

AGREEMENT TO PROVIDE MANAGEMENT SERVICES TO LAKE COUNTY-WINCHESTER HOUSE

THIS AGREEMENT is made effective on December 1, 2011 (“**Effective Date**”) between Health Dimensions Consulting, Inc., a Minnesota corporation, dba Health Dimensions Group (“**Manager**”) and the County of Lake, Illinois, an Illinois municipal corporation (“**Owner**”). Owner and Manager are sometimes each referred to individually as a “**Party**” and collectively as “**Parties**” in this Agreement.

1. RECITALS

- 1.1 Owner is the licensed operator and owner of real and personal property comprising Winchester House, a 360 bed long term care facility located at 1125 N. Milwaukee Avenue, Libertyville, IL, 60048, Lake County (“**Facility**”), for the enhancement of the health and welfare of those in the community that are served by the Facility;
- 1.2 Owner desires to contract for management and certain staffing services for the Facility in accordance and in compliance with the specific powers granted to Owner for the establishment and maintenance of a County Home by the Counties Code (“Counties Code”), Division 5-21, 55 Ill. Comp. Stat. 5/5-21001 *et seq.*;
- 1.3 Manager desires to be engaged by Owner to provide such management and staffing services pursuant to the terms of this Agreement.
- 1.4 NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, Owner hereby engages Manager to manage the Facility and Manager hereby accepts such engagement and agrees to render such services, all as set forth herein.

2. DEFINITIONS

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

2.1 **Gross Revenues:** All revenues from any source received historically by the Facility calculated on an accrual basis, less contractual allowances according to GAAP, including Medicare and Medicaid (state and federal components), and levies. Gross Revenues does not include charitable donations or debt relief. Gross Revenues will also not be reduced by amounts required to be repaid to consumers or payors attributable to periods outside of the Term or by other items classified as bad debt. If for tax purposes Owner is treated as a 501(c)(3) non-profit, it is the Parties’ intention that this definition of *Gross Revenues* be construed not to conflict with the definition of *adjusted gross revenues* set forth in IRS Revenue Procedure 97-13 (§3.01). Provided however, nothing in this section shall obligate Owner to fund the Facility at the same levels as it has historically, it being the intention of the Parties that Manager will manage operation of the Facility in compliance with budgets approved by Owner.

2.2 **Business Day:** Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which national banks in the City of New York, New York, are authorized, or obligated by law or executive order to close. When time periods are referred to herein, those equal to or less than ten (10)

days in length will be calculated based on Business Days. Periods exceeding ten (10) days will be calculated based on calendar days.

2.3 Effective Date: The date specified in the introductory paragraph of this Agreement.

2.4 Expenses: All Facility Operating Costs, other than the Management Fee described in Section 9.2 and payroll and benefits for Owner's maintenance staff as described in Section 5.8, and other than applicable bed taxes.

2.5 Adjusted Revenue: The actual amount billed for Facility's services, less applicable bed taxes, and less contractual allowances and other adjustments.

2.6 Facility Operating Costs: All costs of operating the Facility.

2.7 Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Facility or the use thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instruments, either of record or known to Manager at any time in force affecting the Facility.

2.8 Manager's Designated Representative: Duane Larson or his designee, or such other individual or individuals as may be designated by Manager.

2.9 Management Fee: Compensation payable to Manager pursuant to Section 9.2 of this Agreement.

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

2.11 State: The State of Illinois.

2.12 Term: The period from December 1, 2011, and which ends when this Agreement is canceled, terminated or expires according to Article 7 of this Agreement and in addition to any renewal or extension of this Agreement.

3. OBLIGATIONS OF MANAGER

3.1 Management Services. Manager will provide the following management services in connection with the operation of the Facility, subject to approval and consent of Owner through the Winchester House Advisory Board ("**WHAB**") as created and implemented by Owner through the Joint Resolution of the Lake County Health and Community Services Committee, and the Financial & Administrative Committee on September 11, 2007 ("**Resolution**"), attached hereto at Exhibit A. Services to be provided under this Agreement do not include extraordinary items such as facilities development and planning services. Such services may be available from Manager at an additional cost.

3.1.1 Administrator. Manager will recruit, retain and provide an on-site, full-time administrator ("**Administrator**") for the Facility. Under Manager's supervision, the Administrator will oversee on a day-to-day basis the Facility and execute policies governing the Facility's operation. The Administrator will be employed or engaged by Manager subject to the approval of Owner. The salary of the Administrator will be established by Manager, subject to the approval of Owner. The salary, costs of benefits and expenses of the Administrator will be considered a Facility Operating Cost and shall be invoiced to Owner in advance. Administrator

expenses that cannot be invoiced in advance will be invoiced to Owner monthly and paid in arrears within twenty (20) days. Unless the Administrator has previously been directly employed by Owner, Owner will not recruit, solicit or retain such Administrator or any past Administrator during the Term within one (1) year following the termination of this Agreement under any circumstances, without the express written consent of Manager. Manager will be entitled to seek equitable remedies in addition to any monetary damages arising from the breach of this prohibition.

3.1.2 Personnel. Manager acknowledges that Owner intends to terminate the employment of all Owner employees working at the Facility prior to December 1, 2011. Except for maintenance staff described in Section 5.8 and such other Facility staff as may be agreed upon from time to time between Owner and Manager, Owner will not employ Facility staff. Manager will arrange for such staffing as may be necessary or required by Owner in consultation with Manager for the efficient operation of the Facility, and as otherwise necessary to meet the applicable Legal Requirements. Manager shall provide staffing for the Facility pursuant to the terms and conditions set forth on Exhibit B. Notwithstanding the foregoing, to the extent required by applicable law, Owner retains the authority as a licensed operator of the Facility to require Manager to ensure that the Facility staff arranged for by Manager comply with all applicable laws concerning operation of the Facility. Such authority as exercised by Owner shall not be construed to make the Owner an employer of Facility staff arranged for by Manager. Owner will make available all Facility personnel records for Facility personnel employed by Owner as of November 30, 2011. Owner will remain solely responsible and liable for any employee compensation and benefits of any kind that is incurred or accrued by Owner's employees prior to December 1, 2011, including without limitation any health and welfare benefits under the Owner's benefit plans, any remaining wages, fringe benefits, accrued liabilities and contributions to retirement plans and other payments for services rendered by Owner's employees.

3.1.3 Certification, Licensure, Registration, Legal Requirements. Manager will adhere to all applicable state and federal rules and regulations applicable to the Facility, including without limitation the provisions of the "Nursing Home Care Act" 210 Ill. Comp. Stat. 45/1-101 *et seq.* and all associated regulations and rules, including without limitation the Skilled Nursing and Intermediate Care Facilities Code, 77 Ill. Admin Code Part 300, and will cooperate fully with all legitimate state and federal requests for inspections and information. On Owner's behalf, under Owner's control, and subject to WHAB and the Resolution requirements, with input from the County Administrator, Manager will oversee the preparation by Facility personnel of all materials and the compliance with procedures necessary for Owner to retain, (a) certification of the Facility as a provider of services under Titles XVIII (Medicare) and XIX (Medicaid) of the Social Security Act and (b) State licensure and registration of the Facility as a long term care facility under all applicable laws. On Owner's behalf, under Owner's control, and subject to WHAB and the Resolution requirements, with input from the County Administrator, Manager will oversee completion by Facility personnel of all reasonable steps necessary to keep the Facility fully licensed and registered by the State and duly accredited by applicable agencies and bodies. Manager will be allowed assistance of legal counsel and accountants to accomplish the foregoing.

