

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-K

Annual report pursuant to section 13 and 15(d)

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### FILER

#### GENESIS HEALTH VENTURES INC /PA

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SIC: **8051** Skilled nursing care facilities

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## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-K

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (FEE REQUIRED) FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 1996

|\_ | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

Commission File Number 1-11666

GENESIS HEALTH VENTURES, INC.  
(Exact name of Registrant as specified in its charter)

<TABLE>		
<CAPTION>		
<S>		
Pennsylvania	148 West State Street	
(State or other jurisdiction of	Kennett Square, PA 19348	06-1132947
incorporation or organization)	(Address of principal executive	(I.R.S. Employer
	offices including zip code)	Identification Number)

</TABLE>

(610) 444-6350  
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<TABLE>	
<CAPTION>	
<S>	
Title of each class	Name of each exchange on which registered
-----	-----
Common Stock, par value \$.02 per share	New York Stock Exchange
6% Convertible Senior Subordinated Debentures due 2003	New York Stock Exchange
9 3/4% Senior Subordinated Debentures due 2005	New York Stock Exchange

</TABLE>

Securities registered pursuant to Section 12(g) of the Act:  
NONE

Indicate by check mark whether the registrant (i) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months, and (ii) has been subject to such filing  
requirements for the past 90 days. YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to  
Item 405 of Regulation S-K is not contained herein, and will not be contained,  
to the best of Registrant's knowledge, in definitive proxy or information  
statements incorporated by reference in Part III of this Form 10-K or any  
amendment to this Form 10-K. |\_ |

The aggregate market value of voting stock held by non-affiliates of  
the Registrant is \$626,558,991 (1). As of December 13, 1996, 32,002,486 shares  
of Common Stock were outstanding.

## DOCUMENTS INCORPORATED BY REFERENCE

(Specific sections incorporated are identified under applicable items herein)

Certain portions of the Company's Proxy Statement to be filed in connection with  
its 1997 Annual Meeting are incorporated by reference in Part III of this  
Report. Certain exhibits to the Company's Current Report on Forms 8-K and 8-K/A  
dated July 11, 1996, May 3, 1996, April 21, 1996, November 30, 1995, August 18,  
1995, November 30, 1993, September 19, 1993, Registration Statement on Form S-1  
(File No. 33-4007), Registration Statement on Form S-1 (File No. 33-51670),  
Registration Statement on Form S-3 (File No. 33-9350) and Registration Statement  
on Form S-4 (File No. 333-15267) Annual Reports on Form 10-K for the fiscal  
years ended September 30, 1995, 1994, 1993 and 1992, and Quarterly Reports on  
Form 10-Q for the fiscal quarters ended March 31, 1996 and March 31, 1994, Form  
S-8 dated May 15, 1995, and Form 8-A dated May 11, 1995 are incorporated by  
reference as Exhibits in Part IV of this Report.

(1) The aggregate dollar amount of the voting stock set forth equals the number of shares of the Company's Common Stock outstanding, reduced by the amount of Common Stock held by officers, directors and shareholders owning in excess of 10% of the Company's Common Stock, multiplied by the last reported sale price for the Company's Common Stock on December 13, 1996. The information provided shall in no way be construed as an admission that any officer, director or 10% shareholder in the Company may or may not be deemed an affiliate of the Company or that he/it is the beneficial owner of the shares reported as being held by him/it, and any such inference is hereby disclaimed. The information provided herein is included solely for recordkeeping purposes of the Securities and Exchange Commission.

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Cautionary Statement Regarding Forward Looking Statements

Certain oral statements made by management from time to time and certain statements contained herein, including certain statements in "Management's Discussion and Analysis of Financial Condition and Results of Operations" such as statements concerning Medicare and Medicaid programs and the Company's ability to meet its liquidity needs and control costs; certain statements contained in "Business" such as statements concerning strategy, government regulation, Medicare and Medicaid programs, managed care initiatives, and recent transactions and competition; certain statements in "Legal Proceedings" and certain statements in the Notes to Consolidated Financial Information, such as certain of the Pro Forma Adjustments; and other statements contained herein regarding matters that are not historical facts are forward looking statements (as such term is defined in the Securities Act of 1933) and because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by such forward looking statements. Factors that could cause actual results to differ materially include, but are not limited to, those discussed below.

Certain Financial Considerations. The Company has substantial indebtedness and, as a result, significant debt service obligations. As of September 30, 1996, after giving pro forma effect to the GMC Transaction and the 1996 Note Offering (as such items are defined in "Management's Discussion and Analysis of Financial Conditions and Results of Operations -- Certain Transactions") and the use of proceeds therefrom, the Company would have had approximately \$594,000,000 of long-term indebtedness which would have represented approximately 54% of its total capitalization. The degree to which the Company is leveraged could have important consequences, including the following: (i) the Company's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired; (ii) a substantial portion of the Company's cash flow from operations may be dedicated to the payment of principal and interest on its indebtedness, thereby reducing the funds available to the Company for its operations; (iii) certain of the Company's borrowings are and will continue to be at variable rates of interest, which causes the Company to be vulnerable to increases in interest rates; and (iv) certain of the Company's indebtedness contains financial and other restrictive covenants, including those restricting the incurrence of additional indebtedness, the creation of liens, the payment of dividends, sales of assets and minimum net worth requirements. Failure by the Company to comply with such covenants may result in an event of default which, if not cured or waived, could have a material adverse effect on the Company.

The Company's ability to make scheduled payments or to refinance its obligations with respect to its indebtedness depends on its financial and operating performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond its control. Although the Company's cash flow from its operations has been sufficient to meet its debt service obligations in the past, there can be no assurance that the Company's operating results will continue to be sufficient for payment of the Company's indebtedness. The Company also has significant long-term operating lease obligations with respect to certain of its eldercare centers.

Risk of Adverse Effect of Healthcare Reform. In addition to extensive existing government healthcare regulation, there are numerous initiatives on the federal and state levels for comprehensive reforms affecting the payment for and availability of healthcare services. It is not clear at this time what proposals, if any, will be adopted, or what effect such proposals would have on the Company's business. Aspects of certain of these healthcare proposals, such as reductions in funding of the Medicare and Medicaid programs, potential changes in reimbursement regulations by the Health Care Financing Administration ("HCFA"), enhanced pressure to contain healthcare costs by Medicare, Medicaid and other payors and permitting greater state flexibility in the administration of Medicaid, could adversely affect the Company. There can be no assurance that currently proposed or future healthcare legislation or other changes in the administration or interpretation of governmental healthcare programs or regulations will not have a material adverse effect on the Company. Concern about the potential effects of the proposed reform measures has contributed to the volatility of prices of securities of companies in healthcare and related industries, including the Company, and may similarly affect the price of the Company's securities in the future. See "Business -- Governmental Regulation."

Regulation. The federal government and all states in which the Company operates regulate various aspects of the Company's business. In particular, the development and operation of eldercare centers and the provision of healthcare services are subject to federal, state and local laws relating to the delivery and adequacy of medical care, distribution of pharmaceuticals, equipment, personnel, operating policies, fire prevention, rate-setting and compliance with building codes and environmental laws. Eldercare centers are subject to periodic

inspection by governmental and other authorities to assure continued compliance with various standards, their continued licensing under state law, certification under the Medicare and Medicaid programs and continued participation in the Veterans Administration program and the ability to participate in other third party programs. The Company is also subject to inspection regarding record keeping and inventory control. Possible sanctions for failing to comply with various standards include monetary fines, ban on admissions, suspension of payments and loss of license. The failure to obtain or renew any required regulatory approvals or licenses could adversely affect the continued expansion of the Company and could prevent it from offering its existing services.

Many states have adopted Certificate of Need or similar laws which generally require that the appropriate state agency approve certain acquisitions and determine that a need exists for certain bed additions, new services and capital expenditures or other changes prior to beds and/or new services being added or capital expenditures being undertaken. To the extent that Certificates of Need or other similar approvals are required for expansion of Company operations, either through center acquisitions or expansion or provision of new services or other changes, such expansion could be adversely affected by the failure or inability to obtain the necessary approvals, changes in the standards applicable to such approvals and possible delays and expenses associated with obtaining such approvals.

The Company is also subject to federal and state laws which govern financial and other arrangements between healthcare providers. These laws often prohibit certain direct and indirect payments or fee-splitting arrangements between healthcare providers that are designed to induce or encourage the referral of patients to, or the recommendation of, a particular provider for medical products and services. These laws include the federal "Stark legislations" which prohibit, with limited exceptions, the referral of patients for certain services, including home health services, physical therapy and occupational therapy, by a physician to an entity in which the physician has an ownership interest and the federal "anti-kickback law" which prohibits, among other things, the offer, payment, solicitation or receipt of any form of remuneration in return for the referral of Medicare and Medicaid patients or the purchasing, leasing, ordering or arranging for any goods, facility services or items for which payment can be made under Medicare and Medicaid. The federal government, private insurers and various state enforcement agencies have increased their scrutiny of providers, business practices and claims in an effort to identify and prosecute fraudulent and abusive practices. In addition, the federal government has issued recent fraud alerts concerning nursing services, double billing, home health services and the provision of medical supplies to nursing facilities; accordingly, these areas may come under closer scrutiny by the government. See "Business -- Governmental Regulation." Furthermore, some states restrict certain business relationships between physicians and other providers of healthcare services. Many states prohibit business corporations from providing, or holding themselves out as a provider of, medical care. Possible sanctions for violation of any of these restrictions or prohibitions include loss of licensure or eligibility to participate in reimbursement programs and civil and criminal penalties. These laws vary from state to state, are often vague and have seldom been interpreted by the courts or regulatory agencies. From time to time, the Company has sought guidance as to the interpretation of these laws; however, there can be no assurance that such laws will ultimately be interpreted in a manner consistent with the practices of the Company.

Payment by Third Party Payors. For the years ended September 30, 1996, 1995, and 1994, respectively, the Company derived approximately 39%, 38% and 41% of its patient service revenue from private pay sources, 25%, 21% and 16% from Medicare and 36%, 41% and 43% from various state Medicaid agencies. Both governmental and private third party payors have employed cost containment measures designed to limit payments made to healthcare providers such as the Company. Those measures include the adoption of initial and continuing recipient eligibility criteria which may limit payment for services, the adoption of coverage and duration criteria which limit the services which will be reimbursed and the establishment of payment ceilings which set the maximum reimbursement that a provider may receive for services. Furthermore, government payment programs are subject to statutory and regulatory changes, retroactive rate adjustments, administrative rulings and government funding restrictions, all of which may materially increase or decrease the rate of program payments to the Company for its services. There can be no assurance that payments under governmental and private third party payor programs will remain at levels comparable to present levels or will, in the future, be sufficient to cover the costs allocable to patients eligible for reimbursement pursuant to such programs. In addition, there can be no assurance that centers owned, leased or managed by the Company, or the provision of services and supplies by the Company, now or in the future will initially meet or continue to meet the

requirements for participation in such programs. The Company could be adversely affected by the continuing efforts of governmental and private third party payors to contain the amount of reimbursement for healthcare services. In an attempt to limit the federal budget deficit, there have been, and the Company expects that there will continue to be, a number of proposals to limit Medicare and Medicaid reimbursement for healthcare services. In certain states there have been proposals to eliminate the distinction in Medicaid payment for skilled versus intermediate care services and to establish a case mix prospective payment system pursuant to which the payment to a facility for a patient is based upon the patient's condition and need for services. The Company cannot at this time predict whether any of these proposals will be adopted or, if adopted and implemented, what effect, if any, such proposals will have on the Company. In addition, private payors, including managed care payors, increasingly are demanding discounted fee structures or the assumption by healthcare providers of all or a portion of the financial risk through prepaid capitation arrangements. Efforts to impose reduced allowances, greater discounts and more stringent cost controls by government and other payors are expected to continue. See "Business -- Revenue Sources."

Competition. The healthcare industry is highly competitive. The Company competes with a variety of other companies in providing eldercare services. Certain competing companies have greater financial and other resources and may be more established in their respective communities than the Company. Competing companies may offer newer or different centers or services than the Company and may thereby attract the Company's customers who are either presently residents of its eldercare centers or are otherwise receiving its eldercare services. See "Business -- Competition."

Risks Associated with Proposed Acquisitions and Acquisition Strategy. The Company has recently completed several acquisitions of eldercare businesses. The Company also intends to pursue additional acquisitions in the future. There can be no assurance that the Company will be able to realize expected operating and economic efficiencies from its recent acquisitions or from any future acquisitions or that such acquisitions will not adversely affect the Company's results of operations or financial condition. In addition, there can be no assurance that the Company will be able to locate suitable acquisition candidates in the future, consummate acquisitions on favorable terms or successfully integrate newly acquired businesses with the Company's operations. The consummation of acquisitions likely will result in the incurrence or assumption by the Company of additional indebtedness.

## PART I

### BUSINESS

#### General

Genesis Health Ventures, Inc. was incorporated in May 1985 as a Pennsylvania corporation. As used herein, unless the context otherwise requires, "Genesis" or the "Company" refers to Genesis Health Ventures, Inc. and subsidiaries.

Genesis is a leading provider of healthcare and support services to the elderly. The Company has developed the Genesis ElderCare(SM) delivery model of integrated healthcare networks to provide cost-effective, outcome-oriented services to the elderly. Through these integrated healthcare networks, Genesis provides basic healthcare and specialty medical services to more than 75,000 customers in four regional markets in the Eastern United States in which over 3,000,000 people over the age of 65 reside. The networks include 148 eldercare centers with approximately 20,000 beds; 18 primary care physician clinics; approximately 93 physicians, physician assistants and nurse practitioners; 12 institutional pharmacies and four medical supply distribution centers serving over 46,000 beds; 21 community based pharmacies; certified rehabilitation agencies providing services through over 326 contracts; and seven home healthcare agencies. Genesis has concentrated its eldercare networks in four geographic regions in order to achieve operating efficiencies, economies of scale and significant market share. The four geographic markets that Genesis principally serves are: New England Region (Massachusetts/Connecticut/New Hampshire); Midatlantic Region (Greater Philadelphia/Delaware Valley); Chesapeake Region (Southern Delaware/Eastern Shore of Maryland; Baltimore, Maryland/Washington D.C./Virginia); and Southern Region (Central Florida).

Genesis eldercare services focus on the central medical and physical issues facing the more medically demanding elderly. By integrating the talents of physicians with case management, comprehensive discharge planning and, where necessary, home support services, the Company provides cost-effective care management to achieve superior outcomes and return customers to the community.

The Company believes that its orientation toward achieving improved customer outcomes through its eldercare networks has resulted in increased utilization of specialty medical services, high occupancy of available beds, enhanced quality payor mix and a broader base of repeat customers. Specialty medical services revenues have increased at a compound annual rate of 53% from the fiscal year ended September 30, 1992 to the fiscal year ended September 30, 1996 and comprise 43% of the Company's revenues for the fiscal year ended September 30, 1996. Specialty medical services typically generate higher profit margins than basic healthcare services and are less capital intensive.

The Company's growth strategy is to enhance its existing eldercare networks, establish new eldercare networks in markets it deems attractive and broaden its array of high margin specialty medical services through internal development and selected acquisitions. Consistent with its strategy, the Company has made selected acquisitions of eldercare centers and rehabilitation, pharmacy, physician services and home healthcare companies.

The Company's long-term strategy is to provide comprehensive eldercare services, in collaboration with other providers, on a prepaid basis in a managed care environment. The Company has undertaken several initiatives to position itself to compete in a managed care environment. These initiatives include: (i) establishing a managed care division to pursue and administer contracts with managed care organizations, develop clinical care protocols and monitor the delivery and utilization of medical care; (ii) developing a clinical administration and healthcare management information system to monitor and measure clinical and patient-outcome data; (iii) establishing the Genesis ElderCare(SM) brand name to increase awareness of the Company's eldercare services in the healthcare market; (iv) seeking strategic alliances with other healthcare providers to broaden the Company's continuum of care; and (v) creating an independent eldercare advisory board to formulate new and innovative approaches in the delivery of care.

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#### Basic Healthcare Services

Genesis operates 148 eldercare centers (75 wholly-owned, three jointly-owned, 34 leased and 36 managed) located in 12 states. The centers offer three levels of care for their customers: skilled, intermediate and personal. Skilled care provides 24-hour per day professional services of a registered nurse; intermediate care provides less intensive nursing care; and personal care provides for the needs of customers requiring minimal supervision and assistance. Each eldercare center is supervised by a licensed healthcare administrator and employs a Medical Director to supervise the delivery of healthcare services to residents and a Director of Nursing to supervise the nursing staff. The Company maintains a corporate quality assurance program to monitor regulatory compliance and to enhance the standard of care provided in each center.

In addition to programs to meet the healthcare needs of its customers, all Genesis eldercare centers offer a variety of quality of life programs. These include the Intergenerational Learning Program that enables residents to function both as students and as instructors in programs with community schools, as well as The Magic Mix Program that provides a supervised setting in which children of working parents can interact with residents of the centers after school. These programs have received recognition at both local and national levels.

In eight of its eldercare centers, the Company operates Genesis ElderCare Focus programs which are dedicated to meeting the special medical, emotional and psychological needs of Alzheimer's patients. The Focus programs were developed in conjunction with the Dementia Research Clinic at the Johns Hopkins University School of Medicine. These units provide an environment that is designed or modified to assist those with cognitive loss. Clinical experts have experienced significant success and produced benefits to customers served in both Alzheimer's day services and dedicated residential units.

The following table sets forth, for the periods indicated, information regarding the Company's average number of beds in service and the average occupancy levels at its eldercare centers.

	1996	1995	1994
	----	----	----
Average Beds in Service (1) (2)			
Owned and Leased Facilities	9,429	8,268	7,530
Managed and Jointly-Owned Facilities	5,030	5,158	4,532

Occupancy Based on Average Beds in Service

Owned and Leased Facilities	93%	92%	92%
Managed and Jointly-Owned Facilities	93%	95%	93%

- (1) Excludes beds in facilities which were unavailable for occupancy due to renovations.
- (2) Does not include 24 facilities acquired in the October 1996 GMC Transaction. See "Business - Recent Transactions"

#### Specialty Medical Services

The Company emphasizes the delivery of specialty medical services which typically requires smaller capital investment and generates higher profit margins than providing basic healthcare services. The Company provides the specialty medical services described below.

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Institutional Pharmacy and Medical Supply Services. The Company provides pharmacy and other services including infusion therapy and medical supplies and equipment to eldercare centers it operates, as well as to independent healthcare providers by contract. The pharmacy services provided in these settings are tailored to meet the needs of the institutional customer. These services include highly specialized packaging and dispensing systems, computerized medical records processing and 24-hour emergency services. The Company's institutional pharmacy and medical supply services were developed to provide the products and support services required in the healthcare market. Institutional pharmacy services are designed to help assure quality of care and to control costs at the facilities served. Medical supply services are designed to assure availability and control through maintenance of a comprehensive inventory, extensive delivery services and special ordering and tracking systems. The Company also provides pharmacy consulting services to assure proper and effective drug therapy. The Company provides these services through 12 pharmacies (of which three are jointly-owned) and four distribution centers located in its various market areas. Approximately 81% of the sales attributable to pharmacy operations in Fiscal 1996 were generated through external contracts with independent healthcare providers with the balance attributable to centers operated by the Company.

Rehabilitation Therapy. The Company provides an extensive range of rehabilitation therapy services, including speech pathology, physical therapy and occupational therapy through seven certified rehabilitation agencies in all four of its regional market concentrations. These services are provided by over 1,000 licensed rehabilitation therapists and assistants employed by Genesis to substantially all of the eldercare centers the Company operates, as well as by contract to healthcare facilities operated by others.

Subacute Care Programs. The Company has established and actively markets programs for elderly and other customers who require subacute levels of medical care. These programs include ventilator care, intravenous therapy, post-surgical recovery, respiratory management, orthopedic or neurological rehabilitation, terminal care and various forms of coma, pain and wound management. Private insurance companies and other third party payors, including certain state Medicaid programs, have recognized that treating customers requiring subacute medical care in centers such as those operated by Genesis is a cost-effective alternative to treatment in an acute care hospital. The Company provides such care at rates that the Company believes are substantially below the rates typically charged by acute care hospitals for comparable services.

Physician Services. The Company employs or has consulting arrangements with approximately 93 physicians, physician assistants and nurse practitioners to provide physician services at certain of its eldercare centers. These physicians, physician assistants and nurse practitioners provide a range of services, including direct patient care, the design and administration of clinical programs, such as the Company's subacute care program, as well as traditional medical director and utilization review services. The Company compensates these employees and consultants for services rendered and, where appropriate, bills directly for such services. The Company believes that the involvement of these physicians in the Company's eldercare centers provides a significant competitive advantage. These physicians direct the operations of 18 free-standing physician clinics, as well as Functional Evaluation and Treatment Units in 17 of its eldercare centers. The purpose of each of these units is to provide a comprehensive assessment and treatment plan for all new admissions to the center. The process is directed by a physician specializing in gerontology and involves an intensive evaluation in which social service professionals, clinical staff and the customer and the customer's family participate. The Company believes that this program reduces average lengths of stay and increases



discharge-to-home rates. The Company also believes the Functional Evaluation and Treatment Units enhance its reputation for providing quality care and result in improved occupancy rates, as well as improve its ability to attract subacute and other high acuity customers.

**Home Healthcare Services.** The Company provides home healthcare services to customers in its markets through seven certified home health agencies owned by the Company. The Company currently provides these services in all of its geographic markets other than Central Florida and has been granted Certificates of Need to begin providing services in Central Florida. The services offered include skilled nursing care, physical, occupational and speech therapy, medical social services and home health aide services. The Company's focus is on providing infusion therapy, total parenteral nutrition, ventilator care and peritoneal dialysis. The Company owns a one-sixth interest in the Visiting Nurses Association in Maryland ("VNA"), an organization which is one of the largest providers of home healthcare services in Maryland. Excluding VNA, the Company provided approximately 79,200 home healthcare visits in Fiscal 1996.

#### Management Services and Other

**Management Services.** The Company provides management services to 41 eldercare centers (including its three jointly-owned centers) pursuant to management agreements that provide generally for the Company's day-to-day responsibility for the operation and management of the centers. In turn, Genesis receives management fees, depending on the agreement, computed as either an overall fixed fee, a fixed fee per customer, a percentage of net revenues of the center plus an incentive fee, or a percentage of gross revenues of the center with some incentive clauses. The various management agreements, including option periods, terminate between 1997 and 2012.

In March 1996, the Company entered into a strategic alliance with Doctors Community Hospital, a 250-bed acute hospital in Maryland. As part of this transaction, the Company entered into a long-term agreement to manage the hospital's subacute care center and a jointly-owned eldercare center.

Prior to January 1, 1996, the Company also provided management, development and marketing services to 15 life care communities operated by Adult Community Total Services, Inc. ("ACTS"), a Pennsylvania non-profit corporation pursuant to a management agreement which was to expire in April 1998. Effective January 1, 1996, Genesis restructured its relationship with ACTS. Under the revised arrangement, Genesis earned a \$2,000,000 restructuring fee and will no longer manage the ACTS life care communities. Genesis will continue to provide development services for a fee in an amount equal to five percent of the total cost of developing and completing facilities developed by ACTS. The development portion of the contract has been extended to December 2002 and Genesis is guaranteed a minimum annual development fee of \$1,500,000. Genesis also continues to provide certain ancillary services to the ACTS communities.

**Group Purchasing.** The Company's subsidiary, The Tidewater Healthcare Shared Services Group, Inc. ("Tidewater"), is one of the largest group purchasing companies in the mid-Atlantic region. Tidewater provides purchasing and shared service programs specially designed to meet the needs of eldercare centers and other long-term care facilities. Tidewater's services are contracted to approximately 1,350 members with over 150,000 beds in 31 states and the District of Columbia.

#### Managed Care Initiatives

The Company has undertaken several initiatives to position itself to compete effectively on a prepaid basis in a managed care environment. In January 1995, the Company established a Managed Care division which currently consists of 55 employees. The Managed Care division is responsible for pursuing and administering contracts with managed care organizations, developing clinical care protocol and monitoring the delivery and utilization of medical care. The Company has begun to develop a clinical administration and healthcare management information system to monitor and measure clinical and patient outcome data for use by healthcare providers and the Company. The Company is also seeking strategic alliances with selected providers in order to further the continuum of care, increase market share and customer acceptance and create strategic affiliations for negotiating with payors in a managed care environment. In addition to these initiatives, the Company has consolidated its core business under the Genesis ElderCare(SM) brand name in an effort to increase the Company's visibility among current and potential customers, payors and other healthcare providers. The Company has also created an independent eldercare advisory board composed of individuals with distinguished credentials in

geriatric care to formulate new and innovative approaches in the delivery of care. See "Cautionary Statements Regarding Forward Looking Statements."

#### Recent Transactions

GMC Transaction. The following describes the businesses of Geriatric and Medical Companies, Inc. ("GMC") which were acquired by the Company effective October 1, 1996. The GMC entities are now wholly-owned subsidiaries of the Company.

GMC provides care to the eldercare population through its pharmacy, rehabilitative therapies, ambulance transportation, contract management, diagnostic services and home care businesses located in Pennsylvania and New Jersey. GMC operates 19 eldercare and five residential care facilities with a total of approximately 3,300 beds. In 1996, GMC employed approximately 6,000 full and part-time employees, of which approximately 2,000 are covered by collective bargaining agreements. In 1996, the allocation of GMC customer revenues was approximately 67% Medicaid, 14% Medicare and 19% private pay and other sources. The average occupancy of GMC owned beds in service was approximately 92%.

Presbyterian Agreement. In November 1996, the Company signed a letter agreement, subject to additional documentation, to provide management services for, and enter into an affiliation agreement with, NewCourtland, Inc. ("NewCourtland"), a wholly owned subsidiary of the Presbyterian Foundation of Philadelphia (the "Foundation"), a non-profit organization. Under the terms of the agreement, Genesis will become the exclusive third-party manager of eight eldercare facilities with 1,687 beds located in Philadelphia and throughout the Delaware Valley. Genesis will provide specialty medical services, including pharmacy and rehabilitation therapy to the NewCourtland facilities. The agreement provides that Genesis will enter into management agreements with the facilities to commence no later than February 1, 1997. The historical annual revenues of the facilities were in excess of \$80 million for the fiscal year ended June 30, 1996. Additionally, NewCourtland will enter into an affiliation arrangement with Genesis ElderCare(SM) Network. Genesis will receive the exclusive right to manage any facility that may be acquired or developed by NewCourtland. Currently, NewCourtland retains a purchase option for four additional facilities with 514 beds and annual revenues in excess of \$20 million.

In addition to the management and affiliation agreements, Genesis and the Foundation have agreed to commit equally to guarantees to facilitate the refinancing of certain long-term care facilities; capital improvements; and working capital. See "Cautionary Statements Regarding Forward Looking Statements."

#### Revenue Sources

The Company derives its basic healthcare and specialty medical revenue from private pay sources, state Medicaid programs and Medicare. The Company classifies payments from persons or entities other than the government as private pay and other revenue. The private pay and other classification also includes revenues from commercial insurers, health maintenance organizations and other charge-based payment sources. Blue Cross and Veterans Administration payments are included in private pay and other revenues and are made pursuant to renewable contracts negotiated with these payors.

Medicare is a federally funded and administered health insurance program that consists of Parts A and B. Participation in Part B is voluntary and is funded in part through the payment of premiums. Benefits under Part A include inpatient hospital services, skilled nursing in an eldercare center and medical services such as physical, speech and occupational therapy, certain pharmaceuticals and medical supplies. Part B provides coverage for physician services. Part B also reimburses for medical services with the exception of pharmaceutical services. Medicare benefits are not available for intermediate and custodial levels of care; however, medical and physician services furnished to such patients may be reimbursable under Part B. Under the Part A reimbursement methodology, each eldercare center receives an interim payment during the year which is adjusted to reflect actual allowable direct and indirect costs of services based on the submission of a cost report at the end of each year. For services not billed through each eldercare center, the Company's specialty medical operations bill Medicare directly for nutritional support services, infusion therapy, certain medical supplies and equipment, physician services and certain therapy services as provided. Medicare payments for these services may be based on reasonable cost charges or a fixed-fee schedule determined by Medicare.

Medicaid is the state administered reimbursement program that covers both skilled and intermediate long-term care. Although Medicaid programs vary from state to state, typically they provide for payment for services including nursing facility services, physician's services, therapy services and prescription drugs, up to established ceilings, at rates based upon cost reimbursement principles. Reimbursement rates are typically determined by the state from cost reports filed annually by each center, on a prospective or retrospective basis. In a prospective system, a rate is calculated from historical data and updated using an inflation index. The resulting prospective rate is final, but in some cases may be adjusted pursuant to an audit. In this type of payment system, center cost increases during the rate year do not affect payment levels in that year. In a retrospective system, final rates are based on reimbursable costs for that year. An interim rate is calculated from previously filed cost reports, and may include an inflation factor to account for the time lag between the final cost report settlement and the rate period. Consequently, center cost increases during any year may affect revenues in that year. Certain states are scheduled to convert, or have recently converted, from a retrospective system, which generally recognizes only two or three levels of care, to a case mix prospective pricing system, pursuant to which payment to a center for patient services directly considers the individual patient's condition and need for services. The effect, if any, of such a payment system on the Company is unclear. The Company employs specialists in reimbursement at the corporate level to monitor both Medicaid and Medicare regulatory developments to comply with all reporting requirements and to insure appropriate payments.

The following table reflects the allocation of customer service revenues among these sources of revenue.

	1996	1995	1994	1993	1992
	-----	-----	-----	-----	-----
Private pay and other	39%	38%	41%	42%	41%
Medicaid	36	41	43	44	47
Medicare	25	21	16	14	12
	--	--	--	--	--
Total	100%	100%	100%	100%	100%
	=====	=====	=====	=====	=====

See "Cautionary Statements Regarding Forward Looking Statements."

#### Marketing

Marketing for eldercare centers is focused at the local level and is conducted primarily by the center administrator and its admissions director who call on referral sources such as doctors, hospitals, hospital discharge planners, churches and various community organizations. Besides actively soliciting admissions from these sources, the Company's marketing objective is to maintain public awareness of the eldercare center and its capabilities. The Company takes advantage of its regional concentrations in its marketing efforts, where appropriate, through consolidated marketing programs which benefit more than one center.

Genesis markets specialty medical services to its managed eldercare centers, as well as to independent healthcare providers, in addition to providing such services to its owned and leased eldercare centers. The Company markets its rehabilitation therapy and institutional pharmacy and medical supply services through a direct sales force which primarily calls on eldercare centers, hospitals, clinics and home health agencies. The corporate business development department, through regional managers, markets the Company's subacute program directly to insurance companies, managed care organizations and other third party payors. In addition, the marketing department supports the eldercare centers in developing promotional materials and literature focusing on the Company's philosophy of care, services provided and quality clinical standards. See "Governmental Regulation" below for a discussion of the federal and state laws which limit financial and other arrangements between healthcare providers.

In February 1996, the Company announced a consolidation of its core business under the name Genesis ElderCareSM. The Genesis ElderCare logo and trademark have been featured in a series of print advertisements in publications serving the regional markets in which the Company operates. The Company's marketing of

Genesis ElderCare is aimed at increasing awareness among decision makers in key professional and business audiences. The Company is using advertising to promote its brand name in trade, professional and business publications and to promote services directly to consumers.

#### Personnel

At November 30, 1996, Genesis employed over 28,000 people, including approximately 19,200 full-time and 8,800 part-time employees. Approximately 22% of these employees are physicians and nursing and professional staff.

The Company currently has collective bargaining agreements which relate to 34 facilities including eight managed eldercare centers. The agreements expire at various dates from 1997 through 2000 and cover approximately 3,000 employees. The Company believes that its relationship with its employees is generally good.

#### Employee Training and Developmentg

Genesis believes that nursing and professional staff retention and development has been and continues to be a critical factor in the successful operation of the Company. In response to this challenge, a compensation program which provides for annual merit reviews as well as financial and quality of care incentives has been implemented to promote center staff motivation and productivity and to reduce turnover rates. Management believes that the Company's wage rates for professional nursing staff are commensurate with market rates. The Company also provides employee benefit programs which management believes, as a package, exceed industry standards. The Company has not experienced any significant difficulty in attracting or retaining qualified personnel.

In addition, Genesis has established an internal training and development program for both nurse assistants and nurses. Employee training is emphasized by the Company through a variety of in-house programs as well as a tuition reimbursement program. The Company has established, company-wide, the Genesis Nursing Assistant Specialist Program. This program is offered on a joint basis with community colleges. Classes are held on the employees' time, last for approximately six months and provide advanced instruction in nursing care. The Company pays the tuition. When all of the requirements for class participation have been met through attendance, discussion and examinations, the nurse aide graduates and is awarded the title of Nursing Assistant Specialist and receives a salary adjustment. The Company has maintained a retention rate of 75% since 1988 of the nurses aide graduates. Over 1,300 nurse aides have graduated from the Genesis Nursing Assistant Specialist Program and received an increase in salary. As the nurse aide continues through the career ladder, the Company continues to provide incentives. At the next level, Senior Nursing Assistant Specialist, the employee receives another increase in salary and additional tuition reimbursement of up to \$2,250 toward becoming a Licensed Practical Nurse ("LPN") or Registered Nurse ("RN") and at the Senior Nursing Assistant Specialist Coordinator level, tuition reimbursement increases to a maximum of \$3,000 per year towards a nursing degree.

The Company began a junior level management and leadership training program in 1990 referred to as the Pilot Light Program. The target audience for this training is RN's and LPN's occupying charge nurse positions within the Company's nursing centers as well as junior level managers throughout the Genesis networks. Over 475 participants have graduated from this program.

In addition, a flexible RN associate degree program has been established to meet the needs of those employees who cannot attend nursing school on a full-time basis. The program is conducted jointly with local community colleges and Regents College in New York. The program combines self-study, flexible class scheduling, mentoring and tutoring by Genesis professional nursing staff. This format allows for a self-paced RN degree. Currently, there are approximately 18 Genesis employees enrolled in this program, which the Company believes is the first of its kind in the United States.

#### Governmental Regulation

The federal government and all states in which the Company operates regulate various aspects of the Company's business. The Company's eldercare centers are subject to certain federal statutes and regulations and to statutory and regulatory licensing requirements by state and local authorities. All Genesis eldercare centers are currently so licensed. In addition, eldercare centers are subject to various local building codes and other ordinances.

All of the Company's eldercare centers and healthcare services, to the extent required, are licensed under applicable law. All eldercare centers and healthcare services, or practitioners providing the services therein, are certified or approved as providers under one or more of the Medicaid, Medicare or Veterans Administration programs. Licensing, certification and other applicable standards vary from jurisdiction to jurisdiction and are revised periodically. State and local agencies survey all eldercare centers on a regular basis to determine whether such centers are in compliance with governmental operating and health standards and conditions for participation in government sponsored third party payor programs. The Company believes that its centers are in substantial compliance with the various Medicare and Medicaid regulatory requirements applicable to them. However, in the ordinary course of its business, the Company receives notices of deficiencies for failure to comply with various regulatory requirements. Genesis reviews such notices and takes appropriate corrective action. In most cases, Genesis and the reviewing agency will agree upon the measures to be taken to bring the center into compliance with regulatory requirements. In some cases or upon repeat violations, the reviewing agency may take various adverse actions against a center, including the imposition of fines, temporary suspension of admission of new patients to the center, suspension or decertification from participation in the Medicare or Medicaid programs and, in extreme circumstances, revocation of a center's license. These actions may adversely affect the eldercare centers' ability to continue to operate, the ability of the Company to provide certain services, and eligibility to participate in the Medicare, Medicaid or Veterans Administration programs or to receive payments from other payors. Additionally, actions taken against one center may subject other centers under common control or ownership to adverse measures, including loss of licensure or eligibility to participate in Medicare and Medicaid programs. Certain of the Company's centers have received notices in the past from state agencies that, as a result of certain alleged deficiencies, the agency was taking steps to decertify the centers from participation in Medicare and Medicaid programs. In all cases, such deficiencies were remedied before any centers were decertified.

All but nine of the Genesis eldercare centers provide skilled nursing services and are currently certified to receive benefits provided under Medicare for these services. Additionally, all Genesis eldercare centers are currently certified to receive benefits under Medicaid. Both initial and continuing qualifications of an eldercare center to participate in such programs depend upon many factors including accommodations, equipment, services, patient care, safety, personnel, physical environment, and adequate policies, procedures and controls.

Under the various Medicaid programs, the federal government supplements funds provided by the participating states for medical assistance to "medically indigent" persons. The programs are administered by the applicable state welfare or social service agencies. Although Medicaid programs vary from state to state, traditionally they have provided for the payment of certain expenses, up to established limits, at rates based generally on cost reimbursement principles.

Most states in which Genesis operates have adopted Certificate of Need or similar laws which generally require that a state agency approve certain acquisitions and determine that the need for certain bed additions, new services, and capital expenditures or other changes exist prior to the acquisition or addition of beds or services, the implementation of other changes, or the expenditure of capital. State approvals are generally issued for a specified maximum expenditure and require implementation of the proposal within a specified period of time. Failure to obtain the necessary state approval can result in the inability to provide the service, to operate the centers, to complete the acquisition, addition or other change, and can also result in the imposition of sanctions or adverse action on the center's license and adverse reimbursement action.

The Company is also subject to federal and state laws which govern financial and other arrangements between healthcare providers. These laws often prohibit certain direct and indirect payments or fee-splitting arrangements between healthcare providers that are designed to induce or encourage the referral of patients to, or the recommendation of, a particular provider for medical products and services. These laws include the "anti-kickback" provisions of the federal Medicare and Medicaid programs, which prohibit, among other things, knowingly and willfully soliciting, receiving, offering or paying any remuneration (including any kickback, bribe or rebate) directly or indirectly in return for or to induce the referral of an individual to a person for the furnishing or arranging for the furnishing of any item or service for which

payment may be made in whole or in part under Medicare or Medicaid. These laws also include the "Stark legislations" which prohibit, with limited exceptions, the referral of patients by physicians for certain services, including home health services, physical therapy and occupational therapy, to an entity in which the physician has an ownership interest. In addition, some states restrict certain business relationships between physicians and other providers of healthcare services. Many states prohibit business corporations from providing, or holding themselves out as a provider of medical care. Possible sanctions for violation of any of these restrictions or prohibitions include loss of licensure or eligibility to participate in reimbursement programs and civil and criminal penalties. These laws vary from state to state, are often vague and have seldom been interpreted by the courts or regulatory agencies. From time to time, the Company has sought guidance as to the interpretation of these laws; however, there can be no assurance that such laws will ultimately be interpreted in a manner consistent with the practices of the Company. Although the Company has contractual arrangements with some healthcare providers to which the Company pays fees for services rendered or products provided, the Company believes that its practices are not in violation of these laws. The Company cannot accurately predict whether enforcement activities will increase or the effect of any such increase on its business. There have also been a number of recent federal and state legislative and regulatory initiatives concerning reimbursement under the Medicare and Medicaid programs. In particular, the federal government has issued recent fraud alerts concerning double billing, homehealth services and the provisions of medical suppliers. Accordingly, it is anticipated that these areas may come under closer scrutiny by the government. The Company cannot accurately predict the impact of any such initiatives. See "Cautionary Statements Regarding Forward Looking Statements."

#### Competition

The Company competes with a variety of other companies in providing healthcare services. Certain competing companies have greater financial and other resources and may be more established in their respective communities than the Company. Competing companies may offer newer or different centers or services than the Company and may thereby attract the Company's customers who are either presently residents of its eldercare centers or are otherwise receiving its healthcare services.

The Company operates eldercare centers in 12 states. In each market, the Company's eldercare centers may compete for customers with rehabilitation hospitals, subacute units of hospitals, skilled or intermediate nursing centers and personal care or residential centers which offer comparable services to those offered by the Company's centers. Certain of these providers are operated by not-for-profit organizations and similar businesses which can finance capital expenditures on a tax-exempt basis or receive charitable contributions unavailable to the Company. In competing for customers, a center's local reputation is of paramount importance. Referrals typically come from acute care hospitals, physicians, religious groups, other community organizations, health maintenance organizations and the customer's families and friends. Members of a customer's family generally actively participate in selecting an eldercare center. Competition for subacute patients is intense among hospitals with long-term care capability, rehabilitation hospitals and other specialty providers and is expected to remain so in the future. Important competitive factors include the reputation in the community, services offered, the appearance of a center and the cost of services. See "Cautionary Statements Regarding Forward Looking Statements."

Genesis competes in providing specialty medical services with a variety of different companies. Generally, this competition is national, regional and local in nature. The primary competitive factors in the specialty medical services business are similar to those in the eldercare center business and include reputation, the quality of clinical services, responsiveness to patient needs, and the ability to provide support in other areas such as third party reimbursement, information management and patient record-keeping. See "Cautionary Statements Regarding Forward Looking Statements."

#### Insurance

Genesis carries property and general liability insurance, professional liability insurance, and medical malpractice insurance coverage in amounts deemed adequate by management. However, there can be no assurance that any current or future claims will not exceed applicable insurance coverage. Genesis also requires that physicians practicing at its eldercare centers carry medical malpractice insurance to cover their individual practice.

## ITEM 2: PROPERTIES

## Facilities

The following table provides information by state regarding the eldercare centers owned, leased and managed by the Company as of November 30, 1996.

<TABLE>  
<CAPTION>

	Wholly-Owned Centers		Jointly-Owned Centers		Leased Centers		Managed Centers		Total	
	Centers	Beds	Centers	Beds	Centers	Beds	Centers	Beds	Centers	Beds
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Maryland .....	12	1,958	2	206	9	1,326	4	706	27	4,196
Pennsylvania .	18	2,542	1	105	--	--	7	802	26	3,449
Florida .....	4	598	--	--	10	1,231	13	1,404	27	3,233
New Jersey ...	14	1,836	--	--	2	404	4	676	20	2,916
Massachusetts	8	1,092	--	--	--	--	5	606	13	1,698
New Hampshire	7	650	--	--	6	608	--	--	13	1,258
Virginia .....	2	421	--	--	4	670	--	--	6	1,091
Connecticut ..	4	615	--	--	1	120	--	--	5	735
Delaware .....	4	504	--	--	--	--	1	158	5	662
North Carolina	--	--	--	--	--	--	2	340	2	340
Vermont .....	2	256	--	--	--	--	--	--	2	256
West Virginia	--	--	--	--	2	180	--	--	2	180
Totals ..	75	10,472	3	311	34	4,539	36	4,692	148	20,014

</TABLE>

Excludes beds in facilities which were unavailable for occupancy due to renovations. The above table excludes 4 eldercare centers in Colorado with 283 beds which the Company is providing management services until December 31, 1996.

## ITEM 3: LEGAL PROCEEDINGS

Genesis is a party to litigation arising in the ordinary course of business. Genesis does not believe the results of such litigation, even if the outcome is unfavorable to the Company, would have a material adverse effect on its financial position. See "Cautionary Statements Regarding Forward Looking Statements."

## ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

## ITEM 4.1: EXECUTIVE OFFICERS

## EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the executive officers of the Company.

<TABLE>



<CAPTION>

Name ----	Age ---	Position -----
<S>	<C>	<C>
Michael R. Walker	48	Chairman and Chief Executive Officer
Richard R. Howard	47	President, Chief Operating Officer and Director
David C. Barr	46	Executive Vice President
John F. DePodesta	52	Senior Vice President- Law and Public Policy
George V. Hager, Jr.	40	Senior Vice President and Chief Financial Officer
Edward B. Romanov, Jr.	45	Senior Vice President- Development
Maryann Timon	43	Senior Vice President - Managed Care
Edward J. Boeggeman	49	Vice President and Controller
Kenneth R. Kuhnle	41	Vice President and Treasurer
Marc D. Rubinger	47	Vice President and Chief Information Officer

</TABLE>

Michael R. Walker is the founder of the Company and has served as Chairman and Chief Executive Officer of the Company since its inception. In 1981, Mr. Walker co-founded Health Group Care Centers ("HGCC"). At HGCC, he served as Chief Financial Officer and, later, as President and Chief Operating Officer. Prior to its sale in 1985, HGCC operated nursing homes with 4,500 nursing beds in 12 states. From 1978 to 1981, Mr. Walker was the Vice President and Treasurer of AID Healthcare Centers, Inc. ("AID"). AID, which owned and operated 20 nursing centers, was co-founded in 1977 by Mr. Walker as the nursing home division of Hospital Affiliates International. Mr. Walker holds a Master of Business Administration degree from Temple University and a Bachelor of Arts in Business Administration from Franklin and Marshall College. Mr. Walker serves on the Board of Directors of Renal Treatment Centers, Inc. and the Board of Trustees of Universal Health Realty & Income Trust.

Richard R. Howard has served as a director of the Company since its inception and as Chief Operating Officer since June 1986. He joined the Company in September 1985 as Vice President of Development. Mr. Howard's background in healthcare includes two years as the Chief Financial Officer of HGCC. Mr. Howard's experience also includes over ten years with Fidelity Bank, Philadelphia, Pennsylvania and one year with Equibank, Pittsburgh, Pennsylvania. Mr. Howard is a graduate of the Wharton School, University of Pennsylvania, where he received a Bachelor of Science degree in Economics in 1971.

David C. Barr has served as Executive Vice President of the Company since October 1988. Prior to joining Genesis, Mr. Barr was a principal of a private consulting firm, Kane Maiwurm Barr, Inc., which provided management consulting for small and medium-sized firms. Prior to forming this firm, he served as Executive Vice President of Allegheny Beverage Corporation, a service conglomerate. During 1984 and 1985, Mr. Barr served with Equibank, Pittsburgh, Pennsylvania, where he held several positions including Executive Vice President of Corporate Banking. Mr. Barr graduated in 1972 from the University of Miami with a Bachelor of Science degree in Accounting.

John F. DePodesta joined the Company as Senior Vice President, Law and Public Policy in January 1996. Mr. DePodesta was previously a partner and currently is of-counsel in the law firm of Pepper, Hamilton & Scheetz. In addition to his position with the Company, Mr. DePodesta currently serves as the Executive Vice President, Law and Regulatory Affairs, and Director of Primus Telecommunications, Inc., and the Chairman of the Board of Iron Road Railways, Incorporated, both of which he co-founded in 1994. Mr. DePodesta received a Bachelor of Arts degree from Harvard College in 1966 and his Juris Doctor from the University of Pennsylvania Law School in 1969. Pepper, Hamilton & Scheetz performs outside legal services for the Company.

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George V. Hager, Jr. has served the Company as Senior Vice President and Chief Financial Officer since February 1994. Mr. Hager joined the Company in July 1992 as Vice President and Chief Financial Officer. Mr. Hager was previously partner in charge of the healthcare practice for KPMG Peat Marwick LLP in the Philadelphia office. Mr. Hager began his career at KPMG Peat Marwick LLP in 1979 and has over 15 years of experience in the healthcare industry. Mr. Hager received a Bachelor of Arts degree in Economics from Dickinson College in 1978 and a Master of Business Administration degree from Rutgers Graduate School of Management. He is a certified public accountant and a member of the AICPA and PICPA.

