincerely,

Mark Pelletier

Mark G.Pelletier, RN, MS
Chief Operating Officer and Chief Nurse Executive
Division of Accreditation and Certification Operations

The Joint Commission

November 29, 2018

Re: # 484161
CCN: #142013
Program: Hospital
Accreditation Expiration Date: August 31, 2021

Christopher Curry
CEO
Greater Peoria Specialty Hospital, LLC
500 W. Romeo B. Garrett Avenue
Peoria, Illinois 61605

Dear Mr. Curry:

This letter confirms that your August 28, 2018 - August 30, 2018 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on November 28, 2018, The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of August 31, 2018.

The Joint Commission is also recommending your organization for continued Medicare certification effective August 31, 2018. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following location:

Greater Peoria Specialty Hospital, LLC
d/b/a Kindred Hospital Peoria
500 W. Romeo B Garret Avenue, Peoria, IL, 61605

Please be assured that The Joint Commission will keep the report confidential, except as required by law or court order. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

Sincerely,

Mark Pelletier

The Joint Commission

Mark G. Pelletier, RN, MS
Chief Operating Officer and Chief Nurse Executive
Division of Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 5 /Survey and Certification Staff

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

The Joint Commission

March 6, 2017

James Cohick
CEO
Kindred Hospital - Sycamore
225 Edward Street
Sycamore, IL 60178

Joint Commission ID #: 7437
Program: Hospital Accreditation
Accreditation Activity: 60-day Evidence of Standards Compliance
Accreditation Activity Completed: 03/06/2017

Dear Mr. Cohick:

The Joint Commission is pleased to grant your organization an accreditation decision of Accredited for all services surveyed under the applicable manual(s) noted below:

- Comprehensive Accreditation Manual for Hospitals

This accreditation cycle is effective beginning December 17, 2016 and is customarily valid for up to 36 months. Please note, The Joint Commission reserves the right to shorten or lengthen the duration of the cycle.

Should you wish to promote your accreditation decision, please view the information listed under the 'Publicity Kit' link located on your secure extranet site, The Joint Commission Connect.

The Joint Commission will update your accreditation decision on Quality Check®.

Congratulations on your achievement.

Sincerely,

Mark Pelletier

Mark G.Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

The Joint Commission

March 6, 2017

Re: # 7437
CCN: #142006
Program: Hospital
Accreditation Expiration Date: December 17, 2019

James Cohick
CEO
Kindred Hospital - Sycamore
225 Edward Street
Sycamore, Illinois 60178

Dear Mr. Cohick:

This letter confirms that your December 13, 2016 - December 16, 2016 unannounced full resurvey was conducted for the purposes of assessing compliance with the Medicare conditions for hospitals through The Joint Commission's deemed status survey process.

Based upon the submission of your evidence of standards compliance on February 12, 2017 and March 06, 2017 and the successful on-site unannounced Medicare Deficiency Follow-up event conducted on January 27, 2017, the areas of deficiency listed below have been removed. The Joint Commission is granting your organization an accreditation decision of Accredited with an effective date of December 17, 2016. We congratulate you on your effective resolution of these deficiencies.

§482.12 Governing Body
§482.51 Surgical Services

The Joint Commission is also recommending your organization for continued Medicare certification effective December 17, 2016. Please note that the Centers for Medicare and Medicaid Services (CMS) Regional Office (RO) makes the final determination regarding your Medicare participation and the effective date of participation in accordance with the regulations at 42 CFR 489.13. Your organization is encouraged to share a copy of this Medicare recommendation letter with your State Survey Agency.

This recommendation applies to the following location(s):

THC-Chicago, Inc.
d/b/a Kindred Hospital-Sycamore
225 Edward Street, Sycamore, IL, 60178

Please be assured that The Joint Commission will keep the report confidential, except as required by law or court order. To ensure that The Joint Commission's information about your organization is always accurate and current, our policy requires that you inform us of any changes in the name or ownership of your organization or the health care services you provide.

