

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (date of earliest event reported):

January 7, 2015

SUMMIT HEALTHCARE REIT, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction
of incorporation)

000-52566
(Commission
File Number)

73-1721791
(I.R.S. Employer
Identification No.)

2 South Pointe Drive, Suite 100, Lake Forest, California 92630
(Address of principal executive offices)

(949) 535-2022
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act.
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act.
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act.
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act.
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Item 1.01. Entry into a Material Definitive Agreement.

The information set forth below in Item 2.01 is incorporated herein by reference.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On January 7, 2015, through our operating partnership, we sold a 60 unit senior housing facility in Nantucket, Massachusetts (“Sherburne Commons” or the “Property”) to The Residences at Sherburne Commons, Inc. (“Buyer”), an unaffiliated Massachusetts non-profit corporation, in exchange for \$5 million, as evidenced by a purchase money note (the “Note”) from Buyer to us as the lender. We were previously the holder of a leasehold mortgage from Nantucket Acquisition, LLC and successfully foreclosed on the mortgage on October 6, 2014. In conjunction with the sale of the Property, we assigned our foreclosure bid to the Buyer.

The Note is secured by the Property, bears an annual interest rate of 3.5% and matures on December 31, 2017. At Buyer’s election, interest may accrue and not be payable through December 31, 2015 with all accrued but unpaid interest being payable in full on January 1, 2016. Outstanding and unpaid principal and interest due shall be paid from the net proceeds payable to Buyer from the sale of the residential cottages in Sherburne Commons. We may also participate in additional interest of up to \$1 million from 50% of the net proceeds of cottage sales through December 31, 2018.

Item 8.01 Other Events

On December 16, 2014, Cornerstone Operating Partnership, L.P. changed its name to Summit Healthcare Operating Partnership, L.P.

Item 9.01 Financial Statements and Exhibits

Exhibit No.	Description
10.1	Purchase and Sale Agreement between Cornerstone Operating Partnership, L.P. and The Residences at Sherburne Commons, Inc. dated as of November 4, 2014.
10.2	Assignment of Bid and Assumption from Cornerstone Operating Partnership, L.P. to The Residences at Sherburne Commons, Inc. dated as of December 15, 2014.
10.3	Promissory Note (with Incentive Participation) with The Residences at Sherburne Commons, Inc. as issuer to Cornerstone Operating Partnership, L.P. dated as of December 31, 2014.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

SUMMIT HEALTHCARE REIT, INC.

By: /s/ Elizabeth A. Pagliarini
Name: Elizabeth A. Pagliarini
Title: Chief Financial Officer

Dated: January 13, 2015

PURCHASE AND SALE AGREEMENT
BY AND BETWEEN
CORNERSTONE OPERATING PARTNERSHIP, L.P.
AND
THE RESIDENCES AT SHERBURNE COMMONS, INC.

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PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this "Agreement") is made as of November 4, 2014, by and between Cornerstone Operating Partnership, L.P., a Delaware limited Partnership ("Seller"), and The Residences at Sherburne Commons, Inc., a Massachusetts c. 180 non-profit corporation ("Buyer").

RECITALS

A. Seller is the holder of Seller's Prior Mortgage Security and upon completion of the Foreclosure Action at which Seller is the highest bidder, Seller shall be the owner of the Property which includes the Senior Housing Facility described on Exhibit B attached hereto; and

B. Upon the successful completion of the Foreclosure Action as aforesaid, Seller desires to sell and Buyer desires to purchase the Property upon and subject to the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby agrees to sell and Buyer hereby agrees to purchase the Property upon and subject to the following terms and conditions:

ARTICLE 1: DEFINITIONS

1.1. Definitions. Initially capitalized terms which are used but not otherwise defined in this Agreement shall have the meanings ascribed to them in Exhibit A attached hereto and incorporated herein by this reference.

ARTICLE 2: CONSIDERATION, AND ESCROW PROVISIONS

2.1 Purchase Price. There shall be no deposit paid with respect this Agreement. The Purchase Price, subject to the prorations and adjustments set forth herein, shall be paid by delivery of the Purchase Money Note at the time of Closing.

2.2 [RESERVED]

2.3 Escrow Provisions. Escrow Agent agrees to hold, keep and deliver the Purchase Money Note and all other sums or documents delivered to it pursuant hereto in accordance with the terms and provisions of this Agreement. Escrow Agent shall not be entitled to any fees or compensation for its services hereunder other than its customary one-time escrow fee. Escrow Agent shall be liable only to hold said sums and deliver the same to the parties named herein in accordance with the provisions of this Agreement, it being expressly understood that by acceptance of this Agreement Escrow Agent is acting in the capacity of a depository only and shall not be liable or responsible to anyone for any damages, losses or expenses unless same shall have been caused by the gross negligence or willful malfeasance of Escrow Agent. In the event of any disagreement between Buyer and Seller resulting in any adverse claims and demands being made in connection with or for the monies involved herein or affected hereby, Escrow Agent shall be entitled to refuse to comply with any such claims or demands so long as such disagreement may continue; and in so refusing Escrow Agent shall make no delivery or other disposition of any of the monies then held by it under the terms of this Agreement, and in so doing Escrow Agent shall not become liable to anyone for such refusal; and Escrow Agent shall be entitled to continue to refrain from acting until (a) the rights of the adverse claimants shall have been finally adjudicated in a court of competent jurisdiction of the monies involved herein or affected hereby, or (b) all differences shall have been adjusted by agreement between Seller and Buyer, and Escrow Agent shall have been notified in writing of such agreement signed by the parties hereto. Escrow Agent shall not be required to disburse any of the monies held by it under this Agreement unless in accordance with either a joint written instruction of Buyer and Seller or an Escrow Demand from either Buyer or Seller in accordance with the provisions hereinafter. Upon receipt by Escrow Agent from either Buyer or Seller (the "Notifying Party") of any notice or request (an "Escrow Demand") to perform any act or disburse any portion of the monies held by Escrow Agent under the terms of this Agreement, Escrow Agent shall give written notice to the other party (the "Notified Party"). If within five (5) days after the giving of such notice, Escrow Agent does not receive any written objection to the Escrow Demand from the Notified Party, Escrow Agent shall comply with the Escrow Demand. If Escrow Agent does receive written objection from the Notified Party in a timely manner, Escrow Agent shall take no further action until the dispute between the parties has been resolved pursuant to either clause (a) or (b) above. Further Escrow Agent shall have the right at all times to pay all sums held by it (i) to the appropriate party under the terms hereof, or (ii) into any court of competent jurisdiction after a dispute between or among the parties hereto has arisen, whereupon Escrow Agent's obligations hereunder shall terminate. Seller and Buyer, jointly and severally agree to indemnify and hold harmless said Escrow Agent from any and all costs, damages and expenses, including reasonable attorneys' fees, that said Escrow Agent may incur in compliance with and in good faith in accordance with the terms of this Agreement; provided, however, this indemnity shall not extend to any act of gross negligence or willful malfeasance on the part of the Escrow Agent.

2.4 Payment of Monies. Any monies payable under this Agreement, unless otherwise specified in this Agreement, shall be paid by wire transfer or certified or cashier's check.

ARTICLE 3: ACCESS; INSPECTIONS

3.1. Seller's Delivery of Specified Documents. On or before the date hereof, Seller has delivered or made available to Buyer true, correct and complete originals or copies of each item described in Exhibit C attached hereto (the "Seller Deliverables") in Seller's possession or control.

3.2. Access and Inspection Rights. Buyer and its agents, employees and representatives, contractors and consultants, all at Buyer's sole cost, shall at any time, and from time to time, between the Effective Date and the Closing Date, have reasonable access during normal business hours to the Facility and all books and records for the Facility that are in Seller's or the Existing Manager's possession or control for the purpose of conducting surveys, inspections, tests and studies, including, without limitation, engineering, geotechnical and environmental inspections and tests; provided, however, that Buyer will work directly with the Existing Manager to conduct any and all investigations necessary of all books and records for the Facility that are in the possession or control of the Existing Manager. In the course of its investigation of the Property, Buyer may make inquiries to third parties, including, without limitation, lenders, contractors, Existing Manager (including, without limitation, employees thereof), parties to any service contracts affecting the Facility, and municipal, local and other government officials and representatives. Seller shall cooperate but at no cost to Seller with Buyer's due diligence during normal business hours so long as Buyer gives at least forty-eight (48) hours' notice to Seller and the Existing Manager, conducts such due diligence during normal business hours and is not disruptive to the operation of the business at the Facility or the quiet enjoyment thereof by its residents, and shall be paid for by Buyer as and when due. Buyer may make such environmental investigations as it deems appropriate but at no higher level than a Phase I environmental report, unless Seller shall otherwise agree in advance. Buyer shall indemnify, defend, protect and hold Seller harmless from any and all claims, liabilities, losses, expenses (including reasonable attorneys' fees), damages, including those for injury to person or to the Property, arising out of or relating to Buyer's due diligence activities (except for any pre-existing conditions). If Buyer is not satisfied in its sole discretion with any of survey, inspection, test or study or with any other matter concerning the Property, then Buyer may terminate this Agreement by written notice given to Seller on before the date of expiration of the Due Diligence Period in which case neither party shall have any further rights or obligations pursuant to this Agreement, except those that survive the termination of this Agreement as expressly stated herein. If the written notice of termination is not given to Seller and the Escrow Holder prior to the expiration of the Due Diligence Period, then (a) any due diligence contingency, and any and all objections with respect to the review and inspection of the Property, shall be deemed to have been waived by Buyer for all purposes hereof; provided, however, that Buyer's closing contingencies set forth in Section 5.2(a) below shall remain. If this Agreement is terminated pursuant to this Section 3.2, the cost for cancellation of Escrow and all title company costs shall be borne solely by Buyer

3.3. Title and Survey Review.

(a) Buyer shall have the right to obtain a title commitment for owner's title insurance policy (the "Title Commitment") and survey of the Real Property (the "Survey"). No later than ten (10) business days prior to the expiration of the Due Diligence Period, Buyer shall give notice to Seller of any objection to any exception or other matter shown in the Title Commitment or Survey on or before the date of expiration of the Due Diligence Period. Within five (5) business days of Seller's receipt of Buyer's notice of objection(s), Seller shall notify Buyer in writing of Seller's election to either (i) remove such exceptions (in which case Buyer's objections shall be deemed waived) but Seller shall incur no cost in connection therewith, or (ii) terminate this Agreement, provided, however, Seller shall have no obligation to cure an objection relating to the Survey. Seller's failure to make an election shall be deemed an election to terminate. Without limiting the foregoing, Seller shall be obligated to fully discharge on or before Closing all mortgages, security interests and other monetary liens and encumbrances of a definite and ascertainable amount (each a "Monetary Lien"). Notwithstanding the foregoing, all Monetary Liens affecting the Property which are junior in right to Seller's Prior Mortgage Security shall be extinguished by the completion of the Foreclosure Action which shall be full satisfaction of the foregoing obligation to discharge the same. In the event that any additional title exceptions are discovered after the reports are issued, then if Buyer is not willing to accept such exceptions as-is, then Seller shall elect in writing to either eliminate such exceptions (in which case this Agreement shall remain in effect) or terminate this Agreement. If Buyer fails to give written notice to Seller of any objection to title or survey within the Due Diligence Period, then Buyer shall be deemed to have approved the state of title and survey as of the date of such title and survey reports are issued, except for Monetary Liens.