Edward B. Romanov, Jr. has served as Senior Vice President, Development since



May 1992. From June 1990 through April 1, 1995, Mr. Romanov served as a financial consultant to the Company pursuant to a Consulting and Services Agreement between the Company and American Community Environments Corporation of which he is an employee. Mr. Romanov was founder and President of WestTerra Construction, WestTerra Capital Company and WestTerra Development, through which Mr. Romanov developed and financed real estate projects. Mr. Romanov holds both a Master of Business Administration and a Bachelor of Science degree from Lehigh University.

Maryann Timon has served as Senior Vice President for Managed Care since May 1996. From January 1995 through May 1996 she served as Corporate Vice President of the Managed Care Division. Ms. Timon joined the Company in December 1990 to form and serve as President of a wholly-owned subsidiary, Healthcare Services Network. Ms. Timon was previously President of Mercy Ventures, Inc., a five-company healthcare specialty group owned by Mercy Medical Center in Baltimore, Maryland. Ms. Timon has 25 years of experience providing eldercare healthcare services. Ms. Timon received an Associate Degree in Applied Science in Nursing in 1973 from the State University of New York at Canton, a Bachelor of Science Degree in Nursing in 1976 from the State University of New York at Utica/Rome and a Master of Gerontological Nursing Degree in 1978 from the University of Rochester.

Edward J. Boeggeman has served as Vice President and Corporate Controller of the Company since December 1993. He joined Genesis in January 1993 as Controller of Genesis Health Centers. Mr. Boeggeman has over twenty years of experience in the healthcare industry, including four years with KPMG Peat Marwick LLP from 1979 to 1983. Prior to joining Genesis, he served in various accounting positions including Assistant Controller, Controller and Vice President of Financial Affairs at a teaching hospital, academic medical center and community hospital, all within the Greater Philadelphia area. Mr. Boeggeman received a Bachelor of Arts degree in Accounting from Villanova University in 1973 and is a certified public accountant.

Kenneth R. Kuhnle has served as Vice President and Treasurer of the Company since February 1990. He joined Genesis in October 1988 as Reimbursement Director, which includes responsibility for monitoring government programs as well as third party reimbursement planning and maximization. Mr. Kuhnle served as Reimbursement Manager for Beverly Enterprises, owners and operators of long-term care centers, from January 1986 to October 1988 and as Medicare Auditor for Aetna Life Insurance Company from November 1982 to December 1985. He received a Bachelor of Science degree in Business Administration from Temple University in 1979. Mr. Kuhnle serves as President of the Delaware Healthcare Facilities Association and President of the Worcester chapter of the Massachusetts Federation of Nursing Homes.

Marc D. Rubinger has served as Vice President and Chief Information Officer since November 1995. Prior to joining the Company, Mr. Rubinger served as General Manager-Decision Support Systems of Shared Medical Systems. From 1975 through 1986, Mr. Rubinger was with Ernst & Young in their national healthcare consulting practice, most recently as a partner. Mr. Rubinger received a Bachelor of Arts degree in Bioscience from Binghamton University in 1971 and a Masters of Health Administration and Planning from The George Washington University in 1973.

## PART II

### ITEM 5: MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The following table indicates the high and low sale prices per share, as reported on the New York Stock Exchange.

Calendar Year -----	High -----	Low -----
1996		
First Quarter.....	\$30.12	\$23.50
Second Quarter.....	\$33.75	\$27.12
Third Quarter.....	\$31.12	\$21.25
Fourth Quarter *.....	\$30.37	\$22.00

1995

First Quarter.....	\$21.67	\$ 19.00
Second Quarter.....	\$21.33	\$ 17.33
Third Quarter.....	\$24.83	\$ 18.17
Fourth Quarter.....	\$25.00	\$ 19.00

\* Through December 19, 1996

As of December 19, 1996, 34,900,863 shares of Common Stock were held of record by 589 shareholders. The Company has not paid any cash dividends on its Common Stock since its inception and does not anticipate paying any cash dividends on its Common Stock in the foreseeable future. Certain of the Company's outstanding loans contain covenants which limit the Company's ability to declare dividends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

On June 5, 1996, the Company issued 312,744 shares of its common stock to Michael and Jessica Bronfein and Stanton and Renee Ades, in consideration of the Company's purchase of Professional Pharmacies, Inc. as part of the NeighborCare Transaction. The shares were not registered under the Securities Act. The Company believes that the shares were exempt from registration under Section 402 of the Securities Act.

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#### ITEM 6: SELECTED FINANCIAL DATA

<TABLE>  
<CAPTION>

	1996	September 30, 1995	1994	1993	1992
-----					
Statement of Operations Data					
(in thousands, except per share data)					
<S>	<C>	<C>	<C>	<C>	<C>
Net revenues	\$671,469	\$486,393	\$388,616	\$219,809	\$196,253
Operating income before capital costs*	128,269	93,253	69,373	38,129	35,597
Earnings before income taxes, extraordinary items, cumulative effect of an accounting change and debenture conversion expense	59,331	40,296	27,710	18,903	12,443
Earnings before extraordinary items, cumulative effect of an accounting change and debenture conversion expense	37,966	25,531	17,691	11,909	7,710
Net income	37,169	23,608	17,673	11,909	7,433
Per common share data (fully diluted): **					
Earnings before extraordinary items					
cumulative effect of an accounting change and debenture conversion expense	\$1.31	\$ 1.03	\$ 0.84	\$ 0.67	\$ 0.53
Net income	1.29	0.97	0.84	0.67	0.51
Weighted average shares of common stock and equivalents	31,130	28,452	24,820	17,929	14,495
-----					
Financial Measurements					
Operating income before capital costs* as a percent of revenue	19.1%	19.2%	17.8%	17.3%	18.1%
Earnings before income taxes, extraordinary items, cumulative effect of an accounting change and debenture conversion expense as a percent of revenue	8.8%	8.3%	7.1%	8.6%	6.3%
Return*** (before interest) on average assets employed	8.2%	7.0%	6.2%	7.6%	7.2%
Return*** on average shareholders' equity	11.6%	12.3%	11.6%	11.4%	11.4%
Long-term debt to equity ratio	.66	1.4	1.3	.67	.97
Operating Data					
Payor mix (as a percent of patient service revenue):					
Private and other	39%	38%	41%	42%	41%
Medicare	25%	21%	16%	14%	12%
Medicaid	36%	41%	43%	44%	47%
Average owned/leased health center beds	9,429	8,268	7,530	4,686	4,871
Occupancy percentage	92.6%	91.9%	91.9%	94.6%	96.0%
Specialty medical revenue per patient day-					

health centers division	\$ 29.94	\$ 25.06	\$ 17.80	\$ 16.79	\$ 14.35
-------------------------	----------	----------	----------	----------	----------

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<TABLE>  
<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>
Specialty medical revenues-health services division (in thousands)	\$254,663	\$154,833	\$109,452	\$ 63,790	\$ 40,210
Average managed life care units and health center beds	5,030	10,374	9,922	6,203	5,680
Average full-time equivalent personnel	16,325	12,180	8,623	3,810	3,782
Balance Sheet Data (in thousands)					
Working capital	\$155,491	\$132,274	\$ 66,854	\$ 50,081	\$ 31,986
Total assets	\$950,669	600,389	511,698	236,978	188,677
Long-term debt	\$338,933	308,052	250,807	83,842	80,170
Shareholders' equity	\$514,608	221,548	195,466	125,348	82,703

-----  
 \* Capital costs include depreciation and amortization, lease expense , interest expense and debenture conversion expense.  
 \*\* Reflects a three for two stock dividend on the common stock effective March 29, 1996.  
 \*\*\* Before extraordinary items, cumulative effect of an accounting change and debenture conversion expense.

Please refer to Management's Discussion and Analysis of Financial Condition for a description of significant transactions.

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# ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## General

Since the Company began operations in July 1985, it has focused its efforts on providing an expanding array of specialty medical services to geriatric patients. The delivery of these services was originally concentrated in the eldercare centers owned and leased by the Company, but now also includes managed eldercare centers, independent healthcare facilities, outpatient clinics and home health care.

The Company generates revenues from three sources: basic healthcare services, specialty medical services and management services and other. The Company includes in basic healthcare services revenues all room and board charges for its eldercare customers at its owned and leased eldercare centers. Specialty medical services include all revenues from providing rehabilitation therapies, institutional pharmacy and medical supply services, subacute care programs, home health care, physician services, and other specialized services. Management services and other include fees earned for management of eldercare centers, other service related businesses and transactional revenues.

Genesis delivers its services principally through three divisions. The largest, in terms of revenues, is Genesis ElderCare Centers (formerly Genesis Health Centers), which at September 30, 1996 included 85 owned and leased eldercare centers. The second, Genesis ElderCare Services (formerly Genesis Health Services), provides specialty medical services to all centers owned, leased or managed by Genesis as well as to over 500 independent healthcare providers, The third, Genesis ElderCare Network Services (formerly Genesis Management Resources), manages 39 eldercare centers.

## Certain Transactions

Effective October 1, 1996, subsequent to the fiscal year end, Geriatric & Medical Companies, Inc. ("GMC") merged with a wholly-owned subsidiary of Genesis (The "GMC Transaction"). Under the terms of the merger agreement, GMC shareholders received \$5.75 per share in cash for each share of GMC stock. The total consideration paid, including assumed indebtedness of approximately \$132,000,000, is approximately \$223,000,000. The merger was financed in part with approximately \$121,250,000 in net proceeds from an offering of 9 1/4% Senior Subordinated Notes issued in October 1996. The remaining consideration was financed through borrowings under the Company's bank credit facility. The GMC Transaction added to Genesis 24 owned eldercare centers with approximately 3,300 beds. GMC also operates businesses which provide a number of ancillary healthcare services including ambulance services; respiratory therapy, infusion therapy and enteral therapy; distribution of durable medical equipment and home medical supplies; and information management services.

In September 1996, the Company acquired \$7,500,000 of convertible preferred stock of Doctors Health System, Inc. ("Doctors Health"), an independent physician owned and controlled integrated delivery system and practice management company. An additional \$2,500,000 of convertible preferred stock may be purchased before December 31, 1996. The convertible preferred stock carries an 8% cumulative dividend and is convertible into common stock, and if converted would represent an approximate 10% ownership interest in Doctors Health. Also, the Company is committed to purchase an additional \$10,000,000 of convertible preferred stock upon Doctors Health's achievement of certain operational and financial benchmarks. The additional investment, if made and converted to common stock, would raise the Company's ownership interest to approximately 20%.

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In July 1996, the Company acquired the outstanding stock of National Health Care Affiliates, Inc., Oak Hill Center, Inc., Derby Nursing Center Corporation, Eidos, Inc. and Versalink, Inc. (collectively "National Health"). Prior to the closing of the stock acquisitions, an affiliate of a financial institution purchased nine of the eldercare centers for \$67,700,000 and subsequently leased the centers to a subsidiary of Genesis under operating lease agreements and an \$85,000,000 lease financing facility. The balance of the total consideration paid to National Health was funded with available cash of \$51,800,000 and assumed indebtedness of \$7,900,000. National Health added 16 eldercare centers in Florida, Virginia and Connecticut with approximately 2,200 beds to Genesis. National Health also provides enteral nutrition and rehabilitation therapy services to the eldercare centers which it owns and leases.

In June 1996, the Company acquired the outstanding stock of NeighborCare Pharmacies, Inc., ("NeighborCare") a privately held institutional pharmacy, infusion therapy and retail pharmacy business based in Baltimore, Maryland. Total consideration was approximately \$57,250,000, comprised of approximately \$47,250,000 in cash and 312,744 shares of Genesis common stock.

In March 1996, the Company sold four eldercare centers and a pharmacy in Indiana for approximately \$22,250,000 (The "Indiana Transaction").

In March 1996, the Company acquired for total consideration of approximately \$31,900,000 including the payment of assumed debt, the remaining approximately 71% joint venture interests of four eldercare centers in Maryland and the remaining 50% joint venture interest of an eldercare center in Florida (the "Partnership Interest Purchase").

In January 1996, the Company acquired the speech therapy, occupational therapy and physical therapy services businesses of Medical and Rehab Support Services, Inc., Professional Rehabilitation Network, Inc. and Healthcare Rehab Services, Inc. (collectively, "Therapy Companies") for approximately \$9,300,000. The Therapy Companies provide these services in the Company's Chesapeake region. The acquisition was financed with borrowings under the Company's bank credit facilities.

Prior to January 1, 1996, the Company provided management, development and marketing services to life care communities operated by Adult Community Total Services, Inc. ("ACTS"), a Pennsylvania non-profit corporation, pursuant to a management agreement which was to expire in April 1998. Effective January 1, 1996, Genesis restructured its relationship with ACTS. Under the revised arrangement, Genesis earned a \$2,000,000 restructuring fee and will no longer manage the ACTS life care communities. Genesis will continue to provide development services for a fee in an amount equal to five percent of the total cost of developing and completing facilities developed by ACTS. The development portion of the contract has been extended to December 2002 and Genesis is guaranteed a minimum annual development fee of approximately \$1,500,000. Genesis also continues to provide certain ancillary services to the ACTS

communities.

On November 30, 1995, the Company acquired McKerley Health Care Centers ("McKerley") for total consideration of approximately \$68,700,000. The transaction (the "McKerley Transaction") also provides for up to an additional \$6,000,000 of contingent consideration payable upon the achievement of certain financial objectives through October 1997. McKerley owns or leases 15 geriatric care facilities in New Hampshire and Vermont with a total of 1,535 beds and operates a home healthcare company. The acquisition was financed with borrowings under the credit facility and assumed indebtedness.

On September 30, 1995, the Company sold for \$19,570,000 and simultaneously entered into a three-year contract to manage five facilities totaling 606 beds to the AGE Institute of Massachusetts ("AIMASS"). The Company extended approximately \$18,000,000 of financing in connection with the sale, which was repaid in full in Fiscal 1996.

In August 1995, the Company entered into a software license agreement for a clinical operating system with Health Data Systems, Inc. The total commitment under the license agreement is \$12,000,000. The Company has estimated the cost to install the system and related hardware, not including amounts paid for the software license, to be approximately \$18,000,000.

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On April 1, 1995, the Company acquired TherapyCare Systems, L.P. ("Therapy Care") for approximately \$7,000,000. TherapyCare provided physical therapy, occupational therapy and speech therapy to 73 long term care facilities throughout Pennsylvania.

#### Fiscal 1996 Compared to Fiscal 1995

The Company's total net revenues for fiscal year ended September 30, 1996 ("Fiscal 1996") were \$671,469,000 compared to \$486,393,000 for the fiscal year ended September 30, 1995 ("Fiscal 1995"), an increase of \$185,076,000 or 38%. Basic healthcare services increased \$69,895,000 or 25%, approximately \$41,652,000 of which is due to the McKerley Transaction, National Health transaction and the Partnership Interest Purchase in March 1996 (which was partially offset by the sale of five eldercare centers in the AIMASS transaction in September 1995 and the Indiana Transaction in March 1996), with the remainder due to a shift in payor mix from Medicaid to Medicare and rate increases. Specialty medical services revenue increased \$110,101,000 or 61%, of which approximately \$57,000,000 is due to acquisitions, with the remainder due to other volume growth in the institutional pharmacy, medical supply and contract therapy divisions and increased acuity in the health centers division. Specialty medical service revenue per patient day in the health centers division increased 19% to \$29.94 in Fiscal 1996 compared to \$25.06 in Fiscal 1995 primarily due to treatment of higher acuity patients. Management services and other income increased \$5,080,000 or 18%. This increase is primarily due to an increase in service related business revenues (group purchasing and staff replacement services) of approximately \$3,500,000 and an increase in transactional gains of approximately \$2,600,000. Transactional and other activity in Fiscal 1996 included net gains recognized in connection with the sale of an investment, the Indiana Transaction and the sale of a majority interest in one eldercare center in Maryland.

The Company's operating expenses before debenture conversion expense, depreciation, amortization, lease expense and interest expense were \$543,200,000 for Fiscal 1996 compared to \$393,139,000 for Fiscal 1995, an increase of \$150,061,000 or 38%, of which approximately \$84,335,000 was due to the McKerley Transaction, Neighbor Care transaction and National Health transaction, and the remaining \$65,726,000 is attributed to an increase in cost of goods sold related to increased specialty medical service revenues, and inflationary wage and benefit increases.

During Fiscal 1996, the Company converted approximately \$42,500,000 of its 6% Senior Subordinated Convertible Debentures due 2003 ("the Debentures"). In connection with the early conversion of a portion of the Debentures, the Company paid approximately \$1,245,000 representing the prepayment of interest to converting debenture holders. The non-recurring cash payment is presented as debenture conversion expense in the results of operations.

Depreciation and amortization expense increased to \$25,374,000 in Fiscal 1996 from \$18,793,000 in Fiscal 1995 as a result of Fiscal 1996 acquisitions and capital expenditures.

Lease expense increased to \$18,638,000 in Fiscal 1996 from \$13,798,000 in Fiscal 1995 of which approximately \$2,000,000 is related to the McKerley Transaction and \$1,600,000 is related to the National Health transaction.

Interest expense increased \$4,560,000 or 22%. This increase reflects increased debt levels used to fund acquisitions and a higher average prevailing interest rate due to the June 1995 issuance of \$120,000,000 of 9 3/4% Notes.

#### Fiscal 1995 Compared to Fiscal 1994

The Company's total net revenues for Fiscal 1995 were \$486,393,000 compared to \$388,616,000 for the fiscal year ended September 30, 1994 ("Fiscal 1994"), an increase of \$97,777,000 or 25%. Basic healthcare services increased \$37,857,000 or 16% of which approximately \$20,500,000 is due to the Meridian transaction included in the entire period in Fiscal 1995 as compared to ten months in Fiscal 1994, approximately \$3,400,000 is due to two facilities which were leased in Fiscal 1995 that were managed for a part of Fiscal 1994 and the remaining increase is due to providing care to higher acuity patients and to rate increases. Specialty medical services revenue increased \$54,609,000 or 43% of which approximately \$6,000,000 is due to the Meridian transaction, approximately \$13,000,000 is due to acquisitions during Fiscal 1995 and the remainder is due to other volume growth in the institutional pharmacy, medical supply and contract therapy divisions and increased acuity in the health centers division. Specialty medical service revenue per patient day in the health centers division increased 41% to \$25.06 in Fiscal 1995 compared to \$17.80 in Fiscal 1994 primarily due to treatment of higher acuity patients. Management services and other income increased \$5,311,000 or 23%. This increase is primarily due to the management contracts and other unrelated businesses acquired in the Meridian transaction as well as inflationary rate increases. The number of geriatric care facilities under management contracts increased from 31 at September 30, 1994 to 35 at September 30, 1995.

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The Company's operating expenses before depreciation, amortization, lease expense and interest expense were \$393,139,000 for Fiscal 1995 compared to \$319,243,000 for Fiscal 1994, an increase of \$73,896,000 or 23%. Salaries, wages and benefits increased \$45,076,000 or 23% of which approximately \$14,500,000 relates to the Meridian transaction, approximately \$2,100,000 related to two facilities leased in Fiscal 1995 that were managed for a part of Fiscal 1994 and the remainder is due to the impact of acquisitions and growth in the institutional pharmacy, medical supply and contract therapy divisions.

Other operating expenses increased \$28,885,000 or 26% of which approximately \$8,500,000 is due to the Meridian transaction and the remainder is due to increased sales in the pharmacy and medical supply divisions.

Depreciation and amortization expense increased from \$14,982,000 in Fiscal 1994 to \$18,793,000 in Fiscal 1995 primarily due to the Meridian transaction.

Lease expense increased from \$11,376,000 in Fiscal 1994 to \$13,798,000 in Fiscal 1995 of which \$1,000,000 is related to the Meridian transaction, \$500,000 is due to two facilities that were leased in Fiscal 1995 that were managed for a part of Fiscal 1994 and the remainder is due to new leases as a result of growth of the health services division and inflationary rate increases

Interest expense increased \$5,061,000 or 33%. This increase in interest expense was due to increased debt used to finance the Meridian transaction outstanding for the entire period in Fiscal 1995 compared to ten months in the prior year, borrowings under the revolving credit agreement and a higher average interest rate due to the issuance of \$120,000,000 9 3/4% Senior Subordinated Notes in June 1995.

In connection with the early repayment of debt and the restructuring and amendment of its bank credit facility, the Company recorded an extraordinary loss of approximately \$1,923,000 to write off unamortized, deferred financing fees.

#### Liquidity and Capital Resources

Working capital increased to \$155,491,000 at September 30, 1996 from \$132,274,000 at September 30, 1995. Accounts receivable increased to \$141,716,000 at September 30, 1996 from \$101,123,000 at September 30, 1995. Approximately \$35,100,000 of this increase relates to accounts receivables purchased as part of the fiscal 1996 acquisitions, including the National Health transaction, NeighborCare transaction, McKerley transaction, the January 1996 acquisition of Therapy Companies, and the Partnership Interest Purchase. The remaining increase of \$5,493,000 relates primarily to the continuing shift in business mix to specialty medical services including the specialty medical business acquired during Fiscal 1995. Days of revenue in accounts receivable decreased from 70 to 62 during this period as a result of improved collections and collection processes. Cost report receivables increased approximately \$15,304,000 primarily due to an increase in Medicare revenues which are

reimbursed on a retrospective cost basis. Included in this increase is approximately \$8,311,000 related to estimated Medicare reimbursement for costs that exceeded routine cost limitations. The Company's cash flow from operations for Fiscal 1996 was \$36,232,000 compared to \$11,188,000 for Fiscal 1995, primarily as a result of improved receivable collections and collection processes. Investing activities for the year ended September 30, 1996 include \$38,645,000 of capital expenditures primarily related to betterments and expansion of eldercare centers, construction of pharmacy and medical supply distribution sites and investment in data processing hardware and software. The decrease in the balance of current portion of notes receivable from \$18,493,000 at September 30, 1995 to \$419,000 at September 30, 1996 relates to cash received of approximately \$18,000,000 related to financing extended by the Company in Fiscal 1995 in connection with the sale of five facilities in Massachusetts to AIMASS. The Company used the proceeds to repay a portion of its Credit Facility. The increase in the non-current portion of notes receivable and other investments from \$29,879,000 at September 30, 1995 to \$92,574,000 at September 30, 1996 is primarily due to the Company extending a 10-1/4%, \$45,000,000 mortgage loan and a 13%, \$10,000,000 working capital loan to refinance the bank indebtedness of 11 managed eldercare centers in Florida and to eliminate the Company's guarantee of \$18,500,000 of such indebtedness.

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In November 1996, the Company called for redemption the then outstanding 6% Convertible Senior Subordinated Debentures (the "Debentures") at a redemption price equal to 104.2% of the principal amount. The Debenture holders had the option to tender Debentures at the redemption price or to convert the Debentures into Common Stock at a conversion price of \$15.104 per share. All of the Debentures were converted to Common Stock. In connection with the early conversion of a portion of the Debentures during Fiscal 1996, the Company paid approximately \$1,245,000 representing the prepayment of interest to debenture holders. The non-recurring cash payment is presented as debenture conversion expense in the statement of operations.

In October 1996, subsequent to fiscal year end, the Company completed an offering of \$125,000,000 9 1/4% Senior Subordinated Notes due 2006. The Company used the net proceeds of approximately \$121,250,000 together with borrowings under the Credit Facility, to pay the cash portion of the purchase price of the GMC Transaction, to repay certain debt assumed as a result of the GMC Transaction and to repurchase GMC accounts receivable which were previously financed.

In October 1996, the Company entered into an agreement with the lenders of the Credit Facility to increase the revolving credit facility to \$300,000,000 and the lease financing facility to \$150,000,000 and to release liens on accounts receivable, inventory and personal property. The revolving credit facility bears interest at a floating rate equal, at the Company's option, to prime rate or LIBOR plus a margin up to 1.5%. The lease financing facility bears interest at a floating rate equal, at the Company's option, to prime rate or LIBOR plus a margin up to 1.5%. The Company used the borrowings under the credit facility to fund the McKerley Transaction, the Partnership Interest Purchase and the acquisition of the Therapy Companies.

In May 1996, the Company completed an offering of 6,500,000 shares of Common Stock at \$32.50 per share (the "1996 Equity Offering"), resulting in net proceeds of \$202,280,000. The Company used the net proceeds from the offering to repay a portion of amounts outstanding under its credit facilities and to finance the National Health and NeighborCare transactions.

In March 1996, the Company sold four eldercare centers and a pharmacy in Indiana for approximately \$22,250,000. The Company used the net proceeds from the sale to repay a portion of its Credit Facility.

Certain of the Company's outstanding loans contain covenants which, without the prior consent of the lenders, limit certain activities of the Company. Such covenants contain limitations relating to the merger or consolidation of the Company and the Company's ability to secure indebtedness, make guarantees, grant security interests and declare dividends. In addition, the Company must maintain certain minimum levels of cash flow, and debt service coverage, and must maintain certain liabilities to net worth. Under these loans, the Company is restricted from paying cash dividends on the Common Stock, unless certain conditions are met. The Company has not declared or paid any cash dividends on its Common Stock since its inception.

Legislative and regulatory action has resulted in continuing change in the Medicare and Medicaid reimbursement programs which has adversely impacted the Company. The changes have limited, and are expected to continue to limit, payment increases under these programs. Also, the timing of payments made under



the Medicare and Medicaid programs is subject to regulatory action and governmental budgetary constraints; in recent years, the time period between submission of claims and payment has increased. Implementation of the Company's strategy to expand specialty medical services to independent providers should reduce the impact of changes in the Medicare and Medicaid reimbursement programs on the Company as a whole. Within the statutory framework of the Medicare and Medicaid programs, there are substantial areas subject to administrative rulings and interpretations which may further affect payments made under those programs. Further, the federal and state governments may reduce the funds available under those programs in the future or require more stringent utilization and quality reviews of eldercare centers.

The Company believes that its liquidity needs can be met by expected operating cash flow and availability of borrowings under its credit facilities. At December 6, 1996, \$289,350,000 was outstanding under the revolving credit facility and the lease financing facility, and approximately \$143,874,000 was available under the credit facilities after giving effect to \$16,776,000 in outstanding letters of credit issued under the credit facilities.

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#### Seasonality

The Company's earnings generally fluctuate from quarter to quarter. This seasonality is related to a combination of factors which include the timing of Medicaid rate increases, seasonal census cycles, and the number of calendar days in a given quarter.

#### Impact of Inflation

The healthcare industry is labor intensive. Wages and other labor costs are especially sensitive to inflation and marketplace labor shortages. To date, the Company has offset its increased operating costs by increasing charges for its services and expanding its services. Genesis has also implemented cost control measures to limit increases in operating costs and expenses but cannot predict its ability to control such operating cost increases in the future. See "Cautionary Statements Regarding Forward Looking Statements."

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#### ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

##### Genesis Health Ventures, Inc. and Subsidiaries Independent Auditors' Report

##### The Board of Directors Genesis Health Ventures, Inc.:

We have audited the accompanying consolidated balance sheets of Genesis Health Ventures, Inc. and subsidiaries as of September 30, 1996 and 1995 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Genesis Health Ventures, Inc. and subsidiaries as of September 30, 1996 and 1995, and the results of their operations, and their cash flows for each of the years in the three-year period ended September 30, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 7 to the Consolidated Financial Statements, Genesis Health



KPMG Peat Marwick LLP

Philadelphia, Pennsylvania  
November 20, 1996,

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Genesis Health Ventures, Inc. and subsidiaries  
Consolidated Balance Sheets

<TABLE>  
<CAPTION>

	September 30, 1996	September 30, 1995
Assets	( in thousands except share data)	
<S>	<C>	<C>
Current assets:		
Cash and equivalents	\$ 12,763	\$ 10,388
Investments in marketable securities	5,517	3,455
Accounts receivable, net of allowance for doubtful accounts of \$11,131 in 1996 and \$6,179 in 1995	141,716	101,123
Cost report receivables	41,575	26,271
Inventory	17,051	9,601
Current portion of notes receivable	419	18,493
Prepaid expenses and other current assets	13,680	19,886
Total current assets	232,721	189,217
Property, plant, and equipment, net	350,929	244,671
Notes receivable and other investments	92,574	29,879
Other long-term assets	24,595	20,825
Goodwill and other intangibles, net	249,850	115,797
Total assets	\$ 950,669	\$ 600,389
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 33,781	\$ 19,401
Accrued expenses	15,331	13,951
Current installments of long-term debt	3,720	2,539
Accrued Compensation	18,630	13,656
Interest	5,342	5,513
Income taxes payable	426	1,883
Total current liabilities	77,230	56,943
Long-term debt	338,933	308,052
Deferred income taxes	13,812	8,698
Deferred gain and other long-term liabilities	6,086	5,148
Shareholders' equity:		
Common stock, par \$.02, authorized 60,000,000 shares, issued and outstanding 31,981,393 and 31,935,792 at September 30, 1996; 22,081,267 and 22,035,666 at September 30, 1995	640	294
Additional paid-in capital	411,472	155,927
Retained earnings	102,739	65,570
Treasury stock, at cost	(243)	(243)
Total shareholders' equity	514,608	221,548
Total liabilities and shareholders' equity	\$ 950,669	\$ 600,389

</TABLE>

See accompanying notes to consolidated financial statements

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Genesis Health Ventures, Inc. and subsidiaries  
Consolidated Statements of Operations

<TABLE>

<CAPTION>

Year ended September 30,			
	1996	1995	1994
(In thousands, except share and per share data)			
<S>	<C>	<C>	<C>
Net revenues:			
Basic healthcare services	\$ 348,016	\$ 278,121	\$ 240,264
Specialty medical services	290,428	180,327	125,718
Management services and other, net	33,025	27,945	22,634
Total net revenues	671,469	486,393	388,616
Operating expenses:			
Salaries, wages and benefits	315,494	237,610	192,534
Other operating expenses	201,866	137,945	109,059
General corporate expense	25,840	17,585	17,650
Depreciation and amortization	25,374	18,793	14,982
Lease expense	18,638	13,798	11,376
Interest expense, net	24,926	20,366	15,305
Debenture conversion expense	1,245	-	-
Earnings before income taxes, extraordinary items and cumulative effect of a change in accounting principle	58,086	40,296	27,710
Income taxes	20,917	14,765	10,019
Earnings before extraordinary items and cumulative effect of a change in accounting principle	37,169	25,531	17,691
Extraordinary items, net of tax	-	(1,923)	(553)
Cumulative effect of a change in accounting principle	-	-	535
Net income	\$ 37,169	\$ 23,608	\$ 17,673
Per common share data:			
Primary:			
Earnings before extraordinary items and cumulative effect of a change in accounting principle	\$ 1.35	\$ 1.13	\$ 0.89
Net income	\$ 1.35	\$ 1.05	\$ 0.89
Weighted average shares of common stock and equivalents	27,491,765	22,587,037	19,930,828
Fully diluted:			
Earnings before extraordinary items and cumulative effect of a change in accounting principle	\$ 1.29	\$ 1.03	\$ 0.84
Net income	\$ 1.29	\$ 0.97	\$ 0.84
Weighted average shares of common stock and equivalents	31,130,045	28,452,436	24,819,711

</TABLE>

See accompanying notes to consolidated financial statements

Genesis Health Ventures, Inc. and subsidiaries  
Consolidated Statements of Shareholders' Equity

<TABLE>

<CAPTION>

(Dollars in thousands)	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance at September 30, 1993	\$ 247	\$101,273	\$ 24,289	\$ (460)	125,349
Issuance of additional common stock, net of issuance costs	43	51,572	-	-	51,615
Issuance of shares from Treasury	-	-	-	100	100
Exercise of common stock options	1	728	-	-	729
1994 net earnings	-	-	17,673	-	17,673
Balance at September 30, 1994	291	153,573	41,962	(360)	195,466
Issuance of additional common stock	-	621	-	-	621
Issuance of shares from Treasury	-	-	-	117	117
Exercise of common stock options and issuance of stock bonus awards	3	1,733	-	-	1,736

1995 net earnings	-	-	23,608	-	23,608
Balance at September 30, 1995	294	155,927	65,570	(243)	221,548
Issuance of additional common stock, net of issuance costs	136	211,529	-	-	211,665
Conversion of Debentures	42	41,676	-	-	41,718
Exercise of common stock options	5	2,503	-	-	2,508
Effect of stock dividend	163	(163)	-	-	-
1996 net earnings	-	-	37,169	-	37,169
Balance at September 30, 1996	\$ 640	\$411,472	\$102,739	\$ (243)	\$514,608

</TABLE>

See accompanying notes to consolidated financial statements

Genesis Health Ventures, Inc. and subsidiaries  
Consolidated Statements of Cash Flows

<TABLE>

<CAPTION>

	Year ended September 30,		
	1996	1995	1994
	(Dollars in thousands)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	\$ 37,169	\$ 23,608	\$ 17,673
Adjustments to reconcile net income to net cash provided by operating activities:			
Charges (credits) included in operations not requiring funds:			
Provision for deferred taxes	5,114	(1,270)	4,483
Depreciation and amortization	25,374	18,793	14,982
Amortization of deferred gain	(460)	(460)	(319)
Debt conversion expense	1,245	-	-
Extraordinary loss	-	1,923	553
Cumulative effect of a change in accounting principle	-	-	(535)
Changes in assets and liabilities excluding the effects of acquisitions			
Accounts receivable	(6,256)	(25,564)	(15,485)
Cost reports receivable	(15,647)	(15,065)	(1,770)
Inventory	(2,061)	(3,176)	(937)
Prepaid expenses and other current assets	1,955	3,035	(6,705)
Accounts payable and accrued expenses	(7,758)	7,235	4,419
Accrued compensation and interest	(949)	1,258	4,558
Income taxes payable	(1,494)	871	(354)
Total adjustments	(937)	(12,420)	2,890
Net cash provided by operations	36,232	11,188	20,563
Cash flows from investing activities			
Investments in marketable securities	(2,062)	(3,455)	-
Capital expenditures	(38,645)	(24,719)	(18,784)
Payments for acquisitions, net of cash acquired	(215,874)	(8,194)	(214,306)
Proceeds from dispositions of facilities	21,521	-	-
Notes receivable and other investment additions, net	(42,113)	(23,074)	-
Other long term asset (additions) dispositions	(7,872)	9,971	(9,274)
Net cash used in investing activities	(285,045)	(49,471)	(242,364)
Cash flows from financing activities			
Net borrowings (repayments) under working capital revolving credit	50,799	30,100	(10,200)
Repayment of long term debt	(2,539)	(102,451)	(26,060)
Proceeds from issuance of long-term debt	-	119,700	125,000
Proceeds from issuance of convertible debentures	-	-	86,250
Debt issuance costs	-	(4,331)	(5,051)
Proceeds from issuance of common stock	211,250	100	52,048
Stock issuance costs	(9,585)	-	(433)

Debt conversion expense	(1,245)	-	-
Stock options exercised	2,508	1,736	523
<hr/>			
Net cash provided by financing activities	251,188	44,854	222,077
<hr/>			
Net increase in cash and equivalents	2,375	6,571	276
Cash and equivalents			
Beginning of year	10,388	3,817	3,541
End of year	\$ 12,763	\$ 10,388	\$ 3,817
<hr/>			
Supplemental disclosure of cash flow information			
Interest paid	\$ 24,926	\$ 18,175	\$ 12,085
Income taxes paid	\$ 22,374	\$ 13,037	\$ 5,159
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</TABLE>

See accompanying notes to consolidated financial statements

# Genesis Health Ventures, Inc. and Subsidiaries Notes to Consolidated Financial Statements

## (1) Summary of Significant Accounting Policies

### Principles of Consolidation

The consolidated financial statements include the accounts of Genesis Health Ventures, Inc. and its wholly-owned subsidiaries (the Company or Genesis). All significant intercompany accounts and transactions have been eliminated in consolidation. All dollars, except per share amounts, and shares are expressed in thousands. All other amounts are expressed in whole numbers. Certain prior year balances have been reclassified to conform with current year presentation.

### Business

The Company provides a broad range of healthcare services to the geriatric population, principally within four geographic markets in the eastern United States. These services include basic healthcare services traditionally provided in eldercare centers; specialty medical services, such as rehabilitation therapy, institutional pharmacy and medical supply services, community-based pharmacies and subacute care; and management services to independent geriatric care providers.

### Property, Plant and Equipment

Land, land improvements, buildings, and equipment are stated at cost. Subsequent additions are recorded at cost. Depreciation of land improvements, buildings and equipment is calculated on the straight-line method over their estimated useful lives that range from three years to 35 years.

Expenditures for maintenance and repairs necessary to maintain property and equipment in efficient operating condition are charged to operations. Costs of additions and betterments are capitalized. Interest costs associated with construction or renovation are capitalized in the period in which they are incurred.

### Inventories

Inventories, consisting of drugs and supplies, are stated at the lower of cost or market. Cost is determined primarily on the first-in, first-out (FIFO) method.

### Contractual Adjustments

Patient revenues are recorded based on standard charges applicable to all patients. Under Medicare, Medicaid, and other cost-based reimbursement programs, each facility is reimbursed for services rendered to covered program patients as determined by reimbursement formulas. The differences between established billing rates and the amounts reimbursable by the programs and patient payments are recorded as contractual adjustments and deducted from revenues.

Retroactively calculated third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered. Revisions to estimated contractual adjustments are recorded based upon audits by third-party payors, as well as other communications with third-party payors such as desk

reviews, regulation changes and policy statements. These revisions are made in the year such amounts are determined.

#### Cash Equivalents

Short-term investments which have a maturity of ninety days or less at acquisition are considered cash equivalents.

#### Investments in Marketable Securities

Investments in marketable securities available for sale are recorded at their fair market value, with any unrealized gains or losses recognized as a component of shareholders' equity, until realized.

#### Deferred Financing Costs

Financing costs have been deferred and are being amortized on a straight-line basis over the term of the related debt. Deferred financing costs, net of accumulated amortization of \$3,009 and \$1,313, and included in other long term assets were \$8,056 and \$8,584 at September 30, 1996 and 1995, respectively.

#### Goodwill

Goodwill represents the excess of the purchase price over the fair market value of net assets acquired and is amortized on a straight-line basis from ten to forty years. Goodwill, net of accumulated amortization of \$11,900 and \$6,200, was \$254,000 and \$119,000 at September 30, 1996 and 1995, respectively. Goodwill is reviewed for impairment whenever events or circumstances provide evidence that suggest that the carrying amount of goodwill may not be recoverable. The Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance can be recovered through projected undiscounted future cash flows.

#### Income Taxes

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (Statement 109) was adopted by the Company in 1994. Under Statement 109, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date.

Provision is made for deferred income taxes applicable to temporary differences between financial statement and taxable income.

#### Earnings Per Share

Primary earnings per share is based on the average number of shares of common stock outstanding during the period and the dilutive effect of stock options and other common stock equivalents. Fully diluted earnings per share reflect the conversion of the Convertible Senior Subordinated Debentures due 2003 as if such conversion had occurred on the date of issuance and the related interest expense had not been incurred.

Effective March 29, 1996, the Company issued a three for two stock dividend on its common stock. Share and per share information in the accompanying consolidated financial statements have been adjusted accordingly.

#### Use of Estimates

Management of the Company has made a number of estimates relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

## New Accounting Pronouncements

In March, 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (Statement) No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". Statement 121 provides guidance for recognition and measurement of impairment of long-lived assets, certain identifiable intangibles and goodwill related both to assets to be held and used and assets to be disposed of. The Company is required to adopt Statement 121 for the year ending September 30, 1997. The Company believes the adoption of Statement 121 will not have a material impact on its consolidated financial statements.

In October, 1995, the FASB issued Statement 123, "Accounting for Stock-Based Compensation". Statement 123 allows companies the option to retain the current accounting approach for recognizing stock-based expense in the financial statements or to adopt a new accounting method based on the estimated fair value of employee stock options. Companies that do not follow the new fair value based method will be required to expanded disclosures in the footnotes. The Company is required to adopt Statement 123 for the year ending September 30, 1997. The Company expects to continue applying its current accounting approach and upon adoption will present the required footnote disclosures.

### (2) Acquisitions/Dispositions

Effective October 1, 1996, subsequent to the fiscal year end, Geriatric & Medical Companies, Inc. ("GMC") merged with a wholly-owned subsidiary of Genesis (The "GMC Transaction"). Under the terms of the merger agreement, GMC shareholders received \$5.75 per share in cash for each share of GMC stock. The total consideration paid, including assumed indebtedness of approximately \$132,000, is approximately \$223,000. The merger was financed in part with approximately \$121,250 in net proceeds from an offering of 9 1/4% Senior Subordinated Notes issued in October of 1996. The remaining consideration was financed through borrowings under the Company's bank credit facility. The GMC Transaction, will add to Genesis 24 owned eldercare centers with approximately 3,300 beds. GMC also operates businesses which provide a number of ancillary healthcare services including ambulance services; respiratory therapy, infusion therapy and enteral therapy; distribution of durable medical equipment and home medical supplies; and information management services.

In July 1996, the Company acquired the outstanding stock of National Health Care Affiliates, Inc., Oak Hill Center, Inc., Derby Nursing Center Corporation, Eidos, Inc. and Versalink, Inc. (collectively "National Health"). Prior to the closing of the stock acquisitions, an affiliate of a financial institution purchased nine of the eldercare centers for \$67,700 and subsequently leased the centers to a subsidiary of Genesis under operating lease agreements and an \$85,000 lease financing facility. The balance of the total consideration paid to National Health was funded with available cash of \$51,800 and assumed indebtedness of \$7,900. National Health added 16 eldercare centers in Florida, Virginia and Connecticut with approximately 2,200 beds to Genesis. National Health also provides enteral nutrition and rehabilitation therapy services to the eldercare centers which it owns and leases

In June 1996, the Company acquired the outstanding stock of NeighborCare Pharmacies, Inc. ("NeighborCare") a privately held institutional pharmacy, infusion therapy and retail pharmacy business based in Baltimore, Maryland. Total consideration was approximately \$57,250, comprised of approximately \$47,250 in cash and 312,744 shares of Genesis common stock.

In March 1996, the Company sold four eldercare centers and a pharmacy in Indiana for approximately \$22,250. The net sale proceeds were used to repay indebtedness under the Company's credit facility.

In March 1996, the Company acquired for total consideration of approximately \$31,900, including the payment of assumed debt, the remaining approximately 71% joint venture interests of four eldercare centers in Maryland and the remaining 50% joint venture interest of an eldercare center in Florida.

In January 1996, the Company acquired the speech therapy, occupational therapy and physical therapy services businesses of Medical and Rehab Support Services, Inc., Professional Rehabilitation Network, Inc. and Healthcare Rehab Services, Inc. (collectively, "Therapy Companies") for approximately \$9,300. The Therapy Companies provide these services in the Company's Chesapeake region. The acquisition was financed with borrowings under the Company's bank credit facilities.

Prior to January 1, 1996, the Company provided management, development and

marketing services to life care communities operated by Adult Community Total Services, Inc. (ACTS), a Pennsylvania non-profit corporation, pursuant to a management agreement which was to expire in April 1998. Effective January 1, 1996, Genesis restructured its relationship with ACTS. Under the revised arrangement, Genesis earned a \$2,000 restructuring fee and will no longer manage the ACTS life care communities. Genesis will continue to provide development services for a fee in an amount equal to five percent of the total cost of developing and completing facilities developed by ACTS. The development portion of the contract has been extended to December 2002 and Genesis is guaranteed a minimum annual development fee of approximately \$1,500. Genesis also continues to provide certain ancillary services to the ACTS communities.

On November 30, 1995, the Company acquired McKerley Health Care Centers ("McKerley") for total consideration of approximately \$68,700. The transaction also provides for up to an additional \$6,000 of contingent consideration payable upon the achievement of certain financial objectives through October 1997. McKerley owns or leases 15 geriatric care facilities in New Hampshire and Vermont with a total of 1,535 beds and operates a home healthcare company. The acquisition was financed with long term debt.

On September 30, 1995, the Company sold, and simultaneously entered into a three-year management contract to manage , five facilities totaling 606 beds to the AGE Institute of Massachusetts ("AIMASS") for \$19,570. The Company extended approximately \$18,000 of financing in connection with the sale, which was repaid in full in Fiscal 1996.

On April 1, 1995, the Company acquired TherapyCare Systems, L.P. ("Therapy Care") for approximately \$7,000. TherapyCare provided physical therapy, occupational therapy and speech therapy to 73 long term care facilities throughout Pennsylvania.

The following unaudited pro forma statement of operations information gives effect to the National Health, NeighborCare and McKerley transactions described above as though they had occurred on October 1, 1994, after giving effect to certain adjustments, including amortization of goodwill, additional depreciation expense, increased interest expense on debt related to the acquisition and related income tax effects. In addition, the following pro forma information entitled "1996 Including GMC" incorporates the pro forma effect of the GMC Transaction had it, and the previously described transactions, occurred on October 1, 1995. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the acquisitions occurred at the beginning of the respective fiscal years.

		Year Ended September 30,	
	1996 Including GMC	1996	1995
-----			
Pro Forma Statement of Operations Information:			
Total net revenues	\$983,633	\$788,437	\$682,360
Earnings before debenture conversion expense and extraordinary item	46,993	44,591	33,894
Net income	46,196	43,794	31,971
Primary earnings per share before debenture conversion expense and extraordinary item	1.48	1.40	1.15
Fully diluted earnings per share before debenture conversion expense and extraordinary item	1.40	1.33	1.07
-----			

### (3) Property, Plant and Equipment

Property, plant and equipment at September 30, 1996 and 1995 consist of the following:

	September 30,	
	1996	1995
-----		
Land	\$ 23,517	\$ 17,606
Land improvements	4,565	3,193
Buildings	301,216	219,637
Equipment	67,124	46,196
Construction in progress	20,344	9,147
-----		
	416,766	295,779

Less accumulated depreciation	65,837	51,108
-----	-----	-----
Net property, plant and equipment	\$350,929	\$244,671
-----	-----	-----

(4) Long-term Debt

Long-term debt at September 30, 1996 and 1995 was as follows:

	September 30, 1996	1995
-----	-----	-----
Secured-due 1997 to 2034;		
6.75% to 10.00% (weighted average interest		
rate 1996-7.43%; 1995-8.22%)	\$147,359	\$101,138
Unsecured-due 1997 to 2008;		
5.50% to 11.00% (weighted average interest		
rate 1996-9.71%; 1995-9.6%)	151,815	123,524
Convertible Senior Subordinated		
Debentures due 2003-6%	43,762	86,250
-----	-----	-----
	342,936	310,912
Less:		
-Debt discount, net of amortization	283	321
-Current installments and short-term borrowings	3,720	2,539
-----	-----	-----
	\$338,933	\$308,052
-----	-----	-----

At September 30, 1996 and 1995, the Company's long-term debt consisted of approximately \$120,350 and \$66,500 of floating rate debt based on prime or LIBOR with weighted average interest rates of 6.87% and 7.19%, respectively. At September 30, 1996 and 1995, the Company's long-term debt consisted of approximately \$222,586 and \$244,412 of fixed rate debt with weighted average interest rates of 8.62% and 8.30%, respectively.