The Joint Commission

Sincerely,

Mark Pelletier

Mark G. Pelletier, RN, MS
Chief Operating Officer
Division of Accreditation and Certification Operations

cc: CMS/Central Office/Survey & Certification Group/Division of Acute Care Services
CMS/Regional Office 5 /Survey and Certification Staff

www.jointcommission.org

Headquarters
One Renaissance Boulevard
Oakbrook Terrace, IL 60181
630 792 5000 Voice

Kindred Healthcare

Dedicated to Hope, Healing and Recovery

October 24, 2019

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

Dear Chair Sewell:

In accordance with Review Criterion 1110.110.a, Background of the Applicant, I am submitting this letter assuring the Illinois Health Facilities and Services Review Board of the following:

1. Kindred Hospital Chicago Central received survey citations in April 2019 and September 2019. The April citation was cleared in May 2019. The September citation plan of correction has been accepted and is currently pending a follow up survey.

2. I hereby certify that no other adverse actions have been taken against any health care facility owned or operated by Kindred Healthcare, LLC in the State of Illinois, directly or indirectly, within three years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

Additionally, pursuant to 77 Ill. Admin. Code § 1110.110(a)(2)(J), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for exemption. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for exemption.

Sincerely,

Print Name: Joseph L. Landenwich
Its: General Counsel and Corp. Secretary
Kindred Healthcare, LLC

Subscribed and sworn to me
This 24th day of October, 2019

Perry Wilkey
Notary Public commission expiration: 3/28/2022

70867731.1

Kindred Healthcare

Dedicated to Hope, Healing and Recovery

October 24, 2019

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

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Sincerely,

Print Name: Joel W. Day
Its: Sr. Vice Pres., Operations, CFO
Kindred Healthcare, LLC

Subscribed and sworn to me
This 24 day of October, 2019

Notary Public

70867731.1

680 South Fourth Street • Louisville, Kentucky 40202
502.596.7300 • 800.648.6057 TDD/TTY

Kindred Healthcare

Dedicated to Hope, Healing and Recovery

October 24, 2019

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

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1. Kindred Hospital Chicago Central received survey citations in April 2019 and September 2019. The April citation was cleared in May 2019. The September citation plan of correction has been accepted and is currently pending a follow up survey.

2. I hereby certify that no other adverse actions have been taken against any health care facility owned or operated by Kindred THC Chicago, LLC in the State of Illinois, directly or indirectly, within three years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

Additionally, pursuant to 77 Ill. Admin. Code § 1110.110(a)(2)(J), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for exemption. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for exemption.

Sincerely,

Print Name: Joseph L. Landenwich
Its: General Counsel and Corp. Secretary
Kindred THC Chicago, LLC

Subscribed and sworn to me
This 24th day of October, 2019

Notary Public Commission expiration: 3/28/2022

70867731.1

680 South Fourth Street • Louisville, Kentucky 40202
502.596.7300 • 800.648.6057 TDD/TTY

Kindred Healthcare

Dedicated to Hope, Healing and Recovery

October 24, 2019

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

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Additionally, pursuant to 77 Ill. Admin. Code § 1110.110(a)(2)(J), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for exemption. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for exemption.

Sincerely,

Print Name: Joel W. Day
Its: Sr. Vice Pres., Operations, CFO
Kindred THC Chicago, LLC

Subscribed and sworn to me
This 24 day of October, 2019

Notary Public

70867731.1

Kindred Healthcare

Dedicated to Hope, Healing and Recovery

October 24, 2019

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

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In accordance with Review Criterion 1110.110.a, Background of the Applicant, I am submitting this letter assuring the Illinois Health Facilities and Services Review Board of the following:

1. Kindred Hospital Chicago Central received survey citations in April 2019 and September 2019. The April citation was cleared in May 2019. The September citation plan of correction has been accepted and is currently pending a follow up survey.

