

REGULATORY AGREEMENT
NURSING HOMES

*Ret. to White
BM 112209.82*

PIONEER NAT'L. TITLE INS. CO.

685494

Project No. 073-43070-PM/IC

Mortgagee PULLER MORTGAGE ASSOCIATES, INC.

Amount of Mortgage Note \$3,346,700.00

Date October 27, 1982

Mortgage Recorded: State Indiana

County Lake

Date October 27, 1982

Book

Page

This Agreement entered into this -----27th-----day of -----October-----, 19 82 ,
between MERIDIAN, INC., a Maryland corporation-----
whose address is 21 West Road, Towson, Maryland, 21204-----

(jointly and severally, hereinafter referred to as Lessee) and the undersigned Federal Housing Commissioner,
(hereinafter called Commissioner).

In consideration of the consent of the Commissioner to the leasing of the aforesaid project by
BROOKHAVEN ASSOCIATES LIMITED PARTNERSHIP, a Maryland limited partnership-----, Mortgagor,
and in order to comply with the requirements of the National Housing Act and the Regulations adopted by the
Commissioner pursuant thereto, Lessees agree for themselves, their successors, heirs and assigns, that in
connection with the mortgaged property and the project operated thereon and so long as the Contract of Mort-
gage Insurance continues in effect, and during such further period of time as the Commissioner shall be the
owner, holder or reinsurer of the mortgage, or during any time the Commissioner is obligated to insure a mort-
gage on the mortgaged property:

- (1) The lease shall be subject and subordinate to the mortgage securing the note or other obligation endorsed for insurance by the Commissioner;
- (2) Lessee shall make payments under lease when due;
- (3) Payments by the lessee to the lessor shall be sufficient to pay all mortgage payments including payments to reserves for taxes, insurance, etc., payments to the Reserve for Replacements, and to take care of necessary maintenance. If at the end of any calendar year, or any fiscal year if the project operates on the basis of a fiscal year, payments under the lease have not been sufficient to take care of the above items, the lessor and lessee upon request in writing from the Commissioner shall renegotiate the amounts due under the lease so that such amounts shall be sufficient to take care of such items; the Commissioner shall be furnished by the lessee, within thirty days after being called upon to do so, with a financial report in a form satisfactory to the Commissioner covering the operations of the mortgaged property and of the project;
- (4) The lessee shall not sublease the project or any part thereof without the consent of the Commissioner;
- (5) The lessee shall at all times maintain in full force and effect a license from the state or other licensing authority to operate the project as a nursing home, but the owner shall not be required to maintain such a license;
- (6) Lessee shall maintain in good repair and condition any parts of the project for the maintenance of which lessee is responsible under the terms of the lease;
- (7) Lessee shall not remodel, reconstruct, add to, or demolish any part of the mortgaged property or subtract from any real or personal property of the project;
- (8) Lessee shall not use the project for any purpose except the operation of a nursing home;

STATE OF INDIANA
LAKE COUNTY
FILED FOR RECORD
OCT 27 2 43 PM '82
WILLIAM BIESEN JR
RECORD

Handwritten initials and numbers: 7750

- (9) If a default is declared by the Commissioner under the provisions of Paragraph 10 of the Regulatory Agreement entered into by the lessor-mortgagor and the Commissioner on the -----27th-----day of-----October-----, 19 82, a copy of notice of default having been given to the lessee, the lessee will thereafter make all future payments under the lease to the Commissioner;
- (10) The lease may be cancelled upon thirty days written notice by the Commissioner given to the lessor and the lessee for a violation of any of the above provisions unless the violation is corrected to the satisfaction of the Commissioner within said thirty day period.
- (11) The lessee shall not enter into any management contract involving the project, unless such shall contain a provision that, in the event of default under the Regulatory Agreement as recited in paragraph 9 (above) of this Agreement, the management agreement shall be subject to termination without penalty upon written request of the Commissioner. Upon such request the lessee shall immediately arrange to terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Commissioner for continuing proper management of the project.
- (12) The mortgaged property, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and subject to examination and inspection at any reasonable time by the Commissioner or his duly authorized agents. Lessee shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Commissioner or his duly authorized agents.
- (13) There shall be full compliance with the provisions of (1) any state or local laws prohibiting discrimination in housing on the basis of race, color, creed, or national origin; and (2) with the Regulations of the Federal Housing Administration providing for non-discrimination and equal opportunity in housing. It is understood and agreed that failure or refusal to comply with any such provisions shall be a proper basis for the Commissioner to take any corrective action he may deem necessary including, but not limited to, the refusal to consent to a further renewal of the lease between the mortgagor-lessor and the lessee, the rejection of applications for FHA mortgage insurance and the refusal to enter into future contracts of any kind with which the lessee is identified; and further, if the lessee is a corporation or any other type of business association or organization which may fail or refuse to comply with the aforementioned provisions, the Commissioner shall have a similar right of corrective action (1) with respect to any individuals who are officers, directors, trustees, managers, partners, associates or principal stockholders of the lessee; and (2) with respect to any other type of business association, or organization with which the officers, directors, trustees, managers, partners, associates or principal stockholders of the lessee may be identified.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals on the date first hereinabove written.

ATTEST:

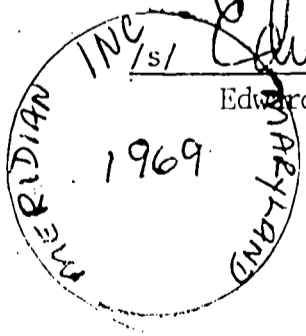
MERIDIAN, INC.

[Handwritten signature of Edward A. Burchell]

 Edward A. Burchell, Secretary

[Handwritten signature of Earl L. Linehan]

By: /s/ Earl L. Linehan
 Earl L. Linehan, President



SECRETARY OF HOUSING AND URBAN DEVELOPMENT
 acting by and through the
 FEDERAL HOUSING COMMISSIONER

By: *[Handwritten signature of Earl]*

 Authorized Agent

In addition, Landlord has assumed obligations to make monthly payments for deposit in an escrow account with the servicer of the Mortgage for (i) mortgage insurance premiums pursuant to Section 9(a) of the Mortgage and (ii) a replacement reserve pursuant to Section 2 of Landlord's Regulatory Agreement. Such payments are in addition to payments of principal and interest under the Mortgage Note, and Tenant shall pay, as additional rent, sufficient sums for Landlord to make the monthly payments of mortgage insurance premiums and replacement reserves.

3.4. Taxes - Tenant will pay as part of an additional rental for the Premises, all Taxes (defined below in this Section) which shall be assessed and levied against the Premises by the proper governmental authorities during the Lease Term.

"Taxes" shall mean all real estate taxes, assessments, sewer rents, ad valorem charges, water rates, rents and charges, front foot benefit charges, and other governmental impositions and charges of every kind in the nature of the foregoing, ordinary as well as extraordinary, including interest and penalties, which shall be charged, levied, possessed, or imposed, or become liens upon, or arise in connection with the use, occupancy, or possession of the Premises, or the sidewalks or streets in front of or adjoining the Premises, and including all fees and charges for

construction, maintenance, occupation, or use of any vault, passageway, or space in, over, or under any sidewalks or streets adjacent to the Premises, or for construction, maintenance, or use of any part of any building within the limits of any street. Tenant's liability under this paragraph 3.4 shall be subject to the limitations governing payment of such Taxes hereinafter set forth:

(a) Taxes, whether assessed or levied on a fiscal or calendar year basis during the year in which this Lease commences and the year in which it terminates shall be apportioned and adjusted to the Tenant's period of actual occupancy during such years. The Tenant shall not be obligated to pay any installment of any special assessment which may be levied or assessed during the term of this Lease, but which does not fall due and is not required to be paid until after its termination.