In October 1996, the Company entered into an agreement with the lenders of the bank credit facility to increase the revolving credit facility to \$300,000 and the lease financing facility to \$150,000 and to release liens on accounts receivable, inventory and personal property. The revolving credit facility bears interest at a floating rate equal, at the Company's option, to prime rate or LIBOR plus a margin up to 1.5%. The lease financing facility bears interest at a floating rate equal, at the Company's option, to prime rate or LIBOR plus a margin up to 1.5%. The revolving credit facility is secured by the stock of the Company's subsidiaries.

In October 1996, subsequent to fiscal year end, the Company completed an offering of \$125,000 9 1/4% Senior Subordinated Notes due 2006. The Company used the net proceeds of approximately \$121,250, together with borrowings under the bank credit facility, to pay the cash portion of the purchase price of the GMC Transaction, to repay certain debt assumed as a result of the GMC Transaction and to repurchase GMC accounts receivable which were previously financed.

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In November 1996, subsequent to the fiscal year end, the Company called for redemption the then outstanding 6% Convertible Senior Subordinated Debentures (the Debentures) at a redemption price equal to 104.2% of the principal amount. The Debenture holders had the option to tender Debentures at the redemption price or to convert the Debentures into common stock at a conversion price of \$15.104 per share. In connection with the early conversion of a portion of the Debentures converted during fiscal 1996, the Company paid approximately \$1,245 representing the prepayment of interest to converting debenture holders. The non-recurring cash payment is presented as debenture conversion expense in the statement of operations.

In June 1995, the Company completed an offering of \$120,000 of 9 3/4 % Senior Subordinated Notes due 2005 (the Notes). Interest is payable on the Notes on June 15 and December 15 of each year commencing December 15, 1995. The Notes are redeemable at the option of the Company in whole or in part, at any time, on or after June 15, 2000 at a redemption price initially equal to 104.05% of the principal amount and decreasing annually thereafter. The Company used the net proceeds from the Notes offering to repay a portion of the bank credit facility.

At September 30, 1996, sinking fund requirements and installments of long-term debt, excluding the Debentures, are as follows:

Year ending	Principal
-------------	-----------



September 30,	Amount
1997	\$ 3,720
1998	4,313
1999	3,468
2000	2,772
2001	2,498
Thereafter	\$ 282,403

In June 1996, the Company entered into an interest rate swap agreement with a financial institution. The agreement is for a term of five years and a notional amount of \$20,000 whereby the Company will make quarterly payments at a floating rate based on six month LIBOR (5.75% at September 30, 1996) and receive quarterly payments at a fixed rate of 6.86%.

Interest of \$1,191 in 1996, \$457 in 1995 and \$405 in 1994, was capitalized in connection with facility construction and renovations.

During fiscal 1995 and 1994, the Company recorded extraordinary losses, net of tax, of \$1,923 and \$553, respectively related to the early retirement of debt.

The Company is restricted from declaring any dividends or authorizing any other distribution on account of ownership of its capital stock unless certain conditions are met.

#### (5) Leases and Lease Commitments

The Company leases certain facilities and equipment under operating leases. Future minimum payments for the next five years under operating leases at September 30, 1996 were as follows:

Year ending September 30,	Minimum payments
1997	\$ 25,891
1998	21,751
1999	20,544
2000	17,566
2001	16,980

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Excluded from the future minimum lease payments above in the year 2001 is approximately \$67,000 related to a residual value guarantee due under the lease financing facility in connection with the National Health transaction.

The Company has an option to purchase seven leased eldercare care facilities at the end of their ten year lease term in 2003 for \$59,000.

#### (6) Patient Service Revenue

The distribution of net patient service revenue by class of payor for the years ended September 30, 1996, 1995 and 1994 was as follows:

Class of payor	Year ended September 30,		
	1996	1995	1994
Private pay and other	\$251,244	\$175,206	\$148,946
Medicaid	229,838	185,612	156,894
Medicare	157,362	97,630	60,142
	\$638,444	\$458,448	\$365,982

The above revenue amounts are net of third-party contractual allowances of \$122,136, \$98,495, and \$81,545 in 1996, 1995 and 1994, respectively.

The Company has recorded cost report receivables from third-party payors (i.e., Medicare and Medicaid) of \$41,575 and \$26,271 at September 30, 1996 and 1995, respectively. These amounts at September 30, 1996 are due primarily from Massachusetts (\$8,579), Pennsylvania (\$5,710) and Medicare (\$28,576) for the 1994 through 1996 cost reporting periods.

## (7) Income Taxes

As discussed in Note 1, the Company adopted Statement 109 as of October 1, 1993. The cumulative effect of this change in accounting for income taxes of \$535 is determined as of October 1, 1993 and is reported separately in the consolidated statement of operations for the year ended September 30, 1994. As a result of applying Statement 109, earnings before income taxes for the years ended September 30, 1996, 1995 and 1994 were decreased \$390 due to the effects of adjustments for prior purchase business combinations. Prior years financial statements have not been restated to apply the provisions of Statement 109.

Total income tax expense for the years ended September 30, 1996 1995 and 1994 was as follows:

	Year ended September 30,		
	1996	1995	1994
Income from continuing operations	\$20,917	\$14,765	\$10,019
Extraordinary item	-	(1,130)	(325)
Total	\$20,917	\$13,635	\$ 9,694

The components of the provision for income taxes for the years ended September 30, 1996, 1995 and 1994 were as follows:

	Year ended September 30,		
	1996	1995	1994
Current:			
Federal	\$14,508	\$13,484	\$ 4,769
State	1,295	2,551	767
	15,803	16,035	5,536
Deferred:			
Federal	4,595	(650)	3,973
State	519	(620)	510
	5,114	(1,270)	4,483
Total	\$20,917	\$14,765	\$10,019

Total income tax expense differed from the amounts computed by applying the U.S. federal income tax rate of 35% to net income before income taxes and extraordinary items as a result of the following:

<TABLE>  
<CAPTION>

	Year ended September 30,		
	1996	1995	1994
<S>	<C>	<C>	<C>
Computed "expected"			
tax expense	\$ 20,330	\$ 14,104	\$ 9,699
-Increase (reduction) in income taxes			
resulting from:			
-State and local income-taxes, net of federal			
tax benefit	1,179	1,255	830
Amortization of goodwill	235	197	154

Targeted jobs credits	-	(528)	(600)
Tax exempt interest	(770)	-	-
Other, net	(57)	(263)	(64)
<hr/>			
Total income tax expense	\$ 20,917	\$ 14,765	\$ 10,019
<hr/>			

</TABLE>

The sources of the differences between consolidated earnings for financial statement purposes and tax purposes and the tax effects are as follows:

<TABLE>

<CAPTION>

	Year ended September 30,		
	1996	1995	1994
<hr/>			
<S>	<C>	<C>	<C>
Excess tax depreciation expense versus book depreciation	\$ 1,157	\$ 1,064	\$ 1,007
Excess tax gain versus book gain	(895)	(2,879)	(302)
Amortization of deferred -gain on sale and leaseback	49	103	128
Utilization of net operating loss - carryforward	(600)	-	-
Targeted jobs credit carryforward	-	-	446
Accrued liabilities and reserves	676	(501)	(1,713)
Goodwill	3,661	920	3,790
Alternative minimum tax credit	-	-	1,192
Prepaid Rent	1,146	-	-
Other	(80)	23	(65)
<hr/>			
Net deferred tax provision	\$ 5,114	\$ (1,270)	\$ 4,483
<hr/>			

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at September 30, 1996 and 1995 are presented below:

<hr/>		
Deferred Tax Assets	September 30,	
	1996	1995
<hr/>		
Accounts receivable	\$ 1,411	\$ 1,303
Accrued compensation	601	532
Amortization of deferred gain	247	297
Goodwill	414	4,075
Net operating loss carryforwards	4,000	2,600
Other, net	13	24
<hr/>		
Deferred tax assets	6,686	8,831
Valuation allowance	(3,400)	(2,600)
<hr/>		
Net deferred tax assets	3,286	6,231
<hr/>		
Deferred Tax Liabilities		
<hr/>		
Goodwill and other intangibles	(6,590)	(6,590)
Depreciation	(8,535)	(8,272)
Accrued liabilities and reserves	(828)	-
Prepaid rent	(1,146)	-
Other, net	-	(67)
<hr/>		
Total deferred tax liability	(17,099)	(14,929)
<hr/>		

Net deferred liability	\$ (13,813)	\$ (8,698)
------------------------	-------------	------------

At September 30, 1996 and 1995, the Company has state net operating loss carryforwards (net of federal tax benefit) of \$4,000 and \$2,600, respectively. The related deferred tax assets are available to reduce future state income taxes payable, subject to applicable carryforward rules and limitations. Due to these limitations, the Company has established valuation allowances of \$3,400 and \$2,600 at September 30, 1996 and 1995, respectively. The net operating loss carryforwards expire in years 1997 through 2002. Management believes that by using prudent and feasible tax planning strategies it would realize approximately \$600 of the state net operating losses prior to expiration.

#### (8) Notes Receivable and Other Investments

Notes receivable and other investments at September 30, 1996 and 1995 consist of the following:

	September 30, 1996	1995
Mortgage notes and other notes receivable	\$76,092	\$17,823
Investments in non marketable securities	14,050	5,000
Investments in unconsolidated partnerships and joint ventures	2,432	7,056
	\$92,574	\$29,879

Mortgage notes and other notes receivable at September 30, 1996 bear interest at rates ranging from 7 1/2% to 13% and mature at various times ranging from 1997 to 2006. Approximately \$64,525 of the mortgage notes and other notes are secured by first or second mortgage liens on underlying facilities and personal property, accounts receivable, inventory and or gross facility receipts, as defined.

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In 1996, the Company extended a 10 1/4%, \$45,000 mortgage loan and a 13%, \$10,000 working capital loan to refinance the bank indebtedness of 11 managed eldercare centers in Florida and to eliminate the Company's guarantee of \$18,500 of such indebtedness. The Company extended its existing management agreement for these Florida eldercare centers through 2006.

In addition to the \$10,000 working capital loan described above, the Company has agreed to provide third parties with \$6,900 of working capital lines of credit. The unused portion of working capital lines of credit was \$2,216 at September 30, 1996.

In September, 1996 the Company acquired \$7,500 of convertible preferred stock of Doctors Health System, Inc. ("Doctors Health"), an independent physician owned and controlled integrated delivery system and practice management company. An additional \$2,500 of convertible preferred stock may be purchased before December 31, 1996. The preferred stock carries an 8% cumulative dividend and is convertible into common stock, and if converted would represent an approximate 10% ownership interest in Doctors Health. Also, the Company is committed to purchase an additional \$10,000 of convertible preferred stock upon Doctors Health's achievement of certain operational and financial benchmarks. The additional investment, if made and converted to common stock would raise the Company's ownership interest to approximately 20%. Investments in such non marketable securities are carried at cost.

Investments in unconsolidated partnerships and joint ventures are accounted for under the equity method.

#### (9) Other Long-Term Assets

Other long-term assets at September 30, 1996 and 1995 consist of the following:

	September 30, 1996	1995
Deferred financing fees, net	\$ 8,056	\$ 8,584
Property deposits and funds held in escrow	6,765	3,488
Funds held by trustee	1,692	1,121
Other	8,082	7,632

## (10) Management Services and Other Income, Net

Included in management services and other income, net were the following:

	Year ended September 30,		
	1996	1995	1994
Fees earned in connection with management agreements	\$18,227	\$19,214	\$15,564
Service related businesses	9,023	5,523	4,836
Transactional items, net	5,775	3,208	2,234
	\$33,025	\$27,945	\$22,634

## (11) Stock Option Plans

The Company has two stock option plans (the "Employee Plan" and the "Directors Plan"). Under the Employee Plan, 3,750,000 shares of common stock were reserved for issuance to employees including officers and directors. Generally, the options granted in the Employee Plan become exercisable over a 5 year period and expire 10 years from the date of grant. All options granted under the Employee Plan have been at the fair market value of the common stock on the date of grant.

<TABLE>  
<CAPTION>

	Option Price per Share	Outstanding	Exercisable	Available for Grant
<S>	<C>	<C>	<C>	<C>
Balance at -September 30, 1994	\$2.22-\$17.00	1,610,103	730,605	76,467
Authorized	-	-	-	1,050,000
Granted	19.67-20.25	740,625	-	(740,625)
Became Exercisable	-	-	400,692	-
Exercised	5.33-16.83	(204,585)	(204,585)	-
Cancelled	-	(51,975)	-	51,975
Balance at -September 30, 1995	2.22-20.25	2,094,168	926,712	437,817
Authorized	-	-	-	750,000
Granted	19.50-31.87	1,010,998	-	(1,010,998)
Became Exercisable	-	-	509,070	-
Exercised	5.33-20.25	(275,455)	(275,455)	-
Cancelled	-	(136,269)	-	136,269
Balance at -September 30, 1996	2.22-31.87	2,693,442	1,160,327	313,088

</TABLE>

## (12) Retirement Plan

The Company has a defined contribution plan covering all employees having 1,000 hours or more of service and one year of service in a plan year. Employees' contributions to the plan may be matched by the Company based on years of service. During the plan years ended December 31, 1996 and 1995, the Company accrued a match of 50% of employee contributions up to 3% of the employee's annual gross salary. During the plan year ended December 31, 1994 the Company match was 50% of employee contributions up to 2% of employee's annual gross salary.

Additionally, the Plan provides for discretionary employer contributions, in the form of Company common stock and/or cash, based on profits of the Company. The Company recorded retirement plan expense for the 401(k) match and the discretionary contribution of approximately \$1,877, \$1,128, and \$959 for the years ended September 30, 1996, 1995 and 1994, respectively.

Certain employees of NeighborCare and National Health participate in separate plans qualified under Section 401(k) of the Internal Revenue Code. Beginning January 1, 1997, these plans will be merged into the Genesis Health Ventures, Inc. Retirement Plan.

#### (13) Commitments and Contingencies

The Company has guaranteed \$10,614 of indebtedness of others.

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In August 1995, the Company entered into a software license agreement for a clinical operating system. The total commitment under the license agreement is \$12,000 of which the Company has paid \$3,500. The license agreement provides for a refund of amounts paid in the event the software does not meet the acceptance requirements as defined in the license agreement. The Company has estimated the cost to install the system and related hardware, not including amounts paid for the software license, to be approximately \$18,000 over the next three years, of which approximately \$5,900 has been expended through September 30, 1996

The Company is self insured for the majority of its workers' compensation and health insurance claims. The Company's maximum exposure is \$500 per occurrence for workers' compensation and \$75 per year, per participant for health insurance. The Company has elected to reinsure \$490 in excess of the first \$10 per occurrence for workers' compensation claims, through its wholly-owned captive insurance company, Liberty Health Corp., LTD. The Company carries excess insurance with commercial carriers for losses above \$500 per workers' compensation claim, and \$75 per participant for health insurance. The provision for estimated workers' compensation and health insurance claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for guarantees, loan commitments and letters of credit is represented by the dollar amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet financial instruments. The Company does not anticipate any material losses as a result of these commitments.

Genesis is a party to litigation arising in the ordinary course of business. Genesis does not believe the results of such litigation, even if the outcome is unfavorable to the Company, would have a material adverse effect on its consolidated financial position or results of operations.

#### (14) Fair Value of Financial Instruments

The Company believes the carrying amount of cash and equivalents, accounts receivable (net of allowance for doubtful accounts), cost report receivables, prepaid expenses and other current assets, accounts payable, accrued expenses, accrued compensation, accrued interest and income taxes payable approximates fair value because of the short-term maturity of these instruments.

The Company also believes the carrying value of mortgage notes and other notes receivable, and non marketable debt securities approximate fair value based upon the discounted value of expected future cash flows using interest rates at which similar investments would be made to borrowers with similar credit quality and for the same remaining maturities.

It was not practicable to estimate the fair value of investments in non marketable equity securities, or unconsolidated partnerships and joint ventures.

The fair value of interest rate swap agreements is the estimated amount the Company would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates. The estimated amount the Company would pay to terminate it's interest rate swap agreement outstanding at September 30, 1996 is \$94.

The fair value of the Company's commitments to provide working capital lines of credit and certain financial guarantees is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. Since the Company has not charged fees for currently outstanding commitments

there is no fair value of such financial instruments.

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The fair value of the Company's fixed rate long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities. At September 30, 1996 and 1995, the carrying value of fixed rate debt of \$222,586 and \$244,412, respectively approximates market value.

The fair value of the Company's floating rate debt approximates its fair value.

(15) Quarterly Financial Data (Unaudited)

The Company's unaudited quarterly financial information is as follows:

<TABLE>

<CAPTION>

	Total Net Revenues	Earnings Before Debt Conversion Expense and Extraordinary Item	Net Income	Fully-diluted Earnings Per Share before Debt Conversion Expense and Extraordinary Item	Fully-diluted Earnings Per Share
<S>	<C>	<C>	<C>	<C>	<C>
Quarter ended:					
December 31, 1995	\$132,778	\$6,556	\$5,858	\$.25	\$.23
March 31, 1996	154,739	7,810	7,810	.30	.30
June 30, 1996	172,836	10,190	10,091	.35	.35
September 30, 1996	211,115	13,410	13,410	.40	.40
	\$671,469	\$37,966	\$37,169	\$1.31	\$1.29
Quarter ended:					
December 31, 1994	\$111,553	\$ 4,810	\$ 4,810	\$.21	\$.21
March 31, 1995	116,953	5,813	5,813	.24	.24
June 30, 1995	125,959	6,885	4,962	.28	.21
September 30, 1995	131,928	8,023	8,023	.31	.31
	\$486,393	\$25,531	\$23,608	\$1.03	\$0.97

</TABLE>

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ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING  
AND FINANCIAL DISCLOSURE

None

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ITEM 10: DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference from the Company's 1997 proxy statement to be filed pursuant to General Instruction G(3) to the Form 10-K, except information concerning certain Executive Officers of the Company which is set forth in Item 4.1 of this Report.

ITEM 11: EXECUTIVE COMPENSATION

Incorporated by reference from the Company's 1997 proxy statement to be filed pursuant to General Instruction G(3) to the Form 10-K.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference from the Company's 1997 proxy statement to be filed pursuant to General Instruction G(3) to the Form 10-K.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference from the Company's 1997 proxy statement to be filed pursuant to General Instruction G(3) to the Form 10-K.

ITEM 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

Independent Auditors' Report

Consolidated Balance Sheets as of September 30, 1996 and 1995  
Consolidated Statements of Operations for the years ended

September 30, 1996, 1995 and 1994

Consolidated Statements of Shareholders' Equity for the years  
ended September 30, 1996, 1995 and 1994

Consolidated Statements of Cash Flows for the years ended  
September 30, 1996, 1995 and 1994

Notes to Consolidated Financial Statements

(a) (2) Schedule

Schedule II - Valuation and Qualifying Accounts for the years  
ended September 30, 1996, 1995, and 1994

All other schedules not listed have been omitted since the required information included in the financial statements or the notes thereto, or is not applicable or required.

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(a) (3) Exhibits

No. Description

2.1(1) Agreement and Plan of Reorganization, dated September 19, 1993, by and among Genesis Health Ventures, Inc., a Pennsylvania corporation ("Genesis"), MI Acquisition Corporation, a Pennsylvania corporation and a wholly-owned subsidiary of Genesis, MHC Acquisition Corporation, a Pennsylvania corporation and a wholly-owned subsidiary of Genesis, PEI Acquisition Corporation, a Pennsylvania corporation and a wholly-owned subsidiary of Genesis, TW Acquisition Corporation, a Pennsylvania corporation and a wholly-owned subsidiary of Genesis, SRS Acquisition, a Pennsylvania corporation and a wholly-owned subsidiary of Genesis, Meridian Healthcare, Inc., a Maryland corporation, Meridian Inc., a Maryland corporation ("MI"), Pharmacy Equities, Inc., a Maryland corporation, The Tidewater Healthcare Shared Services Group, Inc., a Maryland corporation, Staff Replacement Services, Inc., a Maryland corporation, Michael J. Batza, Jr., Edward A. Burchell, Earl L. Linehan, Roger C. Lipitz and Arnold I. Richman (collectively the "Reorganization Agreement").

2.2(2) Amended and Restated Amendment to Reorganization Agreement dated November 23, 1993.



- 2.3(3) Agreement made as of the 18th day of August, 1995 by and among Genesis Health Ventures, Inc., a Pennsylvania corporation, and Accumed, Inc., a New Hampshire corporation, McKerley Health Care Centers, Inc., a New Hampshire corporation, McKerley Health Care Center-Concord, Inc., a New Hampshire corporation, McKerley Health Facilities, a New Hampshire general partnership and McKerley Health Care Center-Concord, L.P., a New Hampshire limited partnership (collectively, the "Purchase Agreement").
- 2.4(4) Amendment Number One to Purchase Agreement dated November 30, 1995.
- 2.5(15) Stock Purchase Agreement, dated April 21, 1996, by and among Genesis Health Ventures, Inc., a Pennsylvania corporation, and NeighborCare Pharmacies, Inc., a Maryland corporation, Professional Pharmacy Services, Inc., a Maryland corporation, Medical Services Group, Inc., a Maryland corporation, CareCard, Inc., a Maryland corporation, Transport Services, Inc., a Maryland corporation, Michael G. Bronfein, Jessica Bronfein, Stanton G. Ades, Renee Ades, The Chase Manhattan Bank, N.A. and PPS Acquisition Corp., a Maryland corporation and a wholly-owned subsidiary of Genesis Health Ventures, Inc.
- 2.6(15) Merger Agreement, dated April 21, 1996, by and among Professional Pharmacies, Inc., Genesis Health Ventures, Inc. and PPS Acquisition Corp.
- 2.7(16) Purchase Agreement, dated May 3, 1996, by and among Mark E. Hamister, Oliver C. Hamister, George E. Hamister, Julia L. Hamister, The George E. Hamister Trust, The Oliver C. Hamister Trust, National Health Care Affiliates, Inc., Oak Hill Health Care Center, Inc., Derby Nursing Center Corporation, Delaware Avenue Partnership, EIDOS, Inc., VersaLink Inc., certain other individuals and Genesis Health Ventures, Inc.
- 2.8(16) Purchase Agreement Addendum, dated July 24, 1996, by and among Mark E. Hamister, Oliver C. Hamister, George E. Hamister, Julia L. Hamister, The George E. Hamister Trust, The Oliver C. Hamister Trust, National Health Care Affiliates, Inc., Oak Hill Health Care Center, Inc., Derby Nursing Center Corporation, Delaware Avenue Partnership, EIDOS, Inc., VersaLink Inc., certain other individuals and Genesis Health Ventures, Inc.
- 2.9(18) Agreement and Plan of Merger, dated as of July 11, 1996, by and among Genesis Health Ventures, Inc., a Pennsylvania corporation, G Acquisition Corporation, a Delaware corporation, and Geriatric & Medical Companies, Inc., a Delaware corporation.
- 3.1(5) The Company's Amended and Restated Articles of Incorporation.
- 3.2(5) The Company's Amended and Restated Bylaws.
- 3.3(10) Amendment to the Company's Articles of Incorporation, as filed on March 11, 1994, with the Department of State, Commonwealth of Pennsylvania.
- 4.1(2) Indenture dated as of November 30, 1993, between the Company and First Fidelity Bank, N.A., Pennsylvania.
- 4.2(5) Specimen of Common Stock Certificate.
- 4.3(6) Specimen of the Company's First Mortgage Bonds (Series A) due 2007.
- 4.4(7) Indenture of Mortgage and Deed of Trust, dated as of September 1, 1992, by and among the Company, Delaware Trust Company and Richard N. Smith.
- 4.5(8) Specimen of the Company's 6% Convertible Senior Subordinated Debentures due 2003.
- 4.6(2) Indenture dated as of November 30, 1993, between the Company and First Fidelity Bank, N.A., Pennsylvania.
- 4.7(13) Rights Agreement between Genesis Health Ventures, Inc. and Mellon Securities Trust Company.
- 4.8(17) Indenture dated as of June 15, 1995 between the Company and Delaware Trust Company.
- 4.9(17) Specimen of the Company's 9-3/4% Senior Subordinated Debentures due 2005.

- 4.10(19) Indenture dated as of October 7, 1996 between the Company and First Union National Bank
- 4.11(19) Specimen of the Company's 9-1/4% Senior Subordinated Notes due 2006.

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- +10.1(5) The Company's Employee Retirement Plan, adopted January 1, 1989, as amended and related Retirement Plan Trust Agreement,
- +10.2(12) The Company's 1985 Amended and Restated Stock Option Plan.
- +10.3(9) Amended and Restated Employment Agreement between the Company and Michael R. Walker dated April 1, 1994.
- +10.4(5) Employment Agreement between the Company and Richard R. Howard dated April 1, 1991.
- +10.5(9) Letter Amendment to Employment Agreement of Richard R. Howard, dated April 6, 1994.
- +10.6(5) Employment Agreement between the Company and David C. Barr, Dated April 1, 1991.
- +10.7(9) Letter Amendment to Employment Agreement of David C. Barr, dated April 6, 1994.
- +10.8(5) Lease Agreement, dated October 1, 1990, between Salisbury Medical Office Building General Partnership ("SMOBGP") and Team Rehabilitation, Inc.
- +10.9(5) Lease Agreement, dated October 1, 1989, between SMOBGP and Genesis Immediate Med Center, Inc.
- +10.10(5) Purchase Agreement, dated October 1, 1987, among SMOBGP, Genesis Pharmacy, Inc. and Genesis Immediate Med Center, Inc. relating to the purchase of the assets, property and business of Salisbury Pharmacy and Salisbury Immediate Med Center.
- +10.11(5) Lease, dated October 1, 1989, between SMOBGP and ASCO, relating to the Salisbury Regional Health Center.
- +10.12(11) Ground Lease Agreement dated as of June 26, 1993, by and between GHV Associates and the Company.
- +10.13(11) Lease, dated January 1, 1995, between GHV Associates and the Company, Team Rehabilitation, Inc. and Genesis Physician Services, Inc.
- 10.14(5) Guaranty, dated August 31, 1988, by the Company of Genesis Properties Limited Partnership Letter of Credit obligations.
- 10.15(5) Second Amended and Restated Registration Agreement, dated April 1, 1991, among the Company, the holders of the Company's Series A Convertible Preferred Stock, the holders of the Company's Series C Convertible Preferred Stock, the holders of the Company's Series D Convertible Preferred Stock, holders of the Company's Series F Convertible Preferred Stock, and certain holders of the Company's common stock.

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- 10.16(5) Agreement and Plan of Merger, dated March 29, 1991, among the Company, Genesis Acquisition Company and Concord Healthcare Corporation.
- +10.17(5) Agreement, dated April 19, 1991, between Nazem & Company, III, L.P. and the Company.
- +10.18(6) The Company's 1992 Stock Option Plan for Non-Employee Directors.
- +10.19(6) The Company's Incentive Compensation Program.
- +10.20(6) The Company's Execuflex Plan, dated as of January 1, 1992, and related Trust Agreement, dated December 10, 1991.
- +10.21(6) Agreements, dated June 16, 1990, February 6, 1991 and August 15, 1991, by and among the Company, Edward Romanov, Jr., American Community Environments Corporation and Total Care Systems, Inc.

+10.22(7) Agreement, dated August 19, 1992, by and among the Company, American Community Environments Corporation and Edward B. Romanov, Jr.

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+10.23(9) Promissory Note dated September 6, 1994, from Samuel H. Howard to the Company.

+10.24(2) Lease Agreement, dated as of November 30, 1993, by and between Charlesmead Associates Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.25(2) Option Agreement, dated November 30, 1993, by and among the Sellers identified therein, Charlesmead Associates Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.26(2) Lease Agreement, dated as of November 30, 1993, by and between Cherry Hill Meridian Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.27(2) Option Agreement, dated November 30, 1993, by and among the Sellers, as indicated therein, Cherry Hill Meridian Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.28(2) Lease Agreement, dated as of November 30, 1993, by and between Corsica Hills Associates Limited Partnership and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.29(2) Option Agreement, dated November 30, 1993, by and among the Sellers, as identified therein, Corsica Hills Associates Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.30(2) Lease Agreement, dated as of November 30, 1993, by and between Heritage Associates Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.31(2) Option Agreement, dated November 30, 1993, by and among the Sellers, as identified therein, Heritage Associates Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.32(2) Lease Agreement, dated as of November 30, 1993, by and between Multi-Medical Meridian Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.33(2) Option Agreement, dated November 30, 1993, by and among the Sellers, as identified therein, Multi-Medical Meridian Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.34(2) Lease Agreement, dated as of November 30, 1993, by and between Severna Associates Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.35(2) Option Agreement, dated November 30, 1993, by and among the Sellers, as identified therein, Severna Associates Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

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+10.36(2) Lease Agreement, dated as of November 30, 1993, by and between Westfield Meridian Limited Partnership, a Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

+10.37(2) Option Agreement, dated November 30, 1993, by and among the Sellers, as identified therein, Westfield Meridian Limited Partnership, a

Maryland limited partnership, and MHC Acquisition Corporation, now known as Meridian Healthcare, Inc., a Pennsylvania corporation.

- +10.38(11) Management Agreement, dated June 15, 1987, between Brendenwood MRC Limited Partnership and Meridian Health, Inc. (f/k/a Meridian, Inc.).
- +10.39(11) Lease dated January 5, 1989, as amended, by and between Towson Building Associates Limited Partnership and Meridian Healthcare, Inc.
- +10.40(11) Sublease dated November 30, 1993. By and between Meridian Healthcare, Inc. and Fairmount Associates, Inc.

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- +10.41(14) Agreement to Purchase Partnership Interests, made as of March 1, 1996, by and among Meridian Health, Inc., Fairmont Associates, Inc. and MHC Holding Company.
- 10.42(14) Purchase and Sale Agreement, dated January 16, 1996, by and among Genesis Health Ventures of Indiana, Inc. and Hallmark Healthcare Limited Partnership, as seller, and Hunter Acquisitions, L.L.C., as purchaser.
- 10.43 Guaranty and Agreement of Suretyship Regarding Obligations of Lessee and Affiliates from Genesis Health Ventures, Inc. and its Material Subsidiaries, Dated as of October 7, 1996
- 10.44 Guaranty and Agreement of Suretyship from Genesis Health Ventures, Inc. and its Material Subsidiaries, Dated as of October 7, 1996
- 10.45 Amended and Restated Lease and Agreement, Dated as of October 7, 1996, between Mellon Financial Services Corporation #4, as Lessor, and Genesis Eldercare Properties, Inc., as Lessee
- 10.46 Amended and Restated Participation Agreement, Dated as of October 7, 1996, among Genesis Eldercare Properties, Inc., as Lessee, Mellon Financial Services Corporation #4, as Lessor, Persons Named on Schedule I, as Lenders, and Mellon Bank, N.A. not in its individual capacity except as expressly stated therein, but solely as Agent
- 10.47 Management and Affiliation Agreement, dated as of August 31, 1996, by and between Genesis ElderCare Network Services, Inc., the Company and AGE Institute of Florida, Inc.
- 10.48 Acquisition Loan and Security Agreement, dated as of August 31, 1996, between Genesis Health Ventures, Inc. and AGE Institute of Florida, Inc.
- 10.49 Working Capital Loan and Security Agreement, dated as of August 31, 1996, between Genesis Health Ventures, Inc. and AGE Institute of Florida, Inc.
- 10.50 Second Amended and Restated Credit Agreement dated as of October 7, 1996 by and among Genesis Health Ventures, Inc. and certain of its subsidiaries, as Borrowers of the institutions identified herein as Lenders, Mellon Bank, N.A. as Issuer of Letters of Credit, Mellon Bank, N.A. as Administrative Agent and Co-Syndication Agent, Citibank, N.A. as Co-Syndication Agent and other co-agents specified therein.

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- 11 Computation of Per Share Earnings.
- 21 Subsidiaries of the Company
- 23 Consent of KPMG Peat Marwick LLP.
- 27 Financial Data Schedule

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+ Management contract or compensatory plan or arrangement

- (1) Incorporated by reference to the Company's Form 8-K dated September 19, 1993.

- (2) Incorporated by reference to the Company's Form 8-K dated November 30, 1993.
- (3) Incorporated by reference to the Company's Form 8-K dated August 18, 1995.
- (4) Incorporated by reference to the Company's Form 8-K dated November 30, 1995.
- (5) Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 33-40007).
- (6) Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 33-51670).
- (7) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1992.
- (8) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1993.
- (9) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1994.
- (10) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994.
- (11) Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1995.
- (12) Incorporated by reference to the Company's Form S-8 dated May 15, 1995.
- (13) Incorporated by reference to the Company's Form 8-A dated May 11, 1995.
- (14) Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.
- (15) Incorporated by reference to Form 8-K, as amended, dated April 21, 1996.
- (16) Incorporated by reference to Form 8-K/A dated May 3, 1996.
- (17) Incorporated by reference to Form S-3, dated June 20, 1995 (File No. 33-9350).
- (18) Incorporated by reference to Form 8-K, as amended, dated July 11, 1996.
- (19) Incorporated by reference to Form S-4, dated October 31, 1996 (File No. 333-15267).
- (b) Reports on Form 8-K

The Company filed a Current Report on Form 8-KA dated July 11, 1996 reporting the agreement by the Company to acquire Geriatric and Medical Companies which did not include financial statements.

The Company filed a Current Report on Form 8-K dated July 26, 1996 reporting the agreement by the Company to acquire the outstanding stock of National Health Care Affiliates, Inc., Oak Hill Health Center, Inc., Derby Nursing Center Corporation, EIDOS, Inc. and Versalink, Inc. which included the following financial statements:

National Health Care Affiliates, Inc. and Related Entities -- Audited

Combined Financial Statements for the year ended December 31, 1995

Report of Independent Auditors

Combined Balance Sheet

Combined Statement of Earnings

Combined Statement of Owners' Equity

Combined Statement of Cash Flows
Notes to Combined Financial Statements
National Health Care Affiliates, Inc. and Related Entities -- Unaudited
Combined Financial Statements for the Quarter Ended March 31, 1996
Combined Balance Sheet
Combined Statement of Earnings
Combined Statement of Cash Flows

Independent Auditors' Report

The Board of Directors  
Genesis Health Ventures, Inc.

Under date of November 20, 1996, we reported on the consolidated balance sheets of Genesis Health Ventures, Inc. and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 1996, as contained in the annual report on Form 10-K for the year 1996. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related financial statement schedule in the Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion such schedule when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP

Philadelphia, Pennsylvania  
November 20, 1996

Schedule II

Genesis Health Ventures, Inc.

Valuation and Qualifying Accounts  
Years Ended September 30, 1996, 1995 and 1994  
(Dollars in thousands)

<TABLE>  
<CAPTION>

Description	Balance at Beginning of Period	Charged to Operations	Charged to Other Accounts (1)	Deductions (2)	Balance at End of Period
<S>	<C>	<C>	<C>	<C>	<C>
Year Ended September 30, 1996:					

Allowance for Doubtful Accounts	\$6,179 =====	4,382 =====	4,748 =====	4,178 =====	\$11,131 =====
Year Ended September 30, 1995:					
Allowance for Doubtful Accounts	\$4,553 =====	3,013 =====	503 =====	1,890 =====	\$ 6,179 =====
Year Ended September 30, 1994:					
Allowance for Doubtful Accounts	\$2,089 =====	3,440 =====	1,662 =====	2,638 =====	\$ 4,553 =====

</TABLE>

- (1) - Represents amounts related to acquisitions
- (2) - Represents amounts written off as uncollectible

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#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed its behalf on December 23, 1996 by the undersigned duly authorized.

Genesis Health Ventures, Inc.

By: /S/ Michael R. Walker

-----  
Michael R. Walker,  
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on December 23, 1996.

Signature -----	Capacity -----
/S/ Michael R. Walker ----- Michael R. Walker	Chairman and Chief Executive Officer
/S/ Richard R. Howard ----- Richard R. Howard	President, Chief Operating Officer and Director
/s/ Samuel H. Howard ----- Samuel H. Howard	Director
/s/ Allen R. Freedman ----- Allen R. Freedman	Director
/s/ Roger C. Lipitz ----- Roger C. Lipitz	Director
/s/ Stephen E. Luongo ----- Stephen E. Luongo	Director
/s/ Alan B. Miller ----- Alan B. Miller	Director
/s/ Fred F. Nazem	

-----  
Fred F. Nazem

Director

/S/ George V. Hager Jr.  
-----  
George V. Hager, Jr.

Chief Financial Officer (Principal  
Accounting Officer)



GUARANTY  
AND AGREEMENT OF SURETYSHIP  
REGARDING OBLIGATIONS  
OF LESSEE AND AFFILIATES  
from  
GENESIS HEALTH VENTURES, INC.  
and its  
MATERIAL SUBSIDIARIES  
Dated as of July 24, 1996

GUARANTY  
AND AGREEMENT OF SURETYSHIP  
REGARDING OBLIGATIONS  
OF LESSEE AND AFFILIATES

THIS GUARANTY AND AGREEMENT OF SURETYSHIP REGARDING OBLIGATIONS OF LESSEE AND AFFILIATES, dated as of July 24, 1996, is made by GENESIS HEALTH VENTURES, INC., a Pennsylvania corporation ("Genesis") and the Material Subsidiaries set forth on Schedule 1 (the "Material Subsidiaries") (Genesis and each of the Material Subsidiaries are individually a "Guarantor" and collectively referred to herein, in their capacity as guarantors hereunder, as the "Guarantors") in favor of the Beneficiaries (as hereinafter defined).

W I T N E S S E T H:

WHEREAS, contemporaneously herewith, Genesis Eldercare Properties, Inc. ("Lessee"), as Lessee, Mellon Financial Services Corporation #4 ("Lessor"), as Lessor, the Persons named on Schedule 2 attached hereto, as Lenders and Mellon Bank, N.A., as Agent have entered into that certain Participation Agreement, and Lessee and Lessor have entered into that certain Lease and Agreement, each dated as of July 24, 1996. The Participation Agreement and the Lease and Agreement, as they each may be modified, amended or restated from time to time as and to the extent permitted thereby, are hereinafter referred to as the "Participation Agreement" and "Lease" respectively. Unless otherwise defined herein or the context hereof otherwise requires, terms which are defined or defined by reference in the Participation Agreement or Lease shall have the same meanings when used herein as such terms have therein; and

WHEREAS, Lessor has entered into a Loan Agreement dated as of even date herewith (as amended or otherwise modified from time to time, the "Loan Agreement" by and among Lessor, Lenders and Agent, pursuant to which the Lenders have agreed to make a loan to Lessor, as evidenced by those certain non-recourse promissory notes (the "Notes") from Lessor to Agent and secured by those certain Mortgages and Deeds of Trust (the "Mortgages") made by Lessor to Agent, as agent for the Lenders and those certain Assignments of Lease from Lessor to Agent, as

agent for the Lenders (the "Assignments of Lease").

WHEREAS, Lessee is a wholly-owned subsidiary of Genesis and each of the Material Subsidiaries are Subsidiaries of Genesis; and

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#### Guaranty

WHEREAS, it is a covenant in the Participation Agreement that Lessee shall cause the Guarantors to execute and deliver this Guaranty; and

WHEREAS, it is in the best interests of Guarantors that the Overall Transaction and the Document Closing Date occur; and

WHEREAS, this Guaranty, and the execution, delivery and performance hereof, have been duly authorized by all necessary corporate action of Guarantors;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Guarantors, Guarantors hereby agree as follows:

SECTION I. Guarantee and Agreement of Suretyship. Guarantors hereby jointly and severally, irrevocably and unconditionally guarantee to the Beneficiaries and agree to act as surety to the Beneficiaries for (a) the full and prompt payment when due, whether by acceleration or otherwise, and at all times thereafter, and (b) the full and prompt performance, of all of the Liabilities (as hereinafter defined), including interest and Yield on any such Liabilities, whether accruing before or after any bankruptcy or insolvency case or proceeding involving Lessee or any other Person, and, if interest or Yield on any portion of such obligations ceases to accrue by operation of law by reason of the commencement of such case or proceeding, including such interest and Yield as would have accrued on any such portion of such obligations if such case or proceeding had not commenced, and further agree to pay all expenses (including attorneys' fees and legal expenses) paid or incurred by Lessor, Agent or any of the Lenders (each a "Beneficiary") in endeavoring to collect the Liabilities, or any part thereof, and in enforcing this Guaranty. The term "Liabilities", as used herein, shall mean all of the following, in each case howsoever created, arising or evidenced, whether direct or indirect, joint or several, absolute or contingent, or now or hereafter existing, or due or to become due: all amounts payable by Lessee or any Affiliate (now or hereafter) of Genesis, all obligations to be performed by Lessee or any such Affiliate and all representations, warranties, covenants, undertakings and agreements of Lessee or any such Affiliate, under the Lease, the Participation Agreement and any other Operative Document (whether or not Lessee, any such Affiliate or any other Person shall be released or relieved from any or all liability or obligation under any thereof).

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#### Guaranty

In any action or proceeding involving any state corporate law, or any

state or federal bankruptcy, insolvency, reorganization or any other law affecting the rights of creditors generally, if the obligations of Guarantor under this Guaranty would otherwise be held or determined by a final and non-appealable order of a court of competent jurisdiction to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under this Guaranty, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by Guarantor or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable as determined in such action or proceeding pursuant to such final and non-appealable order.

Guarantors agree that, in the event of the dissolution, bankruptcy or insolvency of Lessee, or the inability or failure of Lessee to pay debts as they become due, or an assignment by Lessee for the benefit of creditors, or the commencement of any case or proceeding in respect of Lessee under any bankruptcy, insolvency or similar laws, and if such event shall occur at a time when any of the Liabilities may not then be due and payable, Guarantors will pay to the Beneficiaries forthwith the full amount which would be payable hereunder by Guarantors as if all Liabilities were then due and payable.

Guarantors agree that, in the event of the dissolution, bankruptcy or insolvency of Lessor, or the inability or failure of Lessor to pay debts as they become due, or an assignment by Lessor for the benefit of creditors, or the commencement of any case or proceeding in respect of Lessor under any bankruptcy, insolvency or similar laws, and if such event (a "Lessor Bankruptcy Event") shall occur at a time when any of the Liabilities may not then be due and payable, Guarantors will pay to the Beneficiaries from time to time all Liabilities then or thereafter due under the Operative Documents pursuant to their terms or if the provisions of the immediately preceding paragraph are applicable, at the time specified in the immediately preceding paragraph, all as if such Lessor Bankruptcy Event shall not have occurred.

To secure all obligations of Guarantors hereunder, each Beneficiary shall have a lien upon and security interest in (and may, without demand or notice of any kind, at any time and from time to time when any amount shall be due and payable by Guarantors hereunder, appropriate and apply toward the payment of such amount, in such order of application as the Agent may elect) any and all balances, credits, deposits, accounts or moneys of or in the name of Guarantors or any of its Affiliates now or

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#### Guaranty

hereafter, for any reason or purpose whatsoever, in the possession or control of, or in transit to Lessor or any Beneficiary or any agent or bailee for Lessor or any Beneficiary. Each Beneficiary shall provide prompt written notice to the Agent of the exercise by such Beneficiary of its rights under this paragraph, which notice shall set forth in reasonable detail the amount of such application and shall remit such amount to Agent or as Agent may direct.

The obligations of the Guarantors hereunder are secured by the Joint Stock Collateral as set forth in that certain Amended and Restated Security Agreement dated as of September 29, 1995, as amended, among Genesis and certain of its subsidiaries and Mellon Bank, N.A. as Collateral Agent, subject to the terms and provisions of that certain Amended and Restated Collateral Agency Agreement dated as of September 29, 1995, as amended, among Genesis, such subsidiaries and Mellon Bank, N.A., as RCA Agent, ACA Agent and Collateral Agent.

This Agreement shall constitute an agreement of suretyship as well as of guaranty and shall constitute an absolute and unconditional guaranty of payment and performance (and not of collection) and an absolute and unconditional undertaking by each Guarantor with respect to the payment and performance of the Liabilities. This Guaranty shall remain in full force and effect (notwithstanding, without limitation, the dissolution of any of the Guarantors). The liability of the Guarantors hereunder shall be direct, joint and several, and may be enforced without the Beneficiaries being required to resort to any other right, remedy or security.

Agent on behalf of itself and the other Beneficiaries, may, from time to time at its discretion and without notice to Guarantors, but subject to the provisions of the Participation Agreement, take or cause any of the other Beneficiaries to take, any or all of the following actions, subject to the terms of the Credit Agreement as in effect on the date hereof as such Credit Agreement may be amended with the consent of Agent under the Participation Agreement (on behalf of the Participants) and subject to the provisions of the Collateral Agency Agreement with respect to the Joint Stock Collateral: (a) retain or obtain a lien upon or a security interest in any property to secure any of the Liabilities or any obligation hereunder; (b) retain or obtain the primary or secondary obligation of any obligor or obligors, in addition to Guarantors, with respect to any of the Liabilities; (c) extend or renew for one or more periods (regardless of whether longer than the original period), alter or exchange any of the Liabilities, or release or compromise any obligation of Guarantors hereunder or any obligation of any

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#### Guaranty

nature of any other obligor with respect to any of the Liabilities; (d) release or fail to perfect its lien upon or security interest in, or impair, surrender, release or permit any substitution or exchange for, all or any part of any property securing any of the Liabilities or any obligation hereunder, or extend or renew for one or more periods (regardless of whether longer than the original period) or release, compromise, alter or exchange any obligations of any nature of any obligor with respect to any such property; and (e) resort to Guarantors, or any one or more of them, for payment of any of the Liabilities, regardless of whether Agent or any other Beneficiary shall have resorted to any other Person any property securing any of the Liabilities or any obligation hereunder or shall have proceeded against any other obligor primarily or secondarily obligated with respect to any of the Liabilities (all of the actions referred to in this paragraph being hereby expressly waived by Guarantors).