2. I hereby certify that no other adverse actions have been taken against any health care facility owned or operated by Kindred THC North Shore, LLC in the State of Illinois, directly or indirectly, within three years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

Additionally, pursuant to 77 Ill. Admin. Code § 1110.110(a)(2)(J), I hereby authorize the Health Facilities and Services Review Board ("HFSRB") and the Illinois Department of Public Health ("IDPH") access to any documents necessary to verify information submitted as part of this application for exemption. I further authorize HFSRB and IDPH to obtain any additional information or documents from other government agencies which HFSRB or IDPH deem pertinent to process this application for exemption.

Sincerely,

Print Name: Joseph L. Landenwich
Its: General Counsel and Corp. Secretary
Kindred THC North Shore, LLC

Subscribed and sworn to me
This 24th day of October, 2019

Penny Wilkey
Notary Public Commission expiration: 3-28-2020

70867731.1

680 South Fourth Street • Louisville, Kentucky 40202
502.596.7300 • 800.648.6057 TDD/TTY

Kindred Healthcare

Dedicated to Hope, Healing and Recovery

October 24, 2019

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

Dear Chair Sewell:

In accordance with Review Criterion 1110.110.a, Background of the Applicant, I am submitting this letter assuring the Illinois Health Facilities and Services Review Board of the following:

1. Kindred Hospital Chicago Central received survey citations in April 2019 and September 2019. The April citation was cleared in May 2019. The September citation plan of correction has been accepted and is currently pending a follow up survey.

2. I hereby certify that no other adverse actions have been taken against any health care facility owned or operated by Kindred THC North Shore, LLC in the State of Illinois, directly or indirectly, within three years prior to the filing of this application. For the purpose of this letter, the term "adverse action" has the meaning given to it in the Illinois Administrative Code, Title 77, Section 1130.

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Sincerely,

Print Name: Joel W. Day
Its: Sr. Vice Pres., Operations, CFO
Kindred THC North Shore, LLC

Subscribed and sworn to me
This 24 day of October, 2019

Notary Public

70867731.1

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Section V, Change of Ownership
<u>Criterion 1110.520 Requirements for Exemptions Involving the Change of Ownership of a Health Care Facility</u>

<u>Applicable Review Criteria – CHOW</u>

1. **1130.520 (b)(1)(A)- Names of the parties**

   The Applicants are Kindred Healthcare, LLC, Kindred THC Chicago, LLC and Kindred THC North Shore, LLC (collectively, "Kindred").

2. **1130.520(b)(1)(B) – Background of the parties**

   Certification of adverse actions taken against any of the Applicants or against any health care facilities owned or operated by the Applicants in Illinois within three years preceding the filing of this application is attached at Attachment – 5B.

3. **1130.520(b)(1)(C) – Structure of the transaction**

   Kindred proposes a restructuring of the ownership of Kindred Chicago Central Hospital. Kindred THC Chicago, LLC, operates Kindred Chicago Central Hospital ("Chicago Central"), is the sole member of Kindred THC North Shore, LLC. Kindred Healthcare Operating, LLC is the sole member of Kindred THC Chicago, LLC. Kindred Healthcare, LLC is the sole member of Kindred Healthcare Operating, LLC and the indirect parent of both Chicago Lakeshore and Chicago Central. Under the planned restructuring transaction, Kindred THC Chicago, LLC will be merged with and into Kindred THC North Shore, LLC. As a result, Kindred THC North Shore, LLC, the surviving entity, will be the operator/licensee of Kindred Chicago Central Hospital.

4. **1130.520(b)(1)(D) – Name of Licensed Entity after Transaction**

   Kindred THC North Shore, LLC, the surviving entity, will be the operator/licensee of Kindred Chicago Central Hospital following the planned restructuring.

5. **1130.520(b)(1)(E) – List of ownership or membership interests in such licensed or certified entity both prior to and after transaction, including a description of the applicant's organizational structure with a listing of controlling or subsidiary persons**

   The current organizational chart as well as the post-transaction organizational structure of the proposed applicants are attached at Attachment - 4.

6. **1130.520(b)(1)(F) – Fair market value of assets to be transferred**

   The fair market value of the transferred assets is $0.00.

7. **1130.520(b)(1)(G) – Purchase price or other forms of consideration to be provided**

   Purchase price is $0.00.