(b) If Seller willfully fails to cure an objection to title or survey in the manner set forth above, then Buyer may elect, on or prior to the Closing Date, to (i) terminate this Agreement and no party shall have any further obligations hereunder, except as specifically set forth herein, or (ii) accept the Property subject to such objections and proceed to Closing. If Buyer makes no such election, then Buyer shall be deemed to have elected to waive its right to terminate this Agreement as provided above in this Section 3.3(b).

3.4. Condition of Property; AS-IS SALE. BUYER ACKNOWLEDGES AND REPRESENTS THAT THEY HAVE CONDUCTED OR WILL CONDUCT THEIR OWN INSPECTION AND INVESTIGATION OF THE PROPERTY AND THE GROUND LEASE, AND OF PUBLIC RECORDS PERTAINING TO SELLER AND THE FACILITY AND AGREES TO ACCEPT AT CLOSING, SUBJECT TO THE REPRESENTATIONS AND WARRANTIES CONTAINED IN SECTION 7.1, THE PROPERTY AND GROUND LEASE IN ITS "AS IS, WHERE IS" CONDITION AS OF THE EFFECTIVE DATE, AND "WITH ALL FAULTS"; AND FURTHER ACKNOWLEDGES AND AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLER HAS NOT MADE AND DOES NOT MAKE, AND SELLER HEREBY EXPRESSLY DISCLAIMS, ANY OTHER REPRESENTATIONS OR WARRANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED WITH RESPECT TO THE PROPERTY OR THE GROUND LEASE, INCLUDING WITHOUT LIMITATION THE IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND REPRESENTATIONS OR WARRANTIES WITH RESPECT TO (A) THE COMPLIANCE OF THE PROPERTY, INCLUDING ITS USE OR OPERATION, WITH THE AMERICANS WITH DISABILITIES ACT, ANY OTHER DISCRIMINATION LAW, OR ANY FEDERAL, STATE OR LOCAL LAW, RULE OR REGULATION RELATING TO THE LICENSING AND CERTIFICATION OF THE PROPERTY AS A SENIOR HOUSING FACILITY OR PARTICIPATION IN THE MEDICARE AND MEDICAID PROGRAMS, (B) THE ASSIGNMENT OR TRANSFERABILITY OF ANY OF THE GOVERNMENTAL LICENSES, CERTIFICATES OR PERMITS TO OPERATE THE PROPERTY AS A SENIOR HOUSING FACILITY, AND (C) THE EFFECT ON THE PROPERTY, CONDITION OF THE PROPERTY (FINANCIAL OR OTHERWISE), OR THE RESULTS OF ANY ENACTED, PUBLISHED OR REPORTED LAWS, RULES, REGULATIONS OR JUDICIAL OR ADMINISTRATIVE DECISIONS OR ACTIONS OF ANY GOVERNMENTAL OR QUASI-GOVERNMENTAL AGENCY HAVING REGULATORY OR OTHER AUTHORITY (WHETHER HAVING RETROACTIVE OR PROSPECTIVE EFFECT) RESPECTING MATTERS OF LICENSURE, SURVEY, OR REIMBURSEMENT. THE PROVISIONS OF THIS PARAGRAPH SHALL SURVIVE THE CLOSING.

ARTICLE 4: OPERATIONS; RISK OF LOSS; LICENSING

4.1. Ongoing Operations. From the Effective Date through the Closing Date:

(a) Operation of Property; Construction. Seller shall continue to cause the operation of the Property by the Existing Manager and shall not terminate the Existing Management Agreement with the Existing Manager; provided, however, that the parties hereto acknowledge that they might enter into future discussions relating to the replacement of the Existing Manager with an Affiliate of Buyer, but any definitive arrangement relating thereto will be subject to the mutual written agreement of the parties. Seller shall not make (or suffer or permit to be made) any renovations, alterations, or capital expenditures to the Facility or any portion thereof costing more than \$10,000, individually or in the aggregate, or enter into any contracts or agreements (whether binding or not) regarding any such renovations, alterations, or capital expenditures. Seller will perform all of the obligations of Seller under the Ground Lease and the Existing Management Agreement.

(b) Ground Lease. Seller shall cause compliance in all material respects with the terms and conditions of the Ground Lease and shall not do or permit anything to be done, the doing of which, or refrain from doing anything, the omission of which, will be grounds for declaring a default or forfeiture of the Ground Lease. Seller shall not modify, cancel, change, waive, supplement, alter or amend the Ground Lease in any respect, subject, however, to seeking the amendment to the Ground Lease as contemplated in Exhibit I.

(c) Listings and Other Offers. Except in connection with the Foreclosure Action and in such manner as Seller shall deem appropriate in the circumstances or required by law, Seller will not list the Property with any broker or otherwise solicit or make or accept any offers to sell all or any part of the Property or any direct or indirect interest therein, engage in any discussions or negotiations with any third party with respect to the sale or other disposition of the Property or any direct or indirect interest therein, or enter into any contracts or agreements (whether binding or not) regarding any disposition of all or any part of the Property or any direct or indirect interest therein, except as provided in Section 4.1(a) above.

(d) Removal and Replacement of Tangible Personal Property; Transfer or Conveyance of Other Property. Seller will not remove or suffer or permit to be removed on Seller's behalf any Personal Property from the Facility except as may be required for necessary repair or replacement in the ordinary course of business. Without limiting the foregoing, all repairs and replacements shall be of equivalent quality and quantity as existed as of the time of removal of the applicable Personal Property. Except as permitted by the preceding sentence, Seller shall not make (or suffer or permit to be made on Seller's behalf) any transfers or conveyances of the Property.

(e) Maintenance of Insurance. Seller shall carry commercial general liability insurance in the amounts it currently holds and property damage insurance for the full replacement value of the Improvements through the Closing Date. Seller shall not allow any breach, default, termination or cancellation of any such insurance policies or agreements to occur or exist prior to Closing.

(f) [RESERVED]

(g) Approvals. Seller and Buyer shall work diligently and cooperate with each other to obtain all waivers, consents, approvals and authorizations required in connection with the transactions contemplated hereunder, including without limitation those required with respect to the Ground Lease and all licenses and approvals required by governmental agencies charged with regulating or licensing senior housing facilities.

(h) Agreements to Effect Prohibited Actions. Seller will not enter into any contracts or agreements (whether binding or not) regarding any of the matters prohibited by paragraphs above.

4.2. Damage. Risk of loss with respect to the Real Property up to and including the Closing Date shall be borne by Seller. Seller shall promptly give Buyer written notice of any damage to the Facility, describing such damage, stating whether such damage and loss of rents is covered by insurance and the estimated cost of repairing such damage. In the event of any material damage (described below) to or destruction of the Facility or any portion thereof, Buyer may, at its option, by notice to Seller given within five (5) business days after Seller has provided the above described notice to Buyer together with all relevant information concerning the nature and extent of such damage (and if necessary the Closing Date shall be extended to give Buyer the full five (5) business day period to make such election): (i) terminate this Agreement, in which event no party shall have any further obligations hereunder, except as expressly set forth herein, or (ii) proceed under this Agreement as to all of the Property, receive any insurance proceeds (including any rent loss insurance applicable to any period on and after the Closing Date) due Seller as a result of such damage or destruction and assume responsibility for such repair. If Buyer fails to timely make such election, Buyer shall be deemed to have elected to proceed under clause (ii) above. If the Facility is not materially damaged, then (A) Buyer shall not have the right to terminate this Agreement, (B) Seller shall, to the extent requested and directed by Buyer, repair the damage before the Closing in a manner reasonably satisfactory to Buyer utilizing any available insurance proceeds, and (C) at Closing, Buyer shall receive any insurance proceeds (including any rent loss insurance applicable to any period on and after the Closing Date) due Seller as a result of such damage or destruction. To the extent Seller has incurred reasonable costs in effecting the repairs requested and directed in writing by Buyer (which costs have not been assumed by Buyer), Seller shall be paid a portion of such insurance proceeds in an amount equal to such costs. “Material damage” and “materially damaged” means, with respect to the Facility, damage (x) which, in Buyer’s reasonable estimation, exceeds \$150,000 to repair, or (y) which, in Buyer’s reasonable estimation, will take longer than ninety (90) days to repair or restore.

4.3. Condemnation. In the event any proceedings in eminent domain are contemplated, threatened or instituted by any body having the power of eminent domain with respect to the Real Property or any portion thereof, Buyer may, at its option, by notice to Seller given within ten (10) business days after Seller provides written notice to Buyer of such proceedings together with all relevant information concerning such proceedings (and if necessary the Closing Date shall be extended to give Buyer the full ten (10) business day period to make such election): (i) terminate this Agreement, in which event no party shall have any further obligations thereunder, except as expressly set forth herein, or (ii) proceed under this Agreement as to all of the Property, in which event Seller shall, at the Closing, apply such of the proceeds from such award in prepayment of the Purchase Money Note and upon satisfaction thereof, assign to Buyer its entire right, title and interest in and to any remaining balance of any condemnation award Seller shall have the sole right during the pendency of this Agreement to negotiate and otherwise deal with the condemning authority in respect of such matter. If Buyer fails to timely make such election, Buyer shall be deemed to have elected to proceed under clause (ii) above.

4.4. Operations Transfer Agreement. Seller and Buyer shall jointly use commercially reasonable efforts, but without expense to Seller, to cause the Operations Transfer Agreement (in the form approved as of the date hereof by Buyer) to be executed (with all schedules and exhibits thereto completed) by the parties thereto (other than Buyer, who agrees to execute the Operations Transfer Agreement promptly following its execution by the other parties thereto). The execution and delivery of the Operations Transfer Agreement by the other parties thereto shall be a condition precedent to Buyer’s obligation to close on its purchase of the Property.

ARTICLE 5: CLOSING

5.1. Closing. The consummation of the transactions contemplated herein (the "Closing") shall occur on the date that is the [tenth] (10th) business day after the later to occur of (a) final completion of the Foreclosure Action wherein Seller shall be the grantee named in a foreclosure deed as a result thereof or (b) the Town Lease Amendment Approval Date. The date of Closing shall be referred to herein as the "Closing Date." Closing shall be effectuated through an escrow with the Escrow Agent. Buyer and Seller shall execute such supplemental escrow instructions as may be reasonably requested by either party or Escrow Agent to comply with the terms of this Agreement, so long as such instructions are not in conflict with this Agreement. In addition, Seller shall have the right to extend the Closing Date for up to thirty (30) days if necessary in connection with the final completion of the Foreclosure Action vesting leasehold title in Seller. Notwithstanding anything to the contrary set forth in this Agreement shall the Closing Date occur later than the Outside Closing Date without the prior written consent of the Seller.

5.2. Conditions to the Parties' Obligations to Close.

(a) Conditions to Buyer's Obligation to Close. As a condition to Buyer's obligation to close with respect to the Property on the Closing Date:

(i) All instruments and other documents required to be delivered by Seller and described in Section 5.4 have been delivered to the Escrow Agent.

(ii) The representations and warranties of Seller contained herein shall be true and correct in all material respects as of the Effective Date and as of the Closing Date.

(iii) There shall be no default with respect to any material obligation of Seller hereunder which Seller has not cured within thirty (30) days after written notice from Buyer.

(iv) There shall be no notice issued after the Effective Date of any violation or alleged violation of any law, rule, regulation or code, including, without limitation, any building code, with respect to the Facility, which has not been corrected to the satisfaction of the issuer of the notice.

(v) There shall be no material default on the part of Seller or any other party under any agreement to be assigned to, or obligation to be assumed by, Buyer under this Agreement, including, without limitation the Ground Lease.