SECTION II. Guarantors' Obligations Unconditional. Guarantors' obligations hereunder are independent in respect of any other Person, and each Beneficiary may enforce any of its rights hereunder independently of any other right or remedy that it may at any time hold with respect to the Liabilities or any security or other guaranty therefor; provided that no double recovery of the same amount shall be permitted. Such obligations shall be absolute and unconditional, shall not be subject to any counterclaim, setoff, deduction, diminution, abatement, recoupment, suspension, deferment, reduction or defense (other than full and strict compliance by Guarantors with their obligations hereunder), whether based upon any claim that Lessor, Lessee, Agent, any Beneficiary or any other Person may have against any Beneficiary or any other Person or otherwise, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by, any circumstance or condition whatsoever (whether or not Guarantors or any other Person shall have any knowledge or notice thereof) including, without

limitation:

- A. any amendment, modification, addition, deletion, supplement or renewal to or of or other change in the Liabilities or any Operative Document or any of the agreements referred to in any thereof, or any other instrument or agreement applicable to any Operative Document or any of the parties to such agreements, or to the Sites, or any assignment, mortgage or transfer thereof or of any interest therein, or any furnishing or acceptance of additional security for, guaranty of or right of offset with respect to, any of the Liabilities; or the failure of any security or the

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#### Guaranty

failure of any Beneficiary to perfect or insure any interest in any collateral;

- B. any failure, omission or delay on the part of Lessor or any Beneficiary to conform or comply with any term of any instrument or agreement referred to in clause (A) above;
- C. any waiver, consent, extension, indulgence, compromise, release or other action or inaction under or in respect of any instrument, agreement, guaranty, right of offset or security referred to in clause (A) above or any obligation or liability of Lessor or any Beneficiary, or any exercise or non-exercise by any Beneficiary of any right, remedy, power or privilege under or in respect of any such instrument, agreement, guaranty, right of offset or security or any such obligation or liability;
- D. any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceeding with respect to Lessor or any Beneficiary or any other Person or any of their respective properties or creditors, or any action taken by any trustee, receiver or court in any such proceeding;
- E. any limitation on the liability or obligations of any Person under any Operative Document, the Liabilities, any collateral security for the Liabilities, any other guaranty of the Liabilities or any discharge, termination, cancellation, frustration, irregularity, invalidity or unenforceability, in whole or in part, of any of the foregoing or any other agreement, instrument, guaranty or security referred to in clause (A) above or any term of any thereof;
- F. any defect in the title, compliance with specifications, condition, design, operation or fitness for use of, or any damage to or loss or destruction of, or any interruption or cessation in the use of the

Sites by Lessee or any other Person for any reason whatsoever (including, without limitation, any governmental prohibition or restriction, condemnation, requisition, seizure or any other act on the part of any governmental or military authority, or any act of God or of the public enemy) regardless of the duration thereof (even though such duration would otherwise constitute a frustration of a lease), whether or not

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#### Guaranty

resulting from accident and whether or not without fault on the part of Lessee or any other Person;

- G. any merger or consolidation of Lessor, Lessee or Guarantors into or with any other Person, or any sale, lease or transfer of any of the assets of Lessor, Lessee or Guarantors to any other Person;
- H. any change in the ownership of any shares of capital stock of Lessor, Lessee or Guarantors or any corporate change in Lessor, Lessee or Guarantors;
- I. any loan to or other transaction between the Beneficiaries, or any of them, and Lessee or Lessor;
- J. any assignment or consummation of assignment of the Lease pursuant to Section 12.1 of the Lease; or
- K. any other occurrence or circumstance whatsoever, whether similar or dissimilar to the foregoing, and any other circumstance that might otherwise constitute a legal or equitable defense or discharge of the liabilities of a guarantor or surety or that might otherwise limit recourse against Guarantors.

The obligations of Guarantors set forth herein constitute the full recourse obligations of Guarantors enforceable against them to the full extent of all of their assets and properties, notwithstanding any provision in the Lease or any other Operative Document or any other document or agreement to the contrary.

Guarantors waive any and all notice of the creation, renewal, extension or accrual of any of the Liabilities and notice of or proof of reliance by any Beneficiary upon this Guaranty or acceptance of this Guaranty, and the Liabilities, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guaranty. Guarantors unconditionally waive, to the extent permitted by law: (a) acceptance of this Guaranty and proof of reliance by any Beneficiary hereon; (b) notice of any of the matters referred to in clauses A through K above, or any right to consent or assent to any thereof; (c) all notices that may be required by statute, rule of law or otherwise, now or hereafter in effect, to preserve intact any rights against Guarantors, including, without limitation, any demand, presentment, protest, proof or notice of nonpayment under any Operative Document, and notice of default or any failure on the part of Lessor to perform and comply with any covenant, agreement, term or condition of any Operative Document; (d) any right to the enforcement, assertion or exercise against

## Guaranty

Lessor of any right, power, privilege or remedy conferred in any Operative Document or otherwise; (e) any requirement of diligence on the part of any Person; (f) any requirement of any Beneficiary to take any action whatsoever, to exhaust any remedies or to mitigate the damages resulting from a default by any Person under any Operative Document; (g) any notice of any sale, transfer or other disposition by any Person of any right under, title to or interest in any Operative Document or the Sites; and (h) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge, release or defense of a guarantor or surety, or that might otherwise limit recourse against Guarantors.

Guarantors agree that this Guaranty shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of itself or Lessor is rescinded or must be otherwise restored by any Beneficiary whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

Guarantors further agree that, without limiting the generality of this Guaranty, if an Event of Default shall have occurred and be continuing and any Beneficiary is prevented by applicable law from exercising its remedies under the Operative Documents, such Beneficiary shall be entitled to receive hereunder from Guarantors, upon demand therefor, the sums which would have otherwise been due from Lessee had such remedies been exercised.

Section III. Incorporated Financial Covenants. Genesis hereby covenants and agrees that it shall at all times comply with the Financial Covenants, which covenants are incorporated herein by this reference, provided that compliance hereunder with the Financial Covenants shall be waived to the extent that compliance with such Financial Covenants may be waived from time to time under and in accordance with the Credit Agreement, exclusive of waivers made in contemplation of the termination of the Credit Agreement.

Section IV. Waiver of Subrogation. Guarantors hereby irrevocably waive any claim or other rights which they may now or hereafter acquire against Lessor.

Section V. Reasonableness and Effect of Waivers. Guarantors warrant and agree that each of the waivers set forth in this Guaranty is made with full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any of such waivers are determined to be contrary to any applicable

## Guaranty

law or public policy, such waivers shall be effective only to the maximum extent permitted by law.

Section VI. Representations and Warranties of Guarantors. As of the date hereof, each of the Guarantors makes the representations and warranties set

forth in this Section 6 to each of the Beneficiaries.

A. Due Organization, etc. It is a corporation or partnership duly organized, validly existing and in good standing under the laws of the state of its organization and it has full corporate power and authority to conduct its business as presently and presently proposed to be conducted, to own or hold under lease its properties, to enter into and perform its obligations under each of the Operative Documents to which it is or is to be a party and each other agreement, instrument and document to be executed and delivered by it on or before the Document Closing Date in connection with or as contemplated by each such Operative Document to which it is or is to be a party, and it is duly qualified as a foreign corporation authorized to do business and is in good standing in every jurisdiction in which its failure to be so qualified would have a Material Adverse Effect. The information set forth on Schedule 1 hereto with respect to it is true and correct.

B. Authorization; No Conflict. The execution and delivery by it of each of the Operative Documents to which it is or is to be a party, and the performance by it of its obligations under such Operative Documents, have been duly authorized by all necessary corporate action (including any necessary stockholder action) on its part, and do not and will not: (i) contravene any Applicable Laws and Regulations currently in effect applicable to or binding on it or the Sites; (ii) violate any provision of its charter or bylaws; (iii) result in a breach of or constitute a default under any indenture, loan or credit agreement, or any other agreement or instrument to which it is a party or by which it or its properties may be bound or affected, which breaches or defaults would have, individually or in the aggregate, a Material Adverse Effect; (iv) result in, or require, the creation or imposition of any Lien of any nature upon or with respect to any of the properties now owned or hereafter acquired by it (other than the security interests created pursuant to the Operative Documents); or (v) require any Governmental Action by any Authority, except for (A) the filings and recordings listed on Schedule 4.1B to the Participation Agreement to perfect the rights of Lessor, the Lenders and Agent intended to be created by the Operative Documents, and (B) those Governmental Actions required with respect to Lessee or any of its Affiliates listed on Schedule 4.1A to the Participation Agreement, each of which

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#### Guaranty

have been duly effected and are, or on the initial Advance Date will be, in full force and effect; and it is not in default under or in violation of its charter or bylaws. Attached as Schedule 4.1C to the Participation Agreement are correct and complete computations demonstrating compliance by Genesis with Section 5.9 of the Indenture after giving effect as Indebtedness under such Indenture to the obligations of Lessee and Guarantors under or in connection with the Operative Documents.

C. Enforceability, etc. Each Operative Document to which it is or is to be a party constitutes its legal, valid and binding obligation, enforceable against it in accordance with the terms thereof, except as such enforceability may be limited by applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and by general equitable principles.

D. Litigation. There is no action, proceeding or investigation pending or threatened which questions the validity of the Operative Documents to which it is or is to be a party or any action taken or to be taken pursuant to the Operative Documents to which it is or is to be a party, and there is no action, proceeding or investigation pending or threatened which, if adversely



determined, would have a Material Adverse Effect.

E. Taxes. It has filed or caused to be filed all United States Federal and all other material tax returns that are required to be filed by it, and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessment received by it to the extent that such taxes have become due and payable except to the extent that taxes due, but unpaid, are being contested in good faith by it by appropriate action or proceeding and, to the extent (if any) that such taxes are not due and payable, it has established or caused to be established reserves that are adequate for the payment thereof in accordance with GAAP.

F. Investment Company Act. It is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

G. Public Utility Holding Company. It is not subject to regulation as a "holding company," an "affiliate" of a "holding company", or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

H. Solvency. The consummation by Lessee and the Guarantors of the transactions contemplated by the Operative

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#### Guaranty

Documents does not and will not render it insolvent, nor was it made in contemplation of its insolvency; the value of its assets and properties at fair valuation and at their then present fair salable value is and, after such transactions, will be greater than its total liabilities, including contingent liabilities, as they become due; the property remaining in its hands was not and will not be an unreasonably small amount of capital.

#### Section VII. Covenants of Guarantors.

A. Consolidation, Merger, Sale, etc. No Guarantor shall consolidate with any Person, merge with or into any Person or convey, transfer or lease to any Person all or substantially all of its assets in any single transaction (or series of related transactions), unless, immediately after giving effect to such transaction, the conditions set forth in clauses (i) through (v) shall have been satisfied:

1. the conditions of Section 7.09 or 7.10, as applicable, of the Credit Agreement shall have been satisfied with respect to such transaction; provided, that for purposes of this clause (i), (a) all references in said Sections 7.09 and 7.10 to an Event of Default or Potential Default shall include (x) a Lease Event of Default or Lease Default, respectively, and (y) a default under this Guaranty, (b) all notices, certificates and other documents required to be delivered under said Section 7.09 shall also be delivered to Agent, on behalf of the Participants, (c) all references in said Sections 7.09 and 7.10 to Lender Party or Agent shall include Agent, on behalf of the Participants, (d) all references in said Sections 7.09 and 7.10 to Borrower or Borrowers shall be references to Guarantor or Guarantors, respectively, and (e) all references in said Sections 7.09 and 7.10 to Loan Obligations shall be references to the obligations of the applicable parties under the Operative Documents and (f) all references in said Sections 7.09 and 7.10 to Loan Documents shall be references to

2. (x) the Person formed by such consolidation with or into which such Guarantor shall be merged or (y) the Person which shall acquire by conveyance, transfer or lease all or substantially all of the assets of such Guarantor, if in the case of this clause (y), such Person is obligated under the terms of the Credit Agreement to become a party thereto (in the case of clause (x) or clause (y), as applicable, the "Surviving Company"), if other than such Guarantor immediately prior to such transaction, shall execute and deliver to each of the parties hereto an agreement, in form

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#### Guaranty

and substance reasonably satisfactory to Agent, containing the assumption by the Surviving Company of the due and punctual payment, performance and observation of each obligation, covenant and agreement of such Guarantor under this Guaranty;

3. if the applicable Guarantor is Genesis and the Surviving Company is not Genesis, such Surviving Company shall be a corporation that is organized under the laws of the United States of America, a state thereof or the District of Columbia;

4. the title of Lessor to the Sites and Lessor's rights under this Guaranty and the other Operative Documents and the first and prior Lien of the Mortgage on the Collateral shall not be adversely affected; and

5. Lessee shall have delivered to Agent, on behalf of Lessor and the Lenders, an Officer's Certificate and an opinion of counsel reasonably satisfactory to each such Person stating that such transaction complies with this Section 7, that all conditions to the consummation of such transaction have been fulfilled and that all Governmental Actions required in connection with such transaction have been obtained, given or made.

Upon the consummation of such transaction, the Surviving Company, if other than the applicable Guarantor immediately prior thereto, shall succeed to, and be substituted for, and may exercise every right and power of, such Guarantor immediately prior to such transaction under this Guaranty and each other Operative Document to which such Guarantor was a party immediately prior to such transaction, with the same effect as if the Surviving Company had been named herein and therein. Notwithstanding the foregoing provisions of this Section 7, no conveyance, transfer or lease of all or substantially all of the assets of any Guarantor shall release Guarantor from its payment or other obligations under this Guaranty or any other Operative Document without the written consent of Lessor and Agent.

B. Existence. Subject to Section 7(A), each Guarantor shall at all times maintain its existence as a corporation or partnership in good standing under the laws of the state of its organization and shall use commercially reasonable efforts to preserve and keep in full force and effect its franchises material to its business.

C. Senior Indebtedness. This Guaranty is an obligation of the Guarantors under and in respect of the Lease,

## Guaranty

which lease refunded, refinanced and replaced that certain Acquisition Credit Agreement, dated as of September 29, 1995, as amended, among Genesis, certain of its Subsidiaries, Mellon Bank, N.A. ("Mellon") as Agent, Citibank, N.A. ("Citibank") as Co-Agent and the Lenders named therein, which agreement supplemented that certain Amended and Restated Credit Agreement, dated as of September 29, 1995, as amended, among Genesis, certain of its Subsidiaries, Mellon as Issuer of Letters of Credit, Mellon as Agent and Citibank as Co-Agent, which agreement refunded, refinanced and replaced that certain Credit Agreement, dated as of November 22, 1993, among Genesis, certain of its Subsidiaries, Mellon as Agent and the Lenders named therein. The obligations hereunder are secured and superior in right of payment to the obligations under those certain debentures issued pursuant to the 1993 Indenture and the 1995 Indenture (each as hereinafter defined). The obligations hereunder constitute "Indebtedness" as such term is defined in the 1995 Indenture (as hereinafter defined) and this guarantee is a "Credit Facility", "Senior Indebtedness" and "Designated Senior Indebtedness" within the meaning of that certain Indenture, dated as of June 15, 1995, between Genesis and Delaware Trust Company as Trustee (the "1995 Indenture") and is "Senior Indebtedness" within the meaning of that certain Indenture, dated as of November 30, 1993, between Genesis and First Fidelity Bank, N.A., Pennsylvania as Trustee (the "1993 Indenture").

Section VIII. Transfers by Beneficiaries. Each Beneficiary may, from time to time, whether before or after any discontinuance of this Guaranty, at its sole discretion (subject to the requirements of the Participation Agreement) and without notice to or consent of Guarantors, assign or transfer any or all of its portion of the Liabilities or any interest therein; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Liabilities shall be and remain Liabilities for the purposes of this Guaranty, and each and every immediate and successive assignee or transferee of any of the Liabilities or of any interest therein shall, to the extent of such assignee's or transferee's interest in the Liabilities, be entitled to the benefits of this Guaranty to the same extent as if such assignee or transferee were such Beneficiary.

Section IX. No Waiver by Beneficiaries. No delay in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Guaranty be binding upon any Beneficiary except as expressly set forth in a writing duly

## Guaranty

signed and delivered on its behalf. No action permitted hereunder shall in any way affect or impair any Beneficiary's rights or Guarantors' obligations under this Guaranty. For the purposes of this Guaranty, Liabilities shall include all of the obligations described in the definition thereof, notwithstanding any right or power of Guarantors or anyone else to assert any claim or defense as to the invalidity or unenforceability of any such obligation, and no such claim or

defense shall affect or impair the obligations of Guarantors hereunder. Guarantors' obligations under this Guaranty shall be absolute and unconditional irrespective of any circumstance whatsoever which might constitute a legal or equitable discharge or defense of Guarantors. Guarantors hereby acknowledge that there are no conditions to the effectiveness of this Guaranty.

Section X. Joint and Several Obligations; Successors and Assigns. All obligations under this Guaranty are joint and several to each of the Guarantors and any other party which hereafter guarantees any portion of the Liabilities, and shall be binding upon them and upon their successors and assigns. All references herein to Guarantors shall be deemed to include any successor or successors, whether immediate or remote, to such Person.

Section XI. Severability. Wherever possible, each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under Applicable Laws and Regulations, but if any provision of this Guaranty shall be prohibited by or invalid thereunder, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

Section XII. Submission to Jurisdiction; Waivers. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY:

(A) AGREES THAT ANY ACTION, SUIT OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY OTHER OPERATIVE DOCUMENT OR ANY STATEMENT, COURSE OF CONDUCT, ACT OR OMISSION, OR EVENT OCCURRING IN CONNECTION HERewith OR THEREWITH (COLLECTIVELY, "RELATED LITIGATION") MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN ALLEGHENY COUNTY OR PHILADELPHIA COUNTY, PENNSYLVANIA, SUBMITS TO THE JURISDICTION OF SUCH COURTS, AND TO THE FULLEST EXTENT PERMITTED BY LAW AGREES THAT, TO THE EXTENT THAT ANY SUCH COURT HAS OR IS ABLE TO OBTAIN PERSONAL JURISDICTION OVER THE PARTY AGAINST WHICH SUCH PARTY IS SEEKING TO BRING RELATED LITIGATION, IT WILL NOT BRING ANY RELATED LITIGATION IN ANY OTHER FORUM (BUT NOTHING

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HEREIN SHALL AFFECT THE RIGHT OF ANY LENDER TO BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM);

(B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY RELATED LITIGATION BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY SUCH RELATED LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, AND WAIVES ANY RIGHT TO OBJECT, WITH RESPECT TO ANY RELATED LITIGATION BROUGHT IN ANY SUCH COURT, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY;

(C) CONSENTS AND AGREES TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY RELATED LITIGATION BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE PREPAID, TO SUCH PARTY'S ADDRESS FOR NOTICES DESCRIBED IN SCHEDULE II 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); AND

(D) WAIVES THE RIGHT TO TRIAL BY JURY IN ANY RELATED LITIGATION.

Section XIII. Notices. All notices, demands, declarations, consents, directions, approvals, instructions, requests and other communications required or permitted by this Guaranty shall be in writing and shall be deemed to have been duly given when addressed to the appropriate Person and delivered in the manner specified in Section 21.3 of the Lease. The initial address for notices to each of the Guarantors is set forth on Schedule 3 hereto.

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SECTION XIV. GOVERNING LAW. THIS GUARANTY HAS BEEN DELIVERED TO AGENT AT PENNSYLVANIA AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

Section XV. Joinder; Release. Genesis covenants that upon each and every addition or deletion of a Subsidiary as a party to the Credit Agreement, it will (i) promptly notify Agent thereof and (ii) cause to be executed and delivered to Agent, on behalf of the Beneficiaries, a joinder or release in the form of Exhibit A-1 or Exhibit A-2, respectively, attached hereto evidencing such addition or deletion of a Material Subsidiary hereunder. Each Guaranty and each Beneficiary hereby agree that no such joinder shall require the consent of Agent, any other Beneficiary or any Guarantor. Each of the Beneficiaries hereby authorizes Agent to execute and deliver any such release from time to time, but no such release shall require the consent of any other Beneficiary or any Guarantor. Each Guarantor agrees that no such joinder or release shall affect the obligations of any Guarantor (other than the Guarantor which shall have executed and delivered such joinder or release).

[SIGNATURE PAGES FOLLOW]

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Guaranty

IN WITNESS WHEREOF, Guarantors have caused this Guaranty and Agreement of Suretyship Regarding Obligations of Lessee and Affiliates to be executed and delivered as of the date first above written.

GENESIS HEALTH VENTURES, INC.,  
a Pennsylvania corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

BREVARD MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation, its  
sole general partner

CATONSVILLE MERIDIAN LIMITED PARTNERSHIP,

a Maryland limited partnership

By: Meridian Health, Inc.,  
a Pennsylvania corporation, one of its  
sole general partners

EASTON MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation, its  
sole general partner

EDELLA STREET ASSOCIATES, a Pennsylvania  
limited partnership

By: Genesis Health Ventures of  
Clarks Summit, Inc., its sole  
general partner

GENESIS HEALTH VENTURES OF ARLINGTON, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF BLOOMFIELD, INC.,  
a Pennsylvania corporation

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GENESIS HEALTH VENTURES OF CLARKS SUMMIT, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF INDIANA, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF MASSACHUSETTS, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF NAUGATUCK, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF SALISBURY, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF WAYNE, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF WEST VIRGINIA, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF WINDSOR, INC.,  
a Pennsylvania corporation

GENESIS IMMEDIATE MED CENTER, INC.,  
a Pennsylvania corporation

GENESIS ELDERCARE NETWORK SERVICES, INC.  
f/k/a GENESIS MANAGEMENT RESOURCES, INC.,  
a Pennsylvania corporation

GENESIS ELDERCARE PHYSICAL SERVICES, INC.

f/k/a GENESIS PHYSICIAN SERVICES, INC.,  
a Pennsylvania corporation

GENESIS PROPERTIES LIMITED PARTNERSHIP,  
a Pennsylvania limited partnership

By: Genesis Health Ventures of  
Arlington, Inc., its sole  
general partner

GREENSPRING MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc., a  
Pennsylvania corporation, its  
sole general partner

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HALLMARK HEALTHCARE LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Pharmacy Equities, Inc., a  
Pennsylvania corporation, its  
sole general partner

HAMMONDS LANE MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc., a  
Pennsylvania corporation, one of  
its general partner

HEALTHCARE RESOURCES CORP.,  
a Pennsylvania corporation

HEALTHCARE SERVICES NETWORK, INC.,  
a Pennsylvania corporation

KNOLLWOOD MANOR, INC.,  
a Pennsylvania corporation

MERIDIAN HEALTH, INC.  
a Pennsylvania corporation

MERIDIAN HEALTHCARE, INC.  
a Pennsylvania corporation

MILLVILLE MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc., a  
Pennsylvania corporation,  
its sole general partner

PHARMACY EQUITIES, INC.,  
a Pennsylvania corporation

PHILADELPHIA AVENUE ASSOCIATES,  
a Pennsylvania limited partnership

By: Philadelphia Avenue Corp.,  
its sole general partner

PHILADELPHIA AVENUE CORPORATION,  
a Pennsylvania corporation

RIVER STREET ASSOCIATES,  
a Pennsylvania limited partnership

By: Genesis Health Ventures of  
Wilkes-Barre, Inc., its  
sole general partner

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SEMINOLE MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc., a  
Pennsylvania corporation,  
its sole general partner

STAFF REPLACEMENT SERVICES, INC.,  
a Pennsylvania corporation

STATE STREET ASSOCIATES, L.P.,  
a Pennsylvania limited partnership

By: Genesis Health Ventures, Inc.,  
its sole general partner

STATE STREET ASSOCIATES, INC.,  
a Pennsylvania corporation

SUBURBAN MEDICAL SERVICES, INC.  
a Pennsylvania corporation

GENESIS ELDERCARE REHABILITATION SERVICES, INC.  
f/k/a TEAM REHABILITATION, INC.  
a Pennsylvania corporation

THERAPY CARE SYSTEMS, L.P.,  
a Pennsylvania limited partnership

By: Team Rehabilitation, Inc., its  
sole general partner

THE TIDEWATER HEALTHCARE SHARED  
SERVICES GROUP, INC.,  
a Pennsylvania corporation

VOLUSIA MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc., a  
Pennsylvania corporation,  
its sole general partner

WYNCOTE HEALTHCARE CORP.,



a Pennsylvania corporation

By: \_\_\_\_\_  
Title (as to each of the foregoing Subsidiaries):

Guaranty

ASCO HEALTHCARE, INC.,  
a Maryland corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

BRINTON MANOR, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

CONCORD HEALTHCARE CORPORATION,  
a Delaware corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

CRYSTAL CITY NURSING CENTER, INC.,  
a Maryland corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

EASTERN MEDICAL SUPPLIES, INC.,  
a Maryland corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

Guaranty

EASTERN REHAB SERVICES, INC.,  
a Maryland corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

GENESIS HEALTH SERVICES CORPORATION,  
a Delaware corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

GENESIS HEALTHCARE CENTERS HOLDINGS, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

GENESIS HOLDINGS, INC.  
a Delaware corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

GENESIS PROPERTIES OF DELAWARE  
CORPORATION,  
a Delaware corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

Guaranty

GENESIS PROPERTIES OF DELAWARE  
LTD PARTNERSHIP, L.P.,  
a Delaware limited partnership

By: Genesis Properties of Delaware  
Corporation, a general partner

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

GOVERNOR'S HOUSE NURSING HOME, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

HEALTH CONCEPTS AND SERVICES, INC.,  
a Maryland corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

HILLTOP HEALTH CARE CENTER, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

Guaranty

KEYSTONE NURSING HOME, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

LINCOLN NURSING HOME, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

WAYSIDE NURSING HOME, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Title: Senior Vice President and  
Chief Financial Officer

Guaranty

#### SCHEDULE 1

##### Material Subsidiaries

<TABLE>  
<CAPTION>

Name ----	Type of Entity -----	State of Organization -----
<S>	<C>	<C>
Genesis Health Ventures, Inc.	Corporation	Pennsylvania
Brevard Meridian Limited Partnership	Limited Partnership	Maryland
Catonsville Meridian Limited Partnership	Limited Partnership	Maryland
Easton Meridian Limited Partnership	Limited Partnership	Maryland
Edella Street associates	Limited Partnership	Pennsylvania
Genesis Health Ventures of Arlington, Inc.	Corporation	Pennsylvania
Genesis Health	Corporation	Pennsylvania

Ventures of Bloomfield, Inc.		
Genesis Health Ventures of Clarks Summit, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of Indiana, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of Massachusetts, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of Naugatuck, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of Salisbury, Inc.	Corporation	Pennsylvania

</TABLE>

Guaranty  
<TABLE>  
<CAPTION>  
<S>

<C>

<C>

Genesis Health Ventures of Wayne, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of West Virginia, Inc.	Corporation	Pennsylvania
Genesis Health of Windsor, Inc.	Corporation	Pennsylvania
Genesis Immediate Med Center, Inc.	Corporation	Pennsylvania
Genesis Eldercare Network Services, Inc. f/k/a Genesis	Corporation	Pennsylvania
Management Resources, Inc.		
Genesis Eldercare Physical Services, Inc. f/k/a Genesis	Corporation	Pennsylvania
Physician Services, Inc.		
Genesis Properties Limited Partnership	Limited Partnership	Pennsylvania

Greenspring Meridian Limited Partnership	Limited Partnership	Maryland
Hallmark Healthcare Limited Partnership	Limited Partnership	Maryland
Hammonds Lane Meridian Limited Partnership	Limited Partnership	Maryland
Healthcare Resources Corp.	Corporation	Pennsylvania
Healthcare Services Network, Inc.	Corporation	Pennsylvania
Knollwood Manor, Inc.	Corporation	Pennsylvania
Meridian Health, Inc.	Corporation	Pennsylvania

</TABLE>

Guaranty  
<TABLE>  
<CAPTION>  
<S>

<C>

<C>

Meridian Healthcare, Inc.	Corporation	Pennsylvania
Millville Meridian Limited Partnership	Limited Partnership	Maryland
Pharmacy Equities, Inc.	Corporation	Pennsylvania
Philadelphia Avenue Associates	Limited Partnership	Pennsylvania
Philadelphia Avenue Corporation	Corporation	Pennsylvania
River Street Associates	Limited Partnership	Pennsylvania
Seminole Meridian Limited Partnership	Limited Partnership	Pennsylvania
Staff Replacement Services, Inc.	Corporation	Pennsylvania
State Street Associates, L.P.	Limited Partnership	Pennsylvania
State Street Associates, Inc.	Corporation	Pennsylvania
Suburban Medical Services, Inc.	Corporation	Pennsylvania
Genesis Eldercare Rehabilitation Services,	Corporation	Pennsylvania

Inc. f/k/a Team Rehabilitation, Inc.		
Therapy Care Systems, L.P.	Limited Partnership	Pennsylvania
The Tidewater Healthcare Shared Services Group, Inc.	Corporation	Pennsylvania
Volusia Meridian Limited Partnership	Limited Partnership	Maryland
Wyncote Healthcare Corp.	Corporation	Pennsylvania

</TABLE>

Guaranty <TABLE> <CAPTION> <S>	<C>	<C>
Asco Healthcare, Inc.	Corporation	Maryland
Brinton Manor, Inc.	Corporation	Delaware
Concord Healthcare Corporation	Corporation	Delaware
Crystal City Nursing Center, Inc.	Corporation	Maryland
Eastern Medical Supplies, Inc.	Corporation	Maryland
Eastern Rehab Services, Inc.	Corporation	Maryland
Genesis Health Services Corporation	Corporation	Delaware
Genesis Healthcare Centers Holdings, Inc.	Corporation	Delaware
Genesis Holdings, Inc.	Corporation	Delaware
Genesis Properties of of Delaware Corporation	Corporation	Delaware
Genesis Properties of Delaware Ltd. Partnership, L.P.	Limited Partnership	Delaware
Governor's House Nursing Home, Inc.	Corporation	Delaware
Health Concepts and Services, Inc.	Corporation	Maryland
Hilltop Health Care	Corporation	Delaware

Center, Inc.

Keystone Nursing Home, Inc.	Corporation	Delaware
Lincoln Nursing Home, Inc.	Corporation	Delaware
Wayside Nursing Home, Inc.	Corporation	Delaware

</TABLE>

Guaranty

#### SCHEDULE 2

##### Lenders

Mellon Bank, N.A.

Guaranty

#### SCHEDULE 3

##### Addresses for Notices

Suite 100  
148 West State Street  
Kennett Square, PA 19348

Attention: Senior Vice President and  
Chief Financial Officer

Telephone: 610-444-6350  
Facsimile: 610-444-3365

Guaranty

#### EXHIBIT A-1

##### FORM OF JOINDER

##### JOINDER AGREEMENT

THIS JOINDER AGREEMENT, dated as of (this "Joinder"), is executed by  
(the "Additional Guarantor"), with its principal place of business located at .

#### BACKGROUND

1. Genesis Eldercare Properties, Inc. ("Lessee"), Mellon Financial

Services Corporation #4 ("Lessor"), the Lenders party thereto, and Mellon Bank, N.A., as Agent, entered into a Participation Agreement, dated as of July 24, 1996 (as heretofore amended, the "Participation Agreement") pursuant to which Lessee has made a covenant that it shall cause the Guarantors to execute and deliver the Guaranty and Agreement of Suretyship Regarding Obligations of Lessee and Affiliates (the "Guaranty").

2. The Guaranty and Agreement of Suretyship provides that upon each and every addition of a Subsidiary as a party to the Credit Agreement, Genesis will cause this Joinder to be executed and delivered by such Subsidiary to Agent.

2. The Additional Guarantor desires to become a Guarantor pursuant to Section 15 of the Guaranty.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Additional Guarantor hereby agrees as follows:

#### Section 1. Definitions.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Participation Agreement.

#### Section 2. Operative Documents.

The Additional Guarantor hereby agrees that it shall be bound by all the terms and provisions of, and shall be deemed to be a party to (as if it were an original signatory to), the Guaranty; from and after the date hereof, the Additional Guarantor shall be a Guarantor of the Liabilities (as defined in

Guaranty

the Guaranty). The Additional Guarantor hereby acknowledges that it has received copies of the Participation Agreement, the Guaranty and the other Operative Documents.

#### Section 3. Miscellaneous.

This Joinder shall be governed by, and construed in accordance with, the internal laws of the Commonwealth of Pennsylvania. This Joinder is hereby executed by the Additional Guarantor for the benefit of Lessor, the Agent and the Lenders, and each of the foregoing parties may rely hereon. This Joinder shall be binding upon, and shall inure to the benefit of, the Additional Guarantor and its successors and permitted assigns.

IN WITNESS WHEREOF, the undersigned has caused this Joinder to be executed by its duly authorized officer as of the date and year first above written.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_



EXHIBIT A-2

Form of Release

RELEASE OF GUARANTY

Reference is made to the Guaranty and Agreement of Suretyship Regarding Obligations of Lessee and Affiliates (the "Guaranty") dated as of July 24, 1996 made by Genesis Health Ventures, Inc. and its Material Subsidiaries for the benefit of the Beneficiaries. Unless otherwise defined herein, terms used herein have the meanings assigned to them in Appendix 1 to the Participation Agreement.

\_\_\_\_\_ is no longer a party to the Credit Agreement and thus, pursuant to Section 15 of the Guaranty, Agent hereby releases \_\_\_\_\_ as a Guarantor under the Guaranty.

Dated: \_\_\_\_\_ \_\_, \_\_\_\_\_

MELLON BANK N.A., as Agent

By: \_\_\_\_\_

Title: \_\_\_\_\_

Structural Guaranty

GUARANTY

AND AGREEMENT OF SURETYSHIP

from

GENESIS HEALTH VENTURES, INC.

and its

MATERIAL SUBSIDIARIES

Dated as of July 24, 1996

GUARANTY AND AGREEMENT OF SURETYSHIP

THIS GUARANTY AND AGREEMENT OF SURETYSHIP, dated as of July 24, 1996, is made by GENESIS HEALTH VENTURES, INC., a Pennsylvania corporation ("Genesis") and the Material Subsidiaries set forth on Schedule 1 (the "Material Subsidiaries") (Genesis and each of the Material Subsidiaries are individually a "Guarantor" and collectively referred to herein, in their capacity as guarantors hereunder, as the "Guarantors") in favor of the Beneficiaries (as hereinafter defined).

W I T N E S S E T H:

WHEREAS, contemporaneously herewith, Genesis Eldercare Properties, Inc. ("Lessee"), as Lessee, Mellon Financial Services Corporation #4 ("Lessor"), as Lessor, the Persons named on Schedule 2 attached hereto, as Lenders and Mellon Bank, N.A., as Agent have entered into that certain Participation Agreement, and Lessee and Lessor have entered into that certain Lease and Agreement, each dated as of July 24, 1996. The Participation Agreement and the Lease and Agreement, as they each may be modified, amended or restated from time to time as and to the extent permitted thereby, are hereinafter referred to as the "Participation Agreement" and "Lease" respectively. Unless otherwise defined herein or the context hereof otherwise requires, terms which are defined or defined by reference in the Participation Agreement or Lease shall have the same meanings when used herein as such terms have therein; and

WHEREAS, Lessor has entered into a Loan Agreement dated as of even date herewith (as amended or otherwise modified from time to time, the "Loan Agreement" by and among Lessor, Lenders and Agent, pursuant to which the Lenders have agreed to make a loan to Lessor, as evidenced by those certain non-recourse promissory notes (the "Notes") from Lessor to Agent and secured by those certain Mortgages and Deeds of Trust (the "Mortgages") made by Lessor to Agent, as agent for the Lenders and those certain Assignments of Lease from Lessor to Agent, as agent for the Lenders (the "Assignments of Lease").

WHEREAS, Lessee is a wholly-owned subsidiary of Genesis and each of the Material Subsidiaries are Subsidiaries of Genesis; and

WHEREAS, it is a covenant in the Participation Agreement that Lessee shall cause the Guarantors to execute and deliver this Guaranty; and

## Structural Guaranty

WHEREAS, it is in the best interests of Guarantors that the Overall Transaction and the Document Closing Date occur; and

WHEREAS, this Guaranty, and the execution, delivery and performance hereof, have been duly authorized by all necessary corporate action of Guarantors;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Guarantors, Guarantors hereby agree as follows:

SECTION I. Guarantee and Agreement of Suretyship. Guarantors hereby jointly and severally, irrevocably and unconditionally guarantee to the Beneficiaries and agree to act as surety to the Beneficiaries for (a) the full and prompt payment when due, whether by acceleration or otherwise, and at all times thereafter, and (b) the full and prompt performance, of all of the Liabilities (as hereinafter defined), including interest and Yield on any such Liabilities, whether accruing before or after any bankruptcy or insolvency case or proceeding involving Lessee or any other Person, and, if interest or Yield on any portion of such obligations ceases to accrue by operation of law by reason of the commencement of such case or proceeding, including such interest and Yield as would have accrued on any such portion of such obligations if such case or proceeding had not commenced, and further agree to pay all expenses (including attorneys' fees and legal expenses) paid or incurred by Lessor, Agent or any of the Lenders (each a "Beneficiary") in endeavoring to collect the Liabilities, or any part thereof, and in enforcing this Guaranty. The term "Liabilities", as used herein, shall mean all of the following, in each case howsoever created, arising or evidenced, whether direct or indirect, joint or several, absolute or contingent, or now or hereafter existing, or due or to become due: (i) all of the Equity Amount and Yield accrued thereon; (ii) all principal of the Notes and any interest accrued thereon; and (iii) all additional amounts and other sums (other than Basic Rent) at any time due and owing, and required to be paid, to Lessor and/or the Beneficiaries under the terms of the Lease, the Participation Agreement or any other Operative Document (whether or not Lessee or any other Person shall be released or relieved from any or all liability or obligation under any thereof); provided, however, that if Lessee duly and timely exercises and consummates the Sale Option pursuant to Sections 6.3, 6.4 and 6.6 of the Lease, the amount guaranteed under clauses (i) and (ii) hereof shall not exceed the aggregate amounts required to be paid by Lessee pursuant to the Lease in connection with such exercise. If Lessee does not duly and timely exercise and consummate the Sale Option pursuant to

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## Structural Guaranty

Section 6.6, then Guarantors shall be liable for the full amounts due under clauses (i) through (iii) without limitation.

In any action or proceeding involving any state corporate law, or any state or federal bankruptcy, insolvency, reorganization or any other law affecting the rights of creditors generally, if the obligations of Guarantor under this Guaranty would otherwise be held or determined by a final and non-appealable order of a court of competent jurisdiction to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under this Guaranty, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by Guarantor or any other Person, be automatically limited and reduced to the highest amount which is valid and enforceable as

determined in such action or proceeding pursuant to such final and non-appealable order.

Guarantors agree that, in the event of the dissolution, bankruptcy or insolvency of Lessee, or the inability or failure of Lessee to pay debts as they become due, or an assignment by Lessee for the benefit of creditors, or the commencement of any case or proceeding in respect of Lessee under any bankruptcy, insolvency or similar laws, and if such event shall occur at a time when any of the Liabilities may not then be due and payable, Guarantors will pay to the Beneficiaries forthwith the full amount which would be payable hereunder by Guarantors as if all Liabilities were then due and payable.

Guarantors agree that, in the event of the dissolution, bankruptcy or insolvency of Lessor, or the inability or failure of Lessor to pay debts as they become due, or an assignment by Lessor for the benefit of creditors, or the commencement of any case or proceeding in respect of Lessor under any bankruptcy, insolvency or similar laws, and if such event (a "Lessor Bankruptcy Event") shall occur at a time when any of the Liabilities may not then be due and payable, Guarantors will pay to the Beneficiaries from time to time all Liabilities then or thereafter due under the Operative Documents pursuant to their terms or if the provisions of the immediately preceding paragraph are applicable, at the time specified in the immediately preceding paragraph, all as if such Lessor Bankruptcy Event shall not have occurred.

To secure all obligations of Guarantors hereunder, each Beneficiary shall have a lien upon and security interest in (and may, without demand or notice of any kind, at any time and from time to time when any amount shall be due and payable by Guarantors hereunder, appropriate and apply toward the payment of

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#### Structural Guaranty

such amount, in such order of application as the Agent may elect) any and all balances, credits, deposits, accounts or moneys of or in the name of Guarantors or any of its Affiliates now or hereafter, for any reason or purpose whatsoever, in the possession or control of, or in transit to Lessor or any Beneficiary or any agent or bailee for Lessor or any Beneficiary. Each Beneficiary shall provide prompt written notice to the Agent of the exercise by such Beneficiary of its rights under this paragraph, which notice shall set forth in reasonable detail the amount of such application and shall remit such amount to Agent or as Agent may direct.

The obligations of the Guarantors hereunder are secured by the Joint Stock Collateral as set forth in the Amended and Restated Security Agreement dated as of September 29, 1995, as amended, among Genesis and certain of its subsidiaries and Mellon Bank, N.A. as Collateral Agent, subject to the terms and provisions of that certain Amended and Restated Collateral Agency Agreement dated as of September 29, 1995, as amended, among Genesis, such subsidiaries and Mellon Bank, N.A., as RCA Agent, ACA Agent and Collateral Agent.

This Agreement shall constitute an agreement of suretyship as well as of guaranty and shall constitute an absolute and unconditional guaranty of payment and performance (and not of collection) and an absolute and unconditional undertaking by each Guarantor with respect to the payment and performance of the Liabilities. This Guaranty shall remain in full force and effect (notwithstanding, without limitation, the dissolution of any of the Guarantors). The liability of the Guarantors hereunder shall be direct, joint and several, and may be enforced without the Beneficiaries being required to resort to any other right, remedy or security.

Agent on behalf of itself and the other Beneficiaries, may, from time to time at its discretion and without notice to Guarantors, but subject to the provisions of the Participation Agreement, take or cause any of the other

Beneficiaries to take, any or all of the following actions, subject to the terms of the Credit Agreement as in effect on the date hereof as such Credit Agreement may be amended under the Participation Agreement with the consent of Agent (on behalf of the Participants) and subject to the provisions of the Collateral Agency Agreement with respect to the Joint Stock Collateral: (a) retain or obtain a lien upon or a security interest in any property to secure any of the Liabilities or any obligation hereunder; (b) retain or obtain the primary or secondary obligation of any obligor or obligors, in addition to Guarantors, with respect to any of the Liabilities; (c) extend or renew for one or more periods (regardless of

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#### Structural Guaranty

whether longer than the original period), alter or exchange any of the Liabilities, or release or compromise any obligation of Guarantors hereunder or any obligation of any nature of any other obligor with respect to any of the Liabilities; (d) release or fail to perfect its lien upon or security interest in, or impair, surrender, release or permit any substitution or exchange for, all or any part of any property securing any of the Liabilities or any obligation hereunder, or extend or renew for one or more periods (regardless of whether longer than the original period) or release, compromise, alter or exchange any obligations of any nature of any obligor with respect to any such property; and (e) resort to Guarantors, or any one or more of them, for payment of any of the Liabilities, regardless of whether Agent or any other Beneficiary shall have resorted to any other Person any property securing any of the Liabilities or any obligation hereunder or shall have proceeded against any other obligor primarily or secondarily obligated with respect to any of the Liabilities (all of the actions referred to in this paragraph being hereby expressly waived by Guarantors).

SECTION II. Guarantors' Obligations Unconditional. Guarantors' obligations hereunder are independent in respect of any other Person, and each Beneficiary may enforce any of its rights hereunder independently of any other right or remedy that it may at any time hold with respect to the Liabilities or any security or other guaranty therefor; provided that no double recovery of the same amount shall be permitted. Such obligations shall be absolute and unconditional, shall not be subject to any counterclaim, setoff, deduction, diminution, abatement, recoupment, suspension, deferment, reduction or defense (other than full and strict compliance by Guarantors with their obligations hereunder), whether based upon any claim that Lessor, Lessee, Agent, any Beneficiary or any other Person may have against any Beneficiary or any other Person or otherwise, and shall remain in full force and effect without regard to, and shall not be released, discharged or in any way affected by, any circumstance or condition whatsoever (whether or not Guarantors or any other Person shall have any knowledge or notice thereof) including, without limitation:

- A. any amendment, modification, addition, deletion, supplement or renewal to or of or other change in the Liabilities or any Operative Document or any of the agreements referred to in any thereof, or any other instrument or agreement applicable to any Operative Document or any of the parties to such agreements, or to the Sites, or any assignment, mortgage or transfer thereof or of any interest therein, or any furnishing or acceptance of additional security for, guaranty of

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## Structural Guaranty

or right of offset with respect to, any of the Liabilities; or the failure of any security or the failure of any Beneficiary to perfect or insure any interest in any collateral;

- B. any failure, omission or delay on the part of Lessor or any Beneficiary to conform or comply with any term of any instrument or agreement referred to in clause (A) above;
- C. any waiver, consent, extension, indulgence, compromise, release or other action or inaction under or in respect of any instrument, agreement, guaranty, right of offset or security referred to in clause (A) above or any obligation or liability of Lessor or any Beneficiary, or any exercise or non-exercise by any Beneficiary of any right, remedy, power or privilege under or in respect of any such instrument, agreement, guaranty, right of offset or security or any such obligation or liability;
- D. any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceeding with respect to Lessor or any Beneficiary or any other Person or any of their respective properties or creditors, or any action taken by any trustee, receiver or court in any such proceeding;
- E. any limitation on the liability or obligations of any Person under any Operative Document, the Liabilities, any collateral security for the Liabilities, any other guaranty of the Liabilities or any discharge, termination, cancellation, frustration, irregularity, invalidity or unenforceability, in whole or in part, of any of the foregoing or any other agreement, instrument, guaranty or security referred to in clause (A) above or any term of any thereof;
- F. any defect in the title, compliance with specifications, condition, design, operation or fitness for use of, or any damage to or loss or destruction of, or any interruption or cessation in the use of the Sites by Lessee or any other Person for any reason whatsoever (including, without limitation, any governmental prohibition or restriction, condemnation, requisition, seizure or any other act on the part of any governmental or military authority, or any act of God or of the public enemy) regardless of the duration

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## Structural Guaranty

thereof (even though such duration would otherwise constitute a frustration of a lease), whether or not resulting from accident and whether or not without fault on the part of Lessee or any other Person;

- G. any merger or consolidation of Lessor, Lessee or Guarantors into or with any other Person, or any sale,

lease or transfer of any of the assets of Lessor, Lessee or Guarantors to any other Person;

- H. any change in the ownership of any shares of capital stock of Lessor, Lessee or Guarantors or any corporate change in Lessor, Lessee or Guarantors;
- I. any loan to or other transaction between the Beneficiaries, or any of them, and Lessee or Lessor; or
- J. any other occurrence or circumstance whatsoever, whether similar or dissimilar to the foregoing, and any other circumstance that might otherwise constitute a legal or equitable defense or discharge of the liabilities of a guarantor or surety or that might otherwise limit recourse against Guarantors.

The obligations of Guarantors set forth herein constitute the full recourse obligations of Guarantors enforceable against them to the full extent of all of their assets and properties, notwithstanding any provision in the Lease or any other Operative Document or any other document or agreement to the contrary.

Guarantors waive any and all notice of the creation, renewal, extension or accrual of any of the Liabilities and notice of or proof of reliance by any Beneficiary upon this Guaranty or acceptance of this Guaranty, and the Liabilities, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guaranty. Guarantors unconditionally waive, to the extent permitted by law: (a) acceptance of this Guaranty and proof of reliance by any Beneficiary hereon; (b) notice of any of the matters referred to in clauses A through J above, or any right to consent or assent to any thereof; (c) all notices that may be required by statute, rule of law or otherwise, now or hereafter in effect, to preserve intact any rights against Guarantors, including, without limitation, any demand, presentment, protest, proof or notice of nonpayment under any Operative Document, and notice of default or any failure on the part of Lessor to perform and comply with any covenant, agreement, term or condition of any Operative Document; (d) any right to the enforcement, assertion or exercise against Lessor of any right, power, privilege or remedy conferred in any

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#### Structural Guaranty

Operative Document or otherwise; (e) any requirement of diligence on the part of any Person; (f) any requirement of any Beneficiary to take any action whatsoever, to exhaust any remedies or to mitigate the damages resulting from a default by any Person under any Operative Document; (g) any notice of any sale, transfer or other disposition by any Person of any right under, title to or interest in any Operative Document or the Sites; and (h) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge, release or defense of a guarantor or surety, or that might otherwise limit recourse against Guarantors.