(b) Because the Mortgage requires maintenance of an escrow account for the payment of real estate taxes and water and sewer charges, Tenant shall deposit with Landlord or, at Landlord's request, with the Mortgage Servicer or its successor monthly deposits in an amount equal to one-twelfth (1/12th) of the annual real estate taxes and water and sewer charges then assessed against the Premises.

(c) Except as provided in subparagraph (b), Tenant shall make payment of Taxes directly to the appropriate

governmental authority within the prescribed period for payment Tenant will deliver to Landlord, upon request, receipts showing such payment, provided that in no event shall Tenant be obligated to pay any installments of any assessments which do not fall due and are not required to be paid until after the termination of the Lease. All bills and notices with respect to Taxes shall be delivered by Landlord to Tenant immediately upon receipt thereof by Landlord.

(d) Tenant shall have the right in good faith to contest or review by legal proceedings, or in such other manner as Tenant deems suitable (which proceedings, if instituted, shall be conducted promptly at Tenant's expense and free of expense to the Landlord) any proposed assessment or re-assessment of the Premises and any such Taxes laid, levied, assessed, or imposed upon the Premises as a result of real estate assessments or sewer or water service charges. Landlord will join in any good faith contest provided for in this paragraph at the request of the Tenant, but at the Tenant's sole cost and expense. Tenant may defer payment of any contested Taxes provided Tenant shall furnish to Landlord upon request a cash deposit sufficient to cover the amount of the contested Taxes, with interest and penalties. The Landlord may apply such cash deposit to payment of the Taxes if at any time, as a result of non-payment during such contest or review, the Premises are in danger of being sold, forfeited, or otherwise

lost. When any such contest or review is finally determined, the deposit shall be applied to payment of the Taxes as finally adjudicated, and any balance shall be refunded to Tenant.

3.5. Utilities - Tenant shall pay all bills for gas, electricity, telephone, and any other utility used or consumed in the Premises, as they become due and payable.

RULES OF TENANT'S OCCUPANCY

4.1. Use of Premises - Tenant may use and occupy the Premises for the purpose of conducting and operating a nursing home-comprehensive care facility, and supporting services.

4.2. Compliance with Laws - Landlord shall construct the Premises to comply with all applicable requirements of all relevant governmental authorities. During the Lease Term, Tenant, at Tenant's expense, shall comply with all applicable government requirements and requirements of the Indiana Fire Underwriter's Rating Bureau applicable to Tenant's use of the Premises and the business operations of Tenant therein, now in effect or hereafter adopted. Tenant, at Tenant's expense, shall make, subject to Landlord's and, if required, the Trustee's and FHA's approval, such changes, alterations, additions, or repairs, to the Premises as shall become necessary by applicable governmental requirements to enable Tenant to continue the use of the Premises for the business purpose herein authorized.

4.3. Tenant's Regulatory Agreement. Tenant will enter into a Regulatory Agreement (FHA Form 2466-NHL) with FHA (Tenant's Regulatory Agreement). Tenant will at all times comply with all terms and provisions of Tenant's Regulatory Agreement, a default on which shall be deemed an event of default under this Lease.

4.4. Additional Obligations of Tenant - Until all of the obligations of Landlord under the Financing Agreement, Indenture, Mortgage, and Landlord's Regulatory Agreement are satisfied, Tenant shall furnish to the Landlord such additional information, reports or statements as the Trustee and/or the Mortgage Servicer may from time to time reasonably request.

TENANT'S RIGHTS

5.1. Quiet Enjoyment - Landlord covenants, warrants, and represents that Landlord has the full right and power to execute and perform this Lease and to grant the estate demised herein; and that the Tenant on paying the Rent herein reserved and performing the covenants and agreements hereof shall peaceably and quietly have, hold, and enjoy the Premises during the Lease Term.

5.2. Assignment and Subletting - Tenant shall not sublet the Premises or to assign its rights under this Lease, without the Landlord's prior written consent. Regardless of

any assignment, or subletting, Tenant shall remain liable on this Lease and shall not be released from performing any of the terms, covenants, and conditions of this Lease. Notwithstanding the foregoing, no consent shall be required for assignment or subletting to any corporation with which Tenant may be affiliated as a parent, subsidiary, or brother-sister corporation so long as Meridian, Inc. maintains a controlling interest in such corporation.

5.3. Subordination - It is expressly agreed by Tenant that this Lease and Tenant's rights thereunder are, and shall be, and remain, subject and subordinate to the lien of the Mortgage and subject to the Indenture, and Tenant does hereby covenant and agree to execute promptly, at the expense of the Landlord, an Agreement of Lessee and any and all instruments necessary to effect and exhibit such subordination of this Lease as the Landlord may require and request for such purposes. Landlord agrees that Landlord shall attempt to obtain from the Trustee, as mortgagee under the Mortgage (recognizing that the Trustee must first obtain the consent of FHA), a non-disturbance agreement, in recordable form, in favor of Tenant providing substantially as follows:

"So long as Tenant continues to pay rent reserved in the Lease and otherwise complies with the terms and provisions hereof, Mortgagee shall not disturb the rights of possession of Tenant in the Premises notwithstanding any foreclosure or proceedings in lieu thereof affecting the Premises. Upon passing of title to the

Premises to a lender or to any other party in any foreclosure or proceedings in lieu thereof, the party acquiring such title shall thereupon, by virtue of such acquisition of title and without the execution of any further instruments or documents, be deemed to be the Landlord for all purposes of the Lease and be deemed to have assumed the full and complete performance of all the obligations of Landlord as herein set forth, and Tenant agrees to attorn to Mortgagee or to a purchaser in foreclosure from Mortgagee in the event of default of the Mortgage."

If Landlord at any time defaults in making any payment under the Financing Agreement or Mortgage Note, Tenant may attempt to cure such default by payment to the holder thereof of the amount due, if accepted by such holders, and Tenant may thereafter reimburse itself, together with interest at the rate of ten percent (10%) per annum from date of payment until reimbursement, out of rentals thereafter becoming due under the Lease. If Tenant's late payment of Basic Rent hereunder causes Landlord to be charged with a late charge or penalty for late payment of any installment of principal or interest due under the Financing Agreement or Mortgage Note, the Tenant shall reimburse the Landlord in the amount of such late charge or penalty.

5.4. Assignment of Lease - Tenant acknowledges that Landlord may assign this Lease to the Trustee as security for the Financing Agreement and the Mortgage Note. Tenant agrees

that it will, upon request of Landlord, enter into an agreement acknowledging the Assignment of Lease and such other related documents as may be required by the Trustee.

5.5. Regulatory Agreements - If there is any conflict between the terms hereof and those of either the Landlord's Regulatory Agreement or Tenant's Regulatory Agreement, the terms of the Regulatory Agreements shall prevail.