(vi) All licenses, consents, approvals or other authorizations from third parties or governmental authorities required in connection with the transactions contemplated hereunder, including, without limitation, all consents and approvals of the ground lessor under the Ground Lease and all licenses and approvals by agencies charged with regulating or licensing Senior Housing Facilities, shall have been obtained by, and issued in the name of, Buyer or its property manager or designee.

(vii) There shall have been no material adverse change in the business, operations or condition (financial, physical, title, licensing, environmental or otherwise) of the Facility since the Effective Date.

(viii) [RESERVED]

(ix) No proceedings shall be pending or threatened that could or would involve the change, redesignation, redefinition or other modification of the zoning classifications (or any building, environmental or code requirements applicable to) in a manner that would adversely affect the Property, excepting such proceedings agreed to by Buyer.

(x) [RESERVED]

(xi) [RESERVED][

(xii) There shall be no default with respect to any material obligation of any party to the Operations Transfer Agreement (other than Buyer) which such party has not cured within thirty (30) days after written notice from Buyer.

(b) Conditions to Seller's Obligation to Close. As a condition to Seller's obligation to close with respect to the Property on the Closing Date:

(i) The Foreclosure Action shall have been completed and Seller shall be vested in title with the lessee's interest under the Ground Lease and the Personal Property, together constituting the Property.

(ii) The Purchase Money Note, Purchase Money Mortgage and all funds, instruments and other documents required to be delivered by Buyer and described in Section 5.5 have been delivered to the Escrow Agent.

(iii) The representations and warranties of Buyer contained herein shall be true and correct in all material respects as of the Effective Date and as of the Closing Date.

(iv) There shall be no default with respect to any material obligation of Buyer hereunder which Buyer has not cured within thirty (30) days after written notice from Seller.

5.3. Failure of Condition. Provided that a party is not in default of any material obligation of such party, if any condition to such party's obligation to proceed with the Closing set forth in this Agreement has not been satisfied as of the Closing Date, then such party may, in its sole discretion, elect, by notice given to the other party on or before the Closing Date, to: (i) extend the time available for the satisfaction of such condition by up to a total of thirty (30) days; or (ii) close, notwithstanding the non-satisfaction of such condition, in which event such party shall be deemed to have waived such condition. If such party elects to proceed pursuant to clause (i) above, and such condition remains unsatisfied after the end of such extension period, then, at such time, such party may elect to proceed pursuant to either terminate this Agreement or proceed pursuant to clause (ii) above.

5.4. Seller's Deliveries. On or before the Closing Date, Seller shall deliver in escrow to the Escrow Agent or outside of escrow to Buyer the following, each duly executed and, where appropriate, in recordable form and notarized:

(a) **Assignment of Ground Lease.** An assignment of lessee's interest under the Ground Lease in the form of Exhibit D-1 attached hereto (the "Ground Lease Assignment"), executed and acknowledged by Seller, vesting in Buyer good, indefeasible and marketable title to the lessee's interest under the Ground Lease, subject only to the Permitted Exceptions and the terms and provisions Ground Lease, provided, however, that in the event Seller is the highest bidder in the Foreclosure Action, Seller may assign to Buyer its bid at such auction and, in lieu of delivery of the Ground Lease Assignment, deliver Seller's foreclosure deed directly to Buyer, the forms of which are attached as Exhibit D-2, which Buyer agrees to accept;

(b) **Bill of Sale and Assignment Agreement.** A bill of sale and assignment agreement in the form of Exhibit G attached hereto (the "Bill of Sale"), executed and acknowledged by Seller, vesting in Buyer good title to the Personal Property described therein free of any claims, except for the Permitted Personal Property Liens;

(c) [RESERVED]

(d) **Notice to Residents.** A notice to each resident in form as reasonably requested by Buyer;

(e) **State Law Disclosures.** Such disclosures and reports as are required by applicable state and local law in connection with the conveyance of real property;

(f) **FIRPTA.** An affidavit of Seller substantially in the form of Exhibit F attached hereto. If Seller fail to provide the necessary affidavit and/or documentation of exemption on the Closing Date, Buyer may proceed in accordance with the withholding provisions imposed by Section 1445 of the Internal Revenue Code of 1986, as amended;

(g) **Certificates of Title.** Certificates of title (if applicable) and leases (if applicable) for each Vehicle.

(h) **Authority.** Evidence of the existence, organization and authority of Seller and of the authority of the persons executing documents on behalf of Seller reasonably satisfactory to the Title Company and Buyer;

(i) **Title Documents.** Affidavits required by the Title Company sufficient to have the general exceptions deleted together with such other documents and instruments required by the Title Company in order to issue the Title Policy;

(j) Due Diligence Materials. To the extent not previously delivered to Buyer, true, correct and complete originals, or copies, if originals are not available, of each Seller Deliverable.

(k) Closing Certificate. A certificate, signed by Seller, certifying to Buyer that the representations and warranties of Seller contained in this Agreement are true and correct in all material respects as if made on and as of the Closing Date and that all covenants required to be performed by Seller prior to the Closing Date have been performed in all material respects;

(l) Settlement Statement. A settlement statement, duly executed by Seller;

(m) Permits and Approvals. All licenses, permits and approvals in Seller's possession related to the construction, development ownership, operation and use of the Property;

(n) Plans and Specifications. All material plans and specifications relating to the Property in Seller's possession and control or otherwise reasonably available to Seller;

(o) Ground Lease Matters. (i) A consent executed and acknowledged by the ground lessor under the Ground Lease, in form and substance reasonably acceptable to Buyer, evidencing the consent of the ground lessor to the Ground Lease Assignment, and (ii) an amendment to the Ground Lease executed and acknowledged by the ground lessor, substantially in the form of Exhibit I attached hereto;

(p) Other Deliveries. Such other documents, certificates and instruments as are reasonably necessary in order to effectuate the transaction described herein, including, without limitation, gap indemnity agreements, transfer tax declarations, broker lien waivers and any documents or representations necessary to comply with any applicable environmental transfer disclosure laws and any other Closing deliveries required to be made by or on behalf of Seller.

5.5. Buyer's Deliveries. On or before the Closing Date, Buyer shall deposit the duly executed Purchase Money Note, Purchase Money Mortgage and other documents securing the payment of the Purchase Money Note. In addition, except as specified below, on or before the Closing Date, Buyer shall deliver in escrow to the Escrow Agent or outside of escrow to Seller the following, each duly executed and, where appropriate, in recordable form and notarized:

(a) Bill of Sale. The Bill of Sale, executed by Buyer;

(b) Authority. Evidence of the existence, organization and authority of Buyer and of the authority of the persons executing documents on behalf of Buyer reasonably satisfactory to the Title Company and Seller;

(c) Assignment of Residency Agreements. ;

(d) State Law Disclosures. Such disclosures and reports as are required by applicable state and local law in connection with the conveyance of real property;

(e) Settlement Statement. A settlement statement, duly executed by Buyer;

(f) Other Deliveries. Such other documents, certificates and instruments reasonably necessary in order to effectuate the transactions described herein and any other Closing deliveries required to be made by or on behalf of Buyer.

5.6. Possession. Seller shall deliver possession of the Property to Buyer at the Closing, subject only to the Permitted Exceptions.

ARTICLE 6: PRORATIONS; COSTS; ADJUSTMENTS

6.1. Prorations. Not less than one (1) business days prior to Closing, Seller shall provide to Buyer such information and verification reasonably necessary to support the prorations under this Article 6. The items in this Section 6.1 shall be pro rated between Seller and Buyer as of the close of business on the day immediately preceding the applicable Closing Date, the Closing Date being a day of income and expense to Buyer. Credits to Buyer shall be paid by adjustment by credit to the principal of the Purchase Money Note by Seller to Buyer at the Closing. Credits to Seller shall be paid by Buyer in cash at the Closing. Post-closing re-prorations and adjustments shall be paid in cash. Subject to the foregoing and for the other provisions of this Article 6, the following items shall be pro rated and adjusted at Closing:

(a) Taxes and Assessments. Buyer shall receive a credit for any accrued but unpaid real estate taxes, personal property taxes, special assessments and betterments ("Taxes") (including, without limitation, any assessments imposed by private covenant) applicable to any period before the Closing Date, whether or not such Taxes are not yet due and payable, and Seller shall receive a credit for any Taxes applicable to any period after the Closing Date paid in advance by Seller. If the amount of any such Taxes have not been determined as of the Closing Date, then such credit shall be based on the most recent ascertainable taxes. Such undetermined Taxes shall be re-prorated upon issuance of the final tax bill. Notwithstanding the foregoing, (i) Buyer shall receive from Seller a credit for any special assessments and betterments which are levied or charged against the Property or the Real Property with respect to any infrastructure improvements specifically made to serve the Facility, whether or not then due and payable, and (ii) any other special assessments and betterments shall be prorated only for the year of Closing.

(b) Ground Rent. Buyer shall receive from Seller a credit for any rent and other charges under the Ground Lease accrued or payable on or before Closing that applies to any period prior to Closing but is unpaid as of Closing, unless the same has otherwise been waived or forgiven by the ground lessor.

6.2. Sales, Transfer, and Documentary Taxes; Closing Costs.

(a) Seller shall pay all sales, gross receipts, conveyancing, stamp, excise, documentary, transfer, deed or similar taxes or fees imposed in connection with this transaction under applicable state, county or local law, excepting, however, the Nantucket Land Bank transfer fee which shall be the responsibility of Buyer. Seller and Buyer shall execute any applicable city, county and state transfer tax or other declarations.

(b) Buyer shall pay: (i) one-half of the Escrow Agent's escrow fee, closing charges and any cancellation fee, (ii) the costs associated with Buyer's due diligence activities, (iii) the cost of the Title Policy and Survey, (iv) the Nantucket Land Bank transfer fee, and (v) and any recording fees that do not constitute clearing title. Seller shall pay (x) one-half of the Escrow Agent's escrow fee, closing charges and any cancellation fee, and (y) all recording fees or other charges incurred in connection with clearing title, including without limitation any prepayment or release fees. Each party shall be responsible for its own attorney's and other professional fees.

6.3. Brokerage Commissions. Seller and Buyer each represents and warrants to the other that it has not dealt with any real estate broker, sales person or finder in connection with this transaction other than auctioneer fees in connection with the Foreclosure Action. Seller shall be responsible for any fee or commission due to the auctioneer pursuant to a separate agreement between Seller and auctioneer. Buyer shall indemnify, defend and hold harmless Seller from and against any claim to a broker's or finder's fee or commission by any other party based upon any actual or alleged statement, representation or agreement of Buyer. Seller shall indemnify, defend and hold harmless Seller from and against any claim to a broker's or finder's fee or commission made by auctioneer or by any other party based upon any actual or alleged statement, representation or agreement of Seller.

6.4. Post-Closing Corrections. Notwithstanding any provision hereof to the contrary, within sixty (60) days after Closing, the parties shall complete a good faith reconciliation of all closing costs, prorations and adjustments under this Article 6 and shall make any payments due to the other party pursuant thereto.

6.5. No Other Obligations. No other expense related to the ownership or operation of the Property prior to the Closing Date shall be charged to or paid or assumed by Buyer under this Agreement, other than those obligations expressly assumed by Buyer in writing.