Guarantors agree that this Guaranty shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of itself or Lessor is rescinded or must be otherwise restored by any Beneficiary whether as a result of any proceedings in bankruptcy or reorganization or otherwise.

Guarantors further agree that, without limiting the generality of this Guaranty, if an Event of Default shall have occurred and be continuing and any Beneficiary is prevented by applicable law from exercising its remedies under the Operative Documents, such Beneficiary shall be entitled to receive hereunder from Guarantors, upon demand therefor, the sums which would have otherwise been due from Lessee had such remedies been exercised.

Section III. Incorporated Financial Covenants. Genesis hereby covenants and agrees that it shall at all times comply with the Financial Covenants, which covenants are incorporated herein by this reference, provided that compliance hereunder with the Financial Covenants shall be waived to the extent that compliance with such Financial Covenants may be waived from time to time under and in accordance with the Credit Agreement, exclusive of waivers made in contemplation of the termination of the Credit Agreement.

Section IV. Waiver of Subrogation. Guarantors hereby irrevocably waive any claim or other rights which they may now or hereafter acquire against Lessor.

Section V. Reasonableness and Effect of Waivers. Guarantors warrant and agree that each of the waivers set forth in this Guaranty is made with full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any of such waivers are determined to be contrary to any applicable law or public policy, such waivers shall be effective only to the maximum extent permitted by law.

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#### Structural Guaranty

Section VI. Representations and Warranties of Guarantors. As of the date hereof, each of the Guarantors makes the representations and warranties set forth in this Section 6 to each of the Beneficiaries.

A. Due Organization, etc. It is a corporation or partnership duly organized, validly existing and in good standing under the laws of the state of its organization and it has full corporate power and authority to conduct its business as presently and presently proposed to be conducted, to own or hold under lease its properties, to enter into and perform its obligations under each of the Operative Documents to which it is or is to be a party and each other agreement, instrument and document to be executed and delivered by it on or before the Document Closing Date in connection with or as contemplated by each such Operative Document to which it is or is to be a party, and it is duly qualified as a foreign corporation authorized to do business and is in good standing in every jurisdiction in which its failure to be so qualified would have a Material Adverse Effect. The information set forth on Schedule 1 hereto with respect to it is true and correct.

B. Authorization; No Conflict. The execution and delivery by it of each of the Operative Documents to which it is or is to be a party, and the performance by it of its obligations under such Operative Documents, have been duly authorized by all necessary corporate action (including any necessary stockholder action) on its part, and do not and will not: (i) contravene any Applicable Laws and Regulations currently in effect applicable to or binding on it or the Sites; (ii) violate any provision of its charter or bylaws; (iii) result in a breach of or constitute a default under any indenture, loan or credit agreement, or any other agreement or instrument to which it is a party or by which it or its properties may be bound or affected, which breaches or defaults would have, individually or in the aggregate, a Material Adverse Effect; (iv) result in, or require, the creation or imposition of any Lien of any nature upon or with respect to any of the properties now owned or hereafter acquired by it (other than the security interests created pursuant to the Operative Documents); or (v) require any Governmental Action by any Authority, except for (A) the filings and recordings listed on Schedule 4.1B to the Participation Agreement to perfect the rights of Lessor, the Lenders and Agent intended to be created by the Operative Documents, and (B) those Governmental Actions required with respect to Lessee or any of its Affiliates listed on Schedule 4.1A to the Participation Agreement, each of which have been duly effected and are, or on the initial Advance Date will be, in full force and effect; and it is not in default under or in violation of its charter or bylaws.



#### Structural Guaranty

4.1C to the Participation Agreement are correct and complete computations demonstrating compliance by Genesis with Section 5.9 of the Indenture after giving effect as Indebtedness under such Indenture to the obligations of Lessee and Guarantors under or in connection with the Operative Documents.

C. Enforceability, etc. Each Operative Document to which it is or is to be a party constitutes its legal, valid and binding obligation, enforceable against it in accordance with the terms thereof, except as such enforceability may be limited by applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and by general equitable principles.

D. Litigation. There is no action, proceeding or investigation pending or threatened which questions the validity of the Operative Documents to which it is or is to be a party or any action taken or to be taken pursuant to the Operative Documents to which it is or is to be a party, and there is no action, proceeding or investigation pending or threatened which, if adversely determined, would have a Material Adverse Effect.

E. Taxes. It has filed or caused to be filed all United States Federal and all other material tax returns that are required to be filed by it, and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessment received by it to the extent that such taxes have become due and payable except to the extent that taxes due, but unpaid, are being contested in good faith by it by appropriate action or proceeding and, to the extent (if any) that such taxes are not due and payable, it has established or caused to be established reserves that are adequate for the payment thereof in accordance with GAAP.

F. Investment Company Act. It is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

G. Public Utility Holding Company. It is not subject to regulation as a "holding company," an "affiliate" of a "holding company", or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

H. Solvency. The consummation by Lessee and the Guarantors of the transactions contemplated by the Operative Documents does not and will not render it insolvent, nor was it made in contemplation of its insolvency; the value of its assets and properties at fair valuation and at their then present

#### Structural Guaranty

fair salable value is and, after such transactions, will be greater than its total liabilities, including contingent liabilities, as they become due; the property remaining in its hands was not and will not be an unreasonably small amount of capital.

#### Section VII. Covenants of Guarantors.

A. Consolidation, Merger, Sale, etc. No Guarantor shall consolidate with any Person, merge with or into any Person or convey, transfer or lease to any Person all or substantially all of its assets in any single transaction (or series of related transactions), unless, immediately after giving effect to such transaction, the conditions set forth in clauses (i) through (v) shall have been satisfied:

1. the conditions of Section 7.09 or 7.10, as applicable, of the Credit Agreement shall have been satisfied with respect to such transaction; provided, that for purposes of this clause (i), (a) all references in said Sections 7.09 and 7.10 to an Event of Default or Potential Default shall include (x) a Lease Event of Default or Lease Default, respectively, and (y) a default under this Guaranty, (b) all notices, certificates and other documents required to be delivered under said Section 7.09 shall also be delivered to Agent, on behalf of the Participants, (c) all references in said Sections 7.09 and 7.10 to Lender Party or Agent shall include Agent, on behalf of the Participants, (d) all references in said Sections 7.09 and 7.10 to Borrower or Borrowers shall be references to Guarantor or Guarantors, respectively, and (e) all references in said Sections 7.09 and 7.10 to Loan Obligations shall be references to the obligations of the applicable parties under the Operative Documents and (f) all references in said Sections 7.09 and 7.10 to Loan Documents shall be references to the Operative Documents;

2. (x) the Person formed by such consolidation with or into which such Guarantor shall be merged or (y) the Person which shall acquire by conveyance, transfer or lease all or substantially all of the assets of such Guarantor, if in the case of this clause (y), such Person is obligated under the terms of the Credit Agreement to become a party thereto (in the case of clause (x) or clause (y), as applicable, the "Surviving Company"), if other than such Guarantor immediately prior to such transaction, shall execute and deliver to each of the parties hereto an agreement, in form and substance reasonably satisfactory to Agent, containing the assumption by the Surviving Company of the due and punctual payment, performance and observation of each

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#### Structural Guaranty

obligation, covenant and agreement of such Guarantor under this Guaranty;

3. if the applicable Guarantor is Genesis and the Surviving Company is not Genesis, such Surviving Company shall be a corporation that is organized under the laws of the United States of America, a state thereof or the District of Columbia;

4. the title of Lessor to the Sites and Lessor's rights under this Guaranty and the other Operative Documents and the first and prior Lien of the Mortgage on the Collateral shall not be adversely affected; and

5. Lessee shall have delivered to Agent, on behalf of Lessor and the Lenders, an Officer's Certificate and an opinion of counsel reasonably satisfactory to each such Person stating that such transaction complies with this Section 7, that all conditions to the consummation of such transaction have been fulfilled and that all Governmental Actions required in connection with such transaction have been obtained, given or made.

Upon the consummation of such transaction, the Surviving Company, if other than the applicable Guarantor immediately prior thereto, shall succeed to, and be substituted for, and may exercise every right and power of, such

Guarantor immediately prior to such transaction under this Guaranty and each other Operative Document to which such Guarantor was a party immediately prior to such transaction, with the same effect as if the Surviving Company had been named herein and therein. Notwithstanding the foregoing provisions of this Section 7, no conveyance, transfer or lease of all or substantially all of the assets of any Guarantor shall release Guarantor from its payment or other obligations under this Guaranty or any other Operative Document without the written consent of Lessor and Agent.

B. Existence. Subject to Section 7(A), each Guarantor shall at all times maintain its existence as a corporation or partnership in good standing under the laws of the state of its organization and shall use commercially reasonable efforts to preserve and keep in full force and effect its franchises material to its business.

C. Senior Indebtedness. This Guaranty is an obligation of the Guarantors under and in respect of the Lease, which lease refunded, refinanced and replaced that certain Acquisition Credit Agreement, dated as of September 29, 1995, as amended, among Genesis, certain of its Subsidiaries, Mellon Bank,

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#### Structural Guaranty

N.A. ("Mellon") as Agent, Citibank, N.A. ("Citibank") as Co-Agent and the Lenders named therein, which agreement supplemented that certain Amended and Restated Credit Agreement, dated as of September 29, 1995, as amended, among Genesis, certain of its Subsidiaries, Mellon as Issuer of Letters of Credit, Mellon as Agent and Citibank as Co-Agent, which agreement refunded, refinanced and replaced that certain Credit Agreement, dated as of November 22, 1993, among Genesis, certain of its Subsidiaries, Mellon as Agent and the Lenders named therein. The obligations hereunder are secured and superior in right of payment to the obligations under those certain debentures issued pursuant to the 1993 Indenture and the 1995 Indenture (each as hereinafter defined). The obligations hereunder constitute "Indebtedness" as such term is defined in the 1995 Indenture (as hereinafter defined) and this guarantee is a "Credit Facility", "Senior Indebtedness" and "Designated Senior Indebtedness" within the meaning of that certain Indenture, dated as of June 15, 1995, between Genesis and Delaware Trust Company as Trustee (the "1995 Indenture") and is "Senior Indebtedness" within the meaning of that certain Indenture, dated as of November 30, 1993, between Genesis and First Fidelity Bank, N.A., Pennsylvania as Trustee (the "1993 Indenture").

Section VIII. Transfers by Beneficiaries. Each Beneficiary may, from time to time, whether before or after any discontinuance of this Guaranty, at its sole discretion (subject to the requirements of the Participation Agreement) and without notice to or consent of Guarantors, assign or transfer any or all of its portion of the Liabilities or any interest therein; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, such Liabilities shall be and remain Liabilities for the purposes of this Guaranty, and each and every immediate and successive assignee or transferee of any of the Liabilities or of any interest therein shall, to the extent of such assignee's or transferee's interest in the Liabilities, be entitled to the benefits of this Guaranty to the same extent as if such assignee or transferee were such Beneficiary.

Section IX. No Waiver by Beneficiaries. No delay in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy; nor shall any modification or waiver of any of the provisions of this Guaranty be binding upon any Beneficiary except as expressly set forth in a writing duly signed and delivered on its behalf. No action permitted hereunder shall in any way affect or impair any Beneficiary's rights or Guarantors' obligations under this Guaranty. For the

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## Structural Guaranty

purposes of this Guaranty, Liabilities shall include all of the obligations described in the definition thereof, notwithstanding any right or power of Guarantors or anyone else to assert any claim or defense as to the invalidity or unenforceability of any such obligation, and no such claim or defense shall affect or impair the obligations of Guarantors hereunder. Guarantors' obligations under this Guaranty shall be absolute and unconditional irrespective of any circumstance whatsoever which might constitute a legal or equitable discharge or defense of Guarantors. Guarantors hereby acknowledge that there are no conditions to the effectiveness of this Guaranty.

Section X. Joint and Several Obligations; Successors and Assigns. All obligations under this Guaranty are joint and several to each of the Guarantors and any other party which hereafter guarantees any portion of the Liabilities, and shall be binding upon them and upon their successors and assigns. All references herein to Guarantors shall be deemed to include any successor or successors, whether immediate or remote, to such Person.

Section XI. Severability. Wherever possible, each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under Applicable Laws and Regulations, but if any provision of this Guaranty shall be prohibited by or invalid thereunder, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

Section XII. Submission to Jurisdiction; Waivers. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY:

(A) AGREES THAT ANY ACTION, SUIT OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY OTHER OPERATIVE DOCUMENT OR ANY STATEMENT, COURSE OF CONDUCT, ACT OR OMISSION, OR EVENT OCCURRING IN CONNECTION HERewith OR THEREWITH (COLLECTIVELY, "RELATED LITIGATION") MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN ALLEGHENY COUNTY OR PHILADELPHIA COUNTY, PENNSYLVANIA, SUBMITS TO THE JURISDICTION OF SUCH COURTS, AND TO THE FULLEST EXTENT PERMITTED BY LAW AGREES THAT, TO THE EXTENT THAT ANY SUCH COURT HAS OR IS ABLE TO OBTAIN PERSONAL JURISDICTION OVER THE PARTY AGAINST WHICH SUCH PARTY IS SEEKING TO BRING RELATED LITIGATION, IT WILL NOT BRING ANY RELATED LITIGATION IN ANY OTHER FORUM (BUT NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY LENDER TO BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM);

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## Structural Guaranty

(B) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY RELATED LITIGATION BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY SUCH RELATED LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, AND WAIVES ANY RIGHT TO OBJECT, WITH RESPECT TO ANY RELATED LITIGATION BROUGHT IN ANY SUCH COURT, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY;

(C) CONSENTS AND AGREES TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY RELATED LITIGATION BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE PREPAID, TO SUCH PARTY'S ADDRESS FOR NOTICES DESCRIBED IN SCHEDULE II 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); AND

(D) WAIVES THE RIGHT TO TRIAL BY JURY IN ANY RELATED  
LITIGATION.

Section XIII. Notices. All notices, demands, declarations, consents, directions, approvals, instructions, requests and other communications required or permitted by this Guaranty shall be in writing and shall be deemed to have been duly given when addressed to the appropriate Person and delivered in the manner specified in Section 21.3 of the Lease. The initial address for notices to each of the Guarantors is set forth on Schedule 3 hereto.

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Structural Guaranty

SECTION XIV. GOVERNING LAW. THIS GUARANTY HAS BEEN DELIVERED TO AGENT AT PENNSYLVANIA AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

Section XV. Joinder; Release. Genesis covenants that upon each and every addition or deletion of a Subsidiary as a party to the Credit Agreement, it will (i) promptly notify Agent thereof and (ii) cause to be executed and delivered to Agent, on behalf of the Beneficiaries, a joinder or release in the form of Exhibit A-1 or Exhibit A-2, respectively, attached hereto evidencing such addition or deletion of a Material Subsidiary hereunder. Each Guaranty and each Beneficiary hereby agree that no such joinder shall require the consent of Agent, any other Beneficiary or any Guarantor. Each of the Beneficiaries hereby authorizes Agent to execute and deliver any such release from time to time, but no such release shall require the consent of any other Beneficiary or any Guarantor. Each Guarantor agrees that no such joinder or release shall affect the obligations of any Guarantor (other than the Guarantor which shall have executed and delivered such joinder or release).

[SIGNATURE PAGES FOLLOW]

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Structural Guaranty

IN WITNESS WHEREOF, Guarantors have caused this Guaranty and Agreement of Suretyship to be executed and delivered as of the date first above written.

GENESIS HEALTH VENTURES, INC.,  
a Pennsylvania corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

BREVARD MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc., a  
Pennsylvania corporation, its  
sole general partner

CATONSVILLE MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc., a  
Pennsylvania corporation, one of its  
sole general partners

EASTON MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc., a  
Pennsylvania corporation, its  
sole general partner

EDELLA STREET ASSOCIATES,  
a Pennsylvania limited partnership

By: Genesis Health Ventures of  
Clarks Summit, Inc., its sole  
general partner

GENESIS HEALTH VENTURES OF ARLINGTON, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF BLOOMFIELD, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF CLARKS SUMMIT, INC.,  
a Pennsylvania corporation

Structural Guaranty

GENESIS HEALTH VENTURES OF INDIANA, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF MASSACHUSETTS, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF NAUGATUCK, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF SALISBURY, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF WAYNE, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF WEST VIRGINIA, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF WINDSOR, INC.,  
a Pennsylvania corporation

GENESIS IMMEDIATE MED CENTER, INC.,  
a Pennsylvania corporation

GENESIS ELDERCARE NETWORK SERVICES, INC.  
f/k/a GENESIS MANAGEMENT RESOURCES, INC.,  
a Pennsylvania corporation

GENESIS ELDERCARE PHYSICAL SERVICES, INC.  
f/k/a GENESIS PHYSICIAN SERVICES, INC.,  
a Pennsylvania corporation

GENESIS PROPERTIES LIMITED PARTNERSHIP,  
a Pennsylvania limited partnership

By: Genesis Health Ventures of  
Arlington, Inc., its sole  
general partner

GREENSPRING MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc., a  
Pennsylvania corporation, its  
sole general partner

HALLMARK HEALTHCARE LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Pharmacy Equities, Inc., a  
Pennsylvania corporation, its  
sole general partner

Structural Guaranty

HAMMONDS LANE MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc., a  
Pennsylvania corporation, one of  
its general partner

HEALTHCARE RESOURCES CORP.,  
a Pennsylvania corporation

HEALTHCARE SERVICES NETWORK, INC.,  
a Pennsylvania corporation

KNOLLWOOD MANOR, INC.,  
a Pennsylvania corporation

MERIDIAN HEALTH, INC.  
a Pennsylvania corporation

MERIDIAN HEALTHCARE, INC.  
a Pennsylvania corporation

MILLVILLE MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc., a  
Pennsylvania corporation,  
its sole general partner

PHARMACY EQUITIES, INC.,  
a Pennsylvania corporation

PHILADELPHIA AVENUE ASSOCIATES,  
a Pennsylvania limited partnership

By: Philadelphia Avenue Corp.,  
its sole general partner

PHILADELPHIA AVENUE CORPORATION,  
a Pennsylvania corporation

RIVER STREET ASSOCIATES, a

Pennsylvania limited partnership

By: Genesis Health Ventures of

Wilkes-Barre, Inc., its  
sole general partner

SEMINOLE MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc., a  
Pennsylvania corporation,  
its sole general partner

Structural Guaranty

STAFF REPLACEMENT SERVICES, INC.,  
a Pennsylvania corporation

STATE STREET ASSOCIATES, L.P.,  
a Pennsylvania limited partnership

By: Genesis Health Ventures, Inc.,  
its sole general partner

STATE STREET ASSOCIATES, INC.,  
a Pennsylvania corporation

SUBURBAN MEDICAL SERVICES, INC.  
a Pennsylvania corporation

GENESIS ELDERCARE REHABILITATION SERVICES, INC.  
f/k/a TEAM REHABILITATION, INC.  
a Pennsylvania corporation

THERAPY CARE SYSTEMS, L.P.,  
a Pennsylvania limited partnership

By: Team Rehabilitation, Inc., its  
sole general partner

THE TIDEWATER HEALTHCARE SHARED  
SERVICES GROUP, INC.,  
a Pennsylvania corporation

VOLUSIA MERIDIAN LIMITED PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc., a  
Pennsylvania corporation,  
its sole general partner

WYNCOTE HEALTHCARE CORP.,  
a Pennsylvania corporation

By:  
Name: Ira C. Gubernick  
Title: Secretary

ASCO HEALTHCARE, INC.,  
a Maryland corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

Structural Guaranty



BRINTON MANOR, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

CONCORD HEALTHCARE CORPORATION,  
a Delaware corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

CRYSTAL CITY NURSING CENTER, INC.,  
a Maryland corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

EASTERN MEDICAL SUPPLIES, INC.,  
a Maryland corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

EASTERN REHAB SERVICES, INC.,  
a Maryland corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

Structural Guaranty

GENESIS HEALTH SERVICES CORPORATION,  
a Delaware corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

GENESIS HEALTHCARE CENTERS HOLDINGS, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

GENESIS HOLDINGS, INC.  
a Delaware corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

GENESIS PROPERTIES OF DELAWARE  
CORPORATION,  
a Delaware corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick

Title: Secretary

GENESIS PROPERTIES OF DELAWARE  
LTD PARTNERSHIP, L.P.,  
a Delaware limited partnership

By: Genesis Properties of Delaware  
Corporation, a general partner

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

Structural Guaranty

GOVERNOR'S HOUSE NURSING HOME, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Seretary

HEALTH CONCEPTS AND SERVICES, INC.,  
a Maryland corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

HILLTOP HEALTH CARE CENTER, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

KEYSTONE NURSING HOME, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

LINCOLN NURSING HOME, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

Structural Guaranty

WAYSIDE NURSING HOME, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Name: Ira C. Gubernick  
Title: Secretary

Structural Guaranty

SCHEDULE 1

Material Subsidiaries

<TABLE>

<CAPTION>

Name -----	Type of Entity -----	State of Organization -----
<S>	<C>	<C>
Genesis Health Ventures, Inc.	Corporation	Pennsylvania
Brevard Meridian Limited Partnership	Limited Partnership	Maryland
Catonsville Meridian Limited Partnership	Limited Partnership	Maryland
Easton Meridian Limited Partnership	Limited Partnership	Maryland
Edella Street Associates	Limited Partnership	Pennsylvania
Genesis Health Ventures of Arlington, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of Bloomfield, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of Clarks Summit, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of Indiana, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of Massachusetts, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of Naugatuck, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of Salisbury, Inc.	Corporation	Pennsylvania

</TABLE>

Structural Guaranty

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<S> Genesis Health Ventures of Wayne, Inc.	<C> Corporation	<C> Pennsylvania
Genesis Health Ventures of West Virginia, Inc.	Corporation	Pennsylvania
Genesis Health Ventures of Windsor, Inc.	Corporation	Pennsylvania
Genesis Immediate Med Center, Inc.	Corporation	Pennsylvania
Genesis Management Resources, Inc.	Corporation	Pennsylvania
Genesis Physician Services, Inc.	Corporation	Pennsylvania
Genesis Properties Limited Partnership	Limited Partnership	Pennsylvania
Greenspring Meridian Limited Partnership	Limited Partnership	Maryland
Hallmark Healthcare Limited Partnership	Limited Partnership	Maryland
Hammonds Lane Meridian Limited Partnership	Limited Partnership	Maryland
Healthcare Resources Corp.	Corporation	Pennsylvania
Healthcare Services Network, Inc.	Corporation	Pennsylvania
Knollwood Manor, Inc.	Corporation	Pennsylvania
Meridian Health, Inc.	Corporation	Pennsylvania
Meridian Healthcare, Inc.	Corporation	Pennsylvania
Millville Meridian Limited Partnership	Limited Partnership	Maryland
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Structural Guaranty		
<TABLE>		
<CAPTION>		
<S>	<C>	<C>
Pharmacy Equities, Inc.	Corporation	Pennsylvania
Philadelphia Avenue Associates	Limited Partnership	Pennsylvania
Philadelphia Avenue Corporation	Corporation	Pennsylvania
River Street Associates	Limited Partnership	Pennsylvania

Seminole Meridian Limited Partnership	Limited Partnership	Maryland
Staff Replacement Services, Inc.	Corporation	Pennsylvania
State Street Associates, L.P.	Limited Partnership	Pennsylvania
State Street Associates, Inc.	Corporation	Pennsylvania
Suburban Medical Services, Inc.	Corporation	Pennsylvania
Genesis Eldercare Rehabilitation Services, Inc. f/k/a Team Rehabilitation, Inc.	Corporation	Pennsylvania
Therapy Care Systems, L.P.	Limited Partnership	Pennsylvania
The Tidewater Healthcare Shared Services Group, Inc.	Corporation	Pennsylvania
Volusia Meridian Limited Partnership	Limited Partnership	Maryland
Wyncote Healthcare Corp.	Corporation	Pennsylvania
Asco Healthcare, Inc.	Corporation	Maryland
Briton Manor, Inc.	Corporation	Delaware

</TABLE>

Structural Guaranty		
<TABLE>		
<CAPTION>		
<S>	<C>	<C>
Concord Healthcare Corporation	Corporation	Delaware
Crystal City Nursing Center, Inc.	Corporation	Maryland
Eastern Medical Supplies, Inc.	Corporation	Maryland
Eastern Rehab Services, Inc.	Corporation	Maryland
Genesis Health Services Corporation	Corporation	Delaware
Genesis Healthcare Centers Holdings, Inc.	Corporation	Delaware
Genesis Holdings, Inc.	Corporation	Delaware
Genesis Properties of Delaware Corporation	Corporation	Delaware

Genesis Properties of Delaware Ltd Partnership, L.P.	Limited Partnership	Delaware
Governor's House Nursing Home, Inc.	Corporation	Delaware
Health Concepts and Services, Inc.	Corporation	Maryland
Hilltop Health Care Center, Inc.	Corporation	Delaware
Keystone Nursing Home, Inc.	Corporation	Delaware
Lincoln Nursing Home, Inc.	Corporation	Delaware
Wayside Nursing Home, Inc.	Corporation	Delaware

</TABLE>

Structural Guaranty

#### SCHEDULE 2

##### Lenders

Mellon Bank, N.A.

Structural Guaranty

#### SCHEDULE 3

##### Addresses for Notices

Suite 100  
148 West State Street  
Kennett Square, PA 19348

Attention: Senior Vice President and  
Chief Financial Officer

Telephone: 610-444-6350  
Facsimile: 610-444-3365

Structural Guaranty

#### EXHIBIT A-1

#### FORM OF JOINDER

JOINDER AGREEMENT

THIS JOINDER AGREEMENT, dated as of (this "Joinder"), is executed by (the "Additional Guarantor"), with its principal place of business located at .

BACKGROUND

1. Genesis Eldercare Properties, Inc. ("Lessee"), Mellon Financial Services Corporation #4 ("Lessor"), the Lenders party thereto, and Mellon Bank, N.A., as Agent, entered into a Participation Agreement, dated as of July 24, 1996 (as heretofore amended, the "Participation Agreement") pursuant to which Lessee has made a covenant that it shall cause the Guarantors to execute and deliver the Guaranty and Agreement of Suretyship (the "Guaranty").

2. The Guaranty and Agreement of Suretyship provides that upon each and every addition of a Subsidiary as a party to the Credit Agreement, Genesis will cause this Joinder to be executed and delivered by such Subsidiary to Agent.

2. The Additional Guarantor desires to become a Guarantor pursuant to Section 15 of the Guaranty.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Additional Guarantor hereby agrees as follows:

Section 1. Definitions.

Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the Participation Agreement.

Section 2. Operative Documents.

The Additional Guarantor hereby agrees that it shall be bound by all the terms and provisions of, and shall be deemed to be a party to (as if it were an original signatory to), the Guaranty; from and after the date hereof, the Additional Guarantor shall be a Guarantor of the Liabilities (as defined in the Guaranty). The Additional Guarantor

Structural Guaranty

hereby acknowledges that it has received copies of the Participation Agreement, the Guaranty and the other Operative Documents.

Section 3. Miscellaneous.

This Joinder shall be governed by, and construed in accordance with, the internal laws of the Commonwealth of Pennsylvania. This Joinder is hereby executed by the Additional Guarantor for the benefit of Lessor, the Agent and the Lenders, and each of the foregoing parties may rely hereon. This Joinder shall be binding upon, and shall inure to the benefit of, the Additional Guarantor and its successors and permitted assigns.

IN WITNESS WHEREOF, the undersigned has caused this Joinder to be executed by its duly authorized officer as of the date and year first above written.

By:\_\_\_\_\_

Name:\_\_\_\_\_

Its:\_\_\_\_\_

EXHIBIT A-2

Form of Release

RELEASE OF GUARANTY

Reference is made to the Guaranty and Agreement of Suretyship (the "Guaranty") dated as of July 24, 1996 made by Genesis Health Ventures, Inc. and its Material Subsidiaries for the benefit of the Beneficiaries. Unless otherwise defined herein, terms used herein have the meanings assigned to them in Appendix 1 to the Participation Agreement.

\_\_\_\_\_ is no longer a party to the Credit Agreement and thus, pursuant to Section 15 of the Guaranty, Agent hereby releases \_\_\_\_\_ as a Guarantor under the Guaranty.

Dated: \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_

MELLON BANK N.A., as Agent

By: \_\_\_\_\_

Title: \_\_\_\_\_



## AMENDED AND RESTATED LEASE AND AGREEMENT

Dated as of October 7, 1996

between

MELLON FINANCIAL SERVICES CORPORATION #4,  
as Lessor,

and

GENESIS ELDERCARE PROPERTIES, INC.,

as Lessee

ALL RIGHT, TITLE AND INTEREST OF LESSOR UNDER THIS LEASE AND AGREEMENT AND THE PROPERTY SUBJECT HERETO HAVE BEEN ASSIGNED TO AND ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF MELLON BANK, N.A., AGENT ("AGENT"), UNDER CERTAIN MORTGAGES, ASSIGNMENTS OF RENTS AND LEASES, SECURITY AGREEMENTS AND FIXTURE FILING STATEMENTS (AS SUCH AGREEMENTS AND INSTRUMENTS MAY BE AMENDED AND/OR SUPPLEMENTED TO THE EXTENT PERMITTED THEREBY), FOR THE BENEFIT OF THE LENDERS REFERRED TO IN SUCH SECURITY INSTRUMENTS. THIS LEASE AND AGREEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. TO THE EXTENT, IF ANY, THAT THIS LEASE AND AGREEMENT CONSTITUTES CHATTEL PAPER (AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN ANY APPLICABLE JURISDICTION), NO SECURITY INTEREST IN THIS LEASE AND AGREEMENT MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART HEREOF OTHER THAN THE "ORIGINAL EXECUTED COUNTERPART NO. 1", WHICH SHALL BE IDENTIFIED AS THE COUNTERPART CONTAINING THE RECEIPT THEREFOR EXECUTED BY AGENT ON OR FOLLOWING THE SIGNATURE PAGE THEREOF.

SEE SECTION 21.20 FOR THE NATURE OF THIS TRANSACTION AND INTENTION OF THE PARTIES.

THIS COUNTERPART IS THE ORIGINAL EXECUTED COUNTERPART NO. 1.

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## Lease Agreement

THIS AMENDED AND RESTATED LEASE AND AGREEMENT dated as of October 7, 1996 (as amended, supplemented, or otherwise modified from time to time, this "Lease"), is between MELLON FINANCIAL SERVICES CORPORATION #4, a Pennsylvania corporation, as Lessor and as mortgagee ("Lessor"), and GENESIS ELDERCARE PROPERTIES, INC., a Pennsylvania corporation and a wholly-owned subsidiary of Genesis, as Lessee and as mortgagor ("Lessee").

In consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, hereby agree as follows:

## ARTICLE I

## DEFINITIONS; LESSEE LIABILITY

This Lease is an amendment and restatement of an existing Lease and Agreement dated as of July 24, 1996 (the "Original Lease") and the existing Lease Supplements under such Lease and Agreement relating to the Sites identified on Schedule I hereof, which Lease Supplements shall continue to be in full force and effect hereunder.

For all purposes hereof, the capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in Appendix 1 to that certain Amended and Restated Participation Agreement dated as of October 7, 1996, by and among Lessee, Lessor, the Lenders identified therein, and Mellon Bank, N.A., as Agent (the "Participation Agreement"). All obligations imposed on the "Lessee" in this Lease shall be the full recourse liability of Lessee and no obligation or liability of Lessee hereunder or under any other Operative Document shall be limited by reason of any provision of any Ground Lease restricting the liability of "Landlord" thereunder.

This Lease refunds, refinances and replaces that certain Acquisition

Credit Agreement, dated as of September 29, 1995, as amended, among Genesis Health Ventures, Inc. ("Genesis"), certain of its subsidiaries, Mellon Bank, N.A., ("Mellon") as Agent, Citibank, N.A. ("Citibank") as Co-Agent and the lenders named therein, which agreement supplemented that certain Amended and Restated Credit Agreement, dated as of September 29, 1995, as amended, among Genesis, certain of its subsidiaries, Mellon as Issuer of Letters of Credit, Mellon as agent and Citibank as co-Agent, which agreement refunded, refinanced and replaced that certain Credit Agreement, dated as of November 22, 1993, among Genesis, certain of its subsidiaries, Mellon as agent and the lenders named therein. The obligations hereunder are secured and

#### Lease Agreement

superior in right of payment to the obligations under those certain Debentures issued pursuant to the 1993 Indenture (as hereinafter defined). This Lease (including all amendments and supplements hereto including, without limitation, any amendments which may increase the amount of this facility) is a "Credit Facility" within the meaning of that certain Indenture, dated as of June 15, 1995, between Genesis and Delaware Trust Company as Trustee (the "1995 Indenture") and constitutes "Senior Indebtedness" within the meaning of that certain Indenture, dated as of November 30, 1993, between Genesis and First Fidelity Bank, N.A., Pennsylvania as Trustee (the "1993 Indenture"). From and after the execution and delivery of the 1996 Indenture and the issuance of the notes thereunder, this Lease (including all amendments and supplements hereto including, without limitation, any amendments which may increase the amount of this facility) will be a "Credit Facility" within the meaning of the 1996 Indenture.

#### ARTICLE II

##### LEASE OF SITES; LEASE TERM

SECTION 2.1. Acceptance and Lease of Sites. On each Site Acquisition Date, Lessor, subject to the satisfaction or waiver of the conditions set forth in Article III of the Participation Agreement, hereby agrees to accept delivery on such Site Acquisition Date of the portion of the Land Interests together with any Facilities thereon (or, with respect to the Non-Acquired Land Interests, the ground lease of such Non-Acquired Land Interest and the Facilities located on such Non-Acquired Land Interests) to be delivered on such Site Acquisition Date pursuant to the terms of the Participation Agreement and simultaneously to lease (or in the case of such Non-Acquired Land Interests, sublease) such portion of the Land Interests together with any Facilities thereon to Lessee hereunder, and Lessee, subject to the satisfaction or waiver of the conditions set forth in Article III of the Participation Agreement, hereby agrees, expressly for the direct benefit of Lessor, to lease commencing on such Site Acquisition Date from Lessor for the Lease Term, such portion of the Land Interests together with any Facilities thereon to be delivered on such Site Acquisition Date, and with respect to any Facilities constructed thereon pursuant to the Construction Agency Agreement, such Facilities automatically (without further act) commencing on expiration or termination of the Construction Period applicable to such Facilities. Lessee has heretofore accepted delivery and entered into a lease, pursuant to the Original Lease, with Lessor of the Sites known as the NHCA Sites.

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SECTION 2.2. Acceptance Procedure. Lessor hereby authorizes a Responsible Officer of Lessee, to be designated by Lessee, as the authorized representative or representatives of Lessor to accept delivery of the portion of the Site(s) identified on the applicable Advance Request. Lessee hereby agrees that such acceptance of delivery by such authorized representative or representatives and the execution and delivery by Lessee as of each Site

Acquisition Date, of a Lease Supplement in the form of Exhibit A hereto or in such other form as may be reasonably acceptable to the Agent and Lessor (in each case, appropriately completed) shall, without further act, constitute the irrevocable acceptance by Lessee of the Site(s) which are the subject thereof for all purposes of this Lease and the other Operative Documents on the terms set forth therein and herein. Any Facility constructed on an Undeveloped Site pursuant to the Construction Agency Agreement shall be deemed to be included in the Leasehold Estate as of the date of expiration or termination of the Construction Period applicable to such Facility.

SECTION 2.3. Lease Term. Unless earlier terminated, the term of this Lease shall consist of the Basic Term, commencing on and including July 24, 1996 and ending on the date (the "Basic Term Expiration Date") which is five years thereafter (i.e., July 24, 2001) and the Renewal Term, if exercised and effective (collectively, the "Lease Term"); provided, that with respect to the Developed Sites and the Undeveloped Sites (but only in respect of the Land Interest portion of such Undeveloped Sites, including any Non-Acquired Land Interest), the commencement of the Basic Term shall be the relevant Site Acquisition Date for each such Site (which, in the case of the NHCA Sites shall be July 24, 1996, as provided in Section 3.2(s) of the Participation Agreement); provided, further, that with respect to the Facility to be constructed on any Undeveloped Site, the commencement of the Basic Term shall be upon the expiration or termination of the Construction Period for such Undeveloped Site and the end of the Basic Term with respect to such Facility shall be upon the Basic Term Expiration Date. Any provision of this Lease or any other Operative Document to the contrary notwithstanding, Lessee acknowledges that Lessor's sole interest in the Non-Acquired Land Interests, if any, is as ground lessee, and Lessor is hereby subleasing such Non-Acquired Land Interests to Lessee; and Lessor and Lessee specifically agree that this Lease and the remedies available to Lessor for Lessee's default hereunder shall apply to the Non-Acquired Land Interests, notwithstanding that such Land Interests are not owned by Lessor, and Lessee shall pay as and when due all ground rent applicable to any Non-Acquired Land Interest and shall perform all obligations of the ground lessee under any Ground Lease accruing prior to the Lease Termination Date with respect to such Land Interest.

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#### Lease Agreement

SECTION 2.4. Lease Renewal. Subject to the consent of Lessor and the Lenders pursuant to Section 2.10 of the Participation Agreement, Lessee may elect to renew this Lease for one five-year renewal term (the "Renewal Term") commencing upon the expiration of the Basic Term (the "Renewal Term Commencement Date") and ending on the date which is five years after the Renewal Term Commencement Date, as provided in Article VI and in the applicable Lease Supplement.

#### ARTICLE III

##### OTHER PROPERTY

Lessee may from time to time own or hold under lease from Persons other than Lessor, furniture, trade fixtures and equipment located on or about the Sites that is not subject to this Lease. Lessor shall from time to time, upon the reasonable request, and at the cost and expense of Lessee, which request shall be accompanied by such supporting information and documents as Lessor may reasonably require, promptly acknowledge in writing to Lessee or other Persons that the particular items of furniture, trade fixtures and equipment in question are not part of the related Site and that, subject to the rights of Lessor under any other Operative Documents, Lessor does not own or have any other right or interest in or to such furniture, trade fixtures and equipment.

#### ARTICLE IV

##### RENT

SECTION 4.1. Basic Rent. Lessee shall pay to Agent, for the benefit of Lessor and the Lenders, the amounts of Basic Rent during the Basic Term and, if applicable, the Renewal Term, determined in accordance with the definition of

"Basic Rent" on each Payment Date.

SECTION 4.2. Supplemental Rent. Lessee shall pay to Agent, for the benefit of Lessor, or to whomever shall be entitled thereto as expressly provided herein or in any other Operative Document (and Lessor hereby directs Lessee, on behalf of Lessor, to so pay such Agent or other Person), any and all Supplemental Rent promptly as the same shall become due and payable and, in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or by law or in equity or otherwise in the case of nonpayment of Basic Rent. Lessee hereby reaffirms its obligation to pay as Supplemental Rent (i) any and all

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Additional Costs, and (ii) any Transaction Costs not paid by Lessor, as further described in Section 9.9 of the Participation Agreement.

SECTION 4.3. Method and Amount of Payment. As long as any obligations remain outstanding under the Loan Agreement, Basic Rent and Supplemental Rent shall be paid to Agent (or, in the case of Supplemental Rent, to such Person as may be entitled thereto) on the due date therefor at such place as Agent shall specify in writing to Lessee at least two (2) Business Days prior to the due date therefor. Agent, on behalf of Lessor, shall notify Lessee of the applicable LIBO Rate or Prime Rate, as applicable, promptly upon the determination thereof. Each payment of Rent shall be made by Lessee prior to 12:00 noon Philadelphia time (and payments made after such time shall be deemed to have been made on the next day) at the place of payment in funds consisting of lawful currency of the United States of America which (in the case of any amount payable to Lessor, Agent or any Lender) shall be immediately available on the scheduled date when such payment shall be due, unless the scheduled date shall not be a Business Day, in which case such payment shall be made on the next succeeding Business Day (unless the result of such extension would be to carry such payment into the next calendar month, in which event such payment shall be made on the next preceding Business Day). The provisions of the foregoing sentence of this Section 4.3 shall be applicable only to Basic Rent and to Supplemental Rent payable to, or on behalf of or for the account of, Lessor, any Lender, Agent and any other Indemnatee. Any amounts payable by Lessee to Lessor hereunder shall be payable in accordance with Section 9.16 of the Participation Agreement.

SECTION 4.4. Late Payment. If any Basic Rent shall not be paid when due (not taking into account any applicable grace period), Lessee shall pay to Agent on behalf of Lessor and the Lenders, or if any Supplemental Rent payable to or on behalf of or for the account of Lessor, any Lender, Agent or other Indemnatee is not paid when due (not taking into account any applicable grace period), Lessee shall pay to whomever shall be entitled thereto, in each case as Supplemental Rent, interest at the Overdue Rate (to the maximum extent permitted by law) on such overdue amount from and including the initial due date thereof (not taking into account any applicable grace period) to but excluding the Business Day of payment thereof at the Overdue Rate.

SECTION 4.5. Net Lease; No Setoff; Etc. This Lease shall constitute a net lease and, notwithstanding any other provision of this Lease, it is intended that Basic Rent and Supplemental

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Rent shall be paid without counterclaim, setoff, deduction or defense of any kind and without abatement, suspension, deferment, diminution or reduction of any kind, and Lessee's obligation to pay all such amounts, throughout the Basic Term and the Renewal Term, if applicable, is absolute and unconditional. The obligations and liabilities of Lessee hereunder shall in no way be released,

discharged or otherwise affected for any reason, including, without limitation, to the maximum extent permitted by law: (a) any defect in the condition, merchantability, design, construction, quality or fitness for use of any portion of the Sites, or any failure of the Sites to comply with all Applicable Laws and Regulations, including any inability to occupy or use the Sites by reason of such non-compliance; (b) any damage to, abandonment, loss, contamination of or Release from or destruction of or any requisition or taking of the Sites or any part thereof, including eviction; (c) any restriction, prevention or curtailment of or interference with any use of the Sites or any part thereof, including eviction; (d) any defect in title to or rights to the Sites or any Lien on such title or rights or on the Sites; (e) any change, waiver, extension, indulgence or other action or omission or breach in respect of any obligation or liability of or by Lessor, Agent or any Lender; (f) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceedings relating to Lessee, Lessor, Agent, any Lender or any other Person, or any action taken with respect to this Lease by any trustee or receiver of Lessee, Lessor, Agent, any Lender or any other Person, or by any court, in any such proceeding; (g) any claim that Lessee has or might have against any Person, including, without limitation, Lessor, or any Lender; (h) any failure on the part of Lessor to perform or comply with any of the terms of this Lease, any other Operative Document or of any other agreement whether or not related to the Overall Transaction; (i) any invalidity or unenforceability or disaffirmance against or by Lessee of this Lease or any provision hereof or any of the other Operative Documents or any provision of any thereof; (j) the impossibility of performance by Lessee, Lessor or both; (k) any action by any court, administrative agency or other Authority; any restriction, prevention or curtailment of or any interference with the construction on or any use of any Site or any part thereof; or (l) any other occurrence whatsoever, whether similar or dissimilar to the foregoing, whether or not Lessee shall have notice or knowledge of any of the foregoing. Except as specifically set forth in Section 6.5 or Article XIII of this Lease, this Lease shall be noncancellable by Lessee for any reason whatsoever, and Lessee, to the extent permitted by Applicable Laws and Regulations, waives all rights now or hereafter conferred by statute or otherwise to quit, terminate or surrender this Lease, or to any diminution, abatement or

#### Lease Agreement

reduction of Rent payable by Lessee hereunder. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as expressly provided in Section 6.5 or Article XIII of this Lease, Lessee shall, unless prohibited by Applicable Laws and Regulations, nonetheless pay to Lessor (or, in the case of Supplemental Rent, to whomever shall be entitled thereto) an amount equal to each Rent payment at the time and in the manner that such payment would have become due and payable under the terms of this Lease if it had not been terminated in whole or in part, and in such case, so long as such payments are made and no Lease Event of Default shall have occurred and be continuing, Lessor will deem this Lease to have remained in effect. Each payment of Rent made by Lessee hereunder shall be final and, absent manifest error in the computation of the amount thereof, Lessee shall not seek or have any right to recover all or any part of such payment from Lessor, Agent or any party to any agreements related thereto for any reason whatsoever. Lessee assumes the sole responsibility for the condition, use, operation, maintenance, and management of the Sites and Lessor shall have no responsibility in respect thereof and shall have no liability for damage to the property of Lessee or any subtenant of Lessee on any account or for any reason whatsoever other than by reason of Lessor's willful misconduct or gross negligence or breach of any of its obligations under any Operative Document.

#### ARTICLE V

##### UTILITY CHARGES

Lessee shall pay or cause to be paid all charges for electricity, power, gas, oil, water, telephone, sanitary sewer service and all other rents and utilities used in or on a Site during the Lease Term. Lessee shall be entitled to receive any credit or refund with respect to any utility charge paid



by Lessee and the amount of any credit or refund received by Lessor on account of any utility charges paid by Lessee, net of the costs and expenses reasonably incurred by Lessor in obtaining such credit or refund, shall be promptly paid over to Lessee. All charges for utilities imposed with respect to a Site for a billing period during which this Lease expires or terminates (except pursuant to Section 6.2, in which case Lessee shall be solely responsible for all such charges) shall be adjusted and prorated on a daily basis between Lessor and Lessee, and each party shall pay or reimburse the other for each party's pro rata share thereof.

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## ARTICLE VI

### RENEWAL OPTION; SALE, RETURN AND PURCHASE OPTIONS

SECTION 6.1. Renewal Option. Subject to the consent of Lessor and the Lenders pursuant to Section 2.10 of the Participation Agreement, Lessee shall have the right, at its option, to request the Participants to renew all (but not less than all) of the Lease Supplements for the Renewal Term, commencing immediately following the expiration of the Basic Term. In order to exercise such option, Lessee shall give irrevocable written notice thereof to Lessor no earlier than fifteen (15) months and no later than twelve (12) months prior to the end of the Basic Term and no Lease Payment/Bankruptcy Default or Lease Event of Default shall have occurred and be continuing at the time of exercise and at the commencement of the Renewal Term. If the Renewal Term is applicable, Lessee shall continue to pay Rent, including Basic Rent (upon the terms agreed to by Lessee and the Participants for the Renewal Term), during the Renewal Term on each Payment Date occurring during the Renewal Term. All of the provisions of this Lease shall remain in effect during the Renewal Term.

