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This instrument was prepared by:
David A. Barsky, Esq.
Krooth & Altman LLP
1850 M Street, NW, Suite 400
Washington, DC 20036
(202) 293-8200



Doc#: 1211729044 Fee: \$84.00
Eugene "Gene" Moore RHSP Fee: \$10.00
Cook County Recorder of Deeds
Date: 04/26/2012 01:19 PM Pg: 1 of 24

And after recording should please
be returned to:

U.S. Department of Housing and
Urban Development
Chicago Regional Office, Region V
Ralph H. Metcalfe Federal Building
77 W. Jackson Boulevard, 26th Floor
Chicago, Illinois 60604-3507
Attention: Michael Burke, Esq.

REGULATORY AGREEMENT NURSING HOMES

LESSEE: Presidential Pavilion, LLC,
an Illinois limited liability company

COMMISSIONER: Federal Housing Commissioner

MORTGAGOR: Beverley Pavilion, LLC,
an Illinois limited liability company

PROJECT NAME: Presidential Pavilion

FHA PROJECT NO.: 071-22186

LESSEE'S ADDRESS: 6865 N. Lincoln Avenue
Lincolnwood, Illinois 60712

MORTGAGOR'S ADDRESS: 6865 N. Lincoln Avenue
Lincolnwood, Illinois 60712

PROJECT ADDRESS: 8001 S. Western Avenue
Chicago, Illinois 60620
(Cook County)

PERMANENT REAL ESTATE INDEX NO.: 20-31-108-044-0000

UNOFFICIAL COPY**Regulatory Agreement
Nursing Homes**

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

| | | | |
|--------------------------------------------|----------------|--------------------------------------------------------|--|
| Project Number 071-22186 | | Mortgagee CAMBRIDGE REALTY CAPITAL LTD. OF ILLINOIS | |
| Amount of Mortgage Note \$17,721,500.00 | | Date as of April 1, 2012 | |
| Mortgage Recorded (State) Illinois | County Cook | Date recorded concurrently herewith | |
| Book | Page | | |

This Agreement entered into as of this 1st day of April, 2012, by and between PRESIDENTIAL PAVILION, LLC, an Illinois limited liability company whose address is 6865 N. Lincoln Avenue, Lincolnwood, Illinois 60712

(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 BEVERLEY PAVILION, LLC, an Illinois limited liability company, whose address is 6865 N. Lincoln Avenue, Lincolnwood, Illinois 60712, 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 Mortgage 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 mortgage 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 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;
- (9) If a default is declared by the Commissioner under the provisions of Paragraph 11 of the Regulatory Agreement entered into by the lessor-mortgagor and the Commissioner of even _____ date herewith _____, 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 Commissioner must approve any change in or transfer of ownership of the lessee entity, and any change in or transfer of the management operation, or control of the project.

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- (12) The lessee shall not reduce or expand, allow to be reduced or expanded, or cause the expansion or reduction of the bed capacity of the project without the consent of the Commissioner. Any change in the bed capacity shall violate this Regulatory Agreement.
- (13) 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.
- (14) 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/her duly authorized agents.
- (15) 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.
- (16) See LEAN Rider attached hereto and made a part hereof.
- (17) See Exhibit "B" (Lease, as amended) attached hereto and made a part hereof.

Instructions to Closing Attorney
Regulatory Agreement—form HUD-92466-NHL
Nursing Homes—Section 232

This Regulatory Agreement must be executed by the Lessee and the Commissioner and recorded before the Note is endorsed for insurance.

Note that there is space left on the back of the printed form for proper execution of the instrument.

The execution by the Commissioner and by the Lessee must be in accordance with the requirements of the jurisdiction where the project is located and must permit the instrument to be recorded.

The Agreement is to be executed in the name of the Commissioner. It will be signed for the Commissioner by the Field Office Manager or authorized agent who endorses the Note for insurance.

Recording must be at the expense of the mortgagor-owner or lessee.

Sufficient space is left on the back for the insertion of any necessary additional provisions. Any changes in the Agreement and any substantial additions shall receive the prior approval of the Assistant Secretary for Housing.


A copy of the Commissioner-approved lease shall be attached to this Regulatory Agreement. If the lease has already been filed or recorded, re-recording will be unnecessary, and a copy of the recorded lease (with recording data) will be attached following recording of the form HUD-92466-NHL.

The Agreement must be executed by the Lessee prior to execution by the Commissioner.