ARTICLE 7: REPRESENTATIONS AND WARRANTIES

7.1. Seller's Representations and Warranties. As a material inducement to Buyer to execute this Agreement and consummate this transaction, Seller represents and warrants to Buyer as follows as of the date hereof (which representations, warranties shall also be true on the Closing Date as if made on the Closing Date):

(a) **Organization and Authority of Seller.** Seller is a duly organized, and validly existing, and is in good standing as a limited partnership in the State of Delaware. Seller has the full right, power and authority and has obtained any and all consents required to enter into this Agreement, all of the documents to be delivered by Seller at the Closing and to consummate or cause to be consummated the transactions contemplated hereby. This Agreement has been, and all of the documents to be delivered by Seller at the Closing will be, authorized and properly executed and constitutes, or will constitute, as appropriate, the valid and binding obligation of Seller, enforceable in accordance with its terms subject to applicable bankruptcy and insolvency laws and laws affecting creditor's rights generally.

(b) Pending Actions or Proceedings. There is no action or proceeding pending or, to Seller's knowledge, threatened against Seller with respect to the Property, the Facility or the within transaction. No condemnation, eminent domain or similar proceedings are pending or which Seller has received notice or, to Seller's knowledge, threatened with regard to the Facility. Seller has not received any notice and has no knowledge of any pending or threatened liens, special assessments, impositions or increases in assessed valuations to be made against the Facility. This Agreement constitutes the legal, valid and binding obligation of Seller enforceable in accordance with its terms.

(c) Conflicts; Filings. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will: (i) violate any law to which Seller is subject, or any provision of its operating agreement or certificate of formation; or (b) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Seller is a party or by which it is bound or to which any of its assets is subject other than the notices and consents which constitute conditions precedent under this Agreement. Except for such notices and consents which constitute conditions precedent under this Agreement, Seller is not required to give any notice to, make any filing with, or obtain any authorization, consent or approval of any government or governmental agency in order for the parties to consummate the transactions contemplated by this Agreement.

(d) Title. Upon completion of the Foreclosure Action, Seller shall have good, clear record and marketable title to the Property, free and clear of all liens, encumbrances and restrictions, other than the matters described in Exhibit J attached hereto.

(e) Ground Lease. The Ground Lease has not been modified, altered or terminated, provided that Seller and Buyer shall proceed to obtain the amendment to the Ground Lease on or before Closing in the form attached as Exhibit I. No default or event of default now exists, or, but for the passage of time, will exist, under the Ground Lease.

(f) Operating Statements. The operating statements of Seller and Existing Manager with respect to the Facility for the fiscal year ended December 31, 2013 and the year-to-date interim operating statements for the period through August 30, 2014, delivered to Buyer pursuant to this Agreement show all items of income and expense incurred in connection with the ownership, operation, and management of the Property for the periods indicated and are true, correct, and complete in all material respects. No material adverse change has occurred from the respective dates of such operating statements to the date hereof.

(g) Permits, Legal Compliance, and Notice of Defects. Seller, or its agents, managers or affiliates, have all licenses, permits and certificates necessary to be held by Seller for the operation of the Property, including, without limitation, all certificates of occupancy necessary for the occupancy of the Property (the "Permits"). All of the Permits are in full force and effect, and Seller has not taken or failed to take any action that would result in their revocation, suspension or limitation, nor received any written notice of an intention to revoke, suspend or limit any of them. Neither the Property nor the use thereof violates any Permit, governmental law or regulation or any covenants or restrictions encumbering the Property. Seller has not received any written notice from any insurance company or underwriter, or is otherwise aware, of any defects that would materially adversely affect the insurability of the Property or cause an increase in insurance premiums. Seller has not received notice from any governmental authority or other person of, nor has any knowledge of, any violation of zoning, building, fire, health, environmental, or other statutes, ordinances, regulations or orders (including, without limitation, those respecting the Americans with Disabilities Act), or any restriction, condition, covenant or consent in regard to the Property or any part thereof which have not been corrected to the satisfaction of the issuer.

(h) Environmental. To the best of Seller's knowledge and belief, Seller has received no notice of any violation of any Environmental Law related to the Real Property or the presence or release of any Hazardous Materials on or from the Real Property except as disclosed in the environmental reports listed in Exhibit K attached hereto (the "Environmental Reports"). Except for de minimis amounts of Hazardous Materials used, stored and disposed of in accordance with Environmental Laws, and used in connection with the ordinary maintenance and operation of the Property, Seller has no knowledge of any Hazardous Materials or any toxic wastes, substances or materials (including, without limitation, asbestos) manufactured, introduced, released or discharged from or onto the Property and Seller has no knowledge of the generation, treatment, storage, handling or disposal of any Hazardous Materials at the Property. Except as set forth in the Environmental Reports, there are no underground storage tanks located on the Real Property. Seller is not aware of any environmental assessments or studies which exist with respect to the Real Property except for the Environmental Reports.

(i) Bankruptcy Matters. Seller has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors, suffered the appointment of a receiver to take possession of all or substantially all of its assets, suffered the attachment or other judicial seizure of all or substantially all of its assets, admitted its inability to pay its debts as they come due, or made an offer of settlement, extension or composition to its creditors generally.

(j) PATRIOT Act. Seller is in compliance with the requirements of Executive Order No. 133224, 66 Fed. Reg. 49079 (Sept. 25, 2001) (the "Order") and other similar requirements contained in the rules and regulations of the Office of Foreign Assets Control, Department of the Treasury ("OFAC") and in any enabling legislation or other Executive Orders or regulations in respect thereof (the Order and such other rules, regulations, legislation, or orders are collectively called the "Orders"). Further, Seller covenants and agrees to make its policies, procedures and practices regarding compliance with the Orders, if any, available to Buyer for its review and inspection during normal business hours and upon reasonable prior notice. Neither Seller nor any beneficial owner of Seller:

(i) is listed on the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to the Order and/or on any other list of terrorists or terrorist organizations maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Orders (such lists are collectively referred to as the "Lists");

(ii) is a person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders; or

(iii) is owned or controlled by, or acts for or on behalf of, any person or entity on the Lists or any other person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders.

Seller hereby covenants and agrees that if Seller obtains knowledge that Seller or any of its beneficial owners becomes listed on the Lists or is indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, Seller shall immediately notify Buyer in writing, and in such event, Buyer shall have the right to terminate this Agreement without penalty or liability to Seller immediately upon delivery of written notice thereof to Buyer.

(k) Utilities. Public utility services (including, without limitation, all applicable electric lines, sewer and water lines, gas, cable, television and telephone lines) are available to service the Property at the property line without the need for any non public utility easements over land of others, and, to Seller's knowledge, said public utility services are adequate to service the requirements of the Property and its tenants and occupants as presently operated, and all payments currently due for the same have been made, and, to Seller's knowledge, all necessary easements, permits, licenses and agreements in respect of any of the foregoing exist and are in full force and effect and are installed and operating and all installation and connection charges have been paid for in full. Neither Seller, nor to Seller's knowledge, any prior owner of the Property has received notice of any fact or condition existing and would or could result in the termination or reduction of the current access from the Property to existing roads and highways, or to sewer or other utility services available to the Property.

(l) Disclosure. Other than this Agreement, the documents delivered at Closing pursuant hereto, the Permitted Exceptions, and the Residency Agreements, there are no contracts or agreements of any kind relating to the Property to which Seller is a party and which would be binding on Buyer after Closing Seller has delivered to Buyer all written materials in Seller's possession or control which contain information or disclose facts or conditions that would have a material adverse impact on the use, operation or marketability of the Property. The originals and copies of Seller Deliverables delivered to Buyer pursuant to Section 3.1 hereof are true, correct and complete originals or copies of the respective documents, instruments, agreements or other items, and Seller is not aware of any material inaccuracy or omission in the information in Seller Deliverables.

(m) Bankruptcy Matters. Seller has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors, suffered the appointment of a receiver to take possession of all or substantially all of its assets, suffered the attachment or other judicial seizure of all or substantially all of its assets, admitted its inability to pay its debts as they come due, or made an offer of settlement, extension or composition to its creditors generally.

As used in this Agreement, the "knowledge" of Seller means the actual knowledge of Kent Eikanas, and shall not include any imputed or constructive knowledge, or any implied duty to investigate or verify any matters represented to herein.

7.2. Buyer's Representations and Warranties. As a material inducement to Seller to execute this Agreement and consummate this transaction, Buyer represents and warrants to Seller as follows as of the date hereof (which representations, warranties shall also be true on the Closing Date as if made as of the date thereof):

(a) **Organization and Authority.** Buyer has been duly organized and is validly existing as a Massachusetts c. 180 non-profit corporation,. Buyer has the full right and authority and has obtained any and all consents required to enter into this Agreement and to consummate or cause to be consummated the transactions contemplated hereby. This Agreement has been, and all of the documents to be delivered by Buyer at the Closing will be, authorized and properly executed and constitutes, or will constitute, as appropriate, the valid and binding obligation of Buyer, enforceable in accordance with their terms.

(b) **Pending Action.** There is no agreement to which Buyer is a party or to Buyer's knowledge binding on Buyer which is in conflict with this Agreement. There is no action or proceeding pending or, to Buyer's knowledge, threatened against Buyer which challenges or impairs Buyer's ability to execute or perform its obligations under this Agreement. This Agreement constitutes the legal, valid and binding obligation of Buyer enforceable in accordance with its terms.

(c) **Bankruptcy Matters.** Buyer has not made a general assignment for the benefit of creditors, filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors, suffered the appointment of a receiver to take possession of all or substantially all of its assets, suffered the attachment or other judicial seizure of all or substantially all of its assets, admitted its inability to pay its debts as they come due, or made an offer of settlement, extension or composition to its creditors generally.

(d) **Conflicts; Filings.** Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will: (i) violate any law to which Buyer is subject, or any provision of its operating agreement or certificate of formation; or (ii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which Buyer is a party or by which it is bound or to which any of its assets is subject. Buyer is not required to give any notice to, make any filing with, or obtain any authorization, consent or approval of any government or governmental agency in order for the parties to consummate the transactions contemplated by this Agreement.

(e) **PATRIOT Act.** Buyer is in compliance with the requirements of the Order and other similar requirements contained in the rules and regulations of OFAC and in any enabling legislation or other Orders. Further, Buyer covenants and agrees to make its policies, procedures and practices regarding compliance with the Orders, if any, available to Seller for its review and inspection during normal business hours and upon reasonable prior notice. Neither Buyer nor any beneficial owner of Buyer:

- (i) is listed on the Lists;
- (ii) is a person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders; or
- (iii) is owned or controlled by, or acts for or on behalf of, any person or entity on the Lists or any other person or entity who has been determined by competent authority to be subject to the prohibitions contained in the Orders.

(f) Buyer hereby covenants and agrees that if Buyer obtains knowledge that Buyer or any of its beneficial owners becomes listed on the Lists or is indicted, arraigned, or custodially detained on charges involving money laundering or predicate crimes to money laundering, Buyer shall immediately notify Seller in writing, and in such event, Seller shall have the right to terminate this Agreement without penalty or liability to Buyer immediately upon delivery of written notice thereof to Buyer.

7.3. Indemnity.

(a) Seller hereby agrees to indemnify, defend and hold Buyer harmless from any liability, claim, demand, loss, expense or damage, including, without limitation, attorneys' fees and costs (collectively, "Claims") arising out of (i) any material breach of any material representation or warranty of Seller set forth herein which adversely affects the Property, the Facility or its operators; (ii) any willful malfeasance or gross negligence of Seller or any of its agents, employees or contractors; (iii) the ownership of the Property accruing prior to the Closing Date, including, without limitation, any Claims made by or relating to employment matters arising prior to the Closing, or made under or relating to the Ground Lease];. Notwithstanding the foregoing or anything to the contrary in this Agreement, with respect to any Claims arising under the Operations Transfer Agreement, Buyer hereby agrees that (i) Buyer will first pursue its remedies and indemnification rights under the Operations Transfer Agreement prior to seeking any indemnification rights it is entitled to under this Agreement, and (ii) the aggregate liability of Seller shall not exceed \$50,000.