3.1.4 Clinical Consulting, Staff Development, Program Implementation. On Owner's behalf, under Owner's control, and subject to WHAB and the Resolution requirements, with input from the County Administrator, Manager will provide assistance with clinical policy making and provide general clinical consulting support, staff development and implementation of resident programs and operational efficiencies. Some clinical consulting projects and program enhancements may result in additional charges to Owner, provided Owner's prior approval is obtained.

3.1.5 Operational Policies. On Owner's behalf, under Owner's control, and subject to WHAB and the Resolution requirements, with input from the County Administrator, Manager will, on Owner's and under Owner's control, review existing or, with Owner's review and approval, develop and implement new policies and procedures to reasonably conform with all applicable Legal Requirements and then-current industry standards in the areas of Budgeting, Business Office Management, Quality Assurance, Human Resources, Dietary and Nursing. Such policies and procedures will be subject to Owner's approval in accordance with the Resolution.

3.1.6 Reviews, Reports and Board Meetings. On Owner's behalf, under Owner's control, and subject to WHAB and the Resolution requirements, with input from the County Administrator, Manager will periodically review the resident care policies, documentation procedures and operational policies used at the Facility to determine if they reasonably conform to then-current industry standards and applicable Legal Requirements, Manager shall track and monitor resident satisfaction in a manner consistent with Owner's reasonable direction. Consistent with the requirements of Counties Code 55 Ill. Comp. Stat. 5/5-21006 and the Resolution, Manager will provide monthly, mid-year and annual written reports concerning its reviews of Facility operations and management to the Lake County Board of Commissioners (the "Board") and to the County Administrator, WHAB, Health and Community Services Committee and Financial & Administrative Committee of the Board. Monthly reports will include operations, management and financial updates for the Facility. The content of the mid-year report will include a detailed Facility financial report. The content of the annual report will be specified by Owner, with input from the WHAB, but at a minimum will include information concerning resident activities, satisfaction, quality ratings, monthly census by payor type, and Medicare/Medicaid cost reports, a detailed Facility financial report, and a year-end financial report which will be submitted within one hundred twenty (120) days of the end of the Owner's fiscal year. Manager will meet with the Lake County Board of Commissioners at least every two (2) months and will meet regularly with the County Administrator and the WHAB and promptly upon the County Administrator's reasonable advance request. Manager will attend all reasonably requested Advisory Board, Health and Community Services Committee and Lake County Board of Commissioners meetings, upon receipt of reasonable advance notice, which notice shall be not less than three (3) days.

3.1.7 Regulatory Communications. Manager will deliver to Owner copies of all communications received from any regulatory agency that could have a material impact related to the licensure, certification, or financial performance of Facility within one (1) business day.

3.1.8 Budget and Capital Improvements. Except for the first fiscal year beginning December 1, 2011, Manager will provide Owner and WHAB with a prioritized list of recommended capital improvements and equipment needs within one hundred twenty (120) days prior to the start of Facility fiscal years during the Term. Within thirty (30) days of the receipt of such prioritized list, Owner will at Owner's discretion, (i) deny, (ii) amend, or (iii) approve such items on the list as are in its sole discretion reasonably needed to maintain the Facility in working order. Provided, that any such denial, amendment or approval by Owner will be consistent with Owner's normal and customary budget process and Owner's Purchasing Ordinance. In addition, Manager will prepare and provide to Owner and WHAB at least one hundred twenty (120) days prior to the end of each Owner's fiscal year a proposed budget ("**Proposed Budget**") covering the succeeding twelve (12) months. Manager will provide a Proposed Budget for the fiscal year beginning December 1, 2011 ("**2011 Budget**") on or before such date. Owner work with Manager within Legal Requirements in an attempt to allow Manager to implement the 2011 Budget until such time as the 2011 Budget is finally approved by Owner. The Proposed Budget will include capital expenditure budgets, operating budgets and cash flow projections. Owner

will review and, in Owner's discretion, amend the Proposed Budget in consultation with Manager, and will approve such amended budget at least thirty (30) business days prior to the start of the fiscal year. No Proposed Budget will be final until approved by Owner as the annual budget "**Annual Budget**"). Manager may make the capital or operating expenditures set forth in the Annual Budget without further approval by Owner, provided all Legal Requirements applicable to Owner for such expenditures, including without limitation competitive bidding are satisfied. Notwithstanding anything to the contrary that may be contained in this Agreement, Manager's obligations and actions with respect to budgets and capital improvements for the Facility will be subject to the Owner's normal and customary budgetary process and Owner's Purchasing Ordinance.

3.1.9 Bookkeeping and Accounting. On Owner's behalf, under Owner's control, and subject to WHAB and the Resolution requirements, with input from the County Administrator, Manager will on Owner's behalf and under Owner's control, establish and implement budget monitoring systems, and business office bookkeeping and accounting procedures for the preparation of proper financial records. Manager will cooperate with and assist Owner's accountants and auditors in the preparation of periodic financial statements and audits, provided Owner's accountant and auditors will be responsible for ensuring such audits comply with the Legal Requirements and the Resolution .

3.1.10 Billing and Third-Party Reimbursement. On Owner's behalf and under Owner's control, in consultation with the County Administrator, Manager will oversee the billing for goods and services provided by the Facility. Manager will establish and implement an accounts receivable monitoring program, consistent with Legal Requirements. Billing and collections will be administered by Facility personnel, under the oversight of Manager, subject to the approval and oversight of Owner.

3.1.11 Resident Trust Accounts. On Owner's behalf, under Owner's control, and subject to WHAB and the Resolution requirements, with input from the County Administrator, in consultation with the County Administrator, Manager will oversee compliance by Facility personnel with all Legal Requirements applicable to the management of resident trust accounts. Facility personnel will administer resident trust accounts.

3.1.12 Administrative and Legal Matters. Manager will cooperate with Owner's legal counsel, and coordinate all administrative and legal matters related to the operation of the Facility, unless otherwise directed by Owner and except as related to disputes concerning this Agreement and services provided by Manager to Owner.

3.1.13 Legal Notices and Services to Residents. On Owner's behalf, under Owner's control, and subject to WHAB and the Resolution requirements, with input from the County Administrator, Manager, on behalf of Owner and under Owner's control, will provide legally required notice of this Agreement to residents of the Facility and to the State if required. Among other things, any notice will explain that Owner continues to be the owner of the Facility and the licensed entity for the provision of services to residents. In consultation with the County Administrator, on behalf of Owner and under Owner's control, Manager will cause Owner to continue to provide services to all residents residing at the Facility on the Effective Date.