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

LESSEE:
PRESIDENTIAL PAVILION, LLC,
an Illinois limited liability company

By: 
Name: Morris I. Esformes
Its: Manager

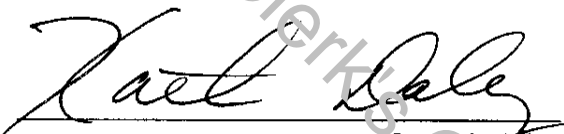
Property of Cook County Clerk's Office

ACKNOWLEDGMENT

STATE OF ILLINOIS)
) ss:
COUNTY OF COOK)

On this 23 day of April, 2012, before me, the undersigned, a Notary Public in and for said State, personally appeared MORRIS I. ESFORMES, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

[SEAL] 



Notary Public

My Commission Expires: _____

[SIGNATURES CONTINUE ON THE SUCCEEDING PAGE]

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COMMISSIONER:

**Secretary of Housing and Urban Development,
acting by and through the Federal Housing
Commissioner**

By: Patrick G. Berry
Patrick G. Berry
Authorized Agent
Office of Residential Care Facilities

ACKNOWLEDGMENT

STATE OF MICHIGAN)
) ss:
COUNTY OF WAYNE)

The foregoing instrument was acknowledged before me Rasheedah C. Dix, a Notary Public, this 9th day of April, 2012 by Patrick G. Berry as the Authorized Agent for the Secretary of the U.S. Department of Housing and Urban Development, acting by and through the Federal Housing Commissioner, and a Supervisory Account Executive in the Office of Residential Care Facilities, U.S. Department of Housing and Urban Development, and that he, being authorized to do so by virtue of such office, executed the foregoing instrument on behalf of the Federal Housing Commissioner, acting for the Secretary of the U.S. Department of Housing and Urban Development.

[SEAL]

Rasheedah C. Dix
Notary Public, State of Michigan

(Print Name) Rasheedah C. Dix

[Acting in the] County of Wayne

My commission expires: August 15, 2018

RASHEEDAH C. DIX
NOTARY PUBLIC, STATE OF MI
COUNTY OF WAYNE
MY COMMISSION EXPIRES Aug 15, 2018
ACTING IN COUNTY OF Wayne

Attachments: Exhibit "A" (Legal Description)
Exhibit "B" (Lease, as amended)
LEAN Rider to Regulatory Agreement Nursing Homes

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EXHIBIT "A" (LEGAL DESCRIPTION)

All that certain lot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the City of Chicago, County of Cook, State of Illinois.

LOTS 18 TO 28 BOTH INCLUSIVE, IN BLOCK 3 IN C.H. BECKWITH'S SUBDIVISION OF BLOCKS 14 AND 15 IN HUNTER'S SUBDIVISION OF THE NORTHWEST 1/4 OF SECTION 31, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN IN COOK COUNTY, ILLINOIS.

PROPERTY ADDRESS: 8001 S. WESTERN AVENUE
CHICAGO, ILLINOIS 60620
(COOK COUNTY)

PERMANENT REAL ESTATE INDEX NO.: 20-31-108-044-0000

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EXHIBIT "B" **TO REGULATORY AGREEMENT NURSING HOMES**

That certain Lease dated as of February 1, 2005, made by and between the Lessee and the Mortgagor, as amended by that certain Amendment to Lease dated as of March 1, 2005, made by and between the Lessee and the Mortgagor (collectively, the "Existing Lease"), were recorded as Exhibits "C" and "B", respectively, to that certain Regulatory Agreement Nursing Homes, dated March 1, 2005, made by and between the Lessee and the Commissioner, and recorded March 9, 2005 as Document No. 0506803109 in the Recorder of Deeds of Cook County, Illinois. The Existing Lease is further amended by that certain Second Amendment to Lease dated as of April 26, 2012, made by and between the Lessee and the Mortgagor (the "Second Amendment"), which Second Amendment is attached hereto and made a part hereof.

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SECOND AMENDMENT TO LEASE

This Second Amendment to Lease ("Amendment"), made as of April 26, 2012, attached to and made a part of that certain Lease dated as of February 1, 2005 entered into by BEVERLEY PAVILION, LLC, an Illinois limited liability company ("Owner/Lessor") and PRESIDENTIAL PAVILION, LLC, an Illinois limited liability company ("Lessee") (the "Lease"), as amended by that certain Amendment to Lease, dated as of March 1, 2005, by and between Owner/Lessor and Lessee (the "First Amendment", and collectively with the Lease, the "Operating Lease"), and amends and/or supplements the Operating Lease. In the event of a conflict between the terms of this Amendment and the Operating Lease, the terms of this Amendment shall govern and control. Capitalized terms used herein but not defined shall have the meanings set forth in the Operating Lease.

AGREEMENT

1. Rent, Section 3(c) of the Lease is hereby replaced in its entirety as follows:

"(c) Notwithstanding any provision contained herein to the contrary, Lessee shall be obligated to pay and shall pay to Lessor, commencing on April 1, 2012 and on the first (1st) day of each month thereafter for so long as the Facility is subject to any mortgage loan insured or held by HUD, an amount ("HUD Rent") which is the greater of (i) base rent plus any additional rent due and payable hereunder, or (ii) a sum equal to no less than \$95,973.17, which at all times and in such amounts shall be sufficient to pay the following monthly obligations of Owner/Lessor to the Lender, and its successors and assigns as holder of the Federal Housing Administration ("FHA") FHA Project No. 071-22186:

- (i) Mortgage Payment of Principal and Interest;
- (ii) FHA Mortgage Insurance Premium Escrow;
- (iii) Deposit to Replacement Reserve (if any);
- (iv) Insurance Escrows; and
- (v) Real Estate Tax Escrows (if any).