(b) Buyer hereby agrees to indemnify, defend and hold Seller harmless from any Claim arising out of (i) any material breach of any of material representation or warranty of Buyer set forth herein, (ii) any willful act or omission of Buyer, its agents, employees or contractors, or (iii) the ownership or operation of the Property accruing on or after the Closing Date, including, without limitation, any Claims made by or relating to any employee accruing on or after the Closing Date.

(c) The following provisions govern all actions for indemnity under this Section 7.3 and any other provision of this Agreement. Promptly after receipt by an indemnitee of notice of any claim, such indemnitee will, if a claim in respect thereof is to be made against the indemnitor, deliver to the indemnitor written notice thereof. After such notice, the indemnitor shall be entitled, if it so elects at its own cost, risk and expense, (i) to take control of the defense and investigation of such lawsuit or action, (ii) to employ and engage attorneys of its own choice to handle and defend the same unless the named parties to such action or proceeding include both the indemnitor and the indemnitee and the indemnitee has been advised in writing by counsel that there exists a bona fide and recognized ethical conflict which would require that such counsel obtain a waiver or similar consent from each of the indemnitor and the indemnitee to undertake such joint defense, in which event the indemnitor shall be entitled, at the indemnitor's cost, risk and expense, to separate counsel of its own choosing only if it reasonably determines in good faith that such waiver or consent cannot be given, and (iii) to compromise or settle such claim, which compromise or settlement shall be made only with the written consent of the indemnitee, such consent not to be unreasonably withheld. If the indemnitor fails to assume the defense of such claim within thirty (30) calendar days after receipt of the claim notice, the indemnitee against which such claim has been asserted will (upon delivering notice to such effect to the indemnitor) have the right to undertake, at the indemnitor's sole cost and expense (to be reimbursed as accrued), the defense, compromise or settlement of such claim on behalf of and for the account and risk of the indemnitor. In the event the indemnitee assumes the defense of the claim, the indemnitee will keep the indemnitor reasonably informed of the progress of any such defense, compromise or settlement. The indemnitor shall be liable for any settlement of any action effected pursuant to and in accordance with this Section 7.3 subject to the written consent of the indemnitor and for any final judgment (subject to any right of appeal), and the indemnitor agrees to indemnify and hold harmless an indemnitee from and against any losses by reason of such settlement or judgment; provided, however, that if an indemnitee settles a claim without the prior written consent of the indemnitor, then the indemnitor shall be released from liability with respect to such claim unless the indemnitor has unreasonably withheld such consent. The failure of indemnitee to deliver written notice to the indemnitor within a reasonable time after indemnitee receives notice of any such claim shall relieve such indemnitor of any liability to the indemnitee under this indemnity only if and to the extent that such failure is prejudicial to the indemnitor's ability to defend such action, and the omission so to deliver written notice to the indemnitor will not relieve it of any liability that it may have to any indemnitee other than under this indemnity.

7.4. Survival of Representations, Warranties and Indemnity.

(a) The representations and warranties set forth in this Article 7 are made as of the Effective Date, and each party shall be deemed to have remade all of their respective representations and warranties as of the Closing Date. No representations or warranties shall be deemed to be merged into or waived by the instruments of Closing, but shall survive the Closing for a period of six (6) months.

(b) The indemnity obligations of the parties under Section 7.3 shall survive the Closing for a period of six (6) months.

ARTICLE 8: DEFAULT AND REMEDIES

8.1. Buyer's Remedies. If this transaction fails to close as a result of any material default on the part of Seller which has not been cured by the earlier of the thirtieth (30th) day after written notice thereof from Buyer or the Closing Date, then Buyer shall be entitled to the remedy of specific performance, but in no event shall Seller be liable for any actual, compensatory, consequential, punitive or any other monetary damages.

8.2. Seller's Remedies. If this transaction fails to close as a result of any default on the part of Buyer which has not been cured within thirty (30) days after written notice thereof from Seller, then Seller may seek specific performance, but in no event shall Buyer be liable for any actual, compensatory, punitive or any other monetary damages. .

8.3. Other Expenses. If this Agreement is terminated due to the default of any party, then the defaulting party shall pay any fees due to the Escrow Agent.

ARTICLE 9: ADDITIONAL AGREEMENTS

9.1. Partial Releases of Purchase Money Mortgage. Upon the delivery of the Net Proceeds upon the sale of a Cottage as provided and defined in the Purchase Money Note, Seller agrees to deliver to Buyer a partial release of the lien of the Purchase Money Mortgage with respect to the subleasehold estate created with respect to such Cottage.

9.2. Repurposing Cottages Upon Purchase Money Mortgage Default. In the event Buyer, as obligor under the Purchase Money Note and mortgagor under the Purchase Money Mortgage shall default in its prompt and punctual payment and monetary obligations thereunder, or shall cause such conditions to occur as to materially and adversely affect the value of the security granted to secure the payment of the Purchase Money Note, including, but not limited to, causing excessive waste, failing to maintain insurance for the benefit of Seller as mortgagee, or filing any proceeding under the Bankruptcy Act or a proceeding for the benefit of debtors under federal or state law, then, in such event, Seller, as mortgagee, may declare the Purchase Money Mortgage in default, and the Seller as mortgagee may take possession of the Property, and, pursuant to the amendment to the Ground Lease, declare all age restrictions applicable to the Property and unsold Cottages null and void, cause the Ground Lessor to release its interest as Ground Lessor in and to the unsold Cottages and surrounding land and grant of sufficient easements for access, utilities and the like to serve the Cottages and land appurtenant thereto, and convey the same to Seller as mortgagee in possession in a sufficient manner that Seller as mortgagee in possession may cause a subdivision of the land constituting the Cottages and appurtenant land and market, sell and convey the same free of the Ground Lease and any interest of Buyer as ground lessee and any obligation to the Facility; alternatively, in lieu of subdividing the Cottages and appurtenant land, in its sole discretion Seller may declare a condominium regime with respect to the Cottages. In connection therewith, and as contemplated in the amendment to the Ground Lease, Ground Lessor shall submit and support at a Town Meeting an article in form and content sufficient to create a fee simple absolute with respect to the Cottages and appurtenant land to effectuate such subdivision or creation of condominium.

9.3. Settlement of the LTA. After the Closing, Seller agrees to assist and cooperate with Buyer in negotiations with the trustees of the liquidating trust formed under the LTA to settle and resolve outstanding disputes and concerns regarding the LTA. It is Buyer's intention that following the Closing, sufficient funds will become available from operations of the Facility to fund such settlement or payments to the LTA for the benefit of the beneficiaries thereof. In the event such funds from operations of the Facility shall be inadequate to fund such settlement or payments due to the LTA, Seller agrees to contribute in the aggregate not more than \$150,000, in such portions as may be necessary from time to time to reach settlement and resolution with the beneficiaries of the LTA entitled thereto. The foregoing obligations of Seller shall expire, determine and be of no further force or effect upon the fourth anniversary of the Closing Date.

ARTICLE 10: MISCELLANEOUS

10.1. Parties Bound. Neither party may assign this Agreement without the prior written consent of the other, and any such prohibited assignment shall be void; provided, however, that Buyer may assign its rights and obligations under this Agreement without Seller's consent, but with prior written notice to Seller, to any entity which is owned by or under common control with Buyer. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the respective legal representatives, successors, assigns, heirs, and devisees of the parties.

10.2. Headings. The article and paragraph headings of this Agreement are for convenience only and in no way limit or enlarge the scope or meaning of the language hereof.

10.3. Invalidity and Waiver. If any portion of this Agreement is held invalid or inoperative, then so far as is reasonable and possible the remainder of this Agreement shall be deemed valid and operative, and, to the greatest extent legally possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. The failure by either party to enforce against the other any term or provision of this Agreement shall not be deemed to be a waiver of such party's right to enforce against the other party the same or any other such term or provision in the future.

10.4. Governing Law. This Agreement shall, in all respects, be governed, construed, applied, and enforced in accordance with the laws of the Commonwealth of Massachusetts.

10.5. Survival. The provisions of this Agreement that contemplate performance after the Closing including, without limitation, Article 6, Article 7 and Article 9, the obligations of the parties not fully performed at the Closing, and all indemnities set forth in this Agreement shall survive the Closing and shall not be deemed to be merged into or waived by the instruments of Closing, subject to the provisions of Section 7.4 hereof.

10.6. No Third Party Beneficiary. This Agreement is not intended to give or confer any benefits, rights, privileges, claims, actions, or remedies to any person or entity as a third party beneficiary, decree, or otherwise.

10.7. Entirety and Amendments. This Agreement embodies the entire agreement between the parties and supersedes all prior agreements and understandings relating to the Property. This Agreement may be amended or supplemented only by an instrument in writing executed by the party against whom enforcement is sought.

10.8. Time. Time is of the essence in the performance of this Agreement.

10.9. Confidentiality. Neither party shall make any public announcement or other disclosure of this Agreement or any information related to this Agreement to outside brokers or third parties, before or after the Closing, without the prior written consent of the other party; provided, however, that each party may make disclosure of this Agreement to its lenders, creditors, officers, employees, representatives, investors, consultants and agents as necessary or appropriate to consummate the transactions contemplated herein, and provided further that Seller may disclose this Agreement and information relating hereto to any governmental or regulatory body having jurisdiction over Seller.

10.10. Enforcement Expenses. Should either party employ attorneys to enforce any of the provisions hereof, the party against whom any final judgment is entered agrees to pay the prevailing party all reasonable costs, charges, and expenses, including reasonable and necessary attorneys' fees and costs, expended or incurred in connection therewith.

10.11. Notices. All notices required or permitted hereunder shall be in writing and shall be served on the parties at the addresses set forth in Exhibit L. Any such notices shall be either (i) sent by overnight delivery using a nationally recognized overnight courier, in which case notice shall be deemed delivered on the date of deposit with such courier, (ii) sent by certified or regular U.S. mail, postage prepaid, in which case notice shall be deemed delivered on the date of deposit with the U.S. Postal Service, (iii) sent by email or facsimile, in which case notice shall be deemed delivered upon transmission thereof so long as a copy thereof is also sent by overnight delivery using a nationally recognized overnight courier by depositing such copy on such date of delivery by email or facsimile with such courier, or (iv) sent by personal delivery, in which case notice shall be deemed delivered upon receipt or refusal of delivery. A party's address may be changed to another address in the United States by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice. Copies of notices are for informational purposes only, and a failure to give or receive copies of any notice shall not be deemed a failure to give notice. Notices given by counsel to Buyer shall be deemed given by Buyer and notices given by counsel to Seller shall be deemed given by Seller.

10.12. Construction. The parties acknowledge that the parties and their counsel have reviewed and revised this Agreement and the documents to be executed at the Closing and agree that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be applied in the interpretation of this Agreement, the documents to be delivered at Closing or any exhibits or amendments thereto.

10.13. Calculation of Time Periods. Unless otherwise specified, in computing any period of time described herein, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of such period is to be included, unless such last day is a Saturday, Sunday or legal holiday for national banks in the Commonwealth of Massachusetts, in which event the period shall run until the end of the next day which is neither a Saturday, Sunday, nor legal holiday.