ALTERATIONS AND MAINTENANCE

6.1. Alterations - Tenant shall make no structural alterations or changes to any part of the Premises, without the prior written consent of Landlord which consent will be dependent on obtaining the Consent of FHA and the Trustee. Request for such consent shall be accompanied by plans stating in detail precisely what is to be done and an estimate of the cost of the work to be done. Tenant agrees to indemnify Landlord for any damages to the Premises caused by the performance of such work. Further, Landlord shall have the right to make periodic inspections of the work in order to determine whether the work is being performed in accordance with the plans submitted to Landlord. All alterations and improvements made in, to, or on the Premises shall, unless otherwise provided by written agreement, be the property of Landlord and shall remain upon and be surrendered with the Premises. Tenant shall pay the cost of all alterations.

6.2. Guarantees Upon Completion of Construction -

Landlord guarantees Tenant, for a period of one (1) year following the Commencement Date, against any defects in workmanship or materials in the construction of any of the improvements in the Premises. Landlord further agrees to use its best efforts to cause all plumbing, roofing, air-conditioning, and electrical contractors doing construction work on the Premises to furnish similar guarantees and to assign such other guarantees to the Tenant so that the Tenant shall have the full benefit, right, and privilege of enforcing such guarantees. The Landlord shall assign to the Tenant any other guarantees furnished by suppliers of any materials or equipment in connection with the construction of the improvements.

6.3. Maintenance - Tenant during the Lease Term shall keep the Premises, including the equipment therein, in good order and repair, at Tenant's sole cost and expense, ordinary wear and tear and damage by fire or other casualty excepted, including but not limited to repair of all air-conditioning units and heating units, keeping the sidewalks, driveways, and parking areas free from snow, ice, refuse, or other debris, keeping the exterior and structural portions of the Premises (including, without limitation, roofs and roof supports, gutters, downspouts, foundations and structural supports, exterior and bearing walls, structural

portion of the floors, and chimneys), in good order and repair, keeping all plumbing, pipes, tubes, and wiring outside of but leading to or from the buildings in good order and repair, and painting all exterior and structural portions of the Premises.

6.4. Condition of Premises at Termination of Lease Term - Upon the expiration or other termination of the term of this Lease, Tenant shall quit and surrender the Premises to the Landlord in as good order and condition as when received, ordinary wear and tear and damage by fire or other casualty excepted, and Tenant shall (unless Landlord and Tenant shall otherwise agree) remove all of its property from the Premises by the date of the expiration or termination of the term. Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of the term of this Lease, but if Tenant shall fail to remove its property, Landlord shall have the right to do so and to charge the cost thereof, including any damage done in removal, to Tenant.

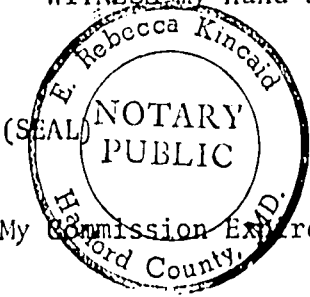
FIXTURES AND EQUIPMENT

7.1. Installation and Removal - In constructing the buildings and improvements on the land, Landlord will install all fixtures and equipment detailed on Exhibits B-1 and B-2 attached hereto. If appropriate, the Landlord shall take all necessary action to elect to treat the Tenant as having acquired the equipment for purposes of the investment tax

STATE OF MARYLAND)
County of Harford) ss:

On this 27th day of October, 1982, before me, the undersigned officer, personally appeared EARL L. LINEHAN, who acknowledged himself to be the PRESIDENT of MERIDIAN, INC., a Maryland corporation, and that as such President duly authorized to do so executed the foregoing instrument bearing date of October 27, 1982, in the capacity and for the purposes therein contained.

WITNESS my hand and official seal the day and year aforesaid.



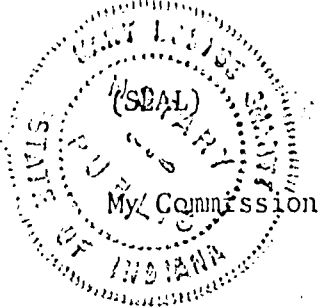
E. Rebecca Kincaid
Notary Public

My Commission Expires: 7/1/86 Resides in Baltimore County

STATE OF INDIANA)
COUNTY OF MARION) ss:

On this 27th day of October, 1982, before me appeared CHOICE EDWARDS, who, being duly sworn, did say that he is the duly appointed Authorized Agent and the person who executed the foregoing instrument by virtue of the authority vested in him by 24 CFR 200.118/119, and acknowledged the same to be his free and voluntary act and deed as Authorized Agent for and on behalf of the Secretary of Housing and Urban Development.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the day and year last above written.



Mary Louise Smartt
Mary Louise Smartt Notary Public

My Commission Expires: JUNE 26, 1984 Resides in Marion County

This document prepared by William T. Tennant, Esq.

credit. If the cost to Landlord of all the items on Exhibit B-1 exceeds \$251,456 and all the items on Exhibit B-2 exceeds \$84,878, the costs estimated, respectively, by FHA to equip the Premises, Tenant will pay to Landlord the amount of any excess cost over the costs estimated by FHA. Notwithstanding the above, all equipment and fixtures shall remain the sole property of Landlord, as will all replacements and additions to the equipment and fixtures on the Premises.

Tenant may also install any other movable furniture and other equipment necessary to the conduct of its business but such equipment shall become the property of Landlord.

7.2. Signs - Tenant may place signs upon the interior of the buildings and the doors thereof in accordance with Tenant's customary practice. Tenant may also erect and maintain at Tenant's expense a sign or signs on the exterior of the buildings, and on the land, subject to Landlord's consent which will not be unreasonably withheld, provided such signs shall comply with local and State laws and regulations. The name of the Premises shall be Brookhaven Nursing Center and the name may be exhibited on any part of the interior or exterior of the buildings and other improvements, or on the land and shall be set forth in all advertising with respect to the Premises.

INSURANCE

8.1. Fire Insurance - During the Lease Term, Tenant, at Tenant's expense, shall keep the buildings, improvements, and equipment insured in a responsible insurance company or companies qualified to do business in the State of Indiana against loss or damage by fire and smoke and vehicles, windstorm, hail, explosion, riot, civil commotion, and aircraft, malicious mischief, and vandalism to the extent now or hereafter covered under extended coverage, in an amount or amounts equal to the requirements of paragraph 6 of the Mortgage and the Financing Agreement but in no event in an amount less than shall be necessary to prevent application of co-insurance provisions. As required by the Mortgage, 1/12 of the annual payments for insurance premiums shall be deposited each month with the Mortgage Servicer, which payments Tenant shall either make to Landlord or, at Landlord's request, directly to the Mortgage Servicer. The policies for such insurance shall be taken in the name of Landlord and Tenant and the Trustee and FHA with loss payable to Landlord and Tenant and the Trustee and FHA as their respective interests may appear. Tenant shall furnish Landlord with a copy of any such policy or a certificate that such policy is in effect; and, in addition, Tenant shall obtain endorsements on the policies required to be maintained by it under the provisions of this paragraph 8.1 by which the insurance company will agree that

Landlord, the Trustee and FHA will be given thirty (30) days' advance written notice of any cancellation or reduction of insurance under any such policy and that copies of all endorsements issued after the date of such policy will be forwarded to Landlord, the Trustee, and FHA. If Tenant fails to maintain such insurance and the insurance required by Section 8.2 in effect, Landlord shall have the right to obtain any such insurance and to charge the cost thereof to Tenant as additional rent. Further, Tenant shall take no action which would invalidate such insurance.