Owner/Lessor shall provide Lessee with written notice of any adjustment in HUD Rent required by HUD or Lender within seven (7) business days following receipt by Owner/Lessor of notice of any such adjustment. Thereafter, Lessee shall pay to Lessor any HUD Rent, as so adjusted, due and payable under the Lease, which adjusted payment shall commence as of the first (1st) day of the month following receipt by Lessee of notification of said adjustment as hereinabove provided."

2. Section 3.4 of the Lease, as described in the First Amendment, is hereby deleted.

3. Exhibit A of the Lease Agreement shall be replaced in its entirety as attached hereto.

DEFINITIONS

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The following terms shall have the meanings specified below:

“FF&E” means furnishings, fixtures and equipment of all kinds used in connection with the Leased Premises, including additions, substitutions and replacements thereto.

“FHA” means the Federal Housing Administration.

“Health Care Requirements” shall mean, relating to the Leased Premises, all federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions or agreements, in each case, pertaining to or concerned with the establishment, construction, ownership, operation, use or occupancy of the Leased Premises or any part thereof as a health care facility, and all material permits, licenses and authorizations and regulations relating thereto, including all material rules, orders, regulations and decrees of and agreements with health care authorities pertaining to the Leased Premises.

“HUD” means the U.S. Department of Housing and Urban Development.

“HUD Program Requirements” means all applicable statutes and regulations, including all amendments to such statutes and regulations, as they become effective, and all applicable requirements in HUD handbooks, notices and mortgagee letters that apply to the Leased Premises, including all updates and changes to such handbooks, notices and mortgagee letters that apply to the Leased Premise, except that changes subject to notice and comment rulemaking shall become effective upon completion of the rulemaking process.

“Leased Premises” means all the land located at, and known and identified as PRESIDENTIAL PAVILION, said premises being situated in the City of Chicago, Cook County, State of Illinois, and more particularly described in Exhibit A attached to this Lease, together with any additions thereto and substitutions therefore, and any buildings, improvements, betterments, all FF&E and other property, real or personal, now existing or at any time acquired, constructed or located thereon, and all easements and other rights appurtenant thereto.

“Lender” means CAMBRIDGE REALTY CAPITAL LTD. OF ILLINOIS, an Illinois corporation, and any future holder of the Mortgage.

“Lessee Regulatory Agreement” means the Regulatory Agreement-Nursing Homes entered into by and between the Lessee and FHA with respect to the Leased Premises and any riders, amendments and supplements thereto.

“Lessee Security Agreement” means that certain Lessee Security Agreement between Lessee and Lender with respect to the Leased Premises and any amendments or supplements thereto.

“Material Term” is a term in a loan or security agreement that:

- 1) adds guarantors to the loan;
- 2) releases guarantors from the loan;

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- 3) adds borrowers to the loan;
- 4) adds an interest reserve to the loan;
- 5) adds collateral as additional security for the loan; and/or
- 6) amends or expands the type of obligations secured by the loan.

“Mortgage” means that certain mortgage or deed of trust from the Owner/Lessor in favor of the Lender with respect to the Leased Premises securing the Mortgage Loan, and any amendments and supplements thereto.

“Mortgage Loan” means the FHA-insured mortgage loan in the original maximum principal amount of up to \$17,721,500.00 made by Lender to the Owner/Lessor, secured, in whole or in part, by the Leased Premises, as the same may be amended, increased or decreased.

“Mortgage Loan Documents” means the Owner/Lessor Regulatory Agreement, the Mortgage, the Promissory Note evidencing the Mortgage Loan executed by the Owner/Lessor in favor of the Lender, the Security Agreement, the Lessee Regulatory Agreement, the Lessee Security Agreement, and any and all other documents required by HUD and/or the Lender in connection with the Mortgage Loan.

“Owner/Lessor Regulatory Agreement” means the Regulatory Agreement entered into by and between the Owner/Lessor and HUD with respect to the Leased Premises and any riders, amendments and supplements thereto.

“Security Agreement” means that certain Security Agreement between Owner/Lessor and Lender with respect to the Leased Premises and any amendments and supplements thereto.

HUD REQUIREMENTS

1. Precedence of Amendment. For so long as HUD is the holder or insurer of any indebtedness secured by the Leased Premises, the provisions of this Amendment shall apply to this Lease. In the event of any conflict between any provision of this Amendment and any other provision of this Lease, the provision of this Amendment shall be controlling. This Amendment shall not be amended without the prior written consent of HUD and the Lender.

2. Compliance With HUD Program Requirements and Terms of Mortgage Loan Documents.

(a) The Lessee agrees to comply with all applicable HUD Program Requirements and the Mortgage Loan Documents. The Lessee further agrees that this lease will be part of the collateral pledged by Owner/Lessor to Lender & HUD. The Lessee agrees that it will not take any action which would violate any applicable HUD Program Requirements or any of the Mortgage Loan Documents.