10.14. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Agreement. To facilitate execution of this Agreement, the parties may execute and exchange by telephone facsimile counterparts of the signature pages.

10.15. Further Assurances. In addition to the acts and deeds recited herein and contemplated to be performed, executed and/or delivered by either party at Closing, each party agrees to perform, execute and deliver, but without any obligation to incur any additional liability or expense, on or after the Closing any further deliveries and assurances as may be reasonably necessary to consummate the transactions contemplated hereby or to further perfect the conveyance, transfer and assignment of the Property to Buyer.

10.16. Venue; Arbitration. . IN CONNECTION WITH ANY PROCEEDING INVOLVING A DISPUTE BETWEEN THE PARTIES HERETO, THE PARTIES HERETO CONSENT AND AGREE TO ARBITRATE THE SAME IN BOSTON, MASSACHUSETTS IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION, THE DECISION OF ANY SUCH ARBITRATOR OR PANEL SHALL BE FINAL AND ENFORCEABLE BY ANY COURT, FEDERAL OR STATE, HAVING JURISDICTION IN THE COMMONWEALTH OF MASSACHUSETTS.

10.17. Bulk Sales. If any applicable provisions of law require that any state or local taxation authorities be notified of the transactions contemplated herein, or if clearance is required of such authorities, each in order to permit the transfer of the Real Property as contemplated herein without liability to Buyer for any state or local taxes required to be paid or collected by Seller prior to the Closing Date, it shall be a condition precedent to the obligations of Buyer hereunder that all such notification and clearance requirements shall have complied with and the Buyer shall have received the requisite clearances and releases from further liability. Seller shall, within ten (10) days after the Effective Date make all filings necessary to obtain such clearances, and shall contemporaneously provide Buyer with copies of all such filings.

[Remainder of this page intentionally left blank; signature page follows]

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the day and year written below.

SELLER:

CORNERSTONE OPERATING PARTNERSHIP, L.P.,
a Delaware limited partnership
By: Summit Healthcare REIT, Inc.,
f/k/a Cornerstone Core Properties REIT, Inc.,
a Maryland corporation, its sole
general partner

Dated: November 4, 2014

By: /s/ Kent Eikanas
Kent Eikanas, President

BUYER:

THE RESIDENCES AT SHERBURNE COMMONS, INC.,
a Massachusetts non-profit corporation

Dated: November 4, 2014

By: /s/ David D. Worth
Name: David D. Worth
Title: President and Treasurer

JOINDER

Chicago Title Insurance Company hereby joins this Agreement for the sole purpose of agreeing to be bound by the provisions of Sections 2.2 and 2.3 hereof.

CHICAGO TITLE INSURANCE COMPANY

By: /s/ David J. Buczkowski
Name: David J. Buczkowski
Title: Vice President

EXHIBITS OMITTED

ASSIGNMENT OF BID AND ASSUMPTION

Nantucket, Massachusetts
December 15, 2014

For value received, and for Ten and 00/100 Dollars (\$10.00) paid, and for other good and valuable consideration, Cornerstone Operating Partnership, L.P., ("Assignor") hereby assigns Assignor's bid and all of Assignor's right, title and interest, as Buyer, in and to that Memorandum of Sale dated October 6, 2014 ("Memorandum of Sale") executed in connection with the public auction foreclosure of the premises known as 21 South Shore Road, Nantucket, Massachusetts, pursuant to the foreclosure of a mortgage given to Cornerstone Operating Partnership, L.P., by Nantucket Acquisition, LLC, ("Mortgagor") dated as of December 14, 2009, recorded with Nantucket County Registry of Deeds in Book 1213, Page 232, to The Residences at Sherburne Commons, Inc., a Massachusetts c. 180 non-profit corporation ("Assignee").

This Assignment is made without recourse and subject to all the terms and conditions of said Memorandum of Sale and the Notice of Mortgagee's Sale of Real Estate, and Assignee assumes all of the obligations of Assignor

Assignor:

CORNERSTONE OPERATING PARTNERSHIP, L.P.,
a Delaware limited partnership

By: Summit Healthcare REIT, Inc.,
a Maryland corporation, its sole
general partner

By: /s/ Kent Eikanas
Kent Eikanas, President

By: /s/ Elizabeth Pagliarini
Elizabeth Pagliarini, Treasurer

Assignee:

THE RESIDENCES AT SHERBURNE COMMONS, INC.

By: /s/ David D. Worth
David D. Worth, President

STATE OF CALIFORNIA

_____, ss.

On this ____ day of December, 2014, before me, the undersigned notary public/justice of the peace, personally appeared Kent Eikanas, being President of Summit Healthcare REIT, Inc., proved to me through satisfactory evidence of identification, which was California drivers license, to be the person whose name is signed on the preceding document, and acknowledged to me that he signed it voluntarily on behalf of Summit Healthcare REIT, Inc., as it is General Partner of Cornerstone Operating Partnership, L.P., for its stated purpose.

Notary Public/Justice of the Peace
My commission expires:

PROMISSORY
NOTE
(with Incentive
Participation)

\$5,000,000.00

December 31, 2014

THIS PROMISSORY NOTE (this "Note") is made as of December 31, 2014 by THE RESIDENCES AT SHERBURNE COMMONS, INC., a Massachusetts c. 180 non-profit corporation] ("Borrower"), having an address at c/o 40 Sherburne Commons, Nantucket, Massachusetts 02554, to and in favor of CORNERSTONE OPERATING PARTNERSHIP, L.P., a Delaware limited partnership its successors and assigns ("Lender"), having an address at 2 South Pointe Drive, Suite 100, Lake Forest, California 92630.

NOW, THEREFORE, FOR VALUE RECEIVED, Borrower, unconditionally promises to pay to the order of Lender, without any counterclaim, setoff or deduction whatsoever, on or before the Maturity Date (as hereinafter defined), at the office of Lender, or at such other place as Lender may designate to Borrower in writing from time to time, the principal sum of FIVE MILLION AND NO/100 DOLLARS (\$5,000,000.00), together with (i) interest on so much thereof as is from time to time outstanding and unpaid, from the date of the advance of the principal evidenced hereby, at the rate of three and one half percent (3.5%) per annum (the "Note Rate"), compounded annually, and (ii) the Additional Interest (defined below), at such time as is required by the terms hereof, all in lawful money of the United States of America, which shall at the time of payment be legal tender in payment of all debts and dues, public and private.

SECTION 1

TERMS AND
CONDITIONS

1.01 Payment of Interest. Interest shall be computed hereunder based on a 360-day year and paid for the actual number of days elapsed for any whole or partial month in which interest is being calculated. In computing the number of days during which interest accrues, such accrual shall commence on the date hereof, and the day on which funds are repaid shall be included unless repayment is credited prior to close of business. Payments in federal funds immediately available in the place designated for payment received by Lender prior to 2:00 p.m. local time on a business day at the place designated for payment shall be credited prior to close of business, while other payments may, at the option of Lender, not be credited until immediately available to Lender in federal funds at the place designated for payment prior to 2:00 p.m. local time at said place of payment on a day on which Lender (or if Lender designates another entity to receive payment on behalf of Lender, such entity) is open for business.

Payments of interest only shall be payable in monthly installments, beginning on the first day of the first month following the date of this Note and continuing on the first day of each and every month (each a "Payment Date") thereafter through and including December 31, 2017 (the "Maturity Date"), at which time the entire outstanding principal balance hereof, together with all accrued but unpaid interest thereon and the Additional Interest then due, shall be due and payable in full; PROVIDED, HOWEVER, at Borrower's election, interest may accrue and not be payable for the period commencing on the date hereof, through and including December 31, 2015, and all such accrued but unpaid interest shall then be payable in full commencing January 1, 2016, and interest shall then be payable on each succeeding Payment Date. Each such monthly installment shall be applied first to the payment of accrued interest and then to reduction of principal, if any. For purposes of making payments hereunder, but not for purposes of calculating interest accrual periods, if the day on which any payment is due is not a Business Day (as defined in the Security Instrument), then amounts due on such date shall be due on the immediately preceding Business Day.

1.02 Payment of Principal. Outstanding and unpaid principal due hereunder shall be paid to Lender by remittance to Lender of the entire Net Proceeds payable to Borrower for any of the residential cottages (the "Cottages") in the Sherburne Commons multiunit senior independent and assisted living facility situated at 21 South Shore Road, Nantucket, Massachusetts being the premises leased to Borrower pursuant to that certain Second Amended and Restated Ground Lease dated December 9, 2009, as amended and assigned to Borrower, and which are not subject to that certain Liquidating Trust Agreement dated December 1, 2009 established in the Bankruptcy Case *In re: Sherburne Commons, Inc.*, Case No. 08-18026-WCH (US Bankruptcy Court for the District of Massachusetts). As used herein, "Net Proceeds" shall mean the gross actual consideration paid by purchasers of the Cottages, whether by outright sale or by payment of one time entrance fees, less customary closing costs, including brokerage fees, recording fees, documentary deed stamps, Nantucket Land Bank excise fees, closing attorney fees, and all other normal and customary fees and charges incurred in the normal practice of real estate conveyance. In connection therewith, Borrower shall (i) submit a report monthly to Lender evidencing the status of the Cottages, including detailing which are being marketed but unsold, which are under contract for sale and the anticipated date of closing, and which have been sold since the prior reporting period, a form of such report is attached hereto as Exhibit A; (ii) deliver to Lender within five (5) days of execution a true and correct copy of each purchase agreement executed by Borrower and the purchaser and shall notify Lender not less than ten (10) days in advance of any sale so identified and the place and person conducting the closing; and (iii) deliver a true and complete closing statement evidencing the Net Proceeds realized therefrom, in adequate detail evidencing the Gross Sale Price and deductions therefrom to result in the Net Proceeds with respect to the subject transaction. Borrower shall remit to Lender such Net Proceeds from each such sale not later than ten days following the closing of such sale, accompanied by a true copy of the closing statement certified as true and correct by Borrower and certifying that no other undisclosed agreements exist between Borrower, as seller, and the buyer, whether oral or written with respect to the subject transaction. Such remitted Net Proceeds shall be applied to principal then outstanding. Unless previously paid in full, any then outstanding principal shall be paid, in full, on the Maturity Date. Borrower may prepay principal in whole or part upon ten days advance notice to Lender without penalty or premium.

1.03 Additional Interest Incentive Participation.

(i) Definitions. As used in this Section 1.03, the following terms are defined as follows.

- (a) "Acceleration Default" means the Lender's acceleration of the indebtedness evidenced by this Note after the occurrence of an Event of Default.
- (b) "Additional Interest Maturity Date" means December 31, 2018.
- (c) "Additional Interest Maximum" means One Million Dollars (\$1,000,000).
- (d) "Additional Interest Threshold" means Six Million Dollars (\$6,000,000) of Cottage Sales Net Proceeds. The Additional Interest Threshold shall be determined by monthly sales reports and net proceeds reconciliations submitted to Lender by the chief financial officer of Borrower and certified as true and correct for the reporting period.
- (e) "Cottage Sales Net Proceeds" means the gross actual consideration paid by purchasers of the Cottages, less customary closing costs, including brokerage fees, recording fees, documentary deed stamps, Nantucket Land Bank excise fees, closing attorney fees, and all other normal and customary fees and charges incurred in the normal practice of real estate conveyance. Such net proceeds shall be evidenced by a complete and adequately detailed closing statement with respect to the subject transaction.