8.2. Liability Insurance - During the Lease Term, Tenant shall keep in full force and effect in the names of Landlord and Tenant and the Trustee and FHA (and if Tenant shall fail to do so, Landlord may obtain such insurance and charge the cost thereof to Tenant), a policy of public liability and property damage insurance with respect to the Premises and the business operated by Tenant in which (i) the limits of public liability shall be not less than one million dollars (\$1,000,000.00) for injuries to or death per person or for injuries or deaths arising out of one occurrence (with an aggregate limitation for claims in any one year of not less than \$1,000,000), and in which (ii) the property damage liability shall not be less than two hundred fifty thousand dollars (\$250,000.00) (with an aggregate property damage limitation of not less than \$500,000). Such policy shall be a

so-called blanket or umbrella policy with overall limits of not less than one million dollars (\$1,000,000.00). As required by the Mortgage, 1/12 of the annual insurance premiums shall be deposited with the Mortgage Servicer, which payments Tenant shall either make to Landlord or, at Landlord's request, directly to the Mortgage Servicer. The policy shall name Landlord and Tenant and the Trustee and FHA as insureds, and shall contain a clause that the insurer will not cancel or change the insurance without first giving the Landlord thirty (30) days' prior written notice. The insurance shall be in a responsible insurance company and a copy of the policy or a certificate of insurance shall be delivered to Landlord. Landlord agrees that Tenant may carry a blanket insurance policy covering all of its locations. Tenant shall take no action which would cause invalidation of such insurance.

Tenant shall also maintain medical liability, malpractice and other health care facility liability insurance with limits for liabilities arising from professional services performed by the Tenant of not less than \$1,000,000 per person or occurrence, and an aggregate limitation for claims in any one year of not less than \$1,000,000.

8.3. Other Insurance - Tenant shall maintain workmen's compensation insurance, disability insurance, and each other form of insurance which Tenant is required by law to provide, covering loss resulting from injury, sickness,

disability, or death of employees, provided such insurance may be provided under a self-insured program approved by the State of Indiana. Tenant shall also, at its expense, maintain a policy of business interruption insurance which will insure payment of at least 12 months of all rents required by this Lease.

8.4. Revision of Insurance Policies - Any insurance policies issued with regard to the Premises may be revised at such times and in such manner as Landlord the Trustee, or FHA may require.

8.5. Landlord's Liability - All personal property placed in the Premises by Tenant shall be and remain therein at the sole risk of Tenant. Landlord shall not be liable for any damage to, or loss of, such personal property, nor from the leaking of the roof, nor from the bursting, leaking, or overflowing of water or sewer pipes, nor from plumbing fixtures or electrical wiring or fixtures installed therein by Landlord, nor from any other cause whatsoever except where resulting directly from negligence of Landlord, its agents, servants, or employees.

FIRE OR OTHER CASUALTY

9.1. Casualty. If the Premises shall be damaged by fire, the elements, unavoidable accident, or other casualty, the damage shall be repaired by and at the expense of Landlord

to, the extent, of available insurance proceeds so that the Premises shall be restored to substantially the same condition as they were in immediately prior to such fire or other casualty. Landlord agrees, at its expense, but only to the extent of the available insurance proceeds, to repair promptly any such damage of the Premises, except that Tenant agrees to repair and replace its own furniture, furnishings, and equipment. Tenant shall make available to Landlord, the insurance proceeds payable for any such damage, after reimbursement to the parties, who shall bear such costs equally, of all costs of collections including the payment of public adjuster's fees, attorneys' fees, and court costs. No penalty shall accrue for reasonable delay which may arise by reason of adjustment of insurance on the part of Landlord, or on account of labor problems, or any other cause beyond Landlord's control. In the event this Lease is terminated pursuant to the terms of this paragraph 9.1, Tenant shall vacate the Premises and surrender the same to Landlord, and Tenant's liability for rent shall cease as of the day following the casualty. There shall be no abatement of rent due to fire or other casualty so long as the Bonds remain outstanding. Tenant recognizes that the availability of insurance proceeds to Landlord is subject to the provisions of the Mortgage, the Indenture, and the Financing Agreement, and if the Trustee and/or the Mortgage Servicer do not permit Landlord to use the

insurance proceeds for restoration of the Premises, but instead require that such proceeds be used to pay the principal of the Bonds, Landlord may terminate this Lease.

EMINENT DOMAIN

10.1. Restoration of Premises by Landlord Upon Condemnation - In the event of a taking of any portion of the Premises for any public or quasi-public use, under any statute or by right of eminent domain, or private purchase in lieu thereof, this Lease shall not be terminated or otherwise affected; and Landlord covenants, at Landlord's expense, to repair promptly such damage or to do such work as may be required to repair or rebuild the Premises so as to restore the Premises as nearly as may be to the condition they were in immediately prior to such taking or damage, provided that Landlord shall not be required to spend an amount in excess of the amount which Landlord receives or is made available to Landlord as a result of the taking or private purchase in lieu thereof. If the Landlord so rebuilds the Premises, the rent payable hereunder shall not abate. If, however, the Trustee and/or the Mortgage Servicer do not permit Landlord to use the condemnation proceeds for restoration of the Premises, but instead require that such proceeds be used to pay the principal of the Bonds, Landlord may terminate this Lease.

10.2. Tenant's Claims for Compensation - Tenant agrees that it shall not have nor will it make claim for compensation in such proceedings against the Landlord in any manner in conflict with Landlord's interest in the Premises, except to the extent that it is entitled to compensation from the condemning authority for the loss of its business or moving expenses.

DEFAULT

11.1. Events of Default; Right of Re-entry - In the event of any failure of Tenant to pay any rental or other sum of money due hereunder within ten (10) days after receipt of written notice that same has not been paid, or any failure to perform any other of the terms, conditions, or covenants of this Lease to be observed or performed by Tenant for more than thirty (30) days after written notice of such default shall have been mailed to Tenant, unless such default is of a nature that is cannot practically be cured within said thirty (30) day period and Tenant is proceeding with due diligence to cure such default, or if Tenant shall become bankrupt or insolvent, or take or have taken against Tenant in any court pursuant to any statute either of the United States or of any state a petition in bankruptcy or insolvency or for re-organization or for the appointment of a receiver or trustee of all or a portion of Tenant's property and Tenant shall have been adjudicated to be

bankrupt or insolvent, or if Tenant makes an assignment for the benefit of creditors, or petitions for...or enters into an arrangement, or if Tenant shall abandon the Premises, or suffer this Lease to be taken under any writ of execution, then Landlord, besides other rights or remedies it may have and subject to the requirements of FHA, shall have the immediate right of re-entry and may remove all persons and property from the Premises and such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant.