3.1.14 Confidentiality of Facility Records. Manager will maintain the confidentiality of all files and records of the Facility, disclosing the same only as required by law or by Owner in any particular instance. Manager will comply with Owner's policy concerning confidentiality of health information of patients at the Facility, and will enter into and will cause any other person

or entity required to do so under the Legal Requirements to enter into a Business Associate Agreement on terms and conditions mutually acceptable to the parties to such agreements, attached hereto and incorporated herein as Exhibit E, the final form of which will be agreed upon on or before December 1, 2011.

3.1.15 Utilities, Maintenance and Repairs. On Owner's behalf, under Owner's control, and subject to WHAB and the Resolution requirements, with input from the County Administrator, Manager will oversee day-to-day maintenance of the Facility by Owner's maintenance personnel. Manager will periodically inspect the Facility infrastructure and equipment and promptly report thereon to Owner along with recommended improvements and estimated costs thereof. Manager will arrange for payment of Facility natural gas, electric, water, cable satellite internet and telephone service costs all of which are Facility Operating Costs. Manager will make recommendations and advise Owner on Facility compliance with applicable Life Safety Code requirements of the Illinois Department of Public Health and Centers for Medicare and Medicaid Services.

3.1.16 Contracts, Supplies and Equipment. On Owner's behalf and under Owner's control, in consultation with the County Administrator, and consistent with Section 3.1.8 regarding competitive bidding and operating budgets approved by Owner and with Owner's Purchasing Ordinance, Manager will recommend for purchase such supplies and non-capital equipment necessary and appropriate for the operation of the Facility and upon receipt of Owner's prior approval enter into necessary Facility contracts on Owner's behalf. Manager will disclose to Owner any conflict of interest and financial arrangement with a vendor that benefits Manager or any affiliate thereof, and Manager will not enter into any such transaction or contract without Owner's approval.

3.1.17 Ancillary Services. On Owner's behalf, under Owner's control and in consultation with the County Administrator, Manager will, with Owner's prior approval, either provide or arrange for the provision of ancillary services not covered by this Agreement to the Facility as needed, including without limitation marketing and promotion, training, construction, and care-related consultants on Owner's behalf, which may include nurse consultants, dietary consultants, occupational health nurses, physician/medical director, and activities, social services and religious consultants. If Manager provides such ancillary services, Owner will reimburse Manager for the direct and indirect costs related to such services, including travel, in addition to Manager's usual and customary fees for services.

3.1.18 Dietary Services. With Owner's prior approval, under Owner's control and in consultation with the County Administrator, Manager shall manage the dietary department of the Facility at Manager's direction. The Management Fee due hereunder will not be affected by such arrangement for dietary department management.

3.1.19 Marketing and Customer Relations. On Owner's behalf, under Owner's control and in consultation with the County Administrator, Manager will oversee the development and implementation of marketing and customer relations programs for the Facility, in consultation with established groups representing Facility constituencies, such as family, residents and care providers.

3.1.20 Advisory Support. On Owner's behalf, under Owner's control and in consultation with the County Administrator, Manager will provide timely assistance without additional compensation with respect to special requests for graphs, charts and information assimilation, market analysis, business plans, program planning and analysis relating to the Facility initiated by

Owner. Notwithstanding the foregoing, Owner will reimburse Manager for Manager's actual out of pocket costs incurred in providing any such advisory support, provided Owner has first obtained Owner's approval for such expenditures.

3.1.21 Occupancy. On Owner's behalf, under Owner's control and in consultation with the County Administrator, Manager will use commercially reasonable efforts to achieve and maintain Owner's target occupancy rate of 175 residents and to advance Owner's objective to achieve and maintain the following payer mix with respect to Facility occupancy, subject to applicable laws concerning discrimination based on payor type: Medicare 10%; private pay 15%; Medicaid 55%, but not more than 75%.

3.2 Authority. On Owner's behalf, under Owner's control and in consultation with the County Administrator, Manager is authorized to perform the services Manager is obligated to perform by this Agreement.

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

3.4 Insurance. Manager will obtain the insurance described in the Owner bid documents, attached as Exhibit C. On or before the Effective Date and annually thereafter, Manager will provide Owner with a Certificate of Insurance for such policies. Upon Owner's reasonable request, Manager will provide a full copy of each such policy to Owner. The costs of such insurance will be considered Facility Operating Costs.

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

- (a) at all times acknowledge and implement the mission of the Owner and the Facility in accordance with the Resolution, and the Counties Code;
- (b) provide an accurate and objective reporting and approval channel for the Facility to the Owner, and
- (c) maintain and strive to continually improve the operations of the Facility to:
 - (i) Provide quality nursing and rehabilitation services for the benefit of the community;
 - (ii) Maintain programs to promote the effective utilization of Facility's services;
 - (iii) Maintain a deserved public image of excellence for the Facility;
 - (iv) Maintain quality and proper staffing of the Facility;
 - (v) Operate the Facility on a sound, self-supporting financial basis so that the Facility is able to operate without Owner loans;
 - (vi) Institute sound financial accounting systems and internal fiscal controls through effective budgeting procedures;
 - (vii) Prevent loss of revenues to Facility through sound operating and billing procedures;
 - (viii) Control the cash position of the Facility through sound collection methods;
 - (ix) Take such other steps as are necessary to provide the highest quality of care to all residents of the Facility; and
 - (x) Adhere to and fully cooperate with all applicable State and Federal laws, rules and regulations.

4. PROPRIETARY INTEREST

The systems, methods, procedures and controls employed by Manager remain the property of Manager ("Proprietary Materials") and will not, at any time, be used, distributed, copied or otherwise employed or acquired by Owner, except as authorized by Manager. During the Term and upon termination of this Agreement, Owner will be entitled to all information relating to bank accounts, resident accounts, cost reports, surveys and incident files; however, general operational materials kept at the Facility which have been created by Manager and all systems, computer software, programs, employee training manuals, procedure manuals, Manager's forms, accounting manuals, budget tracking systems or other proprietary systems, methods, procedures and controls employed by Manager will remain the property of Manager. The Proprietary Materials will be removed from the Facility upon termination of this Agreement, unless Owner desires to continue use of such Proprietary Materials for up to ninety (90) days as a part of Manager's transition services set out in Section 7.3. Notwithstanding any of the foregoing, all systems, documents, programs, software or other materials, the acquisition or development cost of which was borne solely by Owner or treated as a Facility Operating Cost will be and remain the sole and exclusive property of Owner. In this Article 4, Facility Operating Costs do not include fees described in Section 9.2.

5. AUTHORITY, DUTIES AND RESPONSIBILITIES OF OWNER

5.1 Authority, Designated Representative. At all times, Owner, by and through the Lake County Board of Commissioners, retains and will exercise the ultimate control and direction of the assets, policy and affairs of the Facility, including all medical, governance, and policy decisions, and all other matters pertaining to the Facility. The powers of the Board contained in the Counties Code, 55 Ill. Comp. Stat. Sections 5/5-21001 *et seq.* are expressly retained by the Board. Notwithstanding the terms of this Agreement, or any legal or administrative proceedings to the contrary, Owner retains all control of the Facility operations. In any situation in which, pursuant to the terms of this Agreement, Owner will be required or permitted to take any action, give any approval or receive any report, Manager will be entitled to rely upon the written statement of Owner's Designated Representative to the effect that any such action or approval has been taken or given, and delivery of any such report to Owner's Designated Representative will constitute delivery to Owner.