(b) In the event of any conflict between the terms and provisions of this Lease Agreement and any applicable HUD Program Requirements or the Mortgage Loan Documents, the HUD Program Requirements and Mortgage Loan Documents shall control in all respects. Owner/Lessor and Lessee agree that no provision of this Lease shall modify any obligation of Owner/Lessor or Lessee under the Mortgage Loan Documents. Owner/Lessor and Lessee

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acknowledge that HUD's acceptance of this Lease in connection with the closing of the Mortgage Loan shall in no way constitute HUD's consent to arrangements which are inconsistent with HUD Program Requirements. This Lease is subject to all HUD Program Requirements.

3. Subordination.

(a) This Lease is and shall be subject and subordinate to the Mortgage and other Mortgage Loan Documents; to all renewals, modifications, consolidations, replacements and extensions thereof; to all substitutions thereof; and to all future mortgages upon the Leased Premises and/or other security interests in or to the Leased Premises and any other items which are herein leased to Lessee or which, pursuant to the terms hereof, become a part of the Leased Premises or are otherwise deemed to become the property of Owner/Lessor or to remain upon the Leased Premises at the end of the term; and to each advance made or hereafter to be made under any of the foregoing. This Section shall be self-operative and no further instrument of subordination shall be required. Without limiting the foregoing, the Lessee agrees to execute and deliver promptly any and all certificates, agreements and other instruments that the Owner/Lessor, Lender or HUD may reasonably request in order to confirm such subordination. Unless the Lender shall have agreed otherwise, if the Lender or another person or entity shall succeed to the interest of the Owner/Lessor by reason of foreclosure or other proceedings brought by Lender in lieu of or pursuant to a foreclosure, or by any other manner (Lender or such other person or entity being called a "Successor"), then this Lease shall terminate, or, at the option of the Successor, this Lease shall nevertheless continue in full force and effect, in which case the Lessee shall and does hereby agree to attorn to the Successor and to recognize the Successor as its landlord under the terms of this Lease.

(b) Agreements for provision of services to the Leased Premises or the granting of easements, rights of way or other allowances of use or placement of CATV, utilities or other items are, and shall always be, subordinate to (i) the right of Owner/Lessor, and (ii) the Mortgage and other Mortgage Loan Documents and all other mortgages and security interests now or hereafter encumbering the Leased Premises and/or the property of which it forms a part. Lessee must obtain HUD written approval prior to entering into any telecommunications services agreement and/or granting of any easements.

4. Ownership of FF&E. Lessee agrees that (a) except leases of FF&E entered into in the ordinary course of business with third-party lessees and property of tenants and residents of the Leased Premises, all FF&E located on the Leased Premises at the date of the Lease is and shall be the property of the Owner/Lessor, and (b) any FF&E acquired by Owner/Lessor or Lessee during the term of this Lease remaining on the Leased Premises at the termination of the Lease shall be and/or become the property of the Owner/Lessor. Lessee agrees, during the term of the Lease, not to remove any FF&E from the Leased Premises, except to replace such FF&E with other similar items of equal or greater quality and value.

5. Payments. Owner/Lessor and Lessee each acknowledges and agrees that the rent and other amounts payable by Lessee under this Lease (including rent, additional rent and all other sums payable under this Lease) are sufficient to properly maintain the Leased Premises, and to enable the Owner/Lessor to meet its debt service obligations and related expenses in connection with the Mortgage Loan and the Leased Premises.

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6. Lessee Regulatory Agreement and Lessee Security Agreement. At the time of the closing of the Mortgage Loan, the Lessee agrees to execute the Lessee Regulatory Agreement and the Lessee Security Agreement, and other applicable documents evidencing the Lender's security interest in the collateral of the Lessee. The Lessee agrees to comply with its obligations under the Lessee Regulatory Agreement and the Lessee Security Agreement, and agrees that a default by the Lessee under the Lessee Regulatory Agreement or Lessee Security Agreement shall be deemed to be a default under this Lease.

7. Management Contract Requirements. The Lessee agrees not to enter into any management contract involving the Leased Premises unless such management contract complies with applicable HUD Program Requirements and contains provisions that, in the event of default under the Owner/Lessor Regulatory Agreement or the Lessee Regulatory Agreement, the management agreement shall be subject to termination upon not more than thirty (30) days notice without penalty upon written request of HUD. Upon such HUD termination 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 HUD for continuing proper management of the Leased Premises.

8. Licenses; Bed Authority. Lessee shall ensure that the Leased Premises meets all state licensure requirements and standards at all times. Owner/Lessor and Lessee agree not to undertake or acquiesce to any modification to any license with respect to the Leased Premises or to any "bed authority" related thereto without the prior written approval of HUD.

9. Governmental Receivables. Lessee shall be responsible for obtaining and maintaining all necessary provider agreements with Medicaid, Medicare and other governmental third party payors. Lessee agrees to furnish HUD and Lender with copies of all such provider agreements and any and all amendments thereto promptly after execution thereof.

10. Financial Statements and Reporting Requirements. Lessee agrees to furnish HUD and Lender copies of its annual financial statements with respect to the Leased Premises, prepared in compliance with the requirements of the Lessee Regulatory Agreement, within ninety (90) days after the close of Lessee's fiscal year or such longer period as may be permitted by HUD. Lessee agrees to submit to HUD and Lender copies of all other financial reports as specified in the Lessee Regulatory Agreement.