11.2. Reletting - Should Landlord elect to re-enter, as herein provided or should it take possession pursuant to legal proceedings or pursuant to any notice provided by law, it may either terminate this Lease or it may from time to time without terminating this Lease, relet said Premises or any part thereof for such term or terms (which may be for a term extending beyond the term of this Lease) and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable. Upon each such reletting all rentals received by the Landlord from such reletting shall be applied first to the payment of any indebtedness other than rent due hereunder from Tenant to Landlord; second, to the payment of any costs and expenses of such reletting, including reasonable brokerage fees and reasonable attorney's fees and of costs of such alterations and

repairs for the purpose of reletting; third, to the payment of rent due and unpaid hereunder, and the residue, if any, shall be held by Landlord and applied in payment of future rent as such rent may become due and payable hereunder. If such rentals received from such reletting during any month be less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. No such re-entry or taking possession of said Premises by Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of such intention be given the Tenant or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach. Should Landlord at any time terminate this Lease for any breach, in addition to any other remedies it may have, it may recover from Tenant all damages it may incur by reason of such breach, including the cost of recovering the Premises, and reasonable attorney's fees, all of which amounts shall be immediately due and payable from Tenant to Landlord.

11.3. Other Remedies - No enumeration of remedies available to Landlord upon Tenant's default shall in any way limit the other remedies available to Landlord under applicable statutes.

EXHIBIT "A"

LEGAL DESCRIPTION

Lot 1 in Brookhaven Addition to the Town of Dyer, as per plat thereof, recorded in Plat Book 53 page 59, in the Office of the Recorder of Lake County, Indiana, said parcel being a part of the East Half of Section 1, Township 35 North, Range 10 West of the 2nd Principal Meridian more particularly described as beginning at the Northwest corner of Lot 486 in Northgate 8th Addition to Dyer, as per plat thereof, recorded in Plat Book 43, page 148 in the Office of the Recorder of Lake County, Indiana, thence South $0^{\circ}-16'-46''$ West along the West line of said Northgate 8th Addition 984.30 feet to a point on the North line of Northgate 4th Addition to Dyer as per plat thereof, recorded in Plat Book 41, page 103 in the Office of the Recorder of Lake County, Indiana; thence North $72^{\circ}-22'-12''$ West along said North line of Northgate 4th Addition 474.25 feet; thence North $17^{\circ}-37'-48''$ East a distance of 884.52 feet to a point which is 225.0 feet South, by perpendicular lines, of the North line of the East Half of Section 1; thence South $89^{\circ}-52'-10''$ East along a line which is parallel with and 225.0 feet South of said North line 188.94 feet to the point of beginning, all in the Town of Dyer, Lake County, Indiana.

TENANT'S WARRANTIES AND COVENANTS

12.1. Good Standing - Tenant warrants that it is (i) a corporation duly organized and existing, in good standing, under the laws of Maryland, (ii) has the corporate power to own its property and to carry on its business as now being conducted, and (iii) is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned by it therein or in which the transaction of its business makes such qualifications necessary, including, but not limited to, the State of Indiana.

12.2. Corporate Authority - Tenant warrants that it has full power and authority to execute and deliver the Lease, and all other documents necessary in the premises, and to incur the obligations provided for herein and therein, all of which have been duly authorized by all proper and necessary corporate action. No consent or approval of stockholders or of any public authority is required as a condition to the validity or enforceability of the Lease, or if required, the same has been duly obtained.

12.3. Enforceability of Lease - Tenant warrants that this Lease when properly executed by the duly authorized officers of Tenant, constitutes the valid and legally binding obligation of Tenant, and is fully enforceable against Tenant in accordance with its terms.

12.4. Pending Proceedings - Tenant warrants that there are no proceedings pending or, so far as the officers of the Tenant know, threatened before any court or administrative agency which, in the opinion of the officers of Tenant, will materially adversely affect the financial condition or operations of Tenant, or the authority of Tenant to enter into, or the validity or enforceability of, the Lease.

12.5. Conflicts with Other Obligations of Tenant - Tenant warrants that there is (i) no charter, by-law or preference stock provision of Tenant and no provision of any existing mortgage, indenture, contract or agreement binding on Tenant or affecting its property which would prohibit the Tenant to enter into the Lease, and (ii) to the knowledge of Tenant, no provision of law or order of court binding upon the Tenant which would conflict with or in any way prevent the execution, delivery, or performance of the terms of this Lease, or which would be in default or violated as a result of such execution, delivery or performance.

12.6. Tax Covenants

a. Definitions. For the purpose of this Section 12.6 the following terms shall have the following meanings:

"Bonds" shall mean Town of Dyer, Indiana, Health Care Facility Revenue Bonds, Brookhaven Nursing Center Issue (FHA Insured Mortgage), Series A, dated September 1, 1982.

"Code" shall mean the Internal Revenue Code of 1954 as amended and the Income Tax Regulations issued and proposed to be issued thereunder.

"Principal User" shall mean any principal user of a facility within the meaning of Section 103(b)(6) of the Code.

"Related Person" shall mean any related person within the meaning of Section 103(b)(6) of the Code.

"Tenant's Other Facilities in the Town" shall mean any facilities located in the Town of Dyer, Indiana (other than the Leased Premises), the Principal User of which is or will be the Tenant or any Related Person. For the purpose of determining the Tenant's Other Facilities in the Town, a facility located in any adjacent town or political subdivision and integrated with or contiguous to such facility located in the Town of Dyer shall be treated as if it is entirely within the Town of Dyer.

"Section 103(b)(6)(D) Capital Expenditures" shall mean capital expenditures, which are required to be taken

into account in determining the aggregate face amount of the Bonds or Additional Bonds (as the case may be) pursuant to Section 103(b)(6)(D) of the Code and the regulations thereunder, and shall include all "Section 103(b)(6)(D) Capital Expenditures" as defined in Income Tax Regulations Section 1.103-10(b)(2). For the purposes of this Section 12.7, Section 103(b)(6)(D) Capital Expenditures made with respect to a facility located in any adjacent county or political subdivision and integrated with or contiguous to such facility located in the County are made with respect to a facility located in all such jurisdictions and therefore shall be treated as if entirely made within the Town of Dyer. The term "Section 103(b)(6)(D) Capital Expenditures" shall not include capital expenditures which are not taken into account in determining the "aggregate face amount" of the Bonds or Additional Bonds (as the case may be) for purposes of the \$10,000,000 limitation pursuant to Section 103(b)(6)(F) of the Code.

b. Tenant Statement. The Tenant represents and warrants that: (1) on September 1, 1982, there was no outstanding issue of bonds, the proceeds of which have been or will be used primarily with respect to the Tenant's Other Facilities in the Town, (2) the Tenant expects that the Section 103(b)(6)(D) Capital Expenditures to be paid or incurred prior to September 1, 1985 with respect to the Premises by the Tenant and with respect to the Tenant's Other Facilities in the County by any other person will not exceed \$10,000,000, and (3) the following schedule represents all Section 103(b)(6)(D) Capital Expenditures paid or incurred by any person since September 1, 1979 with respect to the Tenant's Other Facilities in the Town:

Date

Amount

NONE

c. Tenant Agreement. On the date of the issuance, sale and delivery (the "date of issuance") of any industrial development revenue bond issued on behalf of the Landlord to finance additions to the Premises or for any other purposes ("Additional Bonds"), and following at least 30 days' notice, the Tenant shall deliver to the Landlord a certificate, dated as of the date of issuance of such Additional Bonds, setting forth: (1) the name, address and employer identification number of the Tenant and any Related Person, (2)

the date and amount of any outstanding issues of bonds, the proceeds of which have been or will be used primarily with respect to the Tenant's Other Facilities in the Town, (3) the date and amount of any Section 103(b)(6)(D) Capital Expenditures paid or incurred by any person within three years preceding the date of issuance of such Additional Bonds with respect to the Tenant's Other Facilities in the Town, (4) the date and amount of any Section 103(b)(6)(D) Capital Expenditures paid or incurred by the Tenant or any Related Person with respect to the Leased Premises within three years preceding the date of issuance of such Additional Bonds, and (5) such other matters as bond counsel for such Additional Bonds may reasonably require in order to render an opinion concerning the tax-exempt status of the interest on such Additional Bonds.