(ii) Additional Interest. In addition to the payment of interest ("Regular Interest") and principal provided for in Sections 1.01 and 1.02 of this Note, Borrower agrees to pay to Lender, as "Additional Interest" fifty percent (50%) of the Cottage Sales Net Proceeds received by Borrower during the period from and after the date upon which the Additional Interest Threshold has been achieved (notwithstanding that some portion of Cottage Sales Net Proceeds may have been previously remitted to Lender in payment of Principal under this Note as provided in Section 1.02 hereof), up to and including the Additional Interest Maturity Date, but Additional Interest due as of the Maturity Date shall also include the amounts payable with respect to Cottages under contract for sale but which have not yet been actually sold and which Additional Interest with respect to such contracted but unsold Cottages as of the Additional Interest Maturity Date shall be remitted to Lender promptly upon the completion of the transaction represented thereby, but in no event shall Lender receive more than the Additional Interest Maximum. The Additional Interest shall be payable not later than ten days following Borrower's receipt of Cottage Sales Net Proceeds and shall be evidenced by a true, complete and adequately detailed closing statement with respect to the subject transaction.

(iii) Termination. Lender's right to the payment of Additional Interest shall terminate upon the Additional Interest Maturity Date, subject to payment of the Additional Interest then due Lender and including Additional Interest due after the Additional Interest Maturity Date with respect to Cottages under contract but for which the completion of the transaction is subsequent thereto.

(iv) No Joint Venture. Nothing in this Note or the Loan Documents is intended or shall be construed to make Borrower and Lender partners or joint venturers or to make either of them liable for the debts or obligations of the other, it being the express and unequivocal intent of Borrower and Lender that their relationship shall be solely and exclusively that of debtor and creditor.

1.04 Prepayment. This Note may be prepaid in whole or in part without premium or penalty.

1.05 Security. The indebtedness evidenced by this Note and the obligations created hereby are secured by, among other things, that certain Leasehold Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing (the "Security Instrument"), dated of even date herewith, made by Borrower in favor of Lender, encumbering certain property located in Nantucket County, Massachusetts. The Security Instrument, together with this Note, any indemnity and guaranty agreement, any hazardous substances indemnity agreement, and such other agreements, documents and instruments, together with any and all renewals, modifications, amendments, restatements, consolidations, substitutions, replacements, and extensions and modifications thereof, are herein referred to collectively as the "Loan Documents". All of the terms and provisions of the Loan Documents are incorporated herein by reference. Some of the Loan Documents are to be filed for record on or about the date hereof in the appropriate public records. In the event that (i) Borrower repays all principal and interest outstanding pursuant to this Note as provided for in Sections 1.01 and 1.02 (but not including the Additional Interest provided in Section 1.03) on or before the Maturity Date and prior to the Additional Interest Maturity Date, whether through securing alternate financing or otherwise, and (ii) Borrower has adopted one or more forms of multiple ownership of the Cottages (by way of example but without limitation, condominium, co-operative, or tenancy in common), Lender agrees to provide Borrower with a partial release of the Collateral subject to the Security Instrument which do not constitute Cottages.

1.06 Default. It is hereby expressly agreed that should any default occur in the payment of principal or interest as stipulated above and such payment is not made when due, or should any other monetary or any material non-monetary default occur under any of the Loan Documents which is not cured within any applicable grace or cure period therein, but including without limitation, any sale, transfer, conveyance or other violation of the terms of Section 1.13 of the Security Instrument, then an "Event of Default" shall exist hereunder, and in such event the indebtedness evidenced hereby, including all sums advanced or accrued hereunder or under any other Loan Document, and all unpaid interest accrued thereon, and including any unpaid Additional Interest, shall, at the option of Lender and without notice to Borrower, at once become due and payable and may be collected forthwith, whether or not there has been a prior demand for payment and regardless of the stipulated date of maturity.

In the event that any payment is not received by Lender on the date when due, then in addition to any default interest payments due hereunder, Borrower shall also pay to Lender a late charge in an amount equal to five percent (5.0%) of the amount of such overdue payment in order to defray Lender's expenses in addressing and processing the delinquent payment and compensate Lender from the loss of the use of such payment. Such amount shall be secured by the Loan Documents, but shall not result in any extension of the Maturity Date nor a waiver of any other right or remedy available to Lender in connection with the Loan Documents.

So long as any default exists hereunder, regardless of whether or not there has been an acceleration of the indebtedness evidenced hereby, and at all times after maturity of the indebtedness evidenced hereby (whether by acceleration or otherwise), interest shall accrue on the amount due under this Note at a rate per annum equal to the Note Rate plus five percent (5.0%), or if such increased rate of interest may not be collected under applicable law, then at the maximum rate of interest, if any, which may be collected from Borrower under applicable law (the "Default Interest Rate"), and such default interest shall be immediately due and payable. Such amounts shall be secured by the Loan Documents, but shall not result in any extension of the Maturity Date nor a waiver of any other right or remedy available to Lender in connection with the Loan Documents.

Borrower acknowledges that it would be extremely difficult or impracticable to determine Lender's actual damages resulting from any late payment or default, and such late charges and default interest are reasonable estimates of those damages and do not constitute a penalty. The remedies of Lender in this Note or in the other Loan Documents, or at law or in equity, shall be cumulative and concurrent, and may be pursued singly, successively or together in Lender's discretion. Time is of the essence with respect to all matters concerning or relating to this Note. Borrower agrees to pay on demand all expenses and costs of enforcement, administration and collection incurred or paid by Lender including, but not limited to, reasonable attorneys' fees and disbursements of Lender, whether or not with respect to retained firms, the reimbursement for the expenses of in-house staff, or otherwise and whether or not any legal proceeding is commenced hereunder. The foregoing amounts shall be paid together with interest thereon at the Default Interest Rate from the date paid or incurred by Lender until such expenses are paid by the Borrower.

1.07 Exculpation. Notwithstanding anything in the Loan Documents to the contrary, but subject to the qualifications set forth below, Lender agrees that (i) Borrower shall be liable upon the indebtedness evidenced hereby and for the other obligations arising under the Loan Documents to the full extent (but only to the extent) of the security granted therefor, the same being all properties (whether real or personal), rights, estates and interests now or at any time hereafter securing the payment of this Note and/or the other obligations of Borrower under the Loan Documents (collectively, the "Property"), (ii) if default occurs in the timely and proper payment of all or any part of such indebtedness evidenced hereby or in the timely and proper performance of the other material obligations of Borrower under the Loan Documents, any judicial proceedings brought by Lender against Borrower shall be limited to the preservation, enforcement and foreclosure, or any thereof, of the liens, security titles, estates, assignments, rights and security interests now or at any time hereafter securing the payment of this Note and/or the other obligations of Borrower under the Loan Documents, and confirmation of any sale under power of sale, and no attachment, execution or other writ of process shall be sought, issued or levied upon any assets, properties or funds of Borrower other than the Property except with respect to the liabilities described below in this section and in Section 1.08 below, and (iii) in the event of a foreclosure of such liens, security titles, estates, assignments, rights or security interests securing the payment of this Note and/or the other obligations of Borrower under the Loan Documents, whether by judicial proceedings or exercise of power of sale, no judgment for any deficiency upon the indebtedness evidenced hereby shall be sought or obtained by Lender against Borrower, except with respect to the liability described below in this section; provided, however, that, notwithstanding the foregoing provisions of this section, Borrower shall be fully and personally liable and subject to legal action (a) for proceeds paid under any insurance policies (or paid as a result of any other claim or cause of action against any person or entity) by reason of damage, loss or destruction to all or any portion of the Property, to the full extent of such proceeds not previously delivered to Lender, but which, under the terms of the Loan Documents, should have been delivered to Lender, (b) for proceeds or awards resulting from the condemnation or other taking in lieu of condemnation of all or any portion of the Property, or any of them, to the full extent of such proceeds or awards not previously delivered to Lender, but which, under the terms of the Loan Documents, should have been delivered to Lender, (c) for all tenant security deposits or other refundable deposits paid to or held by Borrower or any other person or entity in connection with leases of all or any portion of the Property which are not applied in accordance with the terms of the applicable lease or other agreement, (d) for rent and other payments received from tenants under leases of all or any portion of the Property paid more than one (1) month in advance, (e) for rents, issues, profits and revenues of all or any portion of the Property received or applicable to a period after any notice of default from Lender hereunder or under the Loan Documents in the event of any default hereunder or thereunder which are not either applied to the ordinary and necessary expenses of owning and operating the Property or paid to Lender, (f) for damage to the Property as a result of intentional misconduct or gross negligence of, or material waste to or of the Property by, Borrower or any of its principals, officers or general partners or members, or any agent or employee of any such persons, or any removal of the Property in violation of the terms of the Loan Documents, to the full extent of the losses or damages actually incurred by Lender on account of such damage or removal, (g) for Borrower's failure to pay any valid taxes, assessments, mechanic's liens, materialmen's liens or other claims which could create liens on any portion of the Property, accruing prior to the date Lender acquires actual possession and control of the Property, which would be superior to the lien or security title of the Security Instrument or the other Loan Documents, to the full extent of the amount claimed by any such lien claimant, (h) for all obligations and indemnities of Borrower under the Loan Documents relating to hazardous or toxic substances or compliance with environmental laws and regulations to the full extent of any losses or damages (including, without limitation, those resulting from diminution in value of the Property or any portion thereof) incurred by Lender as a result of the existence of such hazardous or toxic substances or failure to comply with environmental laws or regulations, (i) for fraud or material misrepresentation in connection with or related to the Loan, including without limitation, the origination thereof and/or performance thereof, by Borrower or any of its principals, officers, directors, general partners or members, any guarantor, any indemnitor or any agent, employee or other person authorized or apparently authorized to make statements or representations on behalf of Borrower, any principal, officer, director, general partner, beneficial owner or member of Borrower, or any guarantor or any indemnitor, to the full extent of any losses, damages and expenses of Lender on account thereof (including, without limitation, reasonable attorneys' fees and expenses), (j) for any amounts paid under leases containing early lease termination and/or surrender options or otherwise paid by tenants in consideration of an early termination and/or surrender of any lease and not delivered to Lender in accordance with the Security Instrument, (k) for all damage, liability, loss, cost and expense (including, without limitation, reasonable attorneys' fees) incurred by Lender as a result of the termination or revocation of any governmental license or authorization necessary to permit the operation of the Property as an assisted living facility, and (l) the costs incurred in recovering such amounts, including, without limitation, reasonable attorneys' fees and expenses. References herein to particular sections of the Loan Documents shall be deemed references to such sections as affected by other provisions of the Loan Documents relating thereto. Nothing contained in this section shall (1) be deemed to be a waiver, release or impairment of the indebtedness evidenced by this Note or the other obligations of Borrower under the Loan Documents or the lien of the Loan Documents upon the Property, or (2) preclude Lender from foreclosing the Loan Documents in case of any default hereunder or under any of the Loan Documents or from enforcing any of the other rights of Lender except as stated in this section, or under the Environmental Indemnity Agreement of even date from Borrower to Lender, or (3) limit or impair in any way whatsoever the Environmental Indemnity Agreement executed and delivered in connection with the indebtedness evidenced by this Note or any other indemnity or guaranty executed and delivered in connection with the indebtedness evidenced by this Note, or release, relieve, reduce, waive or impair in any way whatsoever, any obligation of any party to such Environmental Indemnity Agreement or any other such indemnity or guaranty or agreement relating hereto. Borrower agrees that Lender shall not be deemed to have waived any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the debt secured by the Security Instrument or to require that all collateral shall continue to secure all of the debt owing to Lender in accordance with the Loan Documents.