11. Inspections. The Lessee agrees that upon reasonable request, the Lender, HUD and their respective designees and representatives may at all reasonable times, upon reasonable notice, subject to the rights of patients, residents and tenants, examine and inspect the Leased Premises. The Lessee will, on the request of the Lender and/or HUD, promptly make available for inspection by the Lender and/or HUD, and their designees and representatives, copies of all of the Lessee's correspondence, books, records and other documentation relating to the Leased Premises, excepting communications between the Lessee and its attorneys. The Lessee agrees to maintain accounting records for the Leased Premises in accordance with its customary practice and the Lessee Regulatory Agreement, separate from any general accounting records which the Lessee may maintain in connection with the Lessee's other activities. The Lessee agrees that the Lender and/or HUD, and their designees and representatives, shall at any reasonable time, have access to and the right to examine all accounting records of the Lessee which relate directly or

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indirectly to the Leased Premises. The obligations of Lessee under this Section shall be limited to the extent necessary in order for Lessee to comply with applicable laws regarding the confidentiality of resident/patient medical records and information.

12. Insurance; Casualty; Condemnation. The Lessee agrees to procure and maintain, or cause to be procured and maintained, the insurance coverage required pursuant to the Mortgage Loan Documents and/or applicable HUD Requirements, including HUD Notices H 04-01 and H 04-15. Insurance proceeds and the proceeds of any condemnation award or other compensation paid by reason of a conveyance in lieu of the exercise of such power, with respect to the Leased Premises or any portion thereof shall be applied in accordance with the terms of the Mortgage Loan Documents and applicable HUD Program Requirements. The decision to repair, reconstruct, restore or replace the Leased Premises following a casualty or condemnation shall be subject to the terms of the Mortgage Loan Documents and applicable HUD Requirements.

13. Assignment of Operating Lease and Subletting of the Leased Premises. This Lease shall not be assigned or subleased by Lessee, in whole or in part (including any transfer of title or right to possession and control of the Leased Premises, or of any right to collect fees or rents), without the prior written approval of HUD. The prior written approval of HUD shall be required for (a) any change in or transfer of the management, operation, or control of the project or (b) any change in the ownership of the Lessee that requires HUD approval under the Department's previous participation approval requirements. Owner/Lessor and Lessee acknowledge that any proposed assignee will be required to execute a Lessee Regulatory Agreement and a Lessee Security Agreement, each in form and substance satisfactory to HUD, as a prerequisite to any such approval. Any assignment or subletting of the Leased Premises made without such prior approval shall be null and void. This restriction on subletting does not apply to Lessee's leasing of individual units or beds to patient / residents.

14. Accounts Receivable (AR) Financing. The Lessee shall not pledge its accounts receivable or receipts to an accounts receivable lender for any loan without the prior written approval of the Lender and HUD. In the event that the Lender and HUD grant such approval; (i) the holder(s) of such lien shall enter into an Intercreditor and a Rider to Intercreditor Agreement with the AR Lender and Lender on such terms and conditions as may be required by HUD; and (ii) Lessee shall agree to comply with the requirements imposed by the Lender and HUD in connection therewith. Until such approved loan is paid in full, the written approval of HUD is required for any proposed modifications, extensions, renewals or amendments to a Material Term of the AR loan or the security agreement, prior to the effective date of such amendments.

15. Termination of Lease. The Lease shall not be terminated prior to its expiration date without the prior written approval of HUD. If HUD becomes Mortgagee, Mortgagee in Possession, or Successor, HUD can terminate the Lease (A) for any violation of the Lease that is not cured within any applicable notice and cure period given in the Lease, (B) for any violation of the Lessee Regulatory Agreement or other HUD Program Requirements or Health Care Requirements that is not cured within thirty (30) days after receipt by Lessee of written notice of such violation or (C) if HUD, as a result of the occurrence of either of the events described in the foregoing items (A) or (B), is required to advance funds for the operation of the facility located on the Leased Premises.

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16. Master Lease. Projects proposed for FHA financing under the Section 232 program that are affiliated by common ownership among Mortgagors and/or Lessee/Operator entities must receive written approval from HUD, and may be required to use a Master Lease between the Mortgagor/Landlord and the Master Tenant/Subtenant/Operator. The Master Lease and the HUD Master Lease Subordination Agreement or Master Lease Subordination Non Disturbance Agreement shall be approved by HUD and the Mortgagee. The Master Lease shall only contain Mortgagors and Operators of FHA-insured projects.

17. Notwithstanding any other terms contained in the Lease, in the event of an assignment of the Lease to HUD or FHA, neither HUD nor FHA shall have any indemnification obligations under the Lease. In addition, any payment obligations of HUD or FHA pursuant to the Lease shall be limited to actual amounts received by HUD or FHA, and otherwise not prohibited by applicable law or regulation, including without limitation, the Anti Deficiency Act, 31 U.S.C. § 1341 et seq.