5.2 Owner's Approval and Disapproval. Owner will promptly approve or provide itemized disapproval of all budgets, financial data and other responses required to be provided to Manager by Owner pursuant to this Agreement. Except as provided in Section 3.1.8 with respect to budgets, if Owner has not responded to a request for approval within such period as is stated herein or, if no period is indicated, within ten (10) Business Days, or as may be otherwise agreed upon by the Parties, its failure to respond will constitute Owner's disapproval.

5.3 Access to the Facility. During the Term, Owner will give Manager complete access to the Facility, its records and offices in order that Manager may carry out its duties hereunder.

5.4 Liability for Facility Operating Costs. Owner will ensure continued application of Gross Revenues to Facility operations throughout the Term. Owner will be solely liable for all Facility Operating Costs, including without limitation all fines, civil monetary penalties or late filing penalties. At no time will Owner permit aging of Facility accounts payable beyond sixty (60) days; accordingly Owner will ensure adequate funds are available for prompt payment of Facility Operating Costs. Notwithstanding the foregoing at no time will payment of Management Fees, incentives and invoice expenses be delayed under this section.

5.5 Inspection. Owner has the right at all times to inspect the Facility and to review all books and records located at the Facility pertaining to its operation, subject to the orderly conduct of business and due respect for resident's rights.

5.6 Insurance. Owner will maintain at its sole cost and expense reasonable insurance coverage covering risks for Manager and the provider of services to be arranged by Manager which are not covered by Paragraph 8 of Exhibit B.

5.6.1 Naming Additional Insured. If Owner does not self-insure the risk referenced in Section 5.6, then not later than Effective Date, Owner will cause Manager and the provider of services to be arranged by Manager to be named as additional insureds on each liability insurance policy required to be maintained pursuant to Section 5.6 of this Agreement. Notwithstanding the obligations of Manager and the provider of services to be arranged by Manager to procure their own insurance in accordance with Section 3.4 and Exhibits B and C, each such policy will require that no cancellation, termination or non-renewal will be effective except on at least thirty (30) days prior written notice to Manager and the provider of services to be arranged by Manager. If Owner self-insures the risk referenced in Section 5.6, then Owner will cover defense costs of Manager and its agent and provide such other coverage as would have been available if Owner had obtained third party excess insurance coverage.

5.6.2 Owner to Continue Liability Insurance Policies Upon Termination or Expiration of This Agreement. If the liability insurance maintained by Owner at any time during the Term is not occurrence-based, upon termination of this Agreement, Owner will obtain extended risk reporting liability insurance coverage upon the same terms set forth in 5.6.

5.6.3 Evidence of Insurance. On or before Effective Date and annually thereafter, Owner will provide Manager or the provider of services to be arranged by Manager with evidence of the issuance and existence of coverage required to be maintained pursuant to Section 5.6. Evidence of insurance will be in the form of a Certificate of Insurance, a Binder of Insurance, or a Certificate of Self-Insurance. In addition, Owner will provide a full copy of insurance coverage required to be maintained pursuant to this Section 5.6 as and when reasonably requested by Manager or the provider of services to be arranged by Manager.

5.7 Reserved.

5.8 Maintenance Services and Staffing. In consultation with Manager, Owner will maintain the Facility building infrastructure, including life safety systems, kitchen equipment and patient serving equipment. Life safety equipment includes fire suppression system, fire alarm system, emergency generator, patient wandering system, nurse call system, paging system, access control system, security cameras and all elevators. Owner will provide maintenance staffing consistent with past practices, 24 hours daily, every day. Owner will be the sole employer of the Facility maintenance staff. Owner will provide snow removal, landscape maintenance and refuse removal services for the Facility, including medical waste. In addition, maintenance and repair of motor vehicles used in connection with Facility operations will be provided by Owner. Nothing in this Section will affect the responsibility of Manager as set forth in section 3.1.15 to make recommendations and advise Owner as to how Owner's maintenance staff might achieve compliance with applicable Life Safety Code requirements of the Illinois Department of Public Health and Centers for Medicare and Medicaid Services. Furthermore, at all times Manager shall notify Owner and County Administrator of any infrastructure or equipment set forth herein that is maintained by Owner that is in need of repair or further maintenance immediately.

5.9 Owner's Cooperation. Owner will reasonably cooperate with Manager in connection with Manager's efforts to comply with the terms of this Agreement. During the Term and thereafter Owner will cause its Facility maintenance staff, finance, accounting and legal representatives to provide any support reasonably requested by Manager in the performance of Manager's duties hereunder, including without limitation legal proceedings involving Manager related to Manager's services at the Facility.

5.10 Payment of Manager's Fees, Reimbursement and Payment of Charges. Owner will timely pay Manager the amounts described in Sections 9.1, 9.2 and 9.3 within the timeframes set forth therein. Owner will timely reimburse Manager on a monthly basis, in arrears for all charges that are Owner's responsibility under this Agreement to the extent Manager has incurred such expenses on Owner's behalf or performed additional services outside the scope of this Agreement, all in accordance with Sections 9.5 and 9.6.

5.11 Reserved.

5.12 Ownership and Control. Notwithstanding anything to the contrary that may be contained in this Agreement, "Control," as that term is defined by the Illinois Health Facilities and Services Review Board ("IHFSRB") rules, 77 Ill. Admin. Code 1130.140, shall remain at all times with Owner. Any delegation of authority, express or implied, that would relieve Owner of "Control" to a degree that would trigger the need for regulatory approval of the IHFSRB shall be without effect.

Notwithstanding anything to the contrary that may be contained in this Agreement, Owner's consent or approval will be required for any proposed action or decision if divestiture of the authority necessary to make that decision without the consent or approval of Owner would constitute a transfer of control sufficient to trigger the need for a "Change of Ownership," as those terms are defined by the IHFSRB rules, 77 Ill. Admin. Code § 1130.140.

6. TERM OF AGREEMENT

The Term of this Agreement will be two (2) years from the date of December 1, 2011 (the "**Initial Term**"), unless canceled or terminated as provided in Article 7. This Agreement will automatically renew for two (2) successive one (1) year terms ("**Renewal Term**") unless either Party gives written notice of intent not to renew at least ninety (90) days in advance of the end of the Initial or Renewal Term, as applicable.

7. TERMINATION OF AGREEMENT

7.1 Termination. This Agreement may be terminated under the following circumstances:

7.1.1 Insolvency. If either Party hereto will (1) apply for or consent to the appointment of a receiver, trustee, liquidator or similar official for all or a substantial part of its assets; (2) file a voluntary petition in bankruptcy or admit in writing its inability to pay its debts as they come due; (3) make a general assignment for the benefit of creditors; (4) file a petition or answer seeking an order for relief, a reorganization or an arrangement with creditors or to take advantage of any insolvency law; (5) become subject to an order, judgment or decree entered by any court, on the application of a creditor or otherwise, adjudging such Party as bankrupt or insolvent or appointing a trustee, liquidator or similar official, and such order, judgment or decree will continue unstayed and in effect for thirty (30) consecutive calendar days; (6) otherwise cease to meet its financial obligations in the ordinary course of business, or (7) if for tax purposes Owner is treated as a 501(c)(3) non-profit, and receives notification from the Internal Revenue Service that it no longer

qualifies for tax-exempt status, then the other Party may terminate this Agreement by giving written notice thereof.