1.08 Exceptions to Exculpation. Notwithstanding anything to the contrary in this Note or any of the Loan Documents, the obligations of Borrower under this Note and the other Loan Documents shall be fully recourse to Borrower in the event that: (i) the full payment of interest accrued under this Note is not paid when due no later than January 1, 2016; (ii) Borrower fails to maintain its status as a single purpose entity, as required by, and in accordance with the terms and provisions of, the Security Instrument; (iii) Borrower fails to obtain Lender's prior written consent to any subordinate financing (including, without limitation, any mezzanine financing) or other voluntary lien encumbering the Property; (iv) Borrower fails to obtain Lender's prior written consent to any assignment, transfer, or conveyance of the Property or any interest therein as required by the Security Instrument; (v) a receiver, liquidator or trustee of Borrower or of any guarantor or indemnitor shall be appointed or if Borrower or any guarantor or indemnitor shall be adjudicated a bankrupt or insolvent, or if any petition for bankruptcy, reorganization or arrangement pursuant to federal bankruptcy law, or any similar federal or state law, shall be filed by, consented to, or acquiesced in by, Borrower or any guarantor or indemnitor or if any proceeding for the dissolution or liquidation of Borrower or of any guarantor shall be instituted by Borrower or any guarantor; (vi) Borrower or any guarantor or indemnitor shall have colluded with other creditors to cause an involuntary bankruptcy filing with respect to Borrower or any guarantor or indemnitor; or (vii) Borrower defaults hereunder in any way and Borrower or any guarantor or indemnitor, either before or after the occurrence of any such default, contests or in any way interferes with, directly or indirectly, any foreclosure action, Uniform Commercial Code sale and/or deed in lieu of foreclosure transaction commenced by Lender or with any other enforcement of Lender's rights, powers or remedies under any of the Loan Documents or under any document evidencing, securing or otherwise relating to any of the Collateral (as such term is defined in the Security Instrument) or any of the other Property (whether by making any motion, bringing any counterclaim, claiming any defense, seeking any injunction or other restraint, commencing any action, seeking to consolidate any such foreclosure or other enforcement with any other action, or otherwise).

1.09 Delegation to Servicer. At the option of Lender, the Loan may be serviced by a servicer or a trustee (together with their respective successors and assigns, the "Servicer") selected by Lender and Lender may delegate all or any portion of its rights and responsibilities under this Note and the other Loan Documents to the Servicer pursuant to a servicing agreement between Lender and Servicer.

1.10 GENERAL CONDITIONS

(a) No Waiver; Amendment. No failure to accelerate the debt evidenced hereby by reason of default hereunder, acceptance of a partial or past due payment, or indulgences granted from time to time shall be construed (i) as a novation of this Note or as a reinstatement of the indebtedness evidenced hereby or as a waiver of such right of acceleration or of the right of Lender thereafter to insist upon strict compliance with the terms of this Note, or (ii) to prevent the exercise of such right of acceleration or any other right granted hereunder or by any applicable laws; and Borrower hereby expressly waives the benefit of any statute or rule of law or equity now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the foregoing. No extension of the time for the payment of this Note or any installment due hereunder, made by agreement with any person or entity now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Borrower under this Note, either in whole or in part, unless Lender agrees otherwise in writing. This Note may not be changed orally, but only by a definitive written agreement signed by the party against whom enforcement of any waiver, change, modification or discharge is sought. Moreover, Borrower agrees that it shall not rely on any other memoranda, written analysis, proposal or conversation or action/inaction on the possibility that the Lender might ultimately agree to a waiver of any term or provision of this Note or any other Loan Document. As negotiations may be lengthy and complex, and may not produce a definitive written agreement, the Borrower should not forego any opportunities to repay the Note in reliance on any such negotiations or any proposed written agreement that is not fully-executed.

(b) Waivers. Presentment for payment, demand, protest and notice of demand, protest and nonpayment and all other notices are hereby waived by Borrower. Borrower hereby further waives and renounces, to the fullest extent permitted by law, all rights to the benefits of any statute of limitations and any moratorium, reinstatement, marshalling, forbearance, valuation, stay, extension, redemption, appraisal, exemption and homestead now or hereafter provided by the Constitution and laws of the United States of America and of each state thereof, both as to itself and in and to all of its property, real and personal, against the enforcement and collection of the obligations evidenced by this Note or the other Loan Documents.

(c) Limit of Validity. Notwithstanding anything to the contrary contained in this Note or the Security Instrument, the Default Interest Rate shall not at any time exceed the Maximum Rate. The term "Maximum Rate," as used herein, shall mean, on any day, the highest non-usurious rate of interest (if any) permitted by applicable law on such day.

It is the intention of the parties hereto to comply with the usury laws of the State of Massachusetts and the United States of America. The parties hereto do not intend to contract for, charge or receive any interest or other charge which is usurious, and by execution of this Note or the Security Instrument, Borrower agrees that Lender has no such intent. This Note, the Security Instrument, the other Loan Documents and all other agreements between Borrower and Lender or any other holder hereof, which are now existing or hereafter arising, whether written or oral, are hereby expressly limited so that in no event whatsoever, whether by reason of acceleration of maturity hereof, or otherwise, shall the amount paid, or agreed to be paid, to Lender or any other holder hereof for the use, forbearance or detention of the money to be due hereunder or otherwise, or for the payment or performance of any covenant or obligation contained herein or in any other document evidencing, securing or pertaining to the Debt, exceed the Maximum Rate. If from any circumstance whatsoever fulfillment of any provisions hereof or other document, at the time performance of such provisions shall be due, shall involve transcending the valid limits prescribed by law, then ipso facto, the obligation to be fulfilled shall be reduced to the Maximum Rate, and if from any such circumstance Lender or any other holder shall ever receive as interest or otherwise an amount which will exceed the Maximum Rate, such amount which would be excessive interest shall be applied to the reduction of the principal amount owing hereunder (without prepayment premium or penalty) or on account of any other principal indebtedness of Borrower to the holder and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of principal hereof and such other indebtedness, such excess shall be refunded to Borrower. All sums paid and agreed to be paid to Lender or any other holder for use, forbearance or detention of the indebtedness of Borrower shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the period until payment in full on the Note (or any renewals, extensions and rearrangement thereof) so that the actual rate of interest on account of the Debt is uniform throughout the term of this Note (and all renewals, extensions and rearrangements hereof) and does not exceed the Maximum Rate. The terms and provisions of this Section 1.10(c) shall control and supersede any other provision of this Note or the other Loan Documents.

(d) Borrower hereby warrants, represents and covenants that no funds disbursed hereunder shall be used for personal, family or household purposes and that amounts paid to Borrower hereunder shall be disbursed in accordance with the related sources and uses statement prepared by Lender and executed by Borrower on the date hereof. Borrower hereby acknowledges and confirms that its execution of such sources and uses statement constitutes its irrevocable and unconditional consent and authorization to the disbursement and use of the loan proceeds as described therein.

(e) Unconditional Payment. Borrower is and shall be obligated to pay principal, interest, the Additional Interest (and interest thereon, if any) and any and all other amounts which become payable hereunder or under the other Loan Documents absolutely and unconditionally and without any abatement, postponement, diminution or deduction and without any reduction for counterclaim or setoff. In the event that at any time any payment received by Lender hereunder shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under any bankruptcy, insolvency or other debtor relief law, then the obligation to make such payment shall survive any cancellation or satisfaction of this Note or return thereof to Borrower and shall not be discharged or satisfied with any prior payment thereof or cancellation of this Note, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof, and such payment shall be immediately due and payable upon demand..

(f) Further Assurances. Borrower shall execute and acknowledge (or cause to be executed and acknowledged) and deliver to Lender all documents, and take all actions, reasonably required by Lender from time to time to confirm the rights created under this Note and the other Loan Documents, to protect and further the validity, priority and enforceability of this Note and the other Loan Documents, to subject to the Loan Documents any property of Borrower intended by the terms of any one or more of the Loan Documents to be encumbered by the Loan Documents, to correct any error in any of the Loan Documents or any error in the disbursement of any funds pursuant to the Loan Documents, or otherwise carry out the purposes of the Loan Documents and the transactions contemplated thereunder; provided, however, that no such further actions, assurances and confirmations shall alter the exculpation provisions of this Note (or the other Loan Documents) or increase Borrower's obligations under this Note.

(g) Submission to Jurisdiction; Waiver of Jury Trial.

BORROWER, TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, (A) SUBMITS TO PERSONAL JURISDICTION IN THE COMMONWEALTH OF MASSACHUSETTS OVER ANY SUIT, ACTION OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THIS NOTE, (B) AGREES THAT ANY SUCH ACTION, SUIT OR PROCEEDING MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN BOSTON, MASSACHUSETTS, (C) SUBMITS TO THE JURISDICTION OF SUCH COURTS, AND (D) AGREES THAT BORROWER WILL NOT BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM AND BORROWER FURTHER CONSENTS AND AGREES TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE PREPAID, TO BORROWER AT THE ADDRESS FOR NOTICES DESCRIBED ON THE FIRST PAGE HEREOF, AND CONSENTS AND AGREES THAT SUCH SERVICE SHALL CONSTITUTE IN EVERY RESPECT VALID AND EFFECTIVE SERVICE (BUT NOTHING HEREIN SHALL AFFECT THE VALIDITY OR EFFECTIVENESS OF PROCESS SERVED IN ANY OTHER MANNER PERMITTED BY LAW).

BORROWER, TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANYWAY RELATING TO THIS NOTE OR ANY CONDUCT, ACT OR OMISSION OF LENDER, OR ANY OF THEIR DIRECTORS, OFFICERS, PARTNERS, MEMBERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY OTHER PERSONS AFFILIATED WITH LENDER OR BORROWER BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS NOTE AND/OR THE LOAN EVIDENCED HEREBY, IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.

(h) Miscellaneous. This Note shall be interpreted, construed and enforced according to the laws of the Commonwealth of Massachusetts and the applicable laws of the United States of America. The terms and provisions hereof shall be binding upon and inure to the benefit of Borrower and Lender and their respective heirs, executors, legal representatives, successors, successors-in-title and assigns, whether by voluntary action of the parties or by operation of law. To the extent any notice is provided hereunder or under any other Loan Document and Borrower knows or has reason to believe that any of the foregoing entities are acting as or on behalf of Lender hereunder, in addition to Lender, Borrower shall provide such notice to such entity. As used herein, the terms "Borrower" and "Lender" shall be deemed to include their respective successors, successors-in-title and assigns, whether by voluntary action of the parties or by operation of law. Subject to the limitations set forth in Section 1.07 above, if Borrower consists of more than one person or entity, each shall be jointly and severally liable to perform the obligations of Borrower under this Note. All personal pronouns used herein, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and vice versa. Titles of articles and sections are for convenience only and in no way define, limit, amplify or describe the scope or intent of any provisions hereof. Capitalized terms used in this Note and not otherwise defined herein shall have the meaning ascribed to them in the Security Instrument or, if not therein defined, as defined in the other Loan Documents. Time is of the essence with respect to all provisions of this Note, the Security Instrument and the other Loan Documents. This Note and the other Loan Documents contain the entire agreements between the parties hereto relating to the subject matter hereof and thereof and all prior agreements relative hereto and thereto which are not contained herein or therein are terminated.

IN WITNESS WHEREOF, Borrower, intending to be legally bound hereby, has duly executed this Note under seal as of the day and year first written above.

THE RESIDENCES AT SHERBURNE
COMMONS, INC.

By: /s/ David D. Worth
David D. Worth
President and Treasurer