[SIGNATURE PAGES FOLLOW]


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LESSEE SIGNATURE PAGE
FOR
SECOND AMENDMENT TO LEASE

In witness whereof, the undersigned has executed and delivered this Amendment as of the date first above set forth.

LESSEE:

PRESIDENTIAL PAVILION, LLC,
an Illinois limited liability company

By: 
Name: Morris I. Esformes
Title: Manager

Property of Cook County Clerk's Office

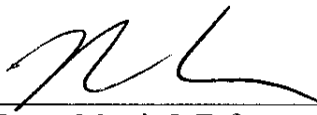
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OWNER/LESSOR SIGNATURE PAGE
FOR
SECOND AMENDMENT TO LEASE

In witness whereof, the undersigned have executed and delivered this Amendment as of the date first above set forth.

OWNER/LESSOR:

BEVERLEY PAVILION, LLC,
an Illinois limited liability company

By: 
Name: Morris I. Esformes
Title: Manager

Property of Cook County Clerk's Office

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EXHIBIT A

All that certain lot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the City of Chicago, County of Cook, State of Illinois.

LOTS 18 TO 28 BOTH INCLUSIVE, IN BLOCK 3 IN C.H. BECKWITH'S SUBDIVISION OF BLOCKS 14 AND 15 IN HUNTER'S SUBDIVISION OF THE NORTHWEST 1/4 OF SECTION 31, TOWNSHIP 38 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN IN COOK COUNTY, ILLINOIS

PROPERTY ADDRESS: 8001 S. WESTERN AVENUE
CHICAGO, ILLINOIS 60620
(COOK COUNTY)

PERMANENT REAL ESTATE INDEX NO.: 20-31-108-044-0000

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LEAN Rider to Regulatory Agreement Nursing Homes

This Rider is attached to and made a part of that certain Regulatory Agreement Nursing Homes dated as of April 1, 2012 (the "Agreement") by and between Presidential Pavilion, LLC, an Illinois limited liability company (the "Lessee") and the Federal Housing Commissioner (the "Commissioner") with respect to "Presidential Pavilion", FHA Project No. 071-22186. In the event of any conflict between any provision of this Rider and any other provision of the Agreement, the provision of this Rider shall be controlling. The Agreement is hereby amended, modified and supplemented as follows:

A. Subleases. Paragraph 4 of the Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

- (4) Except for subleases to individual residents, the Lessee shall not sublease the project or any part thereof without the prior written consent of the Commissioner.

B. Permits and Approvals; Professional Liability Insurance. Paragraph 5 of the Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

- (5) (a) As used herein, "Approved Use" means the use of the project as a **328** bed skilled nursing and intermediate care facility and such other uses as may be approved in writing from time to time by the Commissioner based upon a request made by the mortgagor or the Lessee, but excluding any uses that are discontinued with the written approval of the Commissioner.

As used herein, "Permits and Approvals" means and includes all certificates of need, bed authority, provider agreements, licenses, permits and approvals required to operate the project for the Approved Use. The Lessee shall at all times maintain in full force and effect the Permits and Approvals. Without the prior written consent of the Commissioner, the Lessee shall not convey, assign, encumber, transfer or alienate from the project any of the Permits or Approvals. The Lessee shall ensure that the project is at all times operated in accordance with the requirements of the Permits and Approvals. The security agreement and UCC financing statements referred to in paragraph 19 hereof shall constitute, to the extent permitted by law, a first lien upon all of the Lessee's rights, titles and interest, if any, in the Permits and Approvals. However, in the event of either a monetary or other default under this Agreement, any Regulatory Agreement between the mortgagor and the Secretary of Housing and Urban Development with respect to the project (the "Owner Regulatory Agreement") or any note or mortgage with respect to the project that is insured or held by the Commissioner, the Lessee shall cooperate in any legal and lawful manner necessary or required to permit the continued operation of the project for the Approved Use. For the intents and purposes herein, Lessee hereby

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irrevocably nominates and appoints the Commissioner, his/her successors and assigns, as its attorney-in-fact coupled with an interest to do all things necessary to continue to operate the project for the Approved Use, including but not limited to the power and authority to provide any and all information and data, pay such fees as may be required, and execute and sign in the name of the Lessee, its successors or assigns, any and all documents, to the extent that such information, data, fees and documents may be required by any governmental entity exercising jurisdiction over the project.

(b) The Lessee will not alter, or suffer or permit the alteration of any Permit or Approval that is issued or held in the name of the Lessee without the prior written consent of the Commissioner. In the event that any such alteration is proposed, upon learning of such proposed alteration, the Lessee will advise the Commissioner and mortgagee promptly.