7.1.2 Uncorrected Material Breach. In the event either Party fails to discharge any of its material obligations hereunder, and if after using their best efforts to address reasonable concerns regarding Manager's or Owner's performance of their respective obligations under this Agreement, are unable resolve those concerns, and such default continues for a period of sixty (60) days after the other Party has served notice of default, this Agreement may then be terminated at the option of the non-breaching Party by written notice thereof to the breaching Party.

7.1.3 Reserved.

7.1.4 Fraud, Misrepresentation or Gross Mismanagement. Either Party may terminate this Agreement immediately without further notice upon a finding by any court having jurisdiction that the other Party has engaged in fraud, misrepresentation, or gross mismanagement within the State.

7.1.5 Reserved.

7.1.6 Loss of Licensure or Certification. Manager may, at its option, terminate this Agreement by giving written notice thereof in the event that Owner loses or fails to take any action required to maintain, the licensure necessary to operate the Facility as a long term care facility and/or the certification necessary to participate in the Medicare and Medicaid programs.

7.1.7 Termination on Prior Notice. Manager or Owner may terminate this Agreement without cause upon ninety (90) days' written notice.

7.2 Notice of Termination. In the event notice of termination is given, such notice to either Party will be deemed given five (5) Business Days after the mailing of such notice by certified mail, postage fully prepaid, addressed to the other Party at the address of such Party set forth herein or upon actual receipt by personal delivery to such party. The effective date of such termination shall be the date specified in the notice or, if no date is specified, not less than ten (10) Business Days following the date notice of termination is given; provided however, either Party may waive written notice of termination that it is entitled to receive by providing a faxed or electronically transmitted confirmation of such waiver to the Party giving such notice.

7.3 Reconciliation and Transition Fee. Manager will be entitled to its Management Fee earned through the effective date of termination. Upon the termination of this Agreement, Owner and Manager will reconcile amounts due under this Agreement and Owner will make payment of such amounts immediately. Owner will pay Manager a transition fee not to exceed \$60,000 total ("Transition Fee"), due within ten (10) days of Manager's invoice billed on a monthly basis. The Transition Fee will represent the actual costs of Manager to oversee the details of the transition of Facility operations to Owner or a successor manager/operator designated by Owner. This Transition Fee includes payment for monitoring, providing information and consultation by Manager for a three (3) month period following termination of the Agreement.

7.4 Reserved.

7.5 Break-Up Fee. In the event Owner terminates this Agreement, or notifies Manager that Manager will not be the provider of management services at Winchester House, at any time during the period

dating from October 11, 2011 through December 1, 2011 or if Manager terminates this Agreement pursuant to Section 7.1.7 above, then Owner will pay Manager a break-up fee in the amount of \$50,000 within ten (10) days of the date of such termination. Notwithstanding anything to the contrary in this Agreement, this Section 7.5 takes effect October 11, 2011.

7.6 Post Termination Obligations. Upon termination or expiration of this Agreement, Owner or any successor Facility manager/operator will become responsible for management of all aspects of Facility operations. Owner or the successor Facility manager/operator will pay all unpaid invoices for goods and services incurred by Manager on Owner's behalf prior to such termination pursuant to this Agreement, including payment of balances on leases entered into on behalf of Owner for equipment, including, without limitation, computer hardware and software. Owner or any successor manager/operator will assume, as of the date of termination, responsibility for all financial obligations with respect to the staff costs described in Section 9.3 for personnel employed through Manager which have accrued prior to the termination date. Further, Owner will cause the successor Facility manager/operator or will itself, subject to Section 3.1.1, employ all Facility personnel provided hereunder by or through Manager. If such transfer of employment does not occur on or prior to the date Manager's successor or the Owner resumes management responsibility, then Owner will defend, indemnify and hold Manager and the provider of the arranged services harmless from and against all claims of any kind and nature whatsoever, including reasonable attorneys' fees and expenses, arising from Manager's or the provider of the arranged services' continued employment or termination of Facility personnel thereafter.

7.7 Access to Records. Following expiration or termination of this Agreement for any reason, Owner will cooperate fully with Manager and will make available to Manager as reasonably requested and at Manager's expense, all information, records or documents relating to claims and litigation or potential claims and litigation against Manager, its officers, directors, employees and agents, and will preserve all such information, records and documents (to the extent in their possession) until the later of (i) the end of retention period required by law and (ii) the expiration of any applicable statute of limitations or extensions thereof.

8. PREVENTION OF PERFORMANCE

No Party will be liable to the other for any delay or damage or any failure to act (other than payment of money) by reason of federal, State or local laws or the rules, regulations or orders of any public body or official purporting to exercise authority or control respecting the operations covered hereby, or as a result of strikes or other labor activities, action of the elements, acts of God or other causes beyond the control of the parties, and such delay or failure to perform will not be deemed a default hereunder and will be excused without penalty until such time as said Party is capable of performing such obligation.

9. MANAGER FEES

9.1 Start Up Fee. Upon execution of the Agreement, in addition to the Base Management Fee, Owner will pay Manager a one-time \$35,000 fee to compensate Manager for extraordinary expenses in preparing to provide management services to Owner.

9.2 Management Fee. During the Term, Owner will pay Manager a monthly base management fee ("**Management Fee**") as described herein.

9.2.1 The base Management Fee ("**Base Management Fee**") will be \$50,000.00 and will be payable to Manager in advance on or before the first day of each calendar month for the current month.

9.2.2 Beginning in the seventh month of the Term, the Base Management Fee will be adjusted in accordance with the Facility Expense, Revenue Enhancement, Customer Satisfaction and

Regulatory Performance Incentives set forth in Exhibit D. All calculations related to Base Management Fee adjustments due under the Facility Expense Incentive and/or the Revenue Enhancement Incentive will be completed within fifteen (15) days of the end of the month in which the calculation is required. Adjustments which increase the Base Management Fee will be paid within ten (10) business days of the calculation. Adjustments which decrease the Base Management Fee will be offset against the next succeeding Base Management Fee due and owing Manager. The annual Base Management Fee adjustments due under the Customer Satisfaction Incentive will be reconciled (paid or credited) in the month next succeeding the month in which the survey is administered, or within ten (10) business days after such survey results are finalized, whichever is sooner. Any Base Management Fee adjustment due under the Regulatory Performance Incentive shall be payable within ten (10) days after the final determination of the Facility's regulatory performance. Payment within the appropriate time frames set forth in this Section shall be deemed a material term of this Agreement.