SECTION 6.2. Purchase Option. Lessee will have the right, at its option and upon ten (10) months prior written notice (which notice shall be irrevocable) to Lessor prior to expiration of the Lease Term, to purchase all (but not less than all) of the Sites then subject to the Lease Supplements at a price equal to the Purchase Option Exercise Amount (the "Purchase Option"). If Lessee shall have elected to purchase the Sites, Lessor shall, upon discharge of the Lien of the Mortgages pursuant to the provisions thereof, and the payment in full of an amount sufficient to retire the Notes and pay in full the Equity Amount, and the payment of all accrued but unpaid Rent and breakage fees, if any, plus all other amounts (including, without limitation, all Supplemental Rent), fees and expenses then due and payable, transfer by quitclaim deed (or quitclaim ground lease assignment) all of Lessor's right, title and interest in and to the Sites to Lessee or its designee, without recourse or warranty (except as to the absence of Lessor Liens), and re-assign to Lessee, as Construction Agent, any Construction Documents previously assigned by Lessee, as Construction Agent, to Lessor, against payment by Lessee of the Purchase Option Exercise Amount in immediately available funds. Lessee, at its option, may assign its right to exercise the Purchase Option by written notice thereof to Agent and Lessor; provided that (i) Lessee shall be bound by any exercise of the Purchase Option by the assignee, (ii) such assignee shall be bound by the provisions of this Article VI applicable to the Purchase Option, and (iii) no such assignment shall release Lessee from its obligations under this

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Article VI and, without limitation, Lessee shall remain primarily liable to Lessor for the payment of all amounts due under this Article VI in respect of the Purchase Option.

SECTION 6.3. Sale Option. If no Lease Payment/Bankruptcy Default or Lease Event of Default shall have occurred and be continuing, then Lessee may cause all (but not less than all) of the Sites subject to the Lease Supplements to be sold on the last day of the Lease Term for cash to a purchaser or purchasers not affiliated in any way with Lessee (the "Sale Option"); provided that each Land Interest and the Facility thereon shall be sold to the same Person and all Land Interests and all Facilities thereon shall be sold to one or more Persons in the same transaction; and provided further that in connection with the sale of each Facility located on a Non-Acquired Land Interest, Lessee shall be obligated to sell the related Land Interest as well. In the event Lessee timely elects the Sale Option, on the last day of the Lease Term, Lessee will pay as Supplemental Rent to Lessor the amounts determined in accordance with Section 6.4(b) until the Lease Balance and all other amounts payable under the Operative Documents have been paid in full.

#### SECTION 6.4. Conditions for Sale of the Sites.

(a) In the event that the Sale Option is applicable, Lessee shall cause all (but not less than all) of the Sites to be sold in accordance with the procedures set forth in this Section 6.4. In order to exercise the Sale Option, Lessee shall give notice of its election of the Sale Option effective at the expiration of the Basic Term or Renewal Term, as the case may be, not later than ten (10) months prior to such expiration, which exercise shall be irrevocable, and any failure of Lessee to so elect the Sale Option shall be deemed an election of the Purchase Option pursuant to Section 6.2. Subject to the preceding sentence, during the period commencing on the date ten (10) months prior to the scheduled end of the Basic Term or the Renewal Term, as the case may be, Lessee, on behalf of Lessor, shall use best commercial efforts, as nonexclusive agent for Lessor, to obtain the highest cash bids for the purchase of the Sites and, in the event it receives any bid, Lessee shall, within five (5) Business Days after receipt thereof and at least twenty (20) Business Days prior to the Lease Termination Date, certify to Lessor and Agent in writing the amount and terms of such bid, and the name and address of the party or parties (who shall not be Lessee or any Affiliate of Lessee or any Person with whom Lessee has an understanding or arrangement regarding the future use of the Sites by Lessee or such Affiliate, but who may be Lessor or a Lender, any Affiliate thereof or any Person contacted by a Lender) submitting such bid. Lessee will keep Agent

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promptly informed of the material terms of any proposed bid. Lessee shall bear its own expenses and pay, as Supplemental Rent, the reasonable expenses of Lessor, Agent and each Lender in connection with any such bidding and sale process pursuant to this Section 6.4 including any recapture costs incurred under government-funded healthcare programs, as well as all costs and expenses incurred by any party (including a buyer or potential buyer) to place the Sites in the condition required by Section 9.1 and costs of repairs, Alterations or improvements desired by such buyer.

(b) In the event that Lessee contemplates accepting any bid which, upon payment of all amounts under Section 6.4(b), shall result in any portion of the Lease Balance or any other amount due under the Operative Documents remaining outstanding (a "Loss Bid"), Lessee shall notify Agent and Lessor in writing (a "Loss Bid Notice") of such fact and the calculation thereof prior to accepting any such bid; and in the event of such bid, any Participant may submit a bid to Lessee not later than thirty (30) days after the date of such notice from Lessee. On or before the Lease Termination Date, so long as no Lease Event of Default or Lease Payment/Bankruptcy Default shall have occurred and be continuing, and subject to the release of the security interest with respect to the Sites under the Mortgages: (i) Lessee shall transfer all of Lessee's right, title and interest in the Sites, or cause the Sites to be transferred, to the bidder(s), if any, which shall have submitted the highest bid therefor at least twenty (20) (or, in the case of a Participant, any Affiliate thereof or Person contacted by a Participant, five (5)) Business Days prior to such Lease Termination Date, in the same manner and in the same condition and otherwise in accordance with all the terms of this Lease; (ii) subject to prior or concurrent payment by Lessee of all amounts due under clause

(iii) of this sentence, Lessor shall exercise such rights as it has to cause the Sites to be released from the Lien of the Mortgages and shall, without recourse or warranty (except as to the absence of Lessor Liens), transfer by quitclaim deed Lessor's right, title and interest in and to the Sites for cash to such bidder(s); and (iii) Lessee shall simultaneously pay or cause to be paid to Lessor in immediately available funds an amount equal to the sum of (p) all unpaid Basic Rent due on or prior to the Lease Termination Date, and all Supplemental Rent due on or prior to such date and any other amounts due and payable by Lessee to Lessor, Agent and each Lender plus (q) the gross sale proceeds of the Sites sold by Lessor (the "Proceeds"); plus (r) the Applicable Percentage Amount. To the extent the sum of the Proceeds plus the Applicable Percentage Amount shall exceed the Lease Balance, upon receipt of the amounts described in clause (p) of the preceding sentence, Lessor shall apply the amount of Proceeds equal to such

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excess to the amount payable by Lessee under clause (r); provided, that to the extent that the Proceeds alone shall exceed the Lease Balance, upon receipt of the Proceeds and the amounts described in clause (p) of the preceding sentence, Lessor shall pay the amount of such excess to Lessee. For purposes of clause (q), with respect to the gross sales proceeds relating to the sale of the Non-Acquired Land Interests and the related Facilities, such gross proceeds shall be allocated between Lessee's interest in such Non-Acquired Land Interest (as the owner thereof) and Lessor's interest in such Non-Acquired Land Interest (as the ground lessee thereof) and in the Facility thereon based upon the respective Fair Market Sales Values of Lessee's interest in such Non-Acquired Land Interest and Lessor's interest in such Non-Acquired Land Interest and the Facility thereon as determined by an appraisal conducted, at Lessee's expense, by an appraiser of nationally recognized standing, selected and engaged by the Required Participants; provided, that the maximum portion of the gross sales proceeds allocated to any Non-Acquired Land Interest shall be Lessee's cost for such Non-Acquired Land Interest as set forth in the applicable Lease Supplement. The "Applicable Percentage Amount" shall be based upon the Applicable Percentage for the Lease Supplement applicable to such Site, and shall be determined in accordance with the definition thereof in Appendix 1 to the Participation Agreement. The "Applicable Percentage" for each Lease Supplement shall be determined on or about the date of acquisition by Lessor of the related Undeveloped Site or as soon thereafter as Lessor obtains sufficient information to make a determination for financial accounting purposes and shall be set forth in the Lease Supplement; provided that the maximum "Applicable Percentage Amount" will be determined as the greatest amount which would not cause the present value at the beginning of the Lease Term of the minimum lease payments (including, without limitation, such Applicable Percentage Amount), as determined in accordance with generally accepted accounting principles, to equal or exceed ninety percent (90%) of the Fair Market Sales Value, at the beginning of this Lease, of the applicable Site. The Applicable Percentage for any Lease Supplement shall in no event be less than eighty percent (80%).

(c) If Lessee exercises the Sale Option and a Loss Bid Notice is to be provided pursuant to Section 6.4(b), then as a condition to Lessee's right to consummate the Sale Option pursuant to Sections 6.3 and 6.4, Lessee shall cause to be delivered to Lessor not later than five (5) Business Days prior to the Lease Termination Date, at Lessee's sole cost and expense, a report in form and substance reasonably satisfactory to the Agent and Lessor from an Appraiser selected by Lessee and

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reasonably acceptable to the Agent and Lessor (the "End of Term Report") to establish the reason for any impairment to the value of any of the Sites which are being sold for less than the Allocated Amount applicable to such Site.

Without limiting the indemnities provided in the Operative Documents, on the Lease Termination Date, Lessee shall pay to Agent, on behalf of Lessor and the Lenders, an amount equal to the Shortfall Amount that the End of Term Report demonstrates was the result of any impairment to the value in any of the Sites due to:

- (i) the existence of any Hazardous Materials, Environmental Concern Materials or violations of Environmental Laws with respect to a Site occurring or discovered after the date such Site becomes subject to the Lease (regardless of the Person so discovering any of the foregoing), or
- (ii) any restoration or rebuilding carried out by Lessee or any failure of Lessee to complete any Alterations, restoration or rebuilding, or
- (iii) any easements or other actions described in clauses (i) through (viii) of Section 8.3, or
- (iv) the failure of Lessor to have good and marketable title to any Site free and clear of all Liens (including Permitted Liens (other than Lessor Liens)) and exceptions to title caused by the acts or omissions of Lessee or any Affiliate or Subtenant.

As used herein, the term "Shortfall Amount" means the excess, if any, of (i) the Lease Balance over (ii) the sum of the Proceeds plus the Applicable Percentage Amount.

#### SECTION 6.5. Early Termination.

(a) Commencing July 24, 1998 and provided that no Lease Payment/Bankruptcy Default or Lease Event of Default shall have occurred and be continuing (or any such defaults are cured contemporaneously with the consummation of the purchase option under this Section 6.5(a)), Lessee shall have the option to purchase all (but not less than all) of the Sites on the next scheduled Payment Date for an amount equal to, without penalty, the Lease Balance plus all other amounts then due under the Lease and the other Operative Documents, including, without limitation, accrued but unpaid Rent and breakage fees, if any, plus all other amounts, fees and expenses then due and payable.

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(b) On any scheduled Payment Date on or prior to July 24, 1997, Lessee may, at its option, by giving at least ninety (90) days' advance written notice to Lessor, purchase all (but not less than all) of the Sites for an amount equal to the Lease Balance, accrued but unpaid Rent and breakage fees, if any, all other amounts, fees and expenses then due and payable plus a prepayment fee equal to 50 basis points of the Lease Balance. On any scheduled Payment Date after July 24, 1997, but prior to July 24, 1998, Lessee may, at its option, by giving at least ninety (90) days' advance written notice to Lessor, purchase all (but not less than all) of the Sites for an amount equal to the Lease Balance, accrued but unpaid Rent and breakage fees, if any, all other amounts, fees and expenses then due and payable, plus a prepayment fee equal to 25 basis points of the Lease Balance.

SECTION 6.6. Exercise of Options; Failure to Elect. In order to exercise any of its purchase or sale options under this Lease (other than under Section 6.5), Lessee shall give irrevocable written notice to Lessor not less than twelve (12) months prior to the end of the Basic Term, that Lessee intends to exercise one of the options provided in this Article VI and specifying such option. If Lessee shall fail to deliver such written notice in the time required, Lessee shall be deemed to have elected to exercise the Purchase Option pursuant to Section 6.2. Lessee's election (or deemed election) of the Purchase Option will be irrevocable at the time it is made (or deemed made). If Lessee has elected the option to sell the Sites under Section 6.3, such option shall be automatically revoked and such election shall be deemed of no effect if, on or after the date Lessee elects such option, there exists or occurs a Lease Event

of Default or Lease Payment/Bankruptcy Default or Lessee shall fail in any manner fully to comply with this Article VI, in which case Lessee shall be automatically deemed to have elected the Purchase Option pursuant to Section 6.2.

SECTION 6.7. Return of Sites. Unless the Sites shall have been transferred to Lessee pursuant to Section 6.2 or 6.5, Lessee shall, on the Lease Termination Date, and at its own expense, transfer the Sites (together with the reports described in Section 9.4 relating thereto) to the independent purchaser thereof pursuant to Section 6.3, free and clear of all Liens other than Permitted Exceptions and Lessor Liens, in as good condition as they were on the Document Closing Date, ordinary wear and tear excepted, and in compliance with all Applicable Laws and Regulations and the other requirements of Article IX (and in any event without (x) any asbestos installed or maintained in any part of the Site, (y) any polychlorinated biphenyls (PCBs) in, on or used, stored or located at the Site,

#### Lease Agreement

and (z) any other Hazardous Materials). Lessee shall cooperate with the independent purchaser of the Site in order to facilitate the ownership and operation by such purchaser of the Site after the Lease Termination Date, including providing all books, reports and records regarding the maintenance, repair and ownership of the Site and all data and technical information relating to the physical operation and maintenance of the Site, granting or assigning (to the extent permitted by law) all licenses necessary for the operation and maintenance of the Site and cooperating in seeking and obtaining all necessary Governmental Action. Lessee shall have also paid the total cost for the completion of all Alterations commenced prior to the Lease Termination Date. The obligation of Lessee under this Article VI regarding the Purchase Option shall survive the expiration or termination of this Lease, except if Lessee duly and timely exercises the Sale Option and performs its obligations under Sections 6.3 and 6.4, or Lessee duly and timely exercises its rights under Section 6.5 and performs its obligations thereunder. Unless Lessee shall have exercised or been deemed to have exercised its option to purchase the Sites, then after the date which is twelve (12) months prior to the Lease Termination Date, Lessor shall at Lessee's expense be entitled to perform such investigation, including obtaining reports of engineers and other experts as to the condition and state of repair and maintenance required by this Section 6.7 and as to the compliance with Environmental Laws of the Site, as it deems appropriate. Lessee, at its sole cost and expense, shall cause the repair or other remediation of any discrepancies between the actual condition of the Site and the condition required under the Lease, such repair or remediation to be completed not later than the expiration of this Lease.

SECTION 6.8. Completion of Facilities. In the event that any Facility becomes subject to this Lease pursuant to Sections 2.1 and 2.2 prior to Completion thereof due to the termination of the Construction Period applicable thereto under Section 5.1 of the Construction Agency Agreement, Lessee (at its cost) shall diligently pursue construction of such Facility in accordance with the construction-related provisions of the Operative Documents (including those set forth in the provisions of Article III of the Participation Agreement, notwithstanding that the Participants shall not be obligated to make any Advances in respect of such construction) and shall cause the Completion of such Facility not later than the earlier to occur of (x) the date which is twelve (12) months after the Site Acquisition Date for the Site on which such Facility is being constructed and (y) the original expiration date of the Construction Period for such Facility, not taking into account the early termination of such

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Construction Period; provided that the dates described in clauses (x) and (y) for such Facility shall be subject to extension for Force Majeure delays not to exceed ninety (90) days in the aggregate.

SECTION 6.9. Failure of Lessee to Sell Sites. If Lessee shall exercise the Sale Option and shall fail to arrange for the sale of all of the Sites on or before the Lease Termination Date in accordance with and subject to the provisions of Sections 6.4 and 6.6, then Lessee and Lessor hereby agree as follows:

(a) On the Lease Termination Date, Lessee shall (i) pay to Agent (on behalf of the Participants) the Applicable Percentage Amount and (ii) Lessee will do both of the following:

(1) at the option of Agent (on behalf of the Participants), either (x) cancel the sale of the Sites for which Lessee has arranged a sale (in which case, all Sites will constitute "unsold Sites" under this Section 6.9) or (y) sell the Sites for which Lessee has arranged a sale pursuant to the provisions of Sections 6.4 and 6.6; and

(2) at the option of Agent (on behalf of the Participants), either (x) tender to Lessor possession of the unsold Sites or (y) continue to lease the unsold Sites during a holdover period (the "Holdover Period") and in the case of such holdover, Lessee shall continue to market, on a non-exclusive basis, the Sites for sale on behalf of Lessor in accordance with the provisions of the Lease. For each such Site, such Holdover Period shall expire on the earlier of (x) the sale of such Site and (y) the reduction of the Lease Balance to zero and the payment by Lessee of all Basic Rent, Supplemental Rent and all other amounts then due and payable under the Operative Documents, and (z) written notice by Agent, as Agent for the Lenders, of a date specified for the termination of such Holdover Period with respect to such Site. The Basic Rent payable by Lessee for the Sites during any Holdover Period shall be applied first to payment of the portion of Basic Rent set forth in clauses (i) and (ii) of the definition thereof, with any excess being applied to reduce such Lease Balance. Any Proceeds from the sale of any Sites during the Holdover Period will be applied to reduce the Lease Balance, with such application being allocated first to the Lenders in respect of the

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remaining amount of the Notes (i.e., that portion of the outstanding principal balance of the Notes in excess of the Applicable Percentage Amount), and second to the Equity Amount. If and when the Lease Balance shall be reduced to zero, (i) any further Proceeds from the sale of any remaining Sites shall be remitted to Lessee for its own account, (ii) at the request of either Lessor (or Agent on Lessor's behalf) or Lessee, Lessor will transfer to Lessee or its designee, and Lessee will accept or cause its designee to accept the transfer of, all remaining Sites by quitclaim deed, and Lessee shall pay or cause to be paid all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses of counsel to the Participants) in connection with such transfer.

Agent shall not make the elections under clause (1)(y) and clause (2)(x) above without receiving (x) the consent of the Lenders if after giving effect to such partial sale and payment by Lessee of the Applicable Percentage Amount, any portion of the principal of and accrued interest on the Notes will remain outstanding, and (y) the consent of the Lessor if after giving effect to such partial sale and payment by Lessee of the Applicable Percentage Amount, any portion of

the Equity Amount or accrued Yield will remain outstanding.

(b) On or after the Lease Termination Date, Agent, on behalf of Lessor and the Lenders, shall have the right, but not the obligation, to sell the Sites for such purchase price and upon such terms as Agent shall determine in its sole discretion. In the event that Agent shall so elect to sell the Sites, Agent shall notify each of Lessor, Lessee and the Lenders thereof, and each shall have the right to submit a bid and/or to cause any other Person to submit a bid to Agent not later than twenty (20) Business Days prior to the date Agent desires to sell the Sites (as set forth in the aforementioned notice thereof); provided, however, that Agent, on behalf of Lessor and the Lenders, shall have the right, in its sole discretion, from time to time, to defer such proposed sale date, in which event, the rights of Lessee, Lessor and each Lender to submit a bid and/or to cause any other Person to submit a bid to Agent shall be extended to the date that is twenty (20) Business Days prior to the revised proposed sale date. At no time shall Agent be obligated to accept any bid for the sale of the Sites (whether such bid was obtained by Lessee, Lessor, any Lender or otherwise) or to consummate any proposed sale.

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(c) At any time and from time to time on or after the Lease Termination Date, Agent, on behalf of Lessor and the Lenders, shall have the right to withdraw from the Sale Deposit (other than the portion thereof constituting the Applicable Percentage Amount) amounts to pay, or reimburse itself for the payment of, expenses of Lessor, Agent and each Participant in connection with any bidding and sale (or proposed sale, whether or not consummated) described in clause (b). In the event that there are insufficient funds remaining from the Sale Deposit to pay such expenses, Lessee shall pay such expenses from time to time upon demand.

(d) Contemporaneously with the consummation of any sale of the Sites by Lessee or Agent pursuant to this Section 6.9, (i) Lessee will transfer all of Lessee's right, title and interest in the Sites to be transferred to the purchaser, (ii) subject to prior or concurrent payment by Lessee of all amounts due under clause (iii) of this sentence and receipt by Lessor of Proceeds from such sale, Lessor shall exercise such rights as it has to cause the Sites to be released from the Lien of the Mortgages and shall, without recourse or warranty (except as to the absence of Lessor Liens), transfer by quitclaim deed Lessor's right, title and interest in and to the Sites for cash to such purchaser; and (iii) Lessee shall simultaneously pay or cause to be paid to Agent, on behalf of Lessor and the Lenders, in immediately available funds an amount equal to all unpaid Basic Rent and all Supplement Rent due on or prior thereto and any other amounts due and payable by Lessee to Lessor, Agent and each Lender. Any Proceeds in excess of the sum of (x) the Lease Balance, plus (y) all unpaid Basic Rent and all Supplemental Rent due on or prior thereto and any other amounts due and payable by Lessee to Lessor, Agent and each Lender, shall be remitted to Lessee promptly after receipt.

(e) Until a sale of the Sites by Lessee or Agent pursuant to this Section 6.9, Lessee shall be bound by all of the obligations and duties of Lessee under this Lease, notwithstanding the occurrence of the Lease Termination Date.

(f) Lessor reserves all rights under this Lease and the other Operative Documents arising out of Lessee's breach of any provisions of this Lease (including Article VI), whether occurring prior to, on or after the Lease Termination Date, including Lessee's breach of any of its

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obligations under Sections 6.3 and 6.4, including the right to sue Lessee for damages.

(g) To the greatest extent permitted by law, Lessee hereby unconditionally and irrevocably waives, and releases Lessor and Agent from, any right to require Lessor or Agent to sell the Sites at all or for any minimum purchase price or on any particular terms and conditions, Lessee hereby agreeing that if Lessee shall elect the Sale Option, its ability to sell the Sites on or prior to the Lease Termination Date and its right thereafter to submit a bid or to cause any other Person to submit a bid to Agent pursuant to Section 6.9(b) in the event Agent shall elect to sell the Sites, shall constitute full and complete protection of Lessee's interest hereunder.

#### ARTICLE VII

##### CONDITION AND USE OF SITES

SECTION 7.1. Waivers. LESSEE ACKNOWLEDGES AND AGREES THAT, ALTHOUGH LESSOR WILL OWN AND HOLD TITLE TO THE SITES, LESSEE IS SOLELY RESPONSIBLE UNDER THE TERMS OF THE CONSTRUCTION AGENCY AGREEMENT FOR THE DESIGN, DEVELOPMENT, BUDGETING, CHANGE ORDERS AND CONSTRUCTION OF THE FACILITIES AND ANY ALTERATIONS. The Sites are let by Lessor "AS IS" in their present or then condition, as the case may be, subject to (a) any rights of any parties in possession thereof, (b) the state of the title thereto existing at the time Lessor acquired its interest in the Site, (c) any state of facts which an accurate survey or physical inspection might show (including any survey delivered on or prior to the Document Closing Date or the Completion Date), (d) all Applicable Laws and Regulations, and (e) any violations of Applicable Laws and Regulations which may exist at the commencement of the Lease Term. Lessee has examined the Site and (insofar as Lessor is concerned) has found the same to be satisfactory. NEITHER LESSOR, AGENT NOR ANY LENDER HAS MADE OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, OR SHALL BE DEEMED TO HAVE ANY LIABILITY WHATSOEVER AS TO THE TITLE TO THE SITES OR TO THE VALUE, MERCHANTABILITY, HABITABILITY, CONDITION, OR FITNESS FOR USE OF THE SITES, OR ANY PART THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE SITES, OR ANY PART THEREOF, AND NEITHER LESSOR, AGENT NOR ANY LENDER SHALL BE LIABLE FOR ANY LATENT, HIDDEN, OR PATENT DEFECT THEREIN OR THE FAILURE OF THE SITES, OR ANY PART THEREOF, TO COMPLY WITH ANY APPLICABLE LAWS AND REGULATIONS, except that Lessor hereby represents and warrants that the Site is and shall be free of Lessor Liens. Lessee has been afforded full

opportunity to inspect the Sites, is satisfied with the results of its inspections and is entering into this Lease solely on the basis of the results of its own inspections, and all risks incident to the matters discussed in the preceding sentence (other than Lessor Liens), as between Lessor, Agent and the Lenders, on the one hand, and Lessee, on the other, are to be borne by Lessee. The provisions of this Article VII have been negotiated, and, except to the extent otherwise expressly stated, the foregoing provisions are intended to be a complete exclusion and negation of any representations or warranties by any of Lessor, Agent or the Lenders, express or implied, with respect to the Sites (or any interest therein), that may arise pursuant to any law now or hereafter in effect or otherwise.

#### ARTICLE VIII

##### LIENS; EASEMENTS

SECTION 8.1. Liens. Lessee shall not directly or indirectly create, incur, assume or suffer to exist any Lien, defect, attachment, levy, title retention agreement or claim upon any Site or Alteration, or with respect to the



Sites, any Basic Rent or Supplemental Rent, the title thereto, or any interest therein, including all Liens which arise out of the possession, use, occupancy or construction of the Sites or by reason of labor or materials furnished or claimed to have been furnished to Lessee, or any of its contractors or agents or by reason of the financing of any Alterations constructed by or for the benefit of Lessee and not financed by Lessor, except in all cases Permitted Liens. With respect to all Liens other than Permitted Liens, Lessee shall promptly, but not later than thirty (30) days (or, in the case of non-consensual Liens, sixty (60) days) after the filing thereof, at its own expense, take such action as may be necessary duly to discharge or eliminate or bond in a manner reasonably satisfactory to Lessor any such Lien if the same shall arise at any time.

SECTION 8.2. No Lessor Consent or Liability. Nothing contained in this Lease shall be construed as constituting the consent or request of the Lessor, expressed or implied, to or for the performance by any contractor, mechanic, laborer, materialman, supplier or vendor of any labor or services or for the furnishing of any materials for any construction, alteration, addition, repair or demolition of or to any Site or any part thereof. NOTICE IS HEREBY GIVEN THAT NEITHER LESSOR NOR ANY LENDER OR AGENT IS OR SHALL BE LIABLE FOR ANY LABOR, SERVICES OR MATERIALS FURNISHED OR TO BE FURNISHED TO LESSEE, OR TO ANYONE HOLDING A SITE OR ANY PART THEREOF THROUGH OR UNDER LESSEE, AND

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THAT NO MECHANIC'S OR OTHER LIENS FOR ANY SUCH LABOR, SERVICES OR MATERIALS SHALL ATTACH TO OR AFFECT THE INTEREST OF LESSOR, AGENT OR ANY LENDER IN AND TO ANY SITE.

SECTION 8.3. Easements. Subject to Section 3.4 of the Construction Agency Agreement (which shall take precedence over these provisions during the Construction Period with respect to any Undeveloped Site) and notwithstanding the foregoing paragraph, at the request of Lessee, Lessor shall, from time to time during the Lease Term and upon at least thirty (30) days' prior written notice from Lessee, and receipt of the materials specified in the next succeeding sentence, consent to and join in any (i) grant of easements, licenses, rights of way, party wall rights and other rights in the nature of easements, with or without consideration, (ii) release or termination of easements, licenses, rights of way, party wall rights or other rights in the nature of easements which are for the benefit of a Site or any portion thereof, with or without consideration, (iii) dedication or transfer of portions of a Site, not improved with a building, for road, highway or other public purposes, with or without consideration, (iv) execution of petitions to have a Site or any portion thereof annexed to any municipal corporation or utility district, (v) execution of agreements for the use and maintenance of common areas, for reciprocal rights of parking, ingress and egress and amendments to any covenants and restrictions affecting a Site or any portion thereof, with or without consideration, (vi) request to any Authority for platting or subdivision or replatting or resubdivision approval with respect to a Site or any portion thereof or any parcel of land of which a Site or any portion thereof forms a part or a request for any variance from zoning, (vii) creation of a governmental special benefit district for public improvements and collection of special assessments in connection therewith, in lump sum or installments, and (viii) execution and delivery of any instrument appropriate to confirm or effect such grant, release, dedication, transfer request or such other matter, document or proceeding. Lessor's obligations pursuant to the preceding sentence shall be subject to the requirements that:

(a) any such action shall be at the sole cost and expense of Lessee, and Lessee shall pay all reasonable out-of-pocket costs of Lessor, Agent and the Lenders in connection therewith (including, without limitation, the reasonable fees of attorneys (including allocated costs of internal counsel of Agent);

(b) Lessee shall have delivered to Lessor a certificate of a Responsible Officer of Lessee stating that:

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(1) such action will not cause the Site or any portion thereof to fail to comply in any respect with the provisions of the Lease or any other Operative Documents and in any material respect with all Applicable Laws and Regulations (including, without limitation, all applicable zoning, planning, building and subdivision ordinances, all applicable restrictive covenants and all applicable architectural approval requirements);

(2) all governmental consents or approvals required prior to such action have been obtained, and all filings required prior to such action have been made;

(3) such action will not result in any material down-zoning of the Site or any portion thereof or a material reduction in the maximum density or development rights available to the Site under all Applicable Laws and Regulations;

(4) this Lease and Lessee's obligations hereunder shall continue in full force and effect, without abatement, suspension, deferment, diminution, reduction, counterclaim, setoff, defense or deduction;

(5) such action will not materially reduce the Fair Market Sales Value, utility, remaining economic useful life or residual value of the Site or Lessor's interest therein; and

(6) such action will not impose or create any liability or obligation on Lessor;

(c) all consideration received in connection with such action shall be paid to Lessee; and

(d) no Lease Event of Default shall have occurred and be continuing.

#### ARTICLE IX

##### MAINTENANCE AND REPAIR;

##### ALTERATIONS AND ADDITIONS

SECTION 9.1. Maintenance and Repair; Compliance With Law. Lessee, at its own expense, shall at all times (a) maintain the Sites in good repair and condition, subject to ordinary wear and tear, and in safe repair and condition (all whether involving interior or exterior, structural or nonstructural, ordinary or

extraordinary, and foreseen or unforeseen circumstances); (b) except to the extent Section 9.5 shall apply, maintain, manage and monitor the Sites in accordance with all Applicable Laws and Regulations, whether or not such maintenance requires structural modifications, noncompliance with which (i) would have a material adverse effect on Lessee's right to use the Sites or Lessee's business or financial condition, (ii) would cause any of the results enumerated in Section 9.5 hereof, (iii) would materially adversely affect the Fair Market Sales Value, utility, remaining economic useful life or residual value of the Sites, or (iv) would materially adversely affect Lessor's interest in the Sites; (c) comply with the standards imposed by any insurance policies required to be maintained hereunder which are in effect at any time with respect to the Sites or any part thereof; (d) maintain, manage and monitor the Sites in

accordance with all applicable contracts, including service contracts and insurance contracts; (e) conduct maintenance and repair under the same programs and subject to the same standards as Lessee or its Affiliates shall maintain and repair other healthcare facilities owned, leased or operated by Lessee or its Affiliates; (f) cause the Sites to continue to have at all times the capacity and functional ability to be used for, on a continuing basis (subject to normal interruption in the ordinary course of business for maintenance, inspection and repair) and in commercial operation, the purposes for which it was specifically designed; (g) maintain appropriate and customary written environmental operations and maintenance plans (including, where appropriate for asbestos-containing materials) for the Sites; and (h) procure, maintain and comply in all material respects with all material licenses, permits, orders, approvals, consents and other authorizations required for the construction, use, maintenance and operation of the Sites and for the use, operation, maintenance, repair and restoration of the Facilities. Lessee waives any right that it may now have or hereafter acquire to (x) require Lessor to maintain, repair, replace, alter, remove or rebuild all or any part of the Sites or (y) make repairs at the expense of Lessor pursuant to any Applicable Laws and Regulations or other agreements.

## SECTION 9.2. Alterations.

(a) At Lessee's own cost and expense, (i) Lessee shall make alterations, renovations, improvements and additions to any Site(s) or any part thereof and substitutions and replacements therefor (collectively, "Alterations") so long as such Alterations are (A) made to repair or maintain the Site(s) in the condition required by Section 9.1; (B) necessary in order for the Site(s) to be in compliance with Applicable Laws and Regulations; or (C) necessary or advisable to restore the Site(s) to their

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condition existing prior to a Casualty or Condemnation; and (ii) so long as no Lease Event of Default or Lease Payment/Bankruptcy Default has occurred and is continuing, Lessee may undertake Alterations on one or more Sites so long as such Alterations comply with Applicable Laws and Regulations and with Section 9.1 and subsection (b) of this Section 9.2.

(b) The making of any Alterations must be in compliance with the following requirements; provided that in the case of any Alteration required by an emergency or by Applicable Laws and Regulations, Lessee shall (x) promptly notify Agent thereof, (y) not be bound by the provisions of clause (1) below and (z) effect such Alteration in a manner to avoid (or minimize if it is not possible to avoid) any violation of clause (5) below:

(1) No such Alterations with a cost exceeding \$500,000 (or, in the case of related Alterations at any one Site, with an aggregate cost exceeding \$500,000) shall be made or undertaken except upon not less than thirty days' prior written approval of Agent, which approval shall not be unreasonably withheld. For any Alterations which are subject to this clause (1), if Agent, in its good faith judgment, believes that such Alterations may violate the provisions of clause (5) below, Agent (on behalf of the Participants) may engage an appraiser of nationally recognized standing, at Lessee's expense, to determine (by appraisal methods satisfactory to Agent) the projected Fair Market Sales Value of any Facility following the completion of Alterations relating thereto and may delay its approval until receipt of such appraisal.

(2) Lessee shall not make any Alterations in violation of the terms of any restriction, easement, condition or covenant or other matter affecting title to the Site.

(3) No Alterations shall be undertaken until Lessee shall have procured and paid for, so far as the same may be required from time to time, all permits and authorizations relating to such Alterations of all municipal and other Authorities having jurisdiction over the Site. Lessor, at Lessee's expense, shall join in the application for any such permit or authorization and execute and deliver any document in

connection therewith, whenever such joinder is necessary or advisable.

(4) The Alterations shall be expeditiously completed in a good and workmanlike manner and in compliance with all

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Applicable Laws and Regulations then in effect and the standards imposed by any insurance policies required to be maintained hereunder.

(5) All Alterations shall, when completed, be of such a character as to not materially adversely affect the Fair Market Sales Value, utility, remaining economic useful life or residual value of the Site from its Fair Market Sales Value, utility, remaining economic useful life or residual value immediately prior to the making thereof or, in the case of Alterations being made by virtue of a Casualty or Condemnation, immediately prior to the occurrence of such Casualty or Condemnation.

(6) Lessee shall have made adequate arrangements for payment of the cost of all Alterations when due so that the Site shall at all times be free of Liens for labor and materials supplied or claimed to have been supplied to the Site, other than Permitted Liens; provided, that Lessee shall have the right to contest the amount claimed by any such supplier of labor or materials in accordance with the applicable provisions of Section 9.5.

SECTION 9.3. Title to Alterations. Title to Alterations shall without further act vest in Lessor and shall be deemed to constitute a part of the related Site and be subject to this Lease in the following cases:

(a) such Alterations shall be in replacement of or in substitution for a portion of the Facilities and/or the Sites;

(b) such Alterations shall be required to be made pursuant to the terms of Section 9.1 or 9.2(a) (i) hereof; or

(c) such Alterations shall be Nonseverable.

Lessee, at Lessor's request, shall execute and deliver any deeds, bills of sale, assignments or other documents of conveyance reasonably necessary to evidence the vesting of title in and to such Alterations to Lessor.

If such Alterations are not within any of the categories set forth in clauses (a) through (c) of this Section 9.3, then title to such Alterations shall vest in Lessee and such Alterations shall not be deemed to be Alterations which are part of the Site.

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All Alterations to which Lessee shall have title may, so long as removal thereof shall not result in the violation of any Applicable Laws and Regulations and no Lease Event of Default or Lease Payment/Bankruptcy Default is continuing, be removed at any time by Lessee. Any such Alterations shall be removed by Lessee at its expense if Lessor shall so request prior to the return of the Site to Lessor or sale of the Site in accordance with the provisions of this Lease, and Lessee shall at its expense repair any damage to the Site caused by the removal of such Alterations. Lessor (or the purchaser of the applicable Site) may purchase from Lessee Alterations (if not already owned by Lessor) which Lessee notifies Lessor that Lessee intends to remove from the Site prior to the return of the Site to Lessor or sale of the Site, which purchase shall be at the Fair Market Sales Value of such Alterations. Title to any Lessee

Alterations shall vest in Lessor (or the purchaser of the applicable Site) if not removed from the Site by Lessee prior to the return of the Site to Lessor or sale of the Site.

SECTION 9.4. Maintenance and Repair Reports. Lessee shall keep maintenance and repair reports in sufficient detail, and as customary for owners of commercial real estate, to indicate the nature and date of major work done. Lessee shall prepare and maintain appropriate and customary written operations and maintenance plans (including, where appropriate for asbestos-containing materials) for the Sites. Such reports and plans shall be kept on file by Lessee at its offices during the Lease Term, and shall be made available to Lessor upon reasonable request. Lessee shall give notice to Lessor and Agent of any Condemnation or Casualty the cost to repair which is reasonably expected by Lessee to exceed \$250,000, promptly after Lessee has knowledge thereof.

SECTION 9.5. Permitted Contests. If, to the extent and for so long as (a) a test, challenge, appeal or proceeding for review of any Applicable Laws and Regulations or any Governmental Action relating to any Site or to the operation or maintenance of any Facility shall be prosecuted diligently and in good faith in appropriate proceedings by Lessee or (b) compliance with such Applicable Laws and Regulations or such Governmental Action shall have been excused or exempted by a valid nonconforming use permit, waiver, extension or forbearance, Lessee shall not be required to comply with such Applicable Laws and Regulations or such Governmental Action but only if and so long as any such test, challenge, appeal, proceeding or noncompliance shall not, in the reasonable opinion of Lessor, involve (A) any meaningful risk of (1) foreclosure, forfeiture or loss of a Site, (2) criminal liability being imposed on Lessor, Agent, any Lender or

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#### Lease Agreement

the Site or (3) the nonpayment of Rent or (B) any substantial danger of (1) the sale of, or the creation of any Lien (other than a Permitted Lien) on, any part of the Site, (2) material civil liability being imposed on Lessor, Agent, any Lender or the Site, (3) the extension of the ultimate imposition of such Applicable Laws and Regulations or such Governmental Action beyond the last day of the Lease Term, or (4) enjoinder of, or interference with, the use, possession or disposition of the Site in any material respect. Lessee shall provide Lessor with notice of any contest of the type described in clause (a) above in detail sufficient to enable Lessor to ascertain whether such contest may have an effect of the type described in clauses (b) (A) and (B) above.

Lessor will not be required to join in any proceedings pursuant to this Section 9.5 unless a provision of any Applicable Laws and Regulations requires, or, in the good faith opinion of Lessee, it is helpful to Lessee that such proceedings be brought by or in the name of Lessor; and in that event Lessor will join in the proceedings or permit them or any part thereof to be brought in its name if and so long as no Lease Event of Default or Lease Payment/Bankruptcy Default is continuing and Lessee pays all related expenses.

#### ARTICLE X

##### USE

Each Site shall be used, during its Construction Period, in a manner consistent with the Construction Agency Agreement, and thereafter, Lessee may use each Site as a health care facility and for related ancillary purposes, or in such other manner reasonably acceptable to Lessor and Agent in their sole discretion. Lessee shall not use any Site or any part thereof for any purpose or in any manner that would materially adversely affect the Fair Market Sales Value, utility, remaining useful life or residual value of the Site or that would create a materially increased risk of environmental liability or that would violate or conflict with, or constitute or result in a violation or default under (a) any Applicable Laws and Regulations whether now existing or hereafter in effect, foreseen or unforeseen, except to the extent permitted by Section 9.5, (b) any insurance policies required by Article XI, or (c) any Operative Document. Lessee shall pay, or cause to be paid, all charges and costs required in connection with the use of the Sites as contemplated by this Lease

and the Construction Agency Agreement. Lessee shall not commit or permit any waste of the Sites or any part thereof.

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ARTICLE XI

INSURANCE

SECTION 11.1. Required Coverages. Lessee will keep insured all property of a character usually insured by corporations engaged in the same or similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such corporations, and carry such other insurance as is usually carried by such corporations, provided that in any event Lessee will maintain:

(a) Commercial General Liability Insurance. Combined single limit insurance against claims for bodily injury, death or third-party property damage occurring on, in or about each Site (including adjoining streets and sidewalks) in an amount at least equal to \$5,000,000 per person and \$5,000,000 per occurrence (subject to a maximum deductible of \$350,000 per occurrence) and \$5,000,000 for property damage per occurrence, with a minimum general annual limit of \$5,000,000 and a minimum of \$15,000,000 excess of such coverage.

(b) Property Insurance. Insurance against loss of damage covering each Site or any portion thereof by reason of any Peril (as defined below) in an amount (subject to such deductibles and/or self-insurance in such maximum amounts as is approved by Agent from time to time, such approval not to be unreasonably withheld) at least equal to such minimum amounts as are carried by corporations owning and/or operating healthcare facilities comparable to the Sites; provided, however, that at no time shall the amount of such coverage be less than replacement cost.

(c) Workers' Compensation Insurance. Lessee shall, in the construction of the Facilities (including in connection with any Alterations thereof) and the operation of the Sites, comply with the applicable Workers' Compensation laws and protect Lessor, Agent and the Lenders against any liability under such laws.

(d) Builder's Risk Insurance. During the construction of any Alteration, Lessee shall also maintain, for the benefit of Lessor, all-risk Builders' Risk Insurance in an amount equal to the greater of the replacement value of the applicable Facility and Alteration and the then outstanding Allocated Amount of the applicable Site.

(e) Flood Insurance. For any Site located in a special flood hazard area (as defined in National Flood Insurance

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Reform Act), Lessee shall maintain flood insurance, for the benefit of Lessor, Agent and the Lenders, in an amount at least equal to the then outstanding Allocated Amount of the applicable Site. Prior to the date hereof and from time to time upon Lessor's request, Lessee shall deliver to Lessor evidence reasonably satisfactory to Lessor for each Site establishing whether such Site is located in a special flood hazard area.

(f) Other Insurance. Such other insurance, including worker's compensation insurance, malpractice or professional liability insurance, automobile liability (if applicable) and business interruption insurance, in each case as is generally carried by owners of similar properties in such amounts and against such risks as are then customary for properties similar in

use.

Such insurance shall be written by reputable insurance companies that are financially sound and solvent and otherwise reasonably appropriate considering the amount and type of insurance being provided by such companies. Any insurance company selected by Lessee shall be rated in A.M. Best's Insurance Guide or any successor thereto (or if there be none, an organization having a similar national reputation) and shall have a general policyholder rating of "A-" (or comparable rating for a rating by an organization other than A.M. Best) and a financial rating of at least "X" (or comparable rating for a rating by an organization other than A.M. Best) or be otherwise acceptable to the Required Participants. In the case of liability insurance maintained by Lessee, it shall name Agent, together with Lessor, as additional insureds and, in the case of property insurance maintained by Lessee, it shall name Agent, together with Lessor, as mortgagees and loss payees. Each policy referred to in this Section 11.1 shall provide that: (i) it will not be cancelled, materially modified or its limits reduced, or allowed to lapse without renewal, except after not less than 30 days' prior written notice to Agent; (ii) the interests of Agent and Lessor shall not be invalidated by any act or negligence of or breach of warranty or representation by Lessee or any Person having an interest in a Site or the Facility thereon; (iii) such insurance is primary with respect to any other insurance carried by or available to Agent and Lessor; (iv) the insurer shall waive any right of subrogation, setoff, counterclaim, or other deduction, whether by attachment or otherwise, against Agent or Lessor; and (v) such policy shall contain a cross-liability clause providing for coverage of Agent and Lessor as if separate policies had been issued to each of them. Lessee will notify Agent promptly of any policy cancellation, reduction in policy limits, modification or amendment. The term "Peril" shall mean, collectively, fire, lightning, flood, windstorm, hail, explosion, riot and civil

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commotion, vandalism and malicious mischief, damage from aircraft, vehicles and smoke and all other perils covered by the "all risk endorsement" then in use in the Commonwealth of Pennsylvania.

SECTION 11.2. Delivery of Insurance Certificates. On or before the Document Closing Date, Lessee shall deliver to Agent and Lessor certificates of insurance satisfactory to Agent and Lessor evidencing the existence of all insurance required to be maintained hereunder and setting forth the respective coverages, limits of liability, carrier, policy number and period of coverage. Thereafter, throughout the Lease Term, at the time each of Lessee's insurance policies is renewed (but in no event less frequently than once each year), Lessee shall deliver to Agent and Lessor certificates of insurance evidencing that all insurance required by Section 11.1 to be maintained by Lessee with respect to the Sites is in effect.

#### ARTICLE XII

##### ASSIGNMENT AND SUBLEASING

#### SECTION 12.1. Assignment and Subletting.

(a) Lessee may not assign, mortgage or pledge, in whole or in part, any of its right, title or interest in, to or under this Lease or any portion of the Sites to any Person (including an Affiliate of Lessee) at any time, and any such assignment, mortgage or pledge shall be void; provided, however, that without the consent of Lessor, Lessee may assign this Lease to a single-purpose, wholly-owned, direct or indirect Subsidiary of Genesis (the "Permitted Assignee") provided that the following conditions are met:

(i) The Permitted Assignee must be incorporated under the laws of the State of Delaware or the Commonwealth of Pennsylvania;

(ii) No Lease Event of Default or Lease Payment/Bankruptcy Default shall have occurred and be continuing;

(iii) The Permitted Assignee shall, prior to or simultaneously with the assignment, enter into an assumption agreement, which agreement shall include all of the representations, warranties and covenants contained in this Lease;

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(iv) Genesis and its Material Subsidiaries shall, prior to or simultaneously with the assignment of the Lease deliver a reaffirmation of the Guaranties; and

(v) Lessee shall deliver an opinion of counsel for the Permitted Assignee, reasonably acceptable to Lessor and Agent, dated as of the date of the assignment, stating that the Permitted Assignee has the legal capacity to perform and fulfill all of the obligations and liabilities contained in the Lease, and containing other matters as reasonably requested by Lessor and Agent.

Lessee may not sublease, in whole or in part, any of its right, title or interest in, to or under this Lease or any portion of the Sites to any Person at any time, and any such sublease shall be void and of no force or effect; provided, however, that without the consent of Lessor, Lessee may sublease any Site to a wholly-owned direct or indirect Subsidiary of Genesis (any such permitted sublease is hereinafter referred to as a "Sublease"). Any such permitted sublessee under any Sublease described in this Section 12.1(a) shall hereinafter be referred to as a "Subtenant."

Regardless of Lessor's consent, no subletting shall release Lessee of Lessee's obligation or alter the primary liability of Lessee to pay Rent hereunder (including, without limitation, Basic Rent and Supplemental Rent) and to perform all other obligations to be performed by Lessee hereunder. The acceptance of Rent by Lessor from any other Person shall not be deemed to be a waiver by Lessor of any provision hereof. Consent to one subletting of one Site shall not be deemed consent to any subsequent or further subletting of such Site or any other Site. Lessor may proceed directly against Lessee without the necessity of exhausting remedies against said successor.