(c) The Lessee shall deliver to the Commissioner and the mortgagee, within ten (10) days after receipt thereof, copies of any and all notices, reports, surveys and other correspondence (regardless of form) received by Lessee from any governmental authority that includes any statement, finding or assertion that (i) the Lessee or the project is or may be in violation of (or default under) any of the Permits or Approvals or any governmental requirements applicable thereto, (ii) any of the Permits or Approvals are to be terminated or not renewed or (iii) the Lessee or the project is subject to any governmental investigation or inquiry involving fraud. Lessee shall deliver to the Commissioner and the mortgagee, simultaneously with delivery thereof to any governmental authority, any and all responses given by or on behalf of the Lessee to such governmental authority and shall provide to the Commissioner and the mortgagee, promptly upon request, such information regarding any of the foregoing as the Commissioner or the mortgagee may request. The receipt by the Commissioner and/or the mortgagee of notices, reports, surveys, correspondence and other information shall not in any way impose any obligation or liability on the Commissioner, the mortgagee or their respective agents, representatives or designees to take (or refrain from taking) any action, and the Commissioner, the mortgagee and their respective agents, representatives and designees shall have no liability for any action or failure to act thereon or as a result thereof.

(d) The Lessee shall maintain, and/or cause to be maintained, professional liability insurance that complies with the applicable requirements of the Commissioner. Annually, the Lessee shall provide, or cause to be provided, to the Commissioner and mortgagee, a certification of compliance with the Commissioner's professional liability insurance requirements.

C. Use of the Project. Paragraph 8 of the Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof:

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(8) Lessee shall not use the project for any purpose except the Approved Use.

D. Defaults. Paragraphs 9 and 10 of the Agreement are hereby deleted in their entirety and the following are substituted in lieu thereof:

- (9) In the event that Lessee receives a written notice from the Commissioner or the mortgagee (i) stating that a default exists under the Owner Regulatory Agreement or any note or mortgage with respect to the project that is insured or held by the Commissioner, and (ii) directing the Lessee to make future payments due under the lease to the Commissioner or the mortgagee, the Lessee shall thereafter make all future payments under the lease to the Commissioner or the mortgagee as so directed.
- (10) The lease may be cancelled upon thirty days' written notice by the Commissioner given to the mortgagor and the Lessee for a violation by the Lessee of any provision of this Agreement, unless the violation is corrected to the satisfaction of the Commissioner within said thirty-day period; provided, however, that said thirty-day period shall be extended for up to ninety additional days so long as (i) all of the payment obligations of the mortgagor under the note, mortgage and Owner Regulatory Agreement are being timely satisfied, (ii) none of the Permits or Approvals is at material risk of being terminated, (iii) such violation cannot reasonably be corrected during said thirty-day period, but can reasonably be corrected within one hundred twenty days of such notice, and (iv) the Lessee commences to correct such violation during said thirty-day period and thereafter diligently and continuously proceeds to correct such violation to the satisfaction of the Commissioner.

E. Transfers; Change in Control; Lease Amendments. Paragraphs 11 and 12 of the Agreement are hereby deleted in their entirety and the following are substituted in lieu thereof:

- (11) The prior written approval of Commissioner shall be required for (a) any change in or transfer of the management, operation, or control of the project or (b) any change in the ownership of the Lessee that requires the approval of the Commissioner under the Commissioner's previous participation approval requirements and procedures.
- (12) (a) The lease shall not be terminated prior to the expiration date thereof or assigned without the prior written approval of the Commissioner. In the event of any assignment of the lease, as a condition to such assignment, the assignee shall execute and deliver a regulatory agreement in form and substance satisfactory to the Commissioner.
- (b) Without the prior written approval of the Commissioner, the lease shall not be amended so as to (i) reduce the rent or other payments due thereunder, (ii) increase the obligations of the mortgagor or the rights of the Lessee,

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(iii) decrease the rights of the mortgagor or the obligations of the Lessee, or (iv) alter any provision of the lease that the Commissioner required to be included therein. Copies of all amendments to the lease shall be promptly furnished to the Commissioner and the mortgagee.

F. Management Contracts. Paragraph 13 of the Agreement is hereby deleted in its entirety and the following is hereby substituted in lieu thereof:

(13) The Lessee shall not enter into any management agreement involving the project, unless such shall contain a provision that, in the event of default under this Agreement or the Owner Regulatory Agreement, the management agreement shall be subject to termination without penalty upon written request of the Commissioner. Upon such request, Lessee shall immediately arrange to terminate the management agreement within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Commissioner for the continuing proper management of the project. In addition to the foregoing, in the event that a management agent is (or will be) the holder of the project's license and/or is (or will be) the payee under one or more third-party payor agreements with respect to the project, the provisions of paragraphs 6(j) and 6(k) of the Owner Regulatory Agreement shall be applicable to such management agreement as and to the same extent as if such management agreement were an operating lease.

G. Confidentiality of Resident/Patient Medical Records and Information. Paragraph 14 of the Agreement is hereby amended to add the following:

The obligations of Lessee under this paragraph shall be limited to the extent necessary in order for Lessee to comply with applicable laws regarding the confidentiality of resident/patient medical records and information.

H. Financial Statements; Reporting Requirements. The following is hereby added to the Agreement as paragraph 18:

(18) (a) Within ninety (90) days following the end of each fiscal year, the Lessee shall furnish to the Commissioner a complete annual financial report based upon an examination of the books and records of the operations of the property and of the project prepared in accordance with the requirements of the Commissioner, prepared and certified by a responsible officer of the Lessee under the provisions of 18 U.S.C. Section 1001, 1010, and 1012. If Lessee (or any direct or indirect parent of Lessee) is required to provide an audited financial statement to any lender, Lessee shall simultaneously provide copies of such audited financial statements to the Commissioner and mortgagee.