Tenant shall file a copy of the tax election letter filed by the Town of Dyer, Indiana in connection with the Bonds (which shall be supplied to Tenant by the Landlord) with its federal income tax return for the current taxable year. If Additional Bonds are issued, Tenant shall file a copy of the tax election letter filed by the issuer of Additional Bonds in connection with such Additional Bonds.

On each due date for federal income tax returns following September 1, 1982, 1983, 1984 and 1985 and following the date of issuance of any Additional Bonds and the first

three anniversaries of the date of issue of such Additional Bonds, Tenant shall file with the district director or director of the regional service center with whom its income tax return is required to be filed on the due dates prescribed for filing such return (without regard to any extension of time) a supplemental statement in accordance with Section 1.103-10(b)(2)(vi)(c) of the Income Tax Regulation which shall include the dates and amounts or (i) all Section 103(b)(6)(D) Capital Expenditures paid or incurred since the date of issuance of the Bonds or the additional Bonds (as the case may be) by Tenant or any Related Person with respect to the Leased Premises and (ii) all Section 103(b)(6)(D) Capital Expenditures paid or incurred by any person since the date of issuance of the Bonds or the Additional Bonds (as the case may be) with respect to the Tenant's Other Facilities in the Town. Tenant shall also attach to any supplemental statements any written statement prepared by the Landlord and supplied to the Tenant relating to Section 103(b)(6)(D) Capital Expenditures, certain prior issues of bonds which are taken into account in determining the "aggregate face amount" of the Bonds or Additional Bonds pursuant to Section 103(b)(6)(D) of the Code or other matters included in such statement by Landlord.

MISCELLANEOUS PROVISIONS

13.1. Recording - This Lease or a memorandum thereof containing all terms required by law may be recorded among the Land Records of Lake County, Indiana, by either party hereto at the sole cost and expense of the party so recording.

13.2. Holding Over - If Tenant does not surrender the Premises at the end of the Lease Term and pays rent which Landlord accepts, the tenancy created shall be a month-to-month tenancy which either party can terminate at the end of any month thereafter by giving at least thirty (30) days written notice thereof to the other party.

13.3. Waiver - The waiver by Landlord or Tenant of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant, or condition herein contained. The subsequent acceptance of rent hereunder by Landlord or payment thereof by Tenant shall not be deemed to be a waiver of any preceding breach by the other of any term, covenant, or condition of this Lease, regardless of either's knowledge of such preceding breach at the time of payment or acceptance of such rent. No covenant, term, or condition of this Lease shall be deemed to have been waived by Landlord, or Tenant, unless such waiver be in writing by Landlord or Tenant.

13.4. Reserved Rights - Landlord or its duly accredited agent, reserves the following rights:

(a) to enter upon the Premises at all reasonable times after notice to Tenant for the purposes of inspecting the condition thereof being maintained by Tenant;

(b) to decorate, remodel, repair, alter, or otherwise prepare the Premises for re-occupancy during the last six (6) months of the Lease Term, if during or prior to that time the Tenant vacates the Premises;

(c) To show the Premises to prospective tenants or brokers during the last ninety (90) days of the Lease Term, and to prospective purchasers at all reasonable times provided prior notice is given to Tenant in each case and the Tenant's use and occupancy of the Premises shall not be materially inconvenienced by any such action of the Landlord.

13.5. Remedies - It is agreed that the mention of any specific right or remedy to either party herein shall not be construed to deprive such party of any right or remedy which such party might otherwise have.

13.6. Complete Agreement - This written Lease contains the complete agreement of the parties with reference to the leasing of the Premises. This Lease shall not be subject to amendment except in writing signed by the parties.

13.7. Headings - All headings in this Lease are inserted solely for convenience of reference and none of them

shall constitute a part of this Lease or affect its meaning, construction, or effect.

13.8. Notices - All notices, demands, and requests hereunder shall be in writing and shall be deemed to have been properly given if personally delivered or if sent by U.S. registered or certified mail, postage prepaid, addressed, if to Tenant, at c/o Meridian, Inc.; 21 West Road, Towson, Maryland 21204, Attention: Earl L. Linehan, and if to Landlord, at c/o Meridian, Inc., 21 West Road, Towson, Maryland 21204, Attention: Michael J. Batza, Jr., or to such other addresses as either of the parties hereto may designate from time to time by a written notice as required herein. Notices, demands, and requests given in the manner aforesaid shall be deemed sufficiently served or given, for all purposes hereunder at the time such notices, demands, or requests shall be personally served or shall be deposited in any post office or branch post office regularly maintained by the U.S. Government.

13.9. Binding Effect - This Lease and all of the Covenants and provisions thereof shall inure to the benefit of and be binding upon the respective heirs, legal representatives, successors, and assigns of the parties hereto.

13.10. Transfer by Landlord - Subject to any contrary provisions in the Financing Agreement, Regulatory Agreement, or Mortgage, if Landlord sells, leases or in any manner transfers title to the Leased Premises, including foreclosure sale by

THIS LEASE is dated as of this 1st day of September, 1982, by and between BROOKHAVEN ASSOCIATES LIMITED PARTNERSHIP, a Maryland limited partnership ("Landlord") and MERIDIAN, INC., a Maryland corporation ("Tenant").

INTRODUCTION

In consideration of the mutual covenants set forth in this Lease, Landlord hereby leases to Tenant, and Tenant hereby rents from Landlord, all that parcel of land situate in the Town of Dyer, Indiana, described as Lot 1, Brookhaven Addition to the Town of Dyer, recorded in Plat Book 53, Page 59 in the Office of the Recorder, Lake County, Indiana, and known as 601 Sheffield Avenue, together with easements and appurtenances thereto belonging and appertaining and the buildings and improvements to be constructed thereon by Landlord (hereinafter, together with the land, being called the "Premises").

CONSTRUCTION OF PREMISES

1.1. Plans and Specifications - Landlord's architect at Landlord's expense, has prepared final plans and specifications for the buildings and improvements to be constructed on its Premises (the "Plans and Specifications"). The improvements shall consist of a convalescent center of approximately 140 beds and related offices together totaling

judicial proceeding or otherwise the Landlord shall be relieved of all covenants and obligations arising hereunder, provided the Landlord is not then in default hereunder and that such transferee shall agree to assume all covenants and obligations of the Landlord hereunder. Tenant agrees that it will attorn to such transferee, provided such transferee has assumed Landlord's covenants and obligations hereunder, and Tenant shall continue to perform all of the terms, covenants, and conditions, and obligations of this Lease.