8. **1130.520(b)(2) – Affirmations**

   In accordance with 77 Ill. Adm. Code §1130.520, Applicants affirm that any project for which permits have been issued have been completed, or will be completed, or altered in accordance with the provision of this section.

9. **1130.520(b)(2) – If ownership change is for hospital, affirmation that the facility will not adopt a more restrictive charity care policy that the policy that was in effect one year prior to the transaction. The hospital must provide affirmation that the compliant charity care policy will remain in effect for a two-year period following the change of ownership transaction.**

   The planned restructuring of Kindred Chicago Central Hospital will not result in a change of the charity care policy currently in effect. An affirmation from Joseph L. Landenwich, General Counsel and Corporate Secretary for Kindred THC North Shore, LLC and Joel W. Day, Senior Vice President, Operations and Chief Financial Officer for Kindred THC North Shore, LLC is attached at Attachment - 6

10. **1130.520(b)(2), A statement as to the anticipated benefits of the proposed changes in ownership to the community.**

    This COE application is due to a corporate re-structuring. Accordingly, this criterion is not applicable.

11. **1130.520(b)(2) The anticipated or potential cost savings, if any, that will result for the community and the facility because of the change of ownership**

    The Applicants have not identified empirically quantifiable cost savings at the outset of the restructuring.

12. **1130.520(b)(2) – A description of the facilities quality improvement program mechanism that will be utilized to assure quality control**

    The Applicants will continue to use Kindred Chicago Central Hospital's quality control mechanisms.

13. **1130.520(b)(2) – A description of the selection process that the acquiring entity will use to select the facilities governing body**

    The planned restructuring of Kindred Chicago hospital will not result in a change in the selection process of the hospital's governing body.

14. **1130.520(b)(2) – Statement that the applicant has prepared a written response addressing the review criteria contained in 77 Ill. Adm. Code 1110.240 and that the response is available for public review on the premises of the health care facility**

    The Applicants have or will prepare a written statement response to address the review criteria contained in 77 Ill. Adm. Code 1110.240 that will be available for public review at the facility.

15. **1130.520(b)(2) – A description or summary of any proposed changes to the scope of service or levels of care currently provided at the facility that are anticipated to occur within 24 months after acquisition**

    There are no proposed changes to the scope of services or levels of care due to the planned restructuring of Kindred Chicago Central Hospital.

Kindred Healthcare

Dedicated to Hope, Healing and Recovery

October 21, 2019

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

Dear Chair Sewell:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin Code § 1130.520(b)(3) that Chicago Central will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction described in the application for exemption.

Sincerely,

Print Name: Joel W. Day
Its: Sr. Vice Pres., Operations, CFO
Kindred THC North Shore, LLC

Subscribed and sworn to me
This 21 day of October, 2019

Notary Public

70867731.1

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Kindred Healthcare

Dedicated to Hope, Healing and Recovery

October 21, 2019

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

Dear Chair Sewell:

I hereby certify under penalty of perjury as provided in § 1-109 of the Illinois Code of Civil Procedure, 735 ILCS 5/1-109, and pursuant to 77 Ill. Admin Code § 1130.520(b)(3) that Chicago Central will not adopt a more restrictive charity care policy than the policy that was in effect one year prior to the transaction described in the application for exemption.

Sincerely,

Print Name: Joseph L. Landenwich
Its: General Counsel and Corp. Secretary
Kindred THC North Shore, LLC

Subscribed and sworn to me
This 21st day of October, 2019

Penny Willey
Notary Public
Expiration: 3/28/2022

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Section X, Charity Care Information

The table below provides charity care information for all health care facilities located in the State of Illinois that are owned or operated by the Applicants.

CHARITY CARE			
	2016	2017	2018
Net Patient Revenue	**$153,092,797**	**$148,458,897**	**$129,622,492**
Amount of Charity Care (charges)	$513,921	$3,084,482	$0
Cost of Charity Care	$195,419	$882,162	$0

After paginating the entire completed application indicate, in the chart below, the page numbers for the included attachments:

INDEX OF ATTACHMENTS