9.3 Staffing Services Fee. Owner shall pay to Manager a staffing services fee ("**Staffing Services Fee**") equal to all costs related to providing Facility personnel as described in Section 3.1.2 incurred or imposed upon Manager to provide staffing services, including without limitation, compensation of all kinds, benefits (including accrued paid leave as of the commencement of the Term), taxes, EPLI (including extended risk reporting coverage upon termination of the Agreement), travel, recruitment, training, incentives, severance, benefits administration and consulting, legal services, incentive and recognition programs. Prior to ratification of all collective bargaining agreements of not less than 2 years duration, without reopeners, between Manager or its agent for staffing and each of the unions representing the unionized workforces at the Facility, the Staffing Services Fee shall not include costs or expenses, including attorneys' fees, associated with labor negotiations, litigation arising out of and/or emanating from labor negotiations, or other labor litigation arising out of and/or emanating from Manager's or its agent's dealings with any union and not covered under Manager's or its agent's EPLI policies. However, Owner will also pay Manager an amount equal to any obligations imposed based on laws or theories imposing successor liability with respect to Facility personnel, including without limitation contributions related to Illinois Municipal Retirement Fund obligations.

No later than ten (10) days prior to December 1, 2011, Owner will pay Manager an amount equal to two pay periods of wages and benefits in effect as to Facility personnel at that time. Thereafter, Owner will advance an amount equal to two pay periods of wages and benefits for Facility personnel as invoiced by Manager, no later than ten (10) days prior to the last day of each month for the following month. Provided however, for any month in which three (3) pay periods fall, the monthly amount advanced will be an amount equal to three pay periods of wages and benefits for Facility personnel as invoiced by Manager, no later than ten (10) days prior to the last day of each month for the following month. Non-recurring staffing expenses will be invoiced to Owner and paid in arrears within twenty (20) days of such invoice. Payment within the time frames set forth in this Section is a material term of this Agreement.

Within ten (10) days of the end of each quarter (three calendar month periods beginning with December 1, 2011) during the Term, Manager will provide Owner with a detailed summary of all costs related to providing Facility personnel as described in Section 3.1.2 incurred or imposed upon Manager or its agent ("**Personnel Costs**"), including without limitation, compensation of all kinds, benefits (including accrued paid leave as of the commencement of the Term), taxes, EPLI (including extended risk reporting coverage upon termination of the Agreement), travel, recruitment, training, bonuses, severance, benefits administration and consulting, legal services, incentive and recognition programs and liability insurance required in the Owner's bid documents. Personnel Costs will also include an amount equal to any obligations imposed based on laws or theories imposing successor liability with respect to Facility personnel, including without limitation contributions to retirement plans.

In the event that the subject quarter's Personnel Costs are more than the amounts advanced to Manager by Owner for the Staffing Services Fee during such quarter, then Owner will promptly pay the difference to Manager; or (ii) if the subject quarter's Personnel Costs are less than the amounts advanced to Manager by Owner for the Staffing Services Fee during such quarter, Owner will be entitled to a credit equal to the difference against the next monthly Base Management Fee due.

9.4 Corporate Home Office Expenses of Manager. Owner will not be obligated to reimburse Manager for any corporate home office expenses incurred in connection with this Agreement, except as herein expressly provided, or as otherwise agreed by the Parties.

9.5 Reimbursable Expenses of Manager. In addition to the Manager's Fees described in Sections 9.1, 9.2 and 9.3, upon Owner's prior approval, Owner will reimburse Manager for Manager's reasonable out of pocket expenses incurred by Manager in connection with this Agreement and paid to third parties in accordance with the applicable Legal Requirements of the Owner and its normal and customary budgetary process and Owner's Purchasing Ordinance.

9.6 Supplemental Management Staffing and Training by Manager. From time to time, Manager may provide Facility management staff on a temporary basis due to vacancies in positions at the Facility. Owner will pay Manager its customary rates for providing such staffing, in advance upon Manager's request. Special training or monitoring may be required of Facility personnel by Manager to allow Manager to satisfy its obligations to Owner regarding personnel. As needed, Manager may provide such special training or monitoring at the Facility. The costs of such special training, monitoring or supplemental staffing services will be billed to Owner as a part of the Staffing Services Fee. In order to be reimbursed under this section, all Manager expenditures must have Owner's prior approval.

10. NOTICES

Except as provided in Section 7.2, all notices required or permitted hereunder, including notices of non-renewal, will be given in writing by personal delivery or by certified mail, postage prepaid. Notice will be deemed given upon personal delivery, or if given by mail, will be deemed given five (5) Business Days after the mailing of such notice. Notice will be given by transmitting, delivering or mailing such notice to each of the persons named below at the following addresses or to such other persons or addresses as a Party will designate in writing. Any Party may change such address by written notice to the other Party as provided herein.

If to Manager: Craig Abbott
Health Dimensions Consulting, Inc.
4400 Baker Road Suite 100
Minneapolis, MN 55343
Phone: 763-537-5700

If to Owner: Barry A. Burton
County Administrator
18 N. County St.
Waukegan, IL 60085
Phone: 847-377-2250

Either Party may waive written notice it is entitled to receive by providing, on the day notice is provided, faxed or electronically transmitted confirmation of such waiver to the Party giving such notice.

11. RELATIONSHIP OF PARTIES

Manager's appointment and actions hereunder are in the status of an independent contractor. Owner and Manager acknowledge and agree that neither is the employee or the employer of the other, and that they are not partners or joint venturers. Nothing in this Agreement will be construed as a lease between Owner and Manager.

12. ENTIRE AGREEMENT

Each Party hereby warrants and represents to the other that prior to the execution of this Agreement such Party (1) has fully informed itself as to the terms, contents, provisions and effects of this Agreement, (2) has had the benefit of the advice of an attorney and such other consultants deemed appropriate by such Party and (3) has neither made nor accepted any promise of representation of any kind, whether written or oral, that is to form a basis of this Agreement, except as is expressly stated herein. This Agreement by the Parties will constitute, exclusively and entirely, the agreement among the Parties. All prior representations or agreements, written or oral, between or on behalf of the Parties hereto are merged herein and superseded hereby. No changes or additions to this Agreement will be recognized unless made in writing and signed by the Parties hereto.

13. AUDITS AND ACCESS TO RECORDS

13.1 Owner will be entitled to audit records of Manager pertaining to the Facility, which will include without limitation accounting records, written accounting policies and procedures, subcontract files (including proposals of successful and unsuccessful bidders), original estimates, estimating worksheets, correspondence, change order files (including documentation covering negotiated settlements), and any other supporting evidence deemed necessary by the auditor to substantiate charges for services provided by or through Manager under this Agreement, including, but not limited to, reimbursement for expenses (all the foregoing hereinafter referred to as "**Facility Records**"). Facility Records will be open to inspection and subject to audit and/or reproduction, during normal working hours, by Owner's agent and/or appropriate federal agencies or their duly authorized representatives to the extent necessary to permit adequate evaluation and verification of any invoices, payments or claims submitted by Manager. For the purpose of such audits, inspections, examinations and evaluations, Owner's agent or authorized representative will have access to all Facility Records from the Effective Date, for the Term, and until seven (7) years after date of final payment by Owner to Manager pursuant to this Agreement; or in lieu of the same, Manager may deliver all Facility Records to Owner upon termination of this Agreement.