(b) Lessee shall submit to the Commissioner and mortgagee, on a monthly or quarterly basis (as specified by the Commissioner) such financial reports

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(including, but not limited to, financial statements, accounts receivable aging reports and occupancy reports) in the formats and at such times as may be required by the Commissioner.

(c) At request of the Commissioner, the Lessee shall give specific answers to questions upon which information is desired from time to time relative to income, assets, liabilities, contracts, operation, and condition of the project.

I. Security Interest; Accounts Receivable Financing. The following is hereby added to the Agreement as paragraph 19:

(19) (a) Except as otherwise approved in writing by the Commissioner, the Lessee shall grant to the mortgagee and the Commissioner a first lien security interest in all personal property of the Lessee related to the project as additional security for the obligations of the mortgagor under the note, mortgage and Owner Regulatory Agreement. Such security interest shall be evidenced by such security agreements as the mortgagee and/or the Commissioner may require and, in connection therewith, the Lessee shall execute and deliver such deposit account control agreements as may be required by the mortgagee and/or the Commissioner. Lessee hereby authorizes each of the mortgagee and the Commissioner to file such UCC financing statements and continuation statements as either of them may deem to be necessary or appropriate in connection with the foregoing security interest. With the prior written approval of the mortgagee and the Commissioner, provided that there is no identity-of-interest between mortgagor and Lessee, in lieu of the security interest referred to above, Lessee shall grant to the mortgagor a first lien security interest in such personal property of the Lessee as may be required by the mortgagee and/or the Commissioner as security for the obligations of Lessee under the lease. Except as provided in this paragraph 19, without the prior written approval of the mortgagee and the Commissioner, the Lessee shall not be permitted to grant any other liens on any of the personal property of the Lessee related to the project. If the project includes a skilled nursing home, the Lessee shall be permitted to pledge its accounts receivable to an accounts receivable lender in a manner approved by the mortgagee and the Commissioner. In the event that the mortgagee and the Commissioner grant such approval, (i) the holder(s) of such lien shall enter into an intercreditor agreement and a rider thereto with the mortgagee and/or the Commissioner on such terms and conditions as may be required by the mortgagee and the Commissioner and (ii) the Lessee and mortgagor shall agree to comply with the requirements imposed on them by the mortgagee and the Commissioner in connection therewith.

J. Legal Description. The following is hereby added to the Agreement as paragraph 20:

(20) The legal description of the mortgaged property is attached hereto as Exhibit "A" and incorporated herein.

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K. Lessee's Accounts Receivables (AR) Financing. The following is hereby added to the Agreement as paragraph 21:

(21) (a) Lessee is permitted to pledge its health care accounts receivable to an Accounts Receivable Lender in a manner approved by the Commissioner. To evidence this requirement, Lessee has entered into an Intercreditor Agreement and Rider to Intercreditor Agreement with the AR Lender, HUD Mortgagee, and Landlord in a format approved by the Commissioner and agrees to comply with its terms.

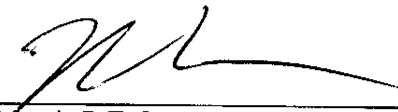
(b) The accounts receivable loan documents between the AR Lender and Lessee (the "AR Loan Documents") include a deposit account control agreement (the "Control Account Agreement") by and among AR Lender, Lessor, and Lessee's depository bank (the "Depository Bank"), and into which Lessee's accounts receivable are deposited. Lessee hereby covenants and agrees with the Commissioner as follows: Upon the "indefeasible payment in full" (as defined in the Intercreditor Agreement) of the AR Lender named in the Intercreditor Documents, and provided Lessee does not substitute or replace its existing AR Lender with a new accounts receivable lender (in which event the provisions of the first paragraph of this Section 21 shall apply), Lessee shall promptly enter into and shall cause its Depository Bank to enter into a control deposit account agreement with Mortgagee and HUD, as secured parties, and containing substantially the same terms as the Control Account Agreement.

[SEE ATTACHED SIGNATURE PAGE]

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IN WITNESS WHEREOF, the Lessee has executed this LEAN Rider to Regulatory Agreement Nursing Homes as of the day and year first above written.

LESSEE:
PRESIDENTIAL PAVILION, LLC,
an Illinois limited liability company

By: 
Name: Morris I. Esformes
Its: Manager

Property of Cook County Clerk's Office

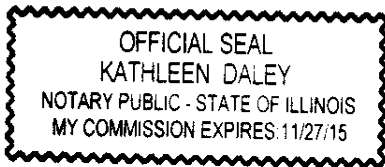
ACKNOWLEDGMENT

STATE OF ILLINOIS
COUNTY OF COOK

)} ss:
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On this 23 day of April, 2012, before me, the undersigned, a Notary Public in and for said State, personally appeared MORRIS I. ESFORMES, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

[SEAL]




Notary Public

My Commission Expires: _____