(b) Lessee hereby assigns to Lessor all of Lessee's right, title and interest in and to all Subleases entered into by Lessee in accordance with Section 12.1(a), now or hereafter in effect, including but not limited to all rents and other sums payable to Lessee under each such Sublease. Lessor shall have no obligation to perform, and Lessee shall not by reason of such assignment be relieved of its obligation to perform, any of Lessee's covenants or agreements under this Lease or covenants or agreements of Lessee, as sublessor, under any such Sublease; provided that, upon the termination of this Lease or upon termination of Lessee's right to possess the Site following a Lease Event of Default (the date of such termination shall be referred to herein as the "Turnover Date") the following shall

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apply: (A) if Lessee acquires ownership of the Site in accordance with the terms of this Lease or if Lessee's right to possess the Site has been terminated following a Lease Event of Default then, subject to the provisions of Article XVIII, Lessee shall continue to be liable for all obligations under the Subleases; or (B) if Lessee does not acquire ownership of the Site, (i) Lessee shall continue to be liable for any obligations under the Subleases accruing or arising prior to the Turnover Date and for any tenant improvement obligations arising or accruing prior to the later of (x) the Turnover Date and (y) the scheduled termination date of the Basic Term or the Renewal Term or the Extended Renewal Term, as applicable, and (ii) with respect to any Subleases not



terminated in accordance with Section 12.2(b), Lessor (or any successor owner of the Site (the "Designated Owner")) shall assume and be liable for, subject to the limitations on the liability of the Designated Owner set forth in Section 12.2 and subject to the limitations on the liability of Lessee set forth in Article XVIII, Lessee's obligations under the Subleases other than those referred to in clause (i) above. Prior to the Turnover Date, Lessee shall have the right to collect and enjoy all rents and other sums of money payable under any Sublease and Lessee shall have the right to modify, extend, amend or terminate any or all of the Subleases (except that Lessee shall not have the right to amend or modify any Sublease, the effect of which would be to cause a Qualified Subtenant (defined below) to become a non-Qualified Subtenant, unless the modification also revises the language required in the Sublease pursuant to Section 12.2(a) hereof to be consistent with the language required by Section 12.2(c) hereof.

#### SECTION 12.2. Sublease Subordination.

(a) In the case of any proposed Sublease with a Subtenant, not less than thirty days prior to the consummation of such Sublease (or in the case of a Sublease to be entered into within ten days after the Document Closing Date, not later than the fifth day after the Document Closing Date), Lessee shall deliver to Lessor each of the following: (i) a certification of Lessee identifying the proposed Subtenant in question and confirming that such proposed Subtenant satisfies the requirements of Section 12.1(a) and Section 12.2(b), and (ii) a copy of the proposed Sublease.

(b) In the case of any Sublease, following the Turnover Date the Designated Owner shall have the right to terminate such Sublease and the Subtenant's Sublease and right of possession thereunder or, in the alternative (at the Designated Owner's option), the Designated Owner may require the Subtenant under such Sublease to attorn to the Designated Owner; and in the

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case of such required attornment, the rights (including, without limitation, the right of possession) of such Subtenant under such Sublease shall not be disturbed or affected by the Designated Owner so long as no default by such Subtenant exists under the terms of such Sublease as would enable Lessee (as sublessor) to terminate such Sublease or would cause termination of such Sublease or would entitle Lessee (as sublessor) to dispossess the Subtenant under such Sublease. Each Sublease shall contain the following language:

"The Tenant hereunder agrees that this Lease is subject and subordinate to the lease under which the Landlord hereunder occupies the Property (the "Overlease", with the landlord under the Overlease and its successors and assigns in interest to the Property or this Lease being hereinafter referred to as the "Overlandlord") and in the event of the termination of the Overlease or in the event the Overlandlord terminates the Landlord's right of possession under the Overlease (the date on which either such termination becomes effective being referred to herein as the "Turnover Date"), the Overlandlord shall have (i) the right to terminate this Lease and the Tenant's right of possession hereunder, or, in the alternative (at the Overlandlord's option), (ii) the right to require the Tenant hereunder to attorn to the Overlandlord; and in the case of such required attornment election, the Tenant hereunder will attorn to the Overlandlord and pay the Overlandlord all of the rents and other monies required to be paid by the Tenant hereunder, and perform all of the terms, covenants, conditions and obligations contained in this Lease, and this Lease shall continue as a direct lease between the Tenant hereunder and the Overlandlord upon all of the terms and conditions hereof except that in no event shall the Overlandlord have any obligation to perform any obligation of the Landlord hereunder with respect to obligations of the Landlord hereunder accruing prior to the Turnover Date and that any obligations of the Overlandlord (or any successor

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(other than the interest of the Overlandlord in the property demised by this Lease)."

ARTICLE XIII

LOSS, DESTRUCTION, CONDEMNATION OR DAMAGE

SECTION 13.1. Event of Loss; Condemnation or Casualty.

(a) If an Event of Loss shall occur, Lessee shall give Lessor and Agent prompt written notice of such occurrence and the date thereof and Lessee shall purchase the Site(s) affected thereby from Lessor on the next succeeding Payment Date after the date such Event of Loss shall have occurred at a purchase price equal to the sum of (A) the Allocated Amount, plus (B) all accrued but unpaid Rent, plus (C) all other sums due and payable by Lessee to Lessor, Agent or any Lender with respect to such affected Site(s) under any of the Operative Documents.

(b) Upon payment in full of all amounts payable pursuant to Section 13.1(a) and the discharge of the Lien of the Mortgage pursuant to Section 6.3 thereof, (i) the Lease Term shall end with respect to the affected Site(s), (ii) the obligations of Lessee hereunder with respect to the affected Site(s) (other than any obligations expressed herein as surviving termination of this Lease) shall terminate as of the date of such payment.

SECTION 13.2. Application of Payments Relating to an Event of Loss. All Net Condemnation Proceeds and property insurance proceeds received at any time by Lessor, Lessee or Agent from any Authority or other Person with respect to any Event of Loss of one or more Sites shall be promptly remitted to Lessor and, in the event Lessee purchases the affected Site(s) pursuant to Section 13.1(a), be applied against the purchase price payable by Lessee pursuant to Section 13.1(a), and any such Net Condemnation Proceeds and property insurance proceeds remaining thereafter shall be paid over to, or retained by, Lessee, or as Lessee may direct.

SECTION 13.3. Application of Certain Payments Relating to a Condemnation. In case of a requisition for temporary use of all or a portion of any Site which is not an Event of Taking, this Lease shall remain in full force and effect, without any abatement or reduction of Rent, and the proceeds received from any Authority relating to a Condemnation for the affected Site shall be paid to Lessee, except that any portion of such proceeds that is awarded with respect to the time period after the expiration or termination of the Lease Term (unless Lessee shall

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have exercised an option to purchase the Sites and no Lease Payment/Bankruptcy Default or Lease Event of Default shall have occurred and be continuing) shall be paid to Lessor; provided, that if Lessee has paid the Lease Balance to Lessor, such proceeds (or the portion of such proceeds in excess of the portion thereof applied to payment of the Lease Balance) shall be paid over to Lessee.

SECTION 13.4. Casualty. Upon any Casualty with respect to a Site the cost of repair of which would exceed \$250,000, Lessee shall give to Lessor written notice thereof. As soon as practicable after a Casualty, Lessee shall repair and rebuild the affected portions of the Site suffering such Casualty (or cause such affected portions to be repaired and rebuilt) to the condition

required to be maintained by Section 9.1 hereof; provided, that the value and functional capability of such item as restored is at least equivalent to the value and functional capability of such item as in effect immediately prior to the occurrence of such Casualty. If any insurance proceeds received with respect to any Casualty shall be in excess of twenty-five percent (25%) of the Allocated Amount for the applicable Site, the insurance proceeds received with respect to such Casualty shall be paid over to or retained by Agent (on behalf of the Participants), to be distributed to Lessee upon completion of such repairs and rebuilding of the affected portions of the applicable Site in accordance with the conditions set forth in this Section 13.4; provided that in such event, at Lessee's request and expense, Agent and Lessee shall enter into an insurance escrow and disbursement agreement in form and substance reasonably satisfactory to Agent providing for the disbursement of proceeds (not more often than once per month and with each monthly disbursement being not less than \$100,000) to Lessee or its contractor during the course of such repair and rebuilding upon conditions satisfactory to Agent in its reasonable judgment.

SECTION 13.5. Other Dispositions. Notwithstanding the foregoing provisions of this Article XIII, as long as a Lease Payment/Bankruptcy Default or Lease Event of Default shall have occurred and be continuing, any amount that would otherwise be payable to or for the account of, or that would otherwise be retained by, Lessee pursuant to this Article XIII shall be paid to Agent (or to Lessor after the Loan Agreement shall have been satisfied and discharged) as security for the obligations of Lessee under this Lease, shall be invested by Agent (or Lessor) in accordance with Section 21.18 in Permitted Investments and, if a Lease Event of Default is continuing, may be applied to the obligations of Lessee hereunder, and, at such time thereafter as no Lease Payment/Bankruptcy Default or Lease Event of Default shall be continuing, such amount and gain thereon shall be paid

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promptly to Lessee to the extent not previously applied in accordance with the terms of this Lease.

SECTION 13.6. Negotiations. In the event any part of a Site becomes subject to condemnation or requisition proceedings, Lessee shall give notice thereof to Lessor and Agent promptly after Lessee has knowledge thereof and, to the extent permitted by any Applicable Laws and Regulations, Lessee shall control the negotiations with the relevant Authority unless a Lease Payment/Bankruptcy Default or Lease Event of Default shall be continuing, in which case Lessor shall control such negotiations; provided that in any event Lessor may participate at Lessor's expense (or if a Lease Payment/Bankruptcy Default or Lease Event of Default shall be continuing, at Lessee's expense) in such negotiations; and provided in all cases, that no settlement will be made without Lessor's prior written consent, not to be unreasonably withheld. Lessee shall give to Lessor and Agent such information, and copies of such documents, which relate to such proceedings, or which relate to the settlement of amounts due under insurance policies required by Article XI, and are in the possession of Lessee, as are reasonably requested by Lessor or Agent. If the proceedings relate to an Event of Taking, Lessee shall act diligently in connection therewith.

SECTION 13.7. No Rent Abatement. Rent shall not abate hereunder by reason of any Casualty, any Event of Loss, any Event of Taking or any Condemnation of a Site, and Lessee shall continue to perform and fulfill all of Lessee's obligations, covenants and agreements hereunder notwithstanding such Casualty, Event of Loss, Event of Taking or Condemnation until the Lease Termination Date.

#### ARTICLE XIV

##### NON-INTERFERENCE

SECTION 14.1. Non-Interference. Lessor covenants that it will not interfere in Lessee's or any of its Subtenants' use of the Sites in accordance with this Lease during the Lease Term, so long as no Lease Event of Default has occurred and is continuing; it being agreed that Lessee's remedies for breach of

the foregoing covenant shall be limited to a claim for damages or the commencement of proceedings to enjoin such breach. Such right is independent of and shall not affect Lessor's rights otherwise to initiate legal action to enforce the obligations of Lessee under this Lease.

SECTION 14.2. Certain Duties and Responsibilities of Lessor. Lessor undertakes to perform such duties and only such

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duties as are specifically set forth herein and in the other Operative Documents, and no implied covenants or obligations shall be read into this Lease against Lessor, and Lessor agrees that it shall not, nor shall it have a duty to, manage, control, use, sell, maintain, insure, register, lease, operate, modify, dispose of or otherwise deal with the Sites in any manner whatsoever, except as required by the terms of the Operative Documents and as otherwise provided herein; provided that during the continuance of a Lease Event of Default or a Lease Payment/Bankruptcy Default, Lessor shall have no obligation to Lessee to perform any such duties.

#### ARTICLE XV

##### INSPECTION AND REPORTS

SECTION 15.1. Inspection. Upon five (5) Business Days prior notice to Lessee, each of Agent, Lessor, any Lender and their respective authorized representatives (the "Inspecting Parties") may inspect (a) any Site and (b) the books and records of Lessee relating directly and primarily to the Site and make copies and abstracts therefrom, but only after material related to matters other than the Site shall have been redacted therefrom. All such inspections shall be at the expense and risk of the Inspecting Parties, except that if a Lease Event of Default or Lease Payment/Bankruptcy Default has occurred and is continuing, Lessee shall reimburse the Inspecting Parties for the reasonable costs of such inspections and such inspection shall be at Lessee's risk. Lessee shall furnish to the Inspecting Parties statements accurate in all material respects regarding the condition and state of repair of the Sites, all at such times and as often as may be reasonably requested. No inspection shall unreasonably interfere with Lessee's operations or the operations of any other occupant of the Sites. None of the Inspecting Parties shall have any duty to make any such inspection or inquiry, and none of the Inspecting Parties shall incur any liability or obligation by reason of not making any such inspection or inquiry. None of the Inspecting Parties shall incur any liability or obligation by reason of making any such inspection or inquiry unless and to the extent, so long as no Lease Event of Default has occurred and is continuing at the time of inspection, such Inspecting Party causes damage to the Site or any property of Lessee or any other Person during the course of such inspection.

SECTION 15.2. Reports. To the extent permissible under Applicable Laws and Regulations, Lessee shall prepare and file in timely fashion, or, where Lessor shall be required to file, Lessee shall prepare and make available to Lessor and Agent

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within a reasonable time prior to the date for filing and Lessor shall file, any reports with respect to the condition or operation of the Sites that shall be required to be filed with any Authority.

#### ARTICLE XVI

##### OWNERSHIP, GRANT OF SECURITY INTEREST AND FURTHER ASSURANCES

SECTION 16.1. Grant of Security Interest. Lessee hereby assigns, grants and pledges to Lessor for the benefit of Agent and the Lenders a security interest in and Lien against all of Lessee's right, title and interest, whether now or hereafter existing or acquired, in the Sites and proceeds therefrom, to secure the payment and performance of all obligations of Lessee now or hereafter existing under this Lease or any other Operative Document. Lessee shall, at its expense, do any further act and execute, acknowledge, deliver, file, register and record any further documents which Lessor or any Lender may reasonably request in order to protect Lessor's title to and their perfected Lien in the Sites, subject to no Liens other than Permitted Liens, and Lessor's rights and benefits under this Lease. Lessee shall promptly and duly execute and deliver to Lessor such documents and assurances and take such further actions as Lessor or any Lender may from time to time reasonably request in order to carry out more effectively the intent and purpose of this Lease and the other Operative Documents, to establish and protect the rights and remedies created or intended to be created in favor of Lessor hereunder and thereunder, and to establish, perfect and maintain the right, title and interest of Lessor in and to the Sites, subject to no Lien other than Permitted Liens, or of such financing statements or fixture filings or other documents with respect hereto as Lessor or any Lender may from time to time reasonably request, and Lessee agrees to execute and deliver promptly such of the foregoing financing statement and fixture filings or other documents as may require execution by Lessee. To the extent permitted by Applicable Laws and Regulations, Lessee hereby authorizes any such financing statement and fixture filings to be filed without the necessity of the signature of Lessee. Upon Lessee's request, Lessor shall at such time as all of the obligations of Lessee under this Lease or any other Operative Documents have been indefeasibly paid or performed in full (other than Lessee's contingent obligations, if any, under Article VII of the Participation Agreement) execute and deliver termination statements and other appropriate documentation reasonably requested by Lessee, all at Lessee's expense, to evidence Lessor's release of its Lien against the Sites.

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SECTION 16.2. Attorney-in-Fact. Lessee hereby irrevocably appoints Agent as Lessee's attorney-in-fact, with full authority in the place and stead of Lessee and in the name of Lessee or otherwise, from time to time in Lessor's discretion, upon the occurrence and during the continuance of a Lease Event of Default, to take any action (including any action that Lessee is entitled to take) and to execute any instrument which Lessor may deem necessary or advisable to accomplish the purposes of this Lease (subject to any limitations set forth in the Operative Documents), including, without limitation:

(a) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for money due and to become due under or in connection with the Sites;

(b) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection with the foregoing clause (a);

(c) to file any claim or take any action or institute any proceedings which Lessor may deem to be necessary or advisable for the collection thereof or to enforce compliance with the terms and conditions of the Lease; and

(d) to perform any affirmative obligations of Lessee hereunder.

Lessee hereby acknowledges, consents and agrees that the power of attorney granted pursuant to this Section 16.2 is irrevocable and coupled with an interest.

#### ARTICLE XVII

##### LEASE EVENTS OF DEFAULT

The occurrence of any one or more of the following events, whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body, shall constitute a "Lease Event of Default":

(a) Lessee shall fail to make any payment (i) of any Supplemental Rent payable to Agent or any Participant or of Basic Rent when due and such failure shall continue for a period of five days, or (ii) of amounts payable pursuant to the exercise of the Sale Option, or amounts payable pursuant to Section 13.1, when due, or (iii) of Supplemental Rent payable to any Person other than Agent or a Participant and such failure under this

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clause (iii) shall continue for a period of five days after notice to Lessee from any Person of such failure; provided that Lessee shall not be entitled to any five-day grace or cure period under this clause (a) with respect to any payment of the Lease Balance under Section 6.2 or Section 6.5, or Proceeds or the Applicable Percentage Amount under Section 6.4(b) or Section 6.9(a);

(b) Lessee or any Guarantor shall fail to make any payment of any other amount payable hereunder or under any of the other Operative Documents (other than the Construction Agency Agreement) and such failure shall continue for a period of five days after such amount first became due and payable (or in the case of any payment to any Person other than Agent or any Participant, such failure shall continue for a period of five days after notice to Lessee from any Person of such failure);

(c) Lessee shall (i) fail to maintain insurance as required by Section 11.1, or (ii) default in the performance or observance of any term, covenant, condition or agreement on its part to be performed or observed under Section 5.2, 5.3, 5.4, 5.7 or 5.11 of the Participation Agreement;

(d) any representation or warranty by Lessee or any Guarantor in any Operative Document or in any certificate or document (including any Advance Request) delivered to Lessor, Agent or any Lender pursuant to any Operative Document shall have been incorrect in any material respect when made and shall remain material when discovered and if curable shall continue for a period of 30 days; provided that if Lessee or such Guarantor shall commence such cure within said 30-day period and shall diligently be pursuing such cure, then said 30-day period shall be extended to 90 days;

(e) Lessee or any Guarantor shall fail in any material respect timely to perform or observe any covenant, condition or agreement (not included in any other clause of this Article XVII) to be performed or observed by it hereunder or under any other Operative Document and such failure shall continue for a period of 30 days; provided that if Lessee or such Guarantor shall commence such cure within said 30-day period and shall diligently be pursuing such cure, then said 30-day period shall be extended to 90 days;

(f) (i) Lessee or any Guarantor shall generally fail to pay, or admit in writing its inability to pay, its debts as they become due, or shall voluntarily commence any case or proceeding or file any petition under any bankruptcy, insolvency or similar law or seeking dissolution, liquidation or

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#### Lease Agreement

reorganization or the appointment of a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business or to effect a plan or other arrangement with its creditors, or shall

file any answer admitting the jurisdiction of the court and the material allegations of any involuntary petition filed against it in any bankruptcy, insolvency or similar case or proceeding, or shall be adjudicated bankrupt, or shall make a general assignment for the benefit of creditors, or shall consent to, or acquiesce in the appointment of, a receiver, trustee, custodian or liquidator for itself or a substantial portion of its property, assets or business, or (ii) corporate action shall be taken by Lessee or any Guarantor for the purpose of effectuating any of the foregoing;

(g) involuntary proceedings or an involuntary petition shall be commenced or filed against Lessee or any Guarantor under any bankruptcy, insolvency or similar law or seeking the dissolution, liquidation or reorganization of Lessee or the appointment of a receiver, trustee, custodian or liquidator for Lessee or any Guarantor or of a substantial part of the property, assets or business of Lessee or any Guarantor or, any writ, judgment, warrant of attachment, execution or similar process shall be issued or levied against a substantial part of the property, assets or business of Lessee or any Guarantor, and such proceedings or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded, within 30 days after commencement, filing or levy, as the case may be;

(h) a final judgment or final judgments for the payment of money are entered by a court or courts of competent jurisdiction against Lessee or any Guarantor or any Subsidiary of any Guarantor, and such judgment or judgements remain undischarged, unbonded, unstayed or unsatisfied for a period (during which execution shall be effectively stayed) of 30 days; provided, that the aggregate of all such judgments exceeds \$500,000;

(i) Lessee or any Guarantor shall directly or indirectly contest the validity of any Operative Document in any manner in any court of competent jurisdiction or the Lien granted by this Lease or any Mortgage;

(j) (A) an event of default shall occur in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Indebtedness of Lessee or any Guarantor or any Subsidiary of any Guarantor that individually or in the aggregate exceeds \$1,000,000 or (B) any

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#### Lease Agreement

other event of default shall occur with respect to any Indebtedness of Lessee or any Guarantor or any Subsidiary of any Guarantor that individually or in the aggregate exceeds \$1,000,000;

(k) Any one or more Pension-Related Events referred to in subsection (a)(ii), (b) or (e) of the definition of "Pension- Related Event" shall have occurred; or any one or more other Pension-Related Events shall have occurred and the Agent shall determine in good faith (which determination shall be conclusive) that such other Pension-Related Events, individually or in the aggregate, could have a Material Adverse Effect;

(l) either of the Guaranties shall no longer be in full force and effect; or

(m) an Event of Default (as defined in the Credit Agreement) shall occur under the Credit Agreement.

#### ARTICLE XVIII

##### ENFORCEMENT

SECTION 18.1. Remedies. Upon the occurrence of a Lease Event of Default, at Lessor's option and without limiting Lessor in the exercise of any other right or remedy Lessor may have on account of such default (including, without limitation, the obligation of Lessee to purchase the Sites as set forth below), and without any further demand or notice, Lessor may cause the following to occur:

(i) By notice to Lessee, Lessor may terminate Lessee's right to possession of the Sites. A notice given in connection with unlawful detainer proceedings specifying a time within which to cure a default shall terminate Lessee's right to possession if Lessee fails to cure the default within the time specified in the notice.

(ii) Upon termination of Lessee's right to possession and without further demand or notice, Lessee shall surrender possession and vacate the Sites and deliver possession thereof, and Lessor may re-enter the Sites and remove any persons in possession thereof.

(iii) Upon termination of Lessee's right to possession, this Lease shall terminate and Lessor may declare to be immediately due and payable, and Lessor shall be entitled to (x) recover from Lessee the following amounts and (y) take the following actions:

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#### Lease Agreement

(A) Lessee shall pay all accrued and unpaid Rent hereunder (including, without limitation, Basic Rent and Supplemental Rent) which had been earned at the time of termination;

(B) Lessor may elect any of the following:  
(1) Lessor may demand, by written notice to the Lessee specifying a Payment Date (the "Final Rent Payment Date") not earlier than ten (10) days after the date of such notice, that Lessee pay to Lessor, and Lessee shall pay to Lessor, on the Final Rent Payment Date (in lieu of Basic Rent due after the Final Rent Payment Date), an amount equal to the sum of (A) the Lease Balance computed as of the Final Rent Payment Date, plus (B) all accrued and unpaid Rent due and unpaid to and including the Final Rent Payment Date, and upon payment of such amount, and the amount of all other sums due and payable by Lessee under this Lease and the other Operative Documents (and interest at the Overdue Rate on the amounts payable under this clause (B)(1) from the Final Rent Payment Date to the date of actual payment), Lessor shall transfer by quitclaim deed to Lessee all of Lessor's right, title and interest in and to the Sites without recourse or warranty, but free and clear of Lessor Liens; or

(2) Lessor may sell its interest in the Sites, in which event Lessee shall pay to Lessor an amount equal to the excess, if any, of (x) all amounts due Lessor under clause (B)(1) above over (y) the net sale proceeds received by Lessor from the foregoing sale (provided, that in calculating such net sale proceeds, all expenses and taxes incurred by Lessor, Agent or any of the Lenders in connection with such sale, including, without limitation, legal fees, shall be deducted from such sales proceeds);

(C) Any other amount necessary to compensate Lessor for all actual damages caused by



Lessee's failure to perform Lessee's obligation under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, the costs and

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#### Lease Agreement

expenses (including without limitation, reasonable attorneys' fees, advertising costs and brokers' commissions) of recovering possession of the Sites, removing persons or property therefrom, placing the Sites in good order, condition, and repair, preparing and altering the Sites for reletting, and all other costs and expenses of reletting; and

(D) Such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

(iv) Lessor may enforce the Lien given hereunder pursuant to Section 16.1 hereof, Section 11 of the Lease Supplements, the Uniform Commercial Code or any other law.

(v) If Lessee has breached this Lease and abandoned the Site, this Lease shall continue in effect for so long as Lessor does not terminate Lessee's right to possession, and Lessor may enforce all of Lessor's rights and remedies under this Lease, including the right to recover the Rent hereunder (including, without limitation, Basic Rent and Supplemental Rent) as it becomes due under this Lease. Lessee's right to possession shall not be deemed to have been terminated by Lessor except pursuant to clause (i) above. The following do not constitute a termination of Lessee's right to possession:

(A) Acts of maintenance or preservation or efforts to relet the Sites;

(B) The appointment of a receiver upon the initiative of Lessor to protect Lessor's interest under this Lease;

(C) Reasonable withholding of consent to an assignment or subletting, or terminating a subletting or assignment by Lessee.

(vi) In the event that Lessor elects to continue this Lease in full force and effect, Lessor may enforce all its rights and remedies under this Lease, including, but not limited to, the right to recover Rent hereunder (including, without limitation, Basic Rent and Supplemental Rent) as it becomes due. During the continuance of a Lease Event of Default, Lessor may enter the Sites in accordance with applicable law without terminating this Lease and sublet all or any part of the Sites for Lessee's account to any Person, for such term (which may be a period beyond the remaining

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#### Lease Agreement

Lease Term), at such rents and on such other terms and conditions as are commercially reasonable. In the event of any such subletting, rents received by Lessor from such subletting shall be applied (i) first, to

the payment of the reasonable costs incurred by Lessor in maintaining, preserving, altering and preparing the Sites for subletting and other costs of subletting, including, but not limited to, brokers' commissions and attorneys' fee; (ii) second, to the payment of Rent hereunder (including, without limitation, Basic Rent and Supplemental Rent) then due and payable; (iii) third, to the payment of future Rent hereunder (including, without limitation, Basic Rent and Supplemental Rent) as the same may become due and payable hereunder; (iv) fourth, to the payment of all other obligations of Lessee hereunder, and (v) fifth, the balance, if any, shall be paid to Lessee upon (but not before) expiration of the Lease Term. If the rents received by Lessor from such subletting, after application as provided above, are insufficient in any period to pay the Rent (including, without limitation, Basic Rent and Supplemental Rent) due and payable hereunder for such period, Lessee shall pay such deficiency to Lessor upon demand. Notwithstanding any such subletting for Lessee's account without termination, Lessor may at any time thereafter, by written notice to Lessee, elect to terminate this Lease by virtue of a previous Lease Event of Default.

Upon (but not before) and during the continuance of a Lease Event of Default, if Lessee has abandoned the Sites, for so long as Lessor does not terminate Lessee's right to possession of the Sites, Lessor shall not unreasonably withhold its approval to a sublease of the Sites; provided, however, that Lessor's withholding of such consent shall not be deemed unreasonable upon the standard contained in Section 12.1.

(vii) Lessor may exercise any other right or remedy that may be available to it under Applicable Laws and Regulations or in equity, or proceed by appropriate court action (legal or equitable) to enforce the terms or to recover damages for the breach hereof. Separate suits may be brought to collect any such damages for any Rent Installment Period(s), and such suits shall not in any manner prejudice Lessor's right to collect any such damages for any subsequent Rent Installment Period(s), or Lessor may defer any such suit until after the expiration of the Basic Term or any Renewal Term, in which event such suit shall be deemed not to have accrued until the expiration of the Basic Term, or such Renewal Term; or

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#### Lease Agreement

(viii) Lessor may retain and apply against Lessor's damages all sums which Lessor would, absent such Lease Event of Default, be required to pay to, or turn over to, Lessee pursuant to the terms of this Lease.

(ix) Lessor may exercise the remedies described in Section 11 of the Lease Supplement.

In addition to the foregoing, Lessee acknowledges that (i) pursuant to the Collateral Agency Agreement and the Security Agreement, the Joint Stock Collateral constitutes additional security for the payment and performance of Lessee's obligations under this Lease and the other Operative Documents, and (ii) the Guaranty and Agreement of Suretyship Regarding Obligations Lessee and Affiliates, as it may be amended from time to time, which constitutes one of the Guaranties shall constitute further additional security for, among other things, the payment and performance of Lessee's obligations under this Lease and the other Operative Documents.

SECTION 18.2. Proceeds of Sale; Deficiency. All payments received and amounts held or realized by Lessor at any time when a Lease Event of Default shall have occurred and be continuing and after the Lease Balance shall have been accelerated pursuant to Article XVIII as well as all payments or amounts then held or thereafter received by Lessor, except for rents received by Lessor from subletting pursuant to Section 18.1(vi) and the proceeds of sale pursuant to Section 11 of the Lease Supplements, shall be distributed forthwith upon receipt by Lessor in the following order of priority:

first: so much of such payments or amounts as shall be required to reimburse Lessor for any tax (other than any income tax payable on Basic Rent or interest and on fees and other compensation of Lessor), expense or other amount owed to Lessor in connection with the collection or distribution of such payments or amounts to the extent not previously reimbursed by Lessee (including, without limitation, the expenses of any sale, taking or other proceeding, expenses in connection with realizing on any of the Sites, reasonable attorneys' fees and expenses (including the allocated costs of internal counsel), court costs and any other reasonable expenditures incurred or reasonable expenditures or advances made by Lessor in the protection, exercise or enforcement of any right, power or remedy upon such Lease Event of Default whether pursuant to Article XVII or otherwise) shall be so applied by Lessor;

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#### Lease Agreement

second: so much of such payments or amounts except those specified in clause third below, which under the terms of this Lease and the other Operative Documents have accrued shall be so applied;

third: so much of such payments or amounts remaining as shall be required to pay Agent (on behalf of the Participants) in full the aggregate unpaid Lease Balance and all Basic Rent (including, to the extent permitted by applicable law, interest on interest) shall be so applied (to be distributed by Agent pursuant to Section 3.3 of the Loan Agreement); and

fourth: so much of such payments or amounts as shall remain shall be distributed to Lessee.

SECTION 18.3. Grant and Foreclosure on Lessee's Estate. Each Lease Supplement shall contain a provision by which Lessee grants to a trustee, in trust, with power of sale, or grants a mortgage lien to Lessor in, all of Lessee's right, title and interest in and to the Sites subject to each such Lease Supplement and, upon the occurrence of a Lease Event of Default, granting Lessor the power and authority, after fulfillment of certain conditions, to cause the trustee to sell, or foreclose its mortgage lien against, the Sites.

SECTION 18.4. Remedies Cumulative; No Waiver; Consents. To the extent permitted by, and subject to the mandatory requirements of, Applicable Laws and Regulations, each and every right, power and remedy herein specifically given to Lessor or otherwise in this Lease shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often and in such order as may be deemed expedient by Lessor, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any right, power or remedy. No delay or omission by Lessor in the exercise of any right, power or remedy or in the pursuit of any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of Lessee or be an acquiescence therein. Lessor's consent to any request made by Lessee shall not be deemed to constitute or preclude the necessity for obtaining Lessor's consent, in the future, to all similar requests. No express or implied waiver by Lessor of any Lease Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Lease Default or Lease

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Event of Default. To the extent permitted by Applicable Laws and Regulations, Lessee hereby waives any rights now or hereafter conferred by statute or otherwise that may require Lessor (i) to provide any notice to Lessee, or (ii) to sell, lease or otherwise use the Site or part thereof in mitigation of Lessor's damages, or (iii) to take any other action, upon the occurrence of a Lease Event of Default, or that may otherwise limit or modify any of Lessor's rights or remedies under this Article XVIII.

#### ARTICLE XIX

##### RIGHT TO PERFORM FOR LESSEE

If Lessee shall fail to perform or comply with any of its agreements contained herein, Lessor may, but shall not be obligated to, on five Business Days' prior notice to Lessee (except in the event of an emergency, in which case only one Business Day's prior notice shall be required), perform or comply with such agreement, and Lessor shall not thereby be deemed to have waived any default caused by such failure, and the amount of such payment and the amount of the expenses of Lessor (including reasonable attorneys' fees and expenses) incurred in connection with such payment or the performance of or compliance with such agreement, as the case may be, together with interest thereon at the Overdue Rate, shall be deemed Supplemental Rent, payable by Lessee to Lessor upon demand; provided that in the case of an emergency Lessee shall permit Lessor so to perform or comply on less than one Business Day's notice unless Lessee has a good faith reason not to permit Lessor to do so.

#### ARTICLE XX

##### LESSOR LIENS

In the event that Lessor shall be obligated to remove any Lessor Liens from the Sites and shall fail to do so, Lessee shall have a claim against Lessor for such failure, but shall not have any right of offset.

#### ARTICLE XXI

##### MISCELLANEOUS

SECTION 21.1. Binding Effect; Successors and Assigns; Survival. The terms and provisions of this Lease, and the respective rights and obligations hereunder of Lessor, Lessee, Agent and the Lenders shall be binding upon them and their respective successors, legal representatives and assigns

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##### Lease Agreement

(including, in the case of Lessor, any Person to whom Lessor may transfer the Sites or any interest therein in accordance with the provisions of the Operative Documents), and inure to their benefit and the benefit of their respective permitted successors, legal representatives and assigns.

SECTION 21.2. Severability. Any provision of this Lease that shall be prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction, and Lessee shall remain liable to perform its obligations hereunder except to the extent of such unenforceability. To the extent permitted by Applicable Laws and Regulations, Lessee hereby waives any provision of law that renders any provision hereof prohibited or unenforceable in any respect.

SECTION 21.3. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be in writing and shall be delivered and shall be deemed to have been given in accordance with Section 9.3 of the Participation Agreement.

SECTION 21.4. Amendment; Complete Agreements. Neither this Lease nor any of the terms hereof may be terminated, amended, supplemented, waived or

modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification shall be sought. This Lease, together with the other Operative Documents, is intended by the parties as a final expression of their agreement and as a complete and exclusive statement of the terms thereof, all negotiations, considerations and representations between the parties having been incorporated herein and therein. No course of prior dealings between the parties or their officers, employees, agents or Affiliates shall be relevant or admissible to supplement, explain, or vary any of the terms of this Lease or any other Operative Document. Acceptance of, or acquiescence in, a course of performance rendered under this or any prior agreement between the parties or their Affiliates shall not be relevant or admissible to determine the meaning of any of the terms of this Lease or any other Operative Document. No representations, undertakings, or agreements have been made or relied upon in the making of this Lease other than those specifically set forth in the Operative Documents.

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SECTION 21.5. Headings. The Table of Contents and headings of the various Articles and Sections of this Lease are for convenience of reference only and shall not modify, define or limit any of the terms or provisions hereof.

SECTION 21.6. Original Lease. The single executed original of this Lease containing the receipt of Lessor therefor on or following the signature page thereof shall be the "original executed counterpart" of this Lease. To the extent that this Lease constitutes chattel paper, as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction, no security interest in this Lease may be created through the transfer or possession of any counterpart other than the "original executed counterpart".

SECTION 21.7. GOVERNING LAW. THIS LEASE HAS BEEN DELIVERED IN, AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, EXCEPT AS TO MATTERS RELATING TO THE CREATION, PERFECTION AND ENFORCEMENT OF LIENS AND SECURITY INTERESTS AND THE EXERCISE OF REMEDIES WITH RESPECT THERETO, WHICH SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE IN WHICH THE APPLICABLE SITE IS LOCATED.

SECTION 21.8. Discharge of Lessee's Obligations by its Affiliates. Lessor agrees that performance of any of Lessee's obligations hereunder by one or more of its Affiliates or one or more sublessees of the Site or any part thereof shall constitute performance by Lessee of such obligations to the same extent and with the same effect hereunder as if such obligations were performed by Lessee, but no such performance shall excuse Lessee from any obligation not performed by it or on its behalf under the Operative Documents.

SECTION 21.9. Liability of Lessor Limited. The parties hereto agree that Lessor shall have no personal liability whatsoever to Lessee or its respective successors and assigns for any Claim based on or in respect of this Lease or any of the other Operative Documents or arising in any way from the transactions contemplated hereby or thereby; provided, however, that Lessor shall be liable in its individual capacity for (i) Lessor Liens required to be removed by Lessor under Section 6.2(a) of the Participation Agreement and (ii) its own willful misconduct or gross negligence. It is understood and agreed that, except as provided in the preceding proviso: (i) Lessor shall have no personal liability under any of the Operative Documents; (ii) all obligations of Lessor to Lessee are solely nonrecourse obligations, recourse being limited to its interest

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in the Sites and the Operative Documents (excluding Excluded Amounts); and (iii) all such personal liability of Lessor is expressly waived and released as a condition of, and as consideration for, the execution and delivery of the Operative Documents by Lessor.

SECTION 21.10. Estoppel Certificates. Each party hereto agrees that at any time and from time to time during the Lease Term, it will promptly, but in no event later than thirty (30) days after request by the other party hereto, execute, acknowledge and deliver to such other party or to any prospective purchaser (if such prospective purchaser has signed a commitment letter or letter of intent to purchase the Sites or any part thereof or to purchase any Note), assignee or mortgagee or third party designated by such other party, a certificate stating (a) that this Lease is unmodified and in force and effect (or if there have been modifications, that this Lease is in force and effect as modified, and identifying the modification agreements); (b) the date to which Basic Rent has been paid; (c) in the case of an estoppel certificate to be given by Lessee, whether or not there is any existing default by Lessee in the payment of Basic Rent or any other sum of money hereunder, and whether or not there is any other existing Lease Default or Lease Event of Default with respect to which a notice of default has been served, and, if there is any such default, specifying the nature and extent thereof; (d) in the case of an estoppel certificate to be given by Lessee, whether or not, to the knowledge of Lessee after due inquiry and investigation, there are any purported setoffs, defenses or counterclaims against enforcement of the obligations to be performed hereunder existing in favor of Lessee; and (e) other items that may be reasonably requested; provided that no such certificate may be requested unless the requesting party has a good faith reason for such request. In addition, Lessee, promptly, but in no event later than thirty days after request by any other party hereto, shall obtain and deliver to such other party or to any prospective purchaser (if such prospective purchaser has signed a commitment letter or letter of intent to purchase the Site or any part thereof or to purchase any Note), assignee, mortgagee or third party designated by such other party, an estoppel certificate from each Subtenant under each Sublease containing such items as reasonably requested by the party requesting the same; provided that no such certificate may be requested unless the requesting party has a good faith reason for such request.

SECTION 21.11. No Joint Venture. Any intention to create a joint venture or partnership relation between Lessor and Lessee is hereby expressly disclaimed.

SECTION 21.12. No Accord and Satisfaction. The acceptance by Lessor of any sums from Lessee (whether as Basic Rent or otherwise) in amounts which are less than the amounts due and payable by Lessee hereunder is not intended, nor shall be construed, to constitute an accord and satisfaction of any dispute between Lessor and Lessee regarding sums due and payable by Lessee hereunder, unless the Required Participants specifically deem it as such in writing.

SECTION 21.13. No Merger. In no event shall the Leasehold Estate of Lessee hereunder, or the rights and interests of the holder of any Notes secured by a Lien in this Lease, merge with any interests, estates or rights of Lessor in or to the Site, it being understood that such Leasehold Estate of Lessee hereunder, and the rights and interests of the holder of any Notes secured by a Lien in this Lease, shall be deemed to be separate and distinct from Lessor's interests, estates and rights in or to the Site, notwithstanding that any such interests, estates or rights shall at any time or times be held by or vested in the same Person.

SECTION 21.14. Successor Lessor. Lessee agrees that, in the case of any transfer of the Sites to a successor Lessor in accordance with the provisions of Section 6.2 of the Participation Agreement from time to time, such successor Lessor shall, upon written notice by such successor Lessor to Lessee, succeed to all the rights, powers and title of Lessor hereunder and shall be deemed to be Lessor for all purposes hereof and without in any way altering the terms of this

Lease or Lessee's obligations hereunder. Such transfer to a successor Lessor shall not exhaust the right to any further transfer to another successor Lessor pursuant to said Section 6.2, but such right may be exercised repeatedly as long as this Lease shall be in effect.

SECTION 21.15. Survival. The obligations of Lessee to be performed under this Lease prior to the Lease Termination Date and the obligations of Lessee pursuant to Sections 4.1, 4.2, 4.4, 4.5, Article XVIII and Section 21.1 shall survive the expiration or termination of this Lease. The extension of any applicable statute of limitations by Lessor, Agent, Lessee or any other Indemnatee shall not affect such survival.

SECTION 21.16. Transfer of Sites to Lessee or any other Person. Whenever pursuant to any provision of this Lease Lessor is required to transfer the Sites to Lessee or to any other Person, such transfer shall be made at Lessee's expense (including, without limitation, all costs of conveyance, applicable transfer taxes and recording fees without regard to local custom) by the quitclaim transfer of all of Lessor's right,

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title and interest in and to the Sites on an "as is, where is, with all faults" basis free and clear of all Lessor Liens, but subject to the Lien of the Loan Agreement if and to the extent it may then attach, and otherwise without recourse, representation or warranty of any kind, and together with the due assumption by Lessee (or such third party) of, and due release of Lessor from, all obligations relating to the Sites or the Operative Documents. Any provision in this Lease or other Operative Document to the contrary notwithstanding, Lessor shall not be obligated to make any such transfer until Lessor has received all Rent and other amounts due and owing hereunder.

#### SECTION 21.17. Enforcement of Certain Warranties.

(a) Unless a Lease Event of Default shall have occurred and be continuing, Lessor authorizes Lessee (directly or through agents), at Lessee's expense, to assert, during the Lease Term, all of Lessor's rights (if any) under any applicable warranty and any other claim that Lessee or Lessor may have under the warranties provided to Lessor in connection with the purchase, of the Sites and Lessor agrees to cooperate, at Lessee's expense, with Lessee and its agents in asserting such rights. Any amount recovered by Lessee under any such warranties shall be paid to Lessee.

(b) Notwithstanding the foregoing provisions of this Section 21.17, so long as a Lease Event of Default or Lease Payment/Bankruptcy Default shall have occurred and be continuing, any amount that would otherwise be retained by Lessee pursuant to Section 21.17(a) shall be paid to Lessor as security for the obligations of Lessee under this Lease, shall be invested by Lessor in accordance with Section 21.18 in Permitted Investments and, if a Lease Event of Default is continuing, may be applied to the obligations of Lessee hereunder, and, at such time thereafter as no Lease Event of Default or Lease Payment/Bankruptcy Default shall be continuing, such amount and gain thereon shall be paid promptly to Lessee to the extent not previously applied in accordance with the terms of this Lease.

SECTION 21.18. Investment of Security Funds. Any amounts not payable to Lessee and paid to or retained by Lessor pursuant to any provision hereof solely because a Lease Event of Default or Lease Payment/Bankruptcy Default shall have occurred and be continuing or because Lessee shall not have performed in full its obligations under Article XIII shall be held by Lessor as security for the obligations of Lessee under this Lease and the other Operative Documents. At such time as no Lease Event of Default or Lease Payment/Bankruptcy Default, or failure to perform shall be continuing, such amounts, net of any amounts

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previously applied to Lessee's obligations hereunder or under any other Operative Documents, shall be paid to Lessee. Any such amounts which are held pending payment to Lessee or application hereunder shall be invested by Lessor (or Agent) as directed from time to time in writing by Lessee (provided, however, if a Lease Event of Default has occurred and is continuing it will be directed by Lessor), and at the expense and risk of Lessee, in Permitted Investments. Any gain (including interest received) realized as the result of any such investment (net of any fees, commissions and other expenses, if any, incurred in connection with such investment) shall be applied from time to time in the same manner as the principal invested. Lessee will promptly pay to Lessor on demand, the amount of any loss realized as the result of any such investment (together with any fees, commissions and other expenses, if any, incurred in connection with such investment), such amount to be held, paid and applied in the same manner as other amounts subject to this Section 21.18.

SECTION 21.19. Recording of Lease Supplements. Concurrently with the execution and delivery of this Lease and concurrently with the execution and delivery of each Lease Supplement, Lessor and Lessee shall execute, acknowledge and cause to be recorded each such Lease Supplement in the official records of each County where the Site(s) that are the subject of this Lease or such Lease Supplement are located. Notwithstanding the execution, delivery and recording of any such Lease Supplement, the terms, covenants and conditions of this Lease shall control.

SECTION 21.20. Nature of Transaction. (a) It is the intent of the parties hereto that: (i) the transaction contemplated hereby constitutes an operating lease from Lessor to Lessee for purposes of Lessee's financial reporting, (ii) the transaction contemplated hereby preserves ownership in the Sites to Lessee for purposes of Federal and state tax and bankruptcy purposes, (iii) Lessee, pursuant to the Lease, grants a security interest or lien, as the case may be, in the Sites and the other Collateral to Lessor, (iv) for purposes of Federal and state tax and bankruptcy purposes, the payment by Lessee of the portions of Basic Rent described in clauses (i) and (ii) of the definition thereof shall be treated as payments of interest, and the payment by Lessee of the portions of Basic Rent described in clause (iii) of the definition thereof and any other amounts in respect of the Lease Balance shall be treated as repayments of principal, and (v) the Mortgage and Assignment of Lease create a lien and security interest in the Sites, subject to certain limited exceptions. Nevertheless, Lessee acknowledges and agrees that none of Lessor, Agent or any Lender has provided or will provide

tax, accounting or legal advice to Lessee regarding the Overall Transaction or made any representations or warranties concerning the tax, accounting or legal characteristics of the Operative Documents and that Lessee has obtained and relied upon such tax, accounting and legal advice concerning the Operative Documents as it deems appropriate.

(b) Specifically, without limiting the generality of subsection (a) of this Section 21.20, but understanding that the parties' characterization is not the sole determinant of the issue, the parties hereto intend and agree that with respect to the nature of the transactions evidenced by this Lease in the context of the exercise of remedies under the Operative Documents, relating to and arising out of any insolvency or receivership proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency laws or statute of the United States of America or any State or Commonwealth thereof affecting Lessee, Lessor or any Lender or any enforcement or collection actions, the transactions evidenced by the Operative Documents are loans made by the Lenders as unrelated third party lenders to Lessee secured by the Sites.



Lease Agreement

IN WITNESS WHEREOF, the undersigned have each caused this Lease to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

MELLON FINANCIAL SERVICES

CORPORATION #4, as Lessor

By: \_\_\_\_\_

Name Printed: Robert C. Carpenter

Title: Assistant Vice President

Address:

One Mellon Bank Center

Rm 151-4444

Pittsburgh, PA 15258-0001

Attention: Leasing Group

GENESIS ELDERCARE PROPERTIES, INC.,

as Lessee

By: \_\_\_\_\_

Name Printed: \_\_\_\_\_

Title: \_\_\_\_\_

Address:

148 West State Street

Kennett Square, PA 19348

Attn: George V. Hager, Jr.

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Lease Agreement

RECEIPT FOR COUNTERPART NO. 1

MELLON BANK, N.A., as Agent

By: \_\_\_\_\_

Name Printed: Carol Paige

Title: Vice President

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Lease Agreement

STATE OF PENNSYLVANIA     )  
                                      )   SS.:  
COUNTY OF \_\_\_\_\_ )

The foregoing Lease Agreement was acknowledged before me, the undersigned Notary Public, in the County of \_\_\_\_\_, State of Pennsylvania, this \_\_\_\_ day of October, 1996, by Carol Paige, as Vice President of MELLON BANK, N.A., a national banking association, on behalf of the such national banking association.