13.2 Owner's agents will have access to all necessary records, and will be provided adequate and appropriate workspace, in order to conduct audits or exercise rights of access in compliance with this Article 13. Owner will use commercially reasonable efforts to give Manager reasonable advance notice of intended record reviews, Owner may at its option be entitled to full access to all records at any time. Any Facility records stored off-site may require additional time and effort on Manager's part to assemble for Owner's review.

13.3 Pursuant to Section 1395X(v)(1)(I) of Title 42 of the United States Code and applicable rules and regulations thereunder, until the expiration of four (4) years after the termination of this Agreement, Manager shall make available, upon appropriate written request by the Secretary of the United States Department of Health and Human Services, the Comptroller General of the United States General Accounting Office, or the applicable State agencies or departments, or any of their duly authorized representatives a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the costs of the services provided by Manager under this Agreement. Manager further agrees that in the event it carries out any of its duties under this Agreement through a

subcontract with a value or cost of Ten Thousand Dollars (\$10,000) or more over a 12 month period, such subcontract shall contain a clause identical to that contained in the first sentence of this Section.

14. NONDISCRIMINATION

So long as required by federal law in compliance with Section 503 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 793), which requires federal government contractors and subcontractors to take affirmative action to employ and advance in employment qualified individuals with disabilities, the clause set forth at 41 CFR 60-741.5(a) is incorporated by reference as though fully set forth herein. So long as required by federal law, in compliance with the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended (38 U.S.C. 4212, or VEVRAA) including the Jobs for Veterans' Act (PL 107-288), which requires Government contractors and subcontractors to take affirmative action to employ and advance in employment qualified special disabled veterans and veterans of the Vietnam era, the clause set forth at 41 CFR 60-300.5(a) is incorporated by reference as though fully set forth herein. So long as required by federal law, in compliance with the Executive Order 11246 parts II, III, and IV, as modified, for the promotion and insuring of equal opportunity for all persons, without regard to race, color, religion, sex, or national origin, employed or seeking employment with Government contractors, the clause set forth at 41 CFR 60-1.4(a) is incorporated by reference as though fully set forth herein.

15. MISCELLANEOUS

15.1 Waiver/Breach. The waiver of a breach of any term or condition of this Agreement will not be deemed to constitute a waiver of a subsequent breach of the same, or a breach or subsequent breach of any other term or condition.

15.2 Severability. In the event any provision of this Agreement is held to be unenforceable for any reason, the unenforceability thereof will not affect the remainder of this Agreement, which will remain in full force and effect and enforceable in accordance with its terms.

15.3 Further Assurances. Each Party will promptly and duly execute and deliver to the other such further documents and assurances and take such actions as such Party may reasonably request in order to more fully carry out the intent and purposes of this Agreement.

15.4 Time of Essence. Time is of the essence in this Agreement and in the observance of each and every covenant and obligation made and created hereby.

15.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be an original, facsimile or electronic record, and all such counterparts together will constitute but one and the same instrument.

15.6 Authorization. Each Party represents to the other with respect to itself that the execution and performance of this Agreement have been duly authorized by all necessary laws, resolutions, corporate and other action, and this Agreement constitutes the valid and enforceable obligations of the Parties in accordance with its terms.

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

15.8 Choice of Law. This Agreement will be governed by and construed in accordance with the laws of the State of Illinois. Venue will be in the 19th Judicial Circuit Court, Illinois.

15.9 Assignment. No Party will have the right to assign its rights and obligations under this Agreement without the prior written consent of the other Party, provided however, Manager may assign this Agreement pursuant to a reorganization of Manager, or to a subsidiary, parent or other related entity or transfer of stock or assets of Manager without first obtaining Owner's consent.

15.10 Survival. The provisions of Sections 5.6, 5.9, 5.10, 5.11, 7.3, 7.4, 7.5, 7.6, 7.7, 13.1, 13.2, 15.11, this Section 15.10 and Exhibits D and E shall survive the termination of this Agreement.

15.11 Noncompetition. Manager agrees that, during the Term of this Agreement and for a period of one (1) year following the termination of this Agreement for any reason excluding Owner's breach, Manager shall not, directly or indirectly, alone or as a partner, shareholder, agent, owner, employee, independent contractor or otherwise, work for, be or become associated with, provide any management, consulting or professional services with any nursing facility licensed under the Nursing Home Care Act within nine (9) miles of the Facility unless Manager has first obtained agreement from the County Administrator which shall not be unreasonably conditioned, withheld or delayed. Manager agrees that the time span, scope and geographic area covered by this Section are reasonable to protect Owner's legitimate and protectable business interests and that Owner would suffer irreparable harm if this Section were violated. Manager acknowledges that (a) Owner devoted significant time and financial commitments to develop its reputation in its community, (b) Owner has long-term, near-permanent relationships with its residents, families and the community; and (c) Manager would not have contact with these residents, families and the community but for the relationship established by the Agreement. Manager further acknowledges that the enforcement of these restrictions will not prevent Manager from obtaining other opportunities, or otherwise interfere with Manager's ability to conduct its business. If, however, a court determines that any provision of this Section is unreasonably broad, such provision shall not be declared automatically invalid but rather shall be modified or revised. It is the intent of the parties that each paragraph, sentence, clause or phrase and, if necessary, other provisions of this Agreement would be reformed by a court of competent jurisdiction so as to effect, insofar as is practicable, the intention of the parties as set forth in this Agreement.

Manager acknowledges and agrees that a breach of the covenants contained in this Section will have an irreparable, material and adverse effect upon Owner and that monetary and other damages arising from any such breach would be impossible to ascertain. Without limiting any other remedy at law or equity available to Manager, in the event of a breach of any of the covenants contained in this Section, Owner shall have the right to an immediate injunction enjoining Manager's breach of such covenant or covenants. Every right and remedy of the parties shall be cumulative, and each party, in its sole discretion, may exercise any and all rights and remedies stated in this Agreement or otherwise available at law or in equity.

The remainder of this page is intentionally left blank.

Signature pages follow.

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

MANAGER

Health Dimensions Consulting, Inc.