If Tenant obtains a money judgment against Landlord, any of its partners or its successors or assigns under any provisions of, or with respect to this Lease or on account of any matter, condition or circumstance arising out of the relationship of the parties under this Lease, or of Tenant's occupancy of the Property, Tenant shall be entitled to have execution upon such judgment only upon Landlord's estate in the Leased Premises, and not out of any other assets of Landlord, any of its partners, or its successors or assigns; and Landlord shall be entitled to have any such judgment so qualified as to constitute a lien only on the fee simple estate, subject to any liens antedating any such judgment except that this limitation shall not apply to the extent that any such judgment against Landlord is covered by insurance.

IN WITNESS WHEREOF, the parties hereto have duly executed this Lease the day and year first above written.

WITNESS:

LANDLORD:

BROOKHAVEN ASSOCIATES LIMITED PARTNERSHIP

D. Robert Kammur

By: [Signature] (SEAL)

ATTEST:

TENANT:

MERIDIAN INC.

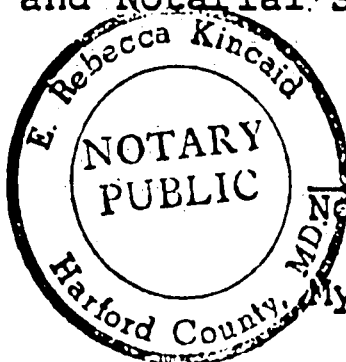
Edward M. Beuhell
Secretary

By: [Signature]
President

STATE OF MARYLAND)
COUNTY OF Harford)
~~BALTIMORE~~

I HEREBY CERTIFY that on this 25th day of October, 1982, before me, the subscriber, a Notary Public of the State of Maryland, in and for the County of Baltimore aforesaid, duly commissioned and qualified, personally appeared MICHAEL J. BATZA who acknowledged himself to be the Managing General Partner of BROOKHAVEN ASSOCIATES LIMITED PARTNERSHIP, a Maryland limited partnership, and that he, as such Managing General Partner being authorized to do so, executed the foregoing Lease for the purposes therein contained.

WITNESS my hand and Notarial Seal.



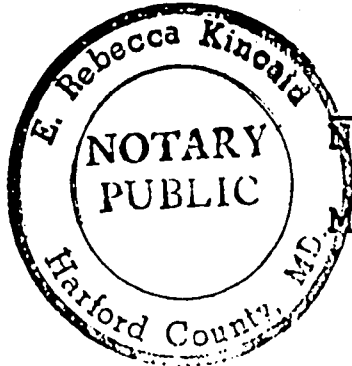
E. Rebecca Kincaid
Notary Public

My Commission Expires: 7/1/86

STATE OF MARYLAND)
 Harford)
COUNTY OF BALTIMORE)

I HEREBY CERTIFY that on this 25th day of October 1982, before me, the subscriber, a Notary Public of the State of Maryland, in and for the County of Baltimore aforesaid, duly commissioned and qualified, personally appeared EARL L. LINEHAN who acknowledged himself to be the President of MERIDIAN INC. a Maryland corporation, and that he, as such President being authorized to do so, executed the foregoing Lease for the purposes therein contained.

WITNESS my hand and Notarial Seal.



E. Rebecca Kincaid
Notary Public

My Commission Expires: 7/1/86

Brookhaven Plans and Specifications

Architect: Ken Fryar
Engineer: R. L. Millies

Sheets: A.1 - A.9 Architectural
 L.1 - L.4 Site work
 U.1 Utility
 P.1 - P.5 Plumbing
 M.1 - M.4 Mechanical
 E.1 - E.10 Electrical
 FP.1 - FP.3 Fire Protection
 PS.1 Plat of Survey
 1 - 36 Details and Schedules
 Specifications - 149 Pages
 Addenda

BROOKHAVEN NURSING CENTERMAJOR MOVABLE EQUIPMENT..

<u>AREA</u>	<u>DESCRIPTION</u>
Lobby	Sofas (2) End Tables (5) Wing Chairs (3) Lamps (3) Clock (1)
Gifts	Display Case
Staff Dining	Lockers (70) ½ size 2 tier Tables (5) Chairs (20) Time Clock
Meditation	Sofa (1) Chairs (2) Tables (2) Lamps (2)
Beauty/Barber	Cabinet & Mirror Style Chair Dryer Chair Portable Dryer Side Chairs (2)
Laundry	Distribution Carts (4) Soiled Carts w/lids (4) Clean Carts w/ lids (4) Hampers (4) w/bags (24)
Maintenance Shop	Desk File Cabinet Chair Shelving
Therapy	Parallel Bars Steps Shoulder Wheel Mirror Exam Table

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Storage/Janitor

Shelving
Maid Carts (3)
Vacuum Upright
Vacuum Wet & Dry
Floor Buffer Machine

Social Service Office

Desk
Chair
Side Cabinet
Side Chairs (2)
End Table (1)

Training/Conference

Conference Table 8 ft.
Chairs (10)
Credenza/Bookcase
Projector, Recorder, Stand,
Cassettes

Administrator's Office

Desk
Credenza
Exec. Chair
Wing Chair (2)
Sofa (1)
Tables (2)
Lamps (2)

D. N. Office

Desk
Chair
File Cabinet
Side Chairs (2)
End Tables (1)

General Office

Desk and Return
Desk Chairs (2)
Side Chairs (2)
Table (1)
Copier
Receipt Machine
Typewriters (2)
Adding Machines (2)
Safe (1)
Files - Lateral 5 dr. (3)

-3-

Office Manager	Desk & Return Desk Chair File Cabinet (1) Side Chair (2) End Table (1) Adding Machine (1)
Dining/Lounge "Main"	Wing Chairs (4) End Tables (4) TV - 25" Color Sofa (1)
Main Dining Room	Tables (27) Chairs (81)
Wing Lounges	Sofa (4) Chairs (6) Tables (8) Lamps (4) Televisions (2)
Patient Storage (2)	Shelving
Nurses Stations (2)	Chairs (6) Scales (2) I.P.P.B. Machine Suction Machine Air Mattress Complete Medicine Carts (4) Narcotic Cabinets (2)
Central Baths (2)	Tub Lifts (4) Waiting Benches (2)
Pantries (2)	Ice Carts (2)
Soiled Utility	Sanitizers (2)
Dining Lounges "Wing" (2)	Sofa (2) Lounge Chairs (6) End Tables (6) Lamps (4) Dining Tables (6) Dining Chairs (18)

-4-

Activities

16 mm Projector & Screen
 Kiln
 Desk
 Desk Chair
 File Cabinet
 Side Chair
 Tables

Housekeeping

Desk & Chair
 Shelving

Patio

Tables, Umbrellas, Chairs

Patient Rooms

Cubicle Curtains (141)
 Highback Chairs (141)
 Side Chairs (141)
 Geri Chairs (14)
 Wheelchairs (14)
 Overbed Tables (71)
 Folding Tables (70)
 Beds, Fixed height (70)
 Beds, Hi-low (71)
 Bedrails (141)
 Bedside Cabinets (141)
 Mattresses (141)
 Wardrobes
 Art Work & Plants