By: _____
Craig Abbott, CEO

OWNER

By: _____

Its: _____

FOR DISCUSSION PURPOSES ONLY

EXHIBIT A
RESOLUTION

FOR DISCUSSION PURPOSES ONLY

EXHIBIT B

Facility Staffing Terms and Conditions

1. Manager or its designee will arrange for the provision of such staff as may be necessary for the efficient operation of the Facility and as otherwise necessary to meet applicable Legal Requirements, with the exception of maintenance staff who remain Owner's employees as set forth in Section 5.8.
2. Such arrangements will include provision for the adherence to, and the causing of Facility personnel to comply with, all applicable Legal Requirements and cooperating fully with all legitimate state and federal requests for inspections and information.
3. Such arrangements will include provision for the authority to hire, fire, direct and evaluate Facility personnel and for the setting all terms and conditions of employment for Facility staff subject to applicable Legal Requirements, including the initial terms of employment. Such arrangements will include provision for notice to prospective staff that the terms and conditions of employment with their new employer will vary from their terms and conditions of employment with Owner.
4. Such arrangements will include provision for paying compensation and benefits to Facility personnel and for payment, withholding, and transmission of payroll taxes. Such arrangements will include provision for compensation and benefits payable to Facility personnel (both management and non-management) consistent with industry norms for long term care facilities in Owner's geographic area.
5. Manager's arrangements described above will include provision for employee recruitment, retention, recognition and training; payroll, salary administration, employee benefits design and administration, in compliance with all applicable Legal Requirements.
6. Manager's arrangements described above may include recommending personnel policies as needed and to ensure compliance with requirements related to worker's compensation loss control, affirmative action reporting, OSHA or other employee-related reporting or policy-making.
7. Manager's arrangements described above will include requiring that the applicable types and amounts of insurance described in Exhibit C are maintained with respect to Facility personnel.
8. Prior to the Effective Date, Manager and its agents do not hereby assume any of the obligations, liabilities or debts of the Facility. As of the Effective Date, Manager shall cause its agent to arrange for the indemnification of the Owner and the Facility limited to providing insurance coverage with coverage limitations set forth in Exhibit C, such coverage to hold harmless and defend Owner and Facility, including its present and former officers, directors, employees and agents, from and against any and all claims, actions, liabilities, expenses, fines, penalties, civil monetary penalties, late filing penalties, losses or damages of any nature whatsoever, including reasonable attorney's fees, asserted against or incurred by Owner or Facility arising out of or resulting from any actual or alleged obligations, acts, omissions, liabilities or debts of Manager or Manager's agents. To the fullest extent permitted by applicable law, Manager shall

cause its agent to arrange for the indemnification limited to providing insurance coverage with coverage limitations set forth in Exhibit C, such coverage to hold harmless and defend Owner and Facility, its parent and subsidiaries, including its present and former officers, directors, employees and agents, from and against any and all claims, actions, liabilities, expenses, losses or damages of any kind including for death, bodily injury, property damage, or violations of state, local or federal statutes, rules, regulations or ordinances, arising out of or resulting from actual or alleged acts or omissions by Manager or its agent or that have been arranged for by Manager or its agent, including its present or former officers, directors, employees and agents, that Manager, its agent or such person or persons reasonably believed to be within the scope of or related to Manager's, its agent's or such person's or persons' obligations and rights under or derived from this Agreement as well as any legal fees and costs incurred by Manager or its agents in enforcing this Section of the Agreement. All indemnification under this Paragraph 8 shall be limited to the insurance coverage limits set forth in Exhibit C.

FOR DISCUSSION PURPOSES ONLY

EXHIBIT C

Bid Documents

FOR DISCUSSION PURPOSES ONLY

EXHIBIT D

Management Fee Adjustments

A. Facility Expense Incentive

Beginning in the seventh month of the Term, credits will be applied to the monthly Base Management Fee in the event that actual Expenses (“Actual Expenses”) accrued in any given month exceed a pro rata monthly share of the annual budgeted Expenses (“Budgeted Expenses”). In determining the extent to which Actual Expenses exceed Budgeted Expenses, allowances will be made by mutual agreement of the Parties for expenses allocated to the Facility by the Owner outside of historic norms, expenses related to periods preceding the commencement of the Term, and extraordinary expenses not reasonably foreseeable during the budgeting process and/or other expenses outside of Manager’s control, including without limitation changes in Legal Requirements. The credits are as follows:

- \$3,000 Base Management Fee credit if Actual Expenses exceed Budgeted Expenses by .5%
- \$4,500 Base Management Fee credit if Actual Expenses exceed Budgeted Expenses by 1.0%
- \$6,000 Base Management Fee credit if Actual Expenses exceed Budgeted Expenses by 1.5%
- \$7,500 Base Management Fee credit if Actual Expenses exceed Budgeted Expenses by 2.0%
- \$10,000 Base Management Fee credit if Actual Expenses exceed Budgeted Expenses by 2.5% or above

Beginning in the seventh month of the Term, a monthly incentive in the amount of \$10,000 will be paid to Manager for any month in which Actual Expenses are at or under Budgeted Expenses.

B. Revenue Enhancement Incentive

Beginning in the seventh month of the Term, credits will be applied to the monthly Base Management Fee in the event that Facility’s actual Adjusted Revenue (“Actual Revenue”) in any given month is less than budgeted Adjusted Revenue (“Budgeted Revenue”). In determining the extent to which Actual Revenue exceeds Budgeted Revenue, allowances will be made by mutual agreement of the Parties for any reduction in Adjusted Revenue related to periods before the commencement of the Term, and/or events outside Manager’s control, including but not limited to a change in Legal Requirements, a change, delay or denial in payor reimbursement through no fault of Manager, the closure, destruction or loss of use of all or a portion of the Facility or a reduction in occupancy due to the transition to a new facility. The credits are as follows:

- \$3,000 Base Management Fee credit if Actual Revenue is less than Budgeted Revenue by .5%
- \$4,500 Base Management Fee credit if Actual Revenue is less than Budgeted Revenue by 1.0%
- \$6,000 Base Management Fee credit if Actual Revenue is less than Budgeted Revenue by 1.5%
- \$7,500 Base Management Fee credit if Actual Revenue is less than Budgeted Revenue by 2.0%
- \$10,000 Base Management Fee credit if Actual Revenue is less than Budgeted Revenue by 2.5% or above

Beginning in the seventh month of the Term, a monthly incentive in the amount of \$10,000 will be paid to Manager for any month in which Actual Revenue equals or exceeds Budgeted Revenue.

C. Customer Satisfaction Incentive

On an annual basis Manager will administer a resident, family and staff satisfaction survey utilizing My Innerview[®], Manager will be eligible for an annual incentive or subject to a credit to the Base Management Fee based on the averaged results of such survey. The annual overall satisfaction goal will be the My Innerview[®] national benchmark, subject to final acceptance and approval by Owner. The annual incentive or Base Management fee credits are set forth in the table below.

	Satisfaction Goals (Average of Resident/Family/Staff Overall Satisfaction Percentage)	Manager Annual Fee Incentive if Average Overall Satisfaction Percentage is at or above established goal	Manager Management Fee Credit to the Owner if Overall Satisfaction Percentage is below the established goal
Term Year 2012	80%	\$10,000	\$10,000
Term Year 2013	85%	\$15,000	\$15,000

D. Regulatory Performance Incentive (Term Year 2013)

Manager will be eligible for an annual incentive payment based on Facility regulatory performance for Term Year 2013. The regulatory performance incentive will take into account (i) regulatory complaint visits, (ii) self-reports by Facility management and (iii) the annual licensure and certification survey process. The regulatory goal is (a) no G or higher level citations and (b) the number of overall citations/deficiencies at or below the state average for Illinois. In the event that the Facility receives no G level citations (or above) and if the facility is at or below the average number of citations/deficiencies per survey, Manager will be eligible for an incentive in the amount of \$15,000 for Term Year 2013. In the event that the Facility receives a G level citation (or above) and if the facility receives citations/deficiencies in excess of the state average for Illinois, Manager will issue a credit to the Base Management Fee in the amount of \$15,000 during Term Year 2013. The Regulatory Performance Incentive will not apply to Term Year 2012.

EXHIBIT E

Business Associate Agreement

[To be attached]

FOR DISCUSSION PURPOSES ONLY