Other

Door Signs & Directory
 Drapes Throughout

Kitchen-Major Equipment

Storage Shelving
 Pot Storage Shelving
 Receiving Scale
 Coffee Urn Stand
 Coffee Urn
 Rotary Toaster
 Cold Food Cart
 Worktables (2)
 Mixer
 Mixer Stand
 Tray Starter Unit
 Unitized Base Disp.
 Cup & Saucer Disp.
 Tray Disp.
 Tray Conveyor
 Bowl Cart
 Plate Disp.
 Slicer
 Worktable w/ Utensil Rack
 Tray Delivery Carts (5)
 Utility Carts (2)
 Blender

Miscellaneous

Ankle & Wrist Weights
Hydrocollator
Walkers (12)
Shower Chairs (6)
Commode Chairs (6)
I.V. Stands (2)
Oxygen Regulators (2)
Oxygen Cylinder Trucks (2)
Overhead Trapeze (1)

BROOKHAVEN NURSING CENTER

APPLIANCES

Laundry

Washers

• Dryers

Pantries

Ice Machines

Refrigerators

Kitchen

Walk-in cooler

Roll-in refrigerator

Hand sinks

Prep sink

Hot food table

Griddle range

Burner range

Convection oven

Reach-in refrigerator

3 comp. sink

Dishwasher & set up

Booster heater

approximately 45,000 square feet of floor area. The Plans and Specifications have been approved by Tenant and the parties have listed in Exhibit A to this Lease the final Plans and Specifications. Landlord shall construct the buildings and improvements at its cost and expense in accordance with the final Plans and Specifications as thus approved.

If Tenant desires any change in the design partition layout of the buildings, or the relocation of any of the mechanical systems or fixtures thereof, during construction of the Premises, Tenant shall request Landlord's written approval of any such change, which shall not be unreasonably withheld, except that any such approval shall be subject to the approval of the United States Department of Housing and Urban Development, acting through the Federal Housing Administration ("FHA"). Tenant shall bear any additional expense incurred by the Landlord in making any such change.

Tenant, its agents or representatives, shall also have access to the Premises at all reasonable hours in order to ascertain that the Plans and Specifications are complied with.

1.2. Landlord's Guaranty - Landlord, at Landlord's expense, shall correct any defects in materials or workmanship noted during the first year of the Lease Term (defined in Section 2.1).

1.3. Tenant's Installations - Tenant, its agents or representatives, may have access to the Premises during

construction for purposes of making an installation of fixtures or equipment necessary to its business purposes, provided such installations shall not impede the construction of the buildings by the Landlord and that the work, labor and materials furnished and performed in such installations shall be at the sole expense of the Tenant. At the expiration or termination of this Lease, Tenant shall remove any such, or subsequent installation of, fixtures and equipment at its own expense and repair any damage caused by such removal. If any mechanics' lien is claimed against the Tenant and placed against the Premises, the Tenant shall remove such lien by bond or otherwise, within ten (10) days after it is filed. If Tenant shall fail to do so, Landlord shall have the option to remove the lien, in which event Tenant shall indemnify Landlord for all costs and expenses thus incurred by Landlord.

LEASE TERM

2.1. Duration of Lease Term - The Lease Term (defined below in this Section) of this Lease shall begin on the earlier of (a) the date Tenant takes actual possession of the Premises or (b) October 1, 1983. The earlier of the above dates shall be hereinafter referred to as the "Commencement Date." Tenant shall obtain all necessary permits and licenses permitting the use and occupancy of the Premises as a nursing home extended care facility.

The Lease Term of this Lease shall be from the Commencement Date through the date which is three years from the Commencement Date, subject to extension as set forth in Section 2.2, below.

2.2. Renewal Terms - Provided that Tenant is not in default under any of the provisions of this Lease, Tenant shall have the right to renew this Lease for two (2) renewal terms of three (3) years each, provided that Tenant notify Landlord of its intent to renew no more than nine (9) and no less than six (6) months prior to the termination of the then current initial or renewal term.

RENT AND OTHER PAYMENTS

3.1. In General - Tenant shall pay during the Lease Term an amount for Basic Rent (see section 3.2), Additional Payments (see Section 3.3), for Taxes (see Section 3.4), and for Utilities (see Section 3.5).

3.2. Basic Rent. Beginning on the Commencement Date, or on the first day of the month next following if the Commencement Date falls on other than the first day of a month, Tenant shall pay to Landlord annual rent ("Basic Rent") as described below in monthly installments without set off in legal tender in advance on the first day of each and every month in each year during the Lease Term. If the Commencement Date shall fall on a day other than the first day of a calendar

month, the Tenant shall pay to Landlord for the month in which the Commencement Date shall occur an additional rental of an amount calculated by prorating the monthly rent payment. Tenant shall make all rental payments to Landlord c/o Meridian, Inc., 21 West Road, Towson, Maryland 21204, attention: Michael J. Batza, Jr., or at such other address designated by Landlord.

Base Rent for each month will at all times be 105% of the payments of principal and interest that Landlord will be required to pay that month under a Mortgage Note (FHA Form No. 4118D) to Puller Mortgage Associates, Inc. (the "Mortgage Servicer") in the principal amount of \$3,346,700 (the "Mortgage Note"), and bearing interest at the rate described therein which will be secured by a Mortgage on the Premises (FHA Form No. 4118-B) (the "Mortgage").

3.3. Additional Payments - Landlord is providing financing for the purchase and construction of the Premises by entering into a Financing Agreement, dated as of September 1, 1982, with the Town of Dyer, Indiana (the "Financing Agreement"), whereby the Town has agreed to issue its Town of Dyer, Indiana, Health Care Facilities Revenue Bonds, Brookhaven Nursing Center Issue (FHA Insured Project), Series A (the "Bonds") under a Trust Indenture dated as of September 1, 1982 (the "Indenture"), with Gary National Bank as Trustee (the "Trustee") and to lend the proceeds of the sale of the Bonds to Landlord. FHA has issued a commitment to provide mortgage

insurance for the Mortgage Note, and Landlord has entered into a Regulatory Agreement (FHA Form 2466) with FHA ("Landlord's Regulatory Agreement").

Landlord has assumed certain obligations under the Financing Agreement and the Indenture to make payments of fees and expenses including (i) the obligation in Section 3.1 of the Financing Agreement to make up deficiencies in the Debt Service Reserve Fund provided for in the Indenture and in amounts needed to make payments on the Bonds and (ii) the obligation under Section 3.10 of the Financing Agreement to pay the Trustee's Annual Fee and all costs relating to the issuance, maintaining or renewal of any Letter of Credit required by the Financing Agreement or Indenture.

While it is anticipated that payments made under the Mortgage Note and deposited with the Trustee will be sufficient to fund all such expenses and fees, to the extent amounts deposited in the accounts established by the Indenture are insufficient to make the required payments of such expenses and fees, Tenant will make the required payments as additional rent. Landlord will promptly notify Tenant of the amount of the additional payment required to be paid by Tenant upon receipt by Landlord of notice of such requirement from the Trustee or its agent. Tenant shall remit payment to Landlord of the required additional payment within ten (10) days of its receiving notice from Landlord.