[Notarial Seal]

Notary Public

My commission expires: \_\_\_\_\_

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Lease Agreement

STATE OF PENNSYLVANIA     )  
                                      ) SS.:  
COUNTY OF \_\_\_\_\_ )

The foregoing Lease Agreement was acknowledged before me, the undersigned Notary Public, in the County of \_\_\_\_\_, State of Pennsylvania, this \_\_\_\_ day of October, 1996, by \_\_\_\_\_, as \_\_\_\_\_ of GENESIS ELDERCARE PROPERTIES, INC., a Pennsylvania corporation, on behalf of the corporation.

[Notarial Seal]

Notary Public

My commission expires: \_\_\_\_\_

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Lease Agreement

STATE OF PENNSYLVANIA     )  
                                      ) SS.:  
COUNTY OF \_\_\_\_\_ )

The foregoing Lease Agreement was acknowledged before me, the undersigned Notary Public, in the County of \_\_\_\_\_, State of Pennsylvania, this \_\_\_\_ day of October, 1996, by Robert C. Carpenter, as Assistant Vice President of MELLON FINANCIAL SERVICES CORPORATION #4, a Pennsylvania corporation, on behalf of the corporation.

[Notarial Seal]

Notary Public

My commission expires: \_\_\_\_\_

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Lease Agreement

SCHEDULE I

to

LEASE AGREEMENT

DESCRIPTION OF INITIAL SITES

Atlantis Rehabilitation and Health Care Center  
Old Congress Road, Lantana, Florida;

Bowman's Health Care Center  
South Ridgewood, Ormand Beach, Florida;

Eagle Crest Nursing Center  
Parental Home Road, Jacksonville, Florida;

Oakwood Rehabilitation and Health Care Center  
South East Bay Street, Eustis, Florida;

Tierra Pines Health Care Center  
Ulmerton Road, Largo, Florida;

Woodlands Nursing Center  
North 46th Street, Tampa, Florida;

Williamsburg Health Care and Rehabilitation Center  
Mount Vernon Avenue, Williamsburg, Virginia;

Winham  
Main Street, Route 240, Crozet, Virginia;

Woodmont Health Care Center  
Dairy Lane, Fredrickburg, Virginia

Attached hereto are legal descriptions for the above-described Sites.

Lease Agreement

Atlantis

Legal Description

A tract of land in Section 6, Township 45 South, Range 43 East, Palm Beach County, Florida, said parcel of land being specifically described as follows, to wit:

BEGINNING at a point 33.00 feet West of the East line of said Section 6 and 40.00 feet South of the North line of said Section; thence bear South 00(degree) 10' 40" West, along a line parallel to and 33.00 feet West of, as measured at right angles to, the East line of said Section 6, a distance of 257.00 feet; thence North 89(degree) 55' 30" West, along a line parallel to the North line of said Section, a distance of 350.20 feet; thence North 00(degree) 10' 40" East, along a line parallel to the East line of said Section, a distance of 257 feet to a point on the South right-of-way line of the Lake Worth Drainage District Lateral No. 16; thence South 89(degree) 55' 30" East along said South right-of-way line, said line being parallel to and 40.00 feet South of, as measured at right angles to, the North line of said Section, a distance of 350.20 feet to the POINT OF BEGINNING.

Said lands situate, lying and being in Palm Beach County, Florida.

Tax Assessor's No. PCN 00-43-45-06-00-000-1051

Lease Agreement

Bowman's

Legal Description

Lots 7, 8, 9, 10, 11 and 12, Block 2, HAND TRACT IN THE THOMAS FITCH GRANT, according to the map thereof, as recorded in Map Book P, Page 1, of the Public Records of Volusia County, Florida.

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Lease Agreement

Eagle Crest

Legal Description

That certain piece, parcel or tract of land, situate, lying and being a part of Farm 10, as shown on the Plat of Love Grove Farms, as recorded in Plat Book 7, page 3 of the current public records of Duval County, Florida, and being more particularly described as follows: Beginning at the Southeast corner of those lands shown on Plat of Sans Souci Estates Unit 2, as recorded in Plat Book 29 page 25 of said public records, said point also being the Southwest corner of said Farm 10; thence North 2 degrees 06 minutes 20 seconds East along the East line of said Sans Souci Estates, Unit 2, 342.62 feet; thence North 78 degrees 33 minutes 20 seconds East, 608.72 feet to the Southwesterly right of way line of Dean Road (a 50-foot right of way as now established by possession and usage); thence South 19 degrees 20 minutes 20 seconds East along said Southwesterly right of way line of Dean Road, 215.28 feet to its intersection with the Westerly right of way line of Parental Home Road (a 66-foot right of way as now established); thence South 8 degrees 14 minutes 00 seconds West along said Westerly right of way line of Parental Home Road, 286.04 feet to its intersection with the South line of said Farm 10; thence North 87 degrees 56 minutes 10 seconds West along said South line of Farm 10, 639.95 feet to the point of beginning.

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Lease Agreement

Oakwood

Legal Description

A tract of land located in the City of Eustis, Section 11, Township 19 South, Range 26 East, Lake County, Florida, and being Lots 1 to 16, inclusive, of Block 34, in Pendryville, a subdivision in the City of Eustis, Florida, according to the plat thereof recorded in Plat Book 1, Page 45, of the Public Records of Lake County, Florida, and also being otherwise described as Lots 1 to 16, inclusive, of Block 84, in the City of Eustis, Florida, according to the plat thereof recorded in Plat Book 1, Page 79, Public Records of Lake County, Florida, and being measured and described as follows:

Beginning at a concrete monument located at the intersection of the Southerly edge of the right-of-way of Lemon Avenue (a 66-foot wide right-of-way) and the Westerly edge of Eustis Street (a 66-foot wide right-of-way); thence running Southerly along the Westerly edge of the right-of-way of Eustis Street, a distance of 264.35 feet to a concrete monument at the point of intersection of said Westerly edge of the right-of-way of Eustis Street and the Northerly edge of the right-of-way of Ward Avenue (a 66-foot wide right-of-way); thence running Westerly along a course making an interior angle of 89(degree)59'36" with the preceding course, a distance of 263.96 feet along the Northerly edge of the right-of-way of Ward Avenue to the point of intersection of said Northerly edge of the right-of-way of Ward Avenue with the Easterly edge of the right-of-way of Bay Street (a 66-foot wide right-of-way), said point being marked by an "X" cut in a retaining wall; thence running Northerly along a course making an interior angle of 90(degree)07'44" with the preceding course, a distance of 264.29 feet along the Easterly edge of the right-of-way of Bay Street, to the intersection of said Easterly right-of-way of Bay Street, with the Southerly edge of Lemon Avenue, said intersecting point being presently marked by an "X" cut in a

sidewalk to an old residence; thence running Easterly along a course making an interior angle of 89(degree)53'03" with the preceding course, a distance of 264.59 feet along the Southerly edge of the right-of-way of Lemon Avenue to the point of beginning.

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Lease Agreement

Tierra Pines

Legal Description

Parcel 1:

Commence at the Northeast corner of the Northwest 1/4 of Section 7, Township 30 South, Range 16 East, Pinellas County, Florida; thence North 87 deg 36 min 11 sec West along the North boundary of the Northwest 1/4 of said Section 7, 768.79 feet; thence South 00 deg 18 min 30 sec East, 75.00 feet Westerly of and parallel to the East boundary of Lot 2 of Pinellas Groves Subdivision of the Northwest 1/4 of said Section 7, as recorded in Plat Book 1, Page 55 of the public records of Pinellas County, Florida, 72.08 feet to a Point of Beginning; thence continue South 00 deg 18 min 30 sec East along the West boundary of a 50 foot wide non-exclusive easement recorded in O.R. Book 4636, Page 1802 of the public records of Pinellas County, Florida, 606.00 feet; thence North 87 deg 36 min 11 sec West, 215.00 feet; thence North 00 deg 18 min 30 sec West, 606.00 feet; thence South 87 deg 36 min 11 sec East along the Southerly right-of-way line of Ulmerton Road, 215.00 feet to the Point of Beginning.

Parcel 2:

Commence at the Northeast corner of the Northwest 1/4 of Section 7, Township 30 South, Range 16 East, Pinellas County, Florida; thence North 87 deg 36 min 11 sec West along the North boundary of the Northwest 1/4 of said Section 7, 743.76 feet; thence South 00 deg 18 min 30 sec East, 50.00 feet Westerly of and parallel to the East boundary of Lot 2 of Pinellas Groves Subdivision of the Northwest 1/4 of said Section 7, as recorded in Plat Book 1, Page 55 of the public records of Pinellas County, Florida, 72.08 feet to a Point of Beginning; thence continue South 00 deg 18 min 30 sec East along the centerline of a 50.00 foot wide non-exclusive easement recorded in O.R. Book 4636, Page 1802 of the public records of Pinellas County, Florida, 606.00 feet; thence North 87 deg 36 min 11 sec West, 25.03 feet; thence North 00 deg 18 min 30 sec West, 606.00 feet; thence South 87 deg 36 min 11 sec East along the Southerly right-of-way line of Ulmerton Road, 25.03 feet to the Point of Beginning.

TOGETHER WITH a non-exclusive easement for ingress, egress, utilities and drainage, described as follows:

The Westerly 25.00 feet of the Easterly 50.00 feet of the Southerly 605.32 feet of the Northerly 677.32 feet of Lot 2 of Pinellas Groves Subdivision of the Northwest 1/4 of said Section 7, Township 30 South, Range 16 East, as recorded in Plat Book 1, Page 55 of the public records of Pinellas County, Florida.

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Lease Agreement

Woodlands

Legal Description

The South 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southwest 1/4 of Section 4, Township 28 South, Range 19 East, LESS the East 25 feet thereof for road right-of-way, all lying and being in Hillsborough County, Florida.

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Lease Agreement

Williamsburg

Legal Description

ALL those certain lots, pieces or parcels of land located in the City of Williamsburg, Virginia, on the eastern most line of Mount Vernon Avenue, together with all improvements thereon and appurtenances thereto belonging, which are shown on a certain plat of survey dated March 10, 1989, by Harvey L. Parks, Inc., entitled "PLAT OF TWO PARCELS OF LAND WITH IMPROVEMENTS SHOWN THEREON, SITUATED ON THE EASTERN MOST LINE OF MOUNT VERNON AVENUE IN THE CITY OF WILLIAMSBURG, VIRGINIA.", and being more particularly described as follows:

BEGINNING at a rod found on the northern line of Mount Vernon Avenue (55' R/W), said rod being 196.91' from the intersection with the southern line of Monticello Avenue, and running from said rod in a northerly direction N 49 degrees 37' 30" E a distance of 199.54' to a rod; thence S 40 degrees 22' 30" E a distance of 580.62' to a rod; thence S 49 degrees 37' 30" W a distance of 193.75' to a rod on the northern right-of-way line of Mount Vernon Avenue; thence along the northern right-of-way line of Mount Vernon Avenue along a curve to the right with a radius of 322.50' a length of 63.59' to a rod; thence along said right-of-way line N 40 degrees 22' 30" W a distance of 496.95' to a rod; thence continuing along said right-of-way on a curve to the right with a radius of 472.50' a length of 20.53' to a rod found, being the point and place of beginning, containing 2.663 acres, more or less, all in the City of Williamsburg, Virginia further described as Parcel No. 2 and Parcel No. 3, as shown on plat of survey made by Harvey L. Parks, Inc., dated March 10, 1989, a copy of which is attached to the Deed of Trust, recorded February 6, 1990, in the Clerk's Office, Circuit Court, City of Williamsburg, Virginia, in Deed Book 90, at page 710, reference to which is made for a more particular description.

BEING the same property conveyed to The Industrial Development Authority of the City of Hopewell, Virginia, by deed from United Health Services, Inc., a Virginia corporation, dated October 14, 1976, recorded October 15, 1976, in the Clerk's Office, Circuit Court, City of Williamsburg, Virginia, in Deed Book 54, page 167.

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Lease Agreement

Windham

Legal Description

PARCEL ONE:

ALL that certain lot, piece or parcel of land, with all improvements thereon and appurtenances thereto belonging, lying and being in White Hall District of Albemarle County, Virginia, containing 0.856 acres according to plat entitled "Plat Showing 0.856 Acre of Land With Improvements Shown, Situated On The Western Line of State Route No. 240, Lying in Crozet, White Hall District, Albemarle County, Virginia", made by Harvey L. Parks, Inc., dated March 15, 1989, and recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia, in Deed Book 1086, page 505.

BEGINNING at a rod found at the intersection of the northern property line of Parcel 62 owned by National Health Care Affiliates, Inc., and the eastern right of way line of High Street, running from said rod in a northerly direction N 26 degrees 12' 51" E a distance of 57.17' to a rod; thence S 74 degrees 17' 10" E a distance of 186.00' to a rod; thence S 58 degrees 47' 06" E a distance of 99.11' to a rod; thence S 65 degrees 06' 06" E a distance of 100.11' to a rod; thence S 37 degrees 06' 06" E a distance of 42.55' to a P.K. Nail found on the northern line of State Route No. 240; thence along the northern line of State Route No.

240 S 32 degrees 18' 45" W a distance of 62.72' to a point;thence continuing along the northern line of State Route No. 240 S 29 degrees 27' 54" W a distance of 40.88' to a point on the northern boundary line of property owned by the VA. National Bank (Parcel 60); thence N 64 degrees 36' 31" W a distance of 212.70' to a rod; thence N 25 degrees 40' 17" E a distance of 31.48' to a rod; thence S 64 degrees 21' 49" E a distance of 30.00' to a rod; thence N 25 degrees 38' 11" E a distance of 10.22' to a rod; thence S 64 degrees 21' 49" E a distance of 32.00" to a rod; thence N 25 degrees 38' 11" E a distance of 30.00' to a rod, thence N 64 degrees 21' 49" W a distance of 125.00' to a rod; thence S 25 degrees 38' 11" W a distance of 29.16' to a rod; thence N 64 degrees 19' 43" W a distance of 134.66' to a rod found, being the point and place of beginning, containing 0.856 acre, more or less, all in Crozet, White Hall District of Albemarle County, Virginia, as shown on plat of survey by Harvey L. Parks, Inc., dated March 15, 1989.

Together with a non-exclusive easement, with maintenance agreement, 10 feet in width for vehicular and pedestrian traffic, parking and ingress and egress from State Route 240, recorded in

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#### Lease Agreement

the Clerk's Office of the Circuit Court of Albermarle County, Virginia, in Deed Book, 779, page 239.

BEING the same property conveyed to the Industrial Development Authority of Albemarle County, Virginia, by deed from Windham, Incorporated, a Virginia corporation, dated January 1, 1980, recorded January 29, 1980, in the Clerk's Office, Circuit Court, Albemarle County, Virginia, in Deed Book 688, page 476, and leased to Windham, Incorporated by instrument dated January 1, 1980, recorded in the Clerk's Office, Circuit Court, Albermarle County, Virginia, in Deed Book 688, page 481. By Articles of Merger recorded May 21, 1984 in the aforesaid Clerk's Office in Deed Book 799, page 341, Windham, Incorporated merged into United Service Industries, Inc. By Certificate of Merger issued by the Commonwealth of Virginia State Corporation Commission on February 10, 1984, United Service Industries, Inc., a Virginia corporation merged into National Health Care Affiliates, Inc., a Florida corporation, thereby vesting fee simple title in the name of National Health Care Affiliates, Inc.

#### PARCEL TWO:

ALL that certain lot, piece or parcel of land, with all improvements thereon and appurtenances thereto belonging, lying and being in White Hall District of Albemarle County, Virginia, containing 0.2905 acre according to plat entitled "Plat of 0.2905 Acre Of Land, With Improvements Shown, Situated On The Eastern Line Of High Street, Lying in Crozet, White Hall District of Albemarle County, Virginia", made by Harvey L. Parks, Inc., dated March 15, 1989, recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia, in Deed Book 1086, page 507.

BEGINNING at a spike found at the intersection of the southern line of High Street and the northern property line of Va. National Bank (Parcel 60A), and running from said spike along the southern line of High Street in a northerly direction N 26 degrees 12' 51" E a distance of 44.91' to a pipe; thence S 64 degrees 19' 43" E a distance of 134.66' to a rod; thence N 25 degrees 38' 11" E a distance of 29.16' to a rod; thence S 64 degrees 21' 49" E a distance of 125.00' to a rod; thence S 25 degrees 38' 11" W a distance of 30.00' to a rod; thence N 64 degrees 21' 49" W a distance of 32.00' to a rod; thence S 25 degrees 38' 11" W a distance of 10.22' to a rod; thence N 64 degrees 21' 49" W a distance of 30.00' to a rod; thence S 25 degrees 40' 17" W a distance of 31.48' to a rod; thence N 65 degrees 01' 29" W a distance of 198.11' to a spike found, being the point and place of beginning, containing 0.2905 acre, more or less, all in Crozet, White Hall District of Albemarle County, Virginia, further described as Parcel 62, as shown on plat of

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Lease Agreement

survey made by Harvey L. Parks, Inc., dated March 15, 1989, recorded in Deed Book 1086, page 507.

TOGETHER WITH a non-exclusive easement, with maintenance agreement, 10 feet in width for vehicular and pedestrian traffic, parking and ingress and egress from State Route 240, recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia, in Deed Book 779, page 239.

BEING the same real estate conveyed to Central Virginia Health Facilities, Inc., a Virginia corporation, by deed of exchange from Julia Sharp Vergara, divorced, dated January 4, 1979, recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia, in Deed Book 664, page 615, and a portion conveyed to Central Virginia Health Facilities, Inc., recorded in Deed Book 655, page 191. By Consent of Shareholder, dated June 29, 1979; Plan of Merger of Central Virginia Health Facilities, Inc., with and into United Service Industries, Inc., dated June 30, 1979; and by Certificate of Merger issued by the Commonwealth of Virginia State Corporation Commission on February 10, 1984, United Service Industries, Inc., a Virginia corporation merged into National Health Care Affiliates, Inc., a Florida corporation, thereby vesting fee simple title in the name of National Health Care Affiliates, Inc., a Florida corporation.

PARCEL THREE:

ALL that certain lot of land situated in Albemarle County, Virginia, in Crozet, fronting on State Route 240 parallel to the C & O Railroad and bounded on the south by the land owned by the Industrial Development Authority of Albemarle County and on the west by High Street, on the east by State Route 240 and on the north by the C & O Railroad.

BEING a portion of the same property conveyed to The Miller Manual School of Albemarle by the following deeds from:

(i) Abraham Wayland and Martha T. Wayland, dated September 10, 1894, recorded in the Clerk's Office, Circuit Court, Albemarle County, Virginia, in Deed Book 102, page 231; and

(ii) R.T.W. Duke, Commissioner of Circuit Court of Albemarle County, dated May 25, 1887, recorded June 13, 1887, in the Clerk's Office, Circuit Court, Albemarle County, Virginia, in

Deed Book 88, page 103.

Leased to National Health Care Affiliates by instrument dated January 1, 1979, recorded in Deed Book 786, page 655.

Lease Agreement

PARCEL FOUR:

ALL that certain lot, piece or parcel of land, with all improvements thereon and appurtenances thereto belonging, lying and being in White Hill District of Albemarle County, Virginia, containing 0.3927 acre according to plat entitled "Plat Showing 0.3927 Acre Of Land With Improvements Shown Situated On The Eastern Line Of High Street, Lying in Crozet, White Hill District of Albemarle County, Virginia", made by Harvey L. Parks, Inc., dated March 15, 1989, recorded in the Clerk's Office of the Circuit Court of Albemarle County, Virginia, in Deed Book 1086, page 506.

BEGINNING at a rod found at the intersection of southern line of High Street and the northern property line of Stanley P. Wilcox (Parcel 56) and running from said rod in a northerly direction along the southern line of High Street N 32 degrees 06' 32" E a distance of 60.15' to a spike; thence S 57 degrees 40' 33" E a distance of 102.86' to a rod; thence S 32 degrees 21' 53" W a distance of 48.93' to a P.K. set; thence S 57 degrees 38' 07" E a distance of 109.00' to a



P.K. set; thence N 32 degrees 21' 53" E a distance of 49.01' to a rod; thence S 57 degrees 40' 33" E a distance of 162.60 feet to a P.K. set on the northern line of State Route No. 240; thence along the northern line of State Route No. 240 S 34 degrees 00' W a distance of 60.33' to a P.K. set; thence N 57 degrees 34' 43" W a distance of 215.56' to a spike set; thence N 57 degrees 44' 44" W a distance of 156.91' to a rod found, being the point and place of beginning, containing 0.3927 acre, more or less, all in Crozet, White Hall District of Albemarle County, Virginia, as shown on plat of survey made by Harvey L. Parks, Inc., dated March 15, 1989, recorded in Deed Book 1086, page 506.

TOGETHER WITH the right of way of ingress and egress over 10-foot strip as described in deed recorded in Deed Book 170, page 370, which strip adjoins the lot hereby conveyed on its southern boundary by instrument recorded in the Clerk's Office, Circuit Court, Albemarle County, Virginia, in Deed Book 695, page 232.

TOGETHER WITH perpetual non-exclusive easement, with maintenance agreement, for vehicular and pedestrian traffic, parking and ingress and egress as recorded in the Clerk's Office, Circuit Court, Albemarle County, Virginia, in Deed Book 695, page 237.

TOGETHER WITH a non-exclusive easement, with maintenance agreement, 10-feet in width for vehicular and pedestrian traffic, parking and ingress and egress from State Route 240 recorded in the Clerk's Office, Circuit Court, Albemarle County, Virginia, in

Deed Book 779, page 239.

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#### Lease Agreement

BEING a part of the same real estate conveyed to United Service Industries, Inc., by the following deeds from:

(i) Virginia National Bank, a national banking association, dated April 25, 1983, recorded June 15, 1983, in the Clerk's Office, Circuit Court, Albemarle County, Virginia, in Deed Book 766, page 29; and

(ii) Central Fidelity Bank Charlottesville, a Virginia corporation, dated June 13, 1980, recorded June 20, 1980, in the aforesaid Clerk's Office, in Deed Book 695, page 232.

By Certificate of Merger issued by the Commonwealth of Virginia State Corporation Commission on February 10, 1984, United Service Industries, Inc., a Virginia corporation merged into National Health Care Affiliates, Inc., a Florida corporation, thereby vesting fee simple title in the name of National Health Care Affiliates, Inc.

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#### Lease Agreement

Woodmont

#### Legal Description

All that certain tract or parcel of land, situate lying and being in Falmouth District, Stafford County, Virginia, containing 8.770 acres, as shown on plat of survey shown as Parcels 1 and 2 on plat of survey made by Potts, Minter & Associates, P.C., dated May 31, 1996, and further described as:

Beginning at a point on the southern line of State Route 607, and from said point and place of beginning along a curve to the right with a radius of 2754.87 feet and an arc length of 214.97 feet, having a chord bearing South 46(degree)27'37" West and a distance of 214.92 feet to a point; thence along a

curve to the right with a radius of 2277.50 feet, an arc length of 429.29, a chord bearing South 54(degree)05'44" West, and a distance of 428.65 feet to a point; thence, North 30(degree)30'14" West 40.00 feet to a point; thence along a curve to the right with a radius of 2237.50 feet, an arc length of 668.34 feet, a chord bearing South 68(degree)03'11" West, and a distance of 665.86 feet to a point; thence, South 76(degree)36'37" West 218.25 feet to a point; thence North 13(degree)23'23" West 362.21 feet to a point; thence, north 66(degree)54'00" East 209.00 feet to a point; thence, South 23(degree)06'00" East, 55.00 feet to a point; thence, North 66(degree)54'00" East, 100.00 feet to a point; thence, North 23(degree)06'00" West, 55.00 feet to a point; thence, North 66(degree)54'00" East, 364.44 feet to a point; thence South 37(degree)25'55" East, 191.34 feet to a point; thence, along a curve to the left with a radius of 230.00 feet, and an arc length of 370.11 feet to a point; thence along a non-tangent curve to the left with a radius of 248.41 feet, an arc length of 83.65 feet, a chord bearing North 18(degree)37'39" East 83.27 feet to a point; thence, North 08(degree)58'45" East, 193.51 feet to a point; thence, along the centerline of the old Route 607 South 81(degree)01'15" East, 80.01 feet to a point; thence, continuing along said old Route 607 South 85(degree)03'45" East, 263.09 feet to a point and place of beginning 8.770 acres.

Parcel 1 is the same property conveyed to National Health Care Affiliates, Inc., by deed of Industrial Development Authority of Stafford County, Virginia, dated April 1, 1989, recorded in Deed Book 669, at Page 469, in the Clerk's Office of the Circuit Court of Stafford County, Virginia.

Parcel 2 is part of the same property conveyed to United Health Services, Incorporated, by deed from Woodmont, Incorporated, dated November 19, 1975, recorded in Deed Book 281, page 492 in the aforesaid Clerk's Office. By Articles of Amendment recorded in Deed Book 549, page 101, United Health Services, Incorporated

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#### Lease Agreement

changed their name to United Service Industries, Incorporated. By Articles of Merger recorded in Deed Book 458, page 158, United Service Industries, Inc. merged into National Health Care Affiliates, Inc.

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#### EXHIBIT A

#### TO

#### LEASE AGREEMENT

#### FORM OF LEASE SUPPLEMENT AND MEMORANDUM OF LEASE AND AGREEMENT

THIS LEASE SUPPLEMENT AND MEMORANDUM OF LEASE AND AGREEMENT dated \_\_\_\_\_, 19\_\_ (this "Lease Supplement") is between MELLON FINANCIAL SERVICES CORPORATION #4, as Lessor (the "Lessor"), and GENESIS ELDERCARE PROPERTIES, INC., a Pennsylvania corporation and a wholly-owned subsidiary of Genesis Health Ventures, Inc., as Lessee (the "Lessee");

#### W I T N E S S E T H:

WHEREAS, Lessee and Lessor have heretofore entered into that certain Amended and Restated Lease and Agreement dated as of October 7, 1996 (as amended, supplemented, or otherwise modified from time to time, the "Lease"). Unless otherwise defined herein, capitalized terms used herein shall have the meanings specified in the Lease; and

WHEREAS, the Lease provides for the execution and delivery of a Lease Supplement on each Site Acquisition Closing Date substantially in the form

hereof for the purpose of confirming the acceptance and lease of certain Site(s), specifying the Rent applicable to such Site(s) and setting forth certain other matters, all as required pursuant to the Lease;

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

1. Delivery and Acceptance. Lessor hereby delivers and leases to, and confirms delivery and lease to, Lessee, and Lessee hereby accepts delivery and leases, and confirms acceptance of delivery and lease, from Lessor, under the Lease as hereby supplemented, of the Site(s) listed on Schedule I hereto. The term "Site" includes, without limitation, all of the right, title and interest of Lessor

#### Lease Supplement

or Lessee in and to the following and any proceeds (including, without limitation, insurance and condemnation proceeds) thereof:

(A) the real property described in Schedule I attached hereto (the "Land"); all buildings, structures and other improvements now or in the future located on the Land (the "Improvements"; the Improvements and the Land are sometimes collectively referred to herein as the "Property");

(B) all the estate, right, title, claim or demand whatsoever of Lessor or Lessee, in possession or expectancy, in and to the Property or any part thereof;

(C) all right, title and interest of Lessor in and to all of the fixtures, furnishings and fittings of every kind and nature whatsoever, and all appurtenances and additions thereto and substitutions or replacements thereof (together with, in each case, attachments, components, parts and accessories) currently owned or subsequently acquired by the Mortgagor and now or subsequently attached to, or contained in or used or usable in any way in connection with any operation or letting of the Property (all of the foregoing in this paragraph (C) being referred to as the "Fixtures");

(D) all right, title and interest of Lessor or Lessee in and to all of the fixtures, chattels, business machines, machinery, apparatus, equipment, furnishings, fittings and articles of personal property of every kind and nature whatsoever, and all appurtenances and additions thereto and substitutions or replacements thereof (together with, in each case, attachments, components, parts and accessories) currently owned or subsequently acquired by Mortgagor and now or subsequently attached to, or contained in or used or usable in any way in connection with any operation or letting of the Property, including but without limiting the generality of the foregoing, all screens, awnings, shades, blinds, curtains, draperies, artwork, carpets, rugs, storm doors and windows, furniture and furnishings, heating, electrical, and mechanical equipment, lighting, switchboards, plumbing, ventilating, air conditioning and air-cooling apparatus, refrigerating, and incinerating equipment, escalators, refrigerators, elevators, loading and unloading equipment and systems, stoves, ranges, laundry equipment, cleaning systems (including window cleaning apparatus), telephones, communication systems (including satellite dishes and antennae), televisions, computers (excluding software), sprinkler systems and other fire prevention and extinguishing apparatus and materials, security systems, motors, engines, machinery, pipes, pumps,

#### Lease Supplement

tanks, conduits, appliances, fittings and fixtures of every kind and description (all of the foregoing in this paragraph (D) being referred to as the "Equipment");

(E) all right, title and interest of Lessor or Lessee in and to all substitutes and replacements of, and all additions and improvements to, the Improvements and the Fixtures and Equipment, subsequently acquired by Lessor or Lessee or constructed, assembled or placed by Lessor or Lessee on the Land, immediately upon such acquisition, release, construction, assembling or placement, including, without limitation, any and all building materials whether stored at the Property or offsite, and, in each such case, without any further lease, mortgage, conveyance, assignment or other act by Lessor or Lessee;

(F) all right, title and interest of Lessor or Lessee in, to and under all books and records relating to or used in connection with the operation of the Property or the Fixtures or any part thereof; and all general intangibles related to the operation of the Improvements now existing or hereafter arising; and

(G) all right, title and interest of Lessor or Lessee in and to (to the extent assignable) (i) all consents, licenses, building permits, certificates of occupancy and other governmental approvals relating to construction, completion, occupancy, use or operation of the Property or any part thereof and (ii) all plans and specifications relating to the Property.

2. Warranty. Lessee hereby represents and warrants that no event which would constitute a Casualty or an Event of Taking and no notice of such Casualty or Event of Taking has been given to Lessee or any of its Affiliates with respect to the Sites under the Lease has occurred with respect to the Sites set forth on Schedule I hereto as of the date hereof. Lessee hereby reaffirms each of the representations and warranties set forth at Section 4.1 of the Participation Agreement as if made on the date hereof, except to the extent any such representation and warranty relates to an earlier date, including the Sites set forth on Schedule I hereto are free and clear of all Liens other than Permitted Liens.

3. Term, Applicable Percentage. The term of this Lease Supplement shall commence on the date hereof and end on the Lease Termination Date. The Applicable Percentage on each Payment Date is set forth in the appropriate portion of Schedule II.

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4. Renewal Terms, Lessee's Cost and Estimated Sales Costs. With respect to the Sites covered by this Lease Supplement and subject to the consent of the Participants pursuant to Section 2.10 of the Participation Agreement, Lessee shall have a five-year renewal option to be exercised pursuant to Section 6.1 of the Lease. The estimated sales costs for the Sites are set forth in Schedule II attached hereto.

5. Confirmation. Lessee hereby confirms its agreement, in accordance with the Lease as supplemented by this Lease Supplement, to pay Rent to Agent, for the benefit of Lessor, for the Sites leased hereunder. Nothing herein shall reduce Lessee's obligation to make all other payments required under the Lease, including those payments to be made on the last day of the Lease Term pursuant to Article VI of the Lease.

6. Incorporation into Lease. This Lease Supplement shall be construed in connection with and as part of the Lease, and all terms, conditions and covenants contained in the Lease, as supplemented by this Lease Supplement, shall be and remain in full force and effect and shall govern the Sites described in Schedule I hereto.

7. References. Any and all notices, requests, certificates and other instruments executed and delivered concurrently with or after the execution and delivery of this Lease Supplement may refer to the "Lease Agreement, dated as of October 7, 1996", or may identify the Lease in any other respect without making specific reference to this Lease Supplement, but nevertheless all such references shall be deemed to include this Lease Supplement, unless the context shall otherwise require.

8. Recording. Lessor and Lessee agree that this Lease Supplement shall be recorded at Lessee's sole cost and expense as required under Section 21.19 of the Lease.

9. Counterparts. This Lease Supplement may be executed in any number of counterparts, each executed counterpart constituting an original but all together one and the same instrument.

10. Nature of Transaction. (A) IT IS THE INTENT OF THE PARTIES HERETO THAT: (i) THE TRANSACTION CONTEMPLATED HEREBY CONSTITUTES AN OPERATING LEASE FROM LESSOR TO LESSEE FOR PURPOSES OF LESSEE'S FINANCIAL REPORTING, (ii) THE TRANSACTION CONTEMPLATED HEREBY PRESERVES OWNERSHIP IN THE SITES TO LESSEE FOR PURPOSES OF FEDERAL AND STATE TAX AND

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BANKRUPTCY PURPOSES, (iii) LESSEE, PURSUANT TO THE LEASE, GRANTS A SECURITY INTEREST OR LIEN, AS THE CASE MAY BE, IN THE SITES AND THE OTHER COLLATERAL TO LESSOR, (iv) FOR PURPOSES OF FEDERAL AND STATE TAX AND BANKRUPTCY PURPOSES, THE PAYMENT BY LESSEE OF BASIC RENT SHALL BE TREATED AS PAYMENTS OF INTEREST, AND THE PAYMENT BY LESSEE OF ANY AMOUNTS IN RESPECT OF THE LEASE BALANCE SHALL BE TREATED AS REPAYMENTS OF PRINCIPAL, AND (v) THE MORTGAGE AND ASSIGNMENT OF LEASE CREATE A LIEN AND SECURITY INTEREST IN LESSOR'S INTEREST IN AND TO THE SITES, THE LEASE AND THE OTHER OPERATIVE DOCUMENTS, SUBJECT TO CERTAIN LIMITED EXCEPTIONS. NEVERTHELESS, LESSEE ACKNOWLEDGES AND AGREES THAT NONE OF LESSOR, AGENT OR ANY LENDER HAS PROVIDED OR WILL PROVIDE TAX, ACCOUNTING OR LEGAL ADVICE TO LESSEE REGARDING THE OVERALL TRANSACTION OR MADE ANY REPRESENTATIONS OR WARRANTIES CONCERNING THE TAX, ACCOUNTING OR LEGAL CHARACTERISTICS OF THE OPERATIVE DOCUMENTS AND THAT LESSEE HAS OBTAINED AND RELIED UPON SUCH TAX, ACCOUNTING AND LEGAL ADVICE CONCERNING THE OPERATIVE DOCUMENTS AS IT DEEMS APPROPRIATE.

(B) SPECIFICALLY, WITHOUT LIMITING THE GENERALITY OF SUBSECTION (A) OF THIS SECTION 10, BUT UNDERSTANDING THAT THE PARTIES' CHARACTERIZATION IS NOT THE SOLE DETERMINANT OF THE ISSUE, THE PARTIES HERETO INTEND AND AGREE THAT WITH RESPECT TO THE NATURE OF THE TRANSACTIONS EVIDENCED BY THIS LEASE IN THE CONTEXT OF THE EXERCISE OF REMEDIES UNDER THE OPERATIVE DOCUMENTS, RELATING TO AND ARISING OUT OF ANY INSOLVENCY OR RECEIVERSHIP PROCEEDINGS OR A PETITION UNDER THE UNITED STATES BANKRUPTCY LAWS OR ANY OTHER APPLICABLE INSOLVENCY LAWS OR STATUTE OF THE UNITED STATES OF AMERICA OR ANY STATE OR COMMONWEALTH THEREOF AFFECTING LESSEE, LESSOR OR ANY LENDER OR ANY ENFORCEMENT OR COLLECTION ACTIONS, THE TRANSACTIONS EVIDENCED BY THE OPERATIVE DOCUMENTS ARE LOANS MADE BY THE LESSOR AND THE LENDERS AS UNRELATED THIRD PARTY LENDERS TO LESSEE SECURED BY THE SITES.

11. Grant and Foreclosure on Lessee's Estate.<sup>1</sup> Lessee hereby grants to \_\_\_\_\_, as trustee (together with all successor trustees, the "Trustee") for the benefit of \_\_\_\_\_, IN TRUST, WITH POWER OF SALE, all of Lessee's right, title and interest in and to the Sites listed on Schedule I and, upon the occurrence of a Lease Event of Default, Lessor shall have the power and authority, after proper notice and lapse of such time as may be required by law, to cause Trustee to sell such Sites by

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1 To be conformed to requirements of local law for each state.

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notifying Trustee of that election and depositing with Trustee this instrument and receipts and evidence of expenditures made and secured hereby as Trustee may reasonably require. Upon receipt of any such notice from Lessor, Trustee shall cause to be recorded, published and delivered to Lessee such Notice of Default and Election to Sell as is then required by applicable statutory authority and by this instrument, which notice shall set forth, among other things, the nature of the breach(es) or default(s), the action(s) required to effect a cure thereof and the time period within which that cure may be effected. If no cure is effected within the statutory time limits following recordation of the Notice of Default and Election to Sell and after Notice of Sale has been given as required by the above-referenced statutes, Trustee may without further notice or demand sell and convey the Sites in accordance with the above-referenced statutes. The Sites may be sold as a whole or in separate lots, parcels or items and in such order as Lessor may direct, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale. Lessor may purchase all or any part of the Sites at such sale. Lessee acknowledges that sales for cash or on credit to a wholesaler, retailer or user of the Sites, at a public or private auction, are all commercially reasonable. Trustee shall deliver to such purchaser(s) a good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty express or implied. The recitals in such deed of any matter or fact shall be conclusive proof of the truthfulness thereof. Any Person, including Lessee, Trustee or Lessor, may purchase at any sale. After deducting all costs, fees and expenses of Lessor and Trustee, including costs of evidence of title in connection with any sale, Lessor shall apply the proceeds of sale, in the following order of priority, to payment of the following (collectively, the "Obligations"): (i) first, all amounts expended by or for the account of Lessor under the terms hereof and not then repaid, with accrued interest at the Overdue Rate; and (ii) second, all other amounts then due and owing hereunder including, without limitation, all Accrued Variable Rent, Supplemental Rent, the full amount of the Lease Balance as of the date of sale as if this Lease had been terminated with respect to all of the Sites then subject to this Lease under Section 6.3, and all other amounts then payable by Lessee under this Lease and the other Operative Documents, with Lessor having the right to apply the proceeds of sale to the amounts described above in this clause (ii) in such order, proportion and priority as Lessor may elect in its sole and absolute discretion. To the extent permitted by applicable statutes, Trustee may postpone the sale of all or any portion of the Sites by

## Lease Supplement

public announcement at the time and place of sale, and from time to time thereafter may again postpone that sale by public announcement or subsequently noticed sale, and without further notice may make such sale at the time fixed at the last postponement or may, in its discretion, give a new notice of sale. A sale of less than all of the Sites or any defective or irregular sale made hereunder shall not exhaust the power of sale provided for herein, and subsequent sales may be made hereunder until all of the Obligations have been satisfied or the entire Sites sold, without defect or irregularity. No action of Lessor or Trustee based upon the provisions contained herein or contained in the applicable statutes, including, without limitation, the giving of the Notice of Default and Election to Sell or the Notice of Sale, shall constitute an election of remedies which would preclude

Lessor from pursuing judicial foreclosure before a completed sale pursuant to the power of sale contained herein. Lessor shall have the right, with the irrevocable consent of Lessee hereby given and evidenced by the execution of this instrument, to obtain appointment of a receiver by any court of competent jurisdiction without further notice to Lessee, which receiver shall be authorized and empowered to enter upon and take possession of the Sites, including all personal property constituting a permanent part of the Site and fixtures thereto used upon or in connection with the real property herein conveyed (and any other personal property constituting a part of the Site which Lessee acquired with the funds of Lessor or the Lenders), to let the Sites, to receive all the rents, issues and profits, if any, which may be due or become due in respect to the leasing of the Sites to another party and apply the rents after payment of all necessary charges and expenses to reduction of the Obligations in such order, proportion and priority as Lessor may elect. At the option of Lessor, the receiver shall accomplish entry and taking possession of the Sites by actual entry and possession or by notice to Lessee. The receiver so appointed by a court of competent jurisdiction shall be empowered to issue receiver's certificates for funds advanced by Lessor for the purpose of protecting the value of the Sites as security for the Obligations. The amounts evidenced by receiver's certificates shall bear interest at the Overdue Rate and may be added to the Obligations if Lessee or a junior lienholder purchases the Sites at the trustee's sale. Trustee or any successor acting hereunder may resign and thereupon be discharged of the trusts hereunder upon thirty (30) days' prior written notice to Lessor. Regardless of whether Trustee resigns, Lessor may, from time to time, substitute a successor or successors to any Trustee named herein or acting hereunder

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#### Lease Supplement

in accordance with any statutory procedure for such substitution; or if Lessor, in its sole and absolute discretion, so elects, and if permitted by law, Lessor may substitute such successors or successors by recording, in the office of the recorder of the county or counties where a Site is located, a document executed by Lessor and containing the name of the original Lessee and Lessor hereunder, the book and page where this instrument (or a memorandum hereof) is recorded (and/or instrument number, as applicable) and the name of the new Trustee, which instrument shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the predecessor Trustee, succeed to the rights, powers and duties hereunder. It is acknowledged that A POWER OF SALE HAS BEEN GRANTED IN THIS INSTRUMENT; A POWER OF SALE MAY ALLOW LESSOR TO TAKE THE SITES AND SELL THEM WITHOUT GOING TO COURT IN A FORECLOSURE ACTION UPON DEFAULT BY LESSEE UNDER THIS INSTRUMENT.

12. Governing Law. THIS LEASE SUPPLEMENT HAS BEEN DELIVERED IN, AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, EXCEPT THAT FORECLOSURE UPON THE SITES SUBJECT TO THIS LEASE SUPPLEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH THE SITE SUBJECT TO THIS LEASE SUPPLEMENT IS LOCATED.

[remainder of page intentionally left blank]

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#### Lease Supplement

IN WITNESS WHEREOF, Lessor and Lessee have caused this Lease Supplement to be duly executed and delivered on the day and year first above written.

MELLON FINANCIAL SERVICES

CORPORATION, as Lessor

By \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

Address:  
One Mellon Bank Center  
Rm 151-4444  
Pittsburgh, PA 15258-0001  
Attention: Leasing Group

GENESIS ELDERCARE PROPERTIES,  
INC., as Lessee

By \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

Address:  
148 West State Street  
Kennett Square, PA 19348  
Attn: George V. Hager, Jr.

[Conform execution and acknowledgments to applicable state requirements in state where applicable Site is located]

Lease Supplement

STATE OF \_\_\_\_\_ )  
 ) SS.:  
COUNTY OF \_\_\_\_\_ )

The foregoing Lease Supplement was acknowledged before me, the undersigned Notary Public, in the County of \_\_\_\_\_, State of \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of GENESIS ELDERCARE PROPERTIES, INC., a Pennsylvania corporation, on behalf of the corporation.

[Notarial Seal]

\_\_\_\_\_  
Notary Public

My commission expires: \_\_\_\_\_

[USE APPROPRIATE NOTARY FORMS FOR APPLICABLE STATE]

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Lease Supplement

STATE OF \_\_\_\_\_ )  
 ) SS.:  
COUNTY OF \_\_\_\_\_ )

The foregoing Lease Supplement was acknowledged before me, the undersigned Notary Public, in the County of \_\_\_\_\_, State of \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, by \_\_\_\_\_, as \_\_\_\_\_ of MELLON FINANCIAL SERVICES CORPORATION #4, on behalf of the Corporation.



Notary Public

My commission expires:\_\_\_\_\_

[USE APPROPRIATE NOTARY FORMS FOR APPLICABLE STATE]

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Lease Supplement

SCHEDULE I

TO

LEASE SUPPLEMENT

Sites

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Lease Supplement

SCHEDULE II

TO

LEASE SUPPLEMENT

Site	Applicable Percentage	Estimated Sales Costs	Principal Amortization Amount
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AMENDED AND RESTATED

PARTICIPATION AGREEMENT

Dated as of October 7, 1996

Among

GENESIS ELDERCARE PROPERTIES, INC.  
as Lessee,

MELLON FINANCIAL SERVICES CORPORATION #4,  
as Lessor

PERSONS NAMED ON SCHEDULE I,  
as Lenders,

and

MELLON BANK, N.A.  
not in its individual capacity except as expressly  
stated herein, but solely as Agent

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Note Indenture

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Memorandum of Lease and Agreement

EXHIBIT B-1	Guaranty of Lease
EXHIBIT B-2	Structural Guaranty
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EXHIBIT E-1	Form of Opinion of In-House Counsel to Lessee
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EXHIBIT E-3	Form of Local Counsel Opinion
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regarding "Senior Indebtedness"

EXHIBIT E-5	Form of Local Counsel Questionnaire
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EXHIBIT O	Form of Assignment and Assumption by Participant

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## Participation Agreement

### AMENDED AND RESTATED PARTICIPATION AGREEMENT

THIS AMENDED AND RESTATED PARTICIPATION AGREEMENT, dated as of October 7, 1996 (this "Agreement"), is among GENESIS ELDERCARE PROPERTIES, INC., as Lessee; MELLON FINANCIAL SERVICES CORPORATION #4, as Lessor; the Persons named on Schedule I hereto (together with their respective permitted successors, assigns and transferees), as Lenders; and MELLON BANK, N.A., a national banking association, not in its individual capacity except as expressly stated herein, but solely as Agent for Lessor and Lenders.

### W I T N E S S E T H:

WHEREAS, Lessee, Lessor, Lenders and Agent have entered into this Agreement for the purpose of providing financing for the acquisition of certain parcels of real property (each a "Land Interest") and the acquisition or construction of certain facilities currently located or to be constructed thereon (each, a "Facility");

WHEREAS, Land Interests on which a Facility has heretofore been constructed or will be constructed prior to acquisition thereof by Lessor are identified on Schedule III-A and Schedule III-B (each such Land Interest, together with such Facility, a "Developed Site"), and each Land Interest on which a Facility is to be constructed following the acquisition thereof (each such Land Interest, together with such Facility, an "Undeveloped Site") are identified on Schedule III-C or may be identified from time to time during the Construction Period (the Developed Sites and the Undeveloped Sites are referred to individually as a "Site" and collectively as the "Sites"); and

WHEREAS, (i) Lessor shall purchase the Developed Sites and the Land Interests relating to the Undeveloped Sites (other than the Non-Acquired Land Interests) from third party sellers, (ii) Lessor will ground lease from Lessee each Non-Acquired Land Interest, (iii) Lessee, as Construction Agent, shall construct Facilities on the Land Interests relating to the Undeveloped Sites and shall apply Advances from Lessor to pay the costs thereof, and (iv) Lessee shall lease the Sites from Lessor for the Lease Term pursuant to the Lease in the form of Exhibit A hereto; and

WHEREAS, Lessee shall sublease the Sites (other than the Sites located at Tierra Pines Health Care Center, Eagle Crest Nursing Center Atlantic and Woodlands) set forth on Schedule III-A to Subtenants pursuant to the Subleases

and may sublease any future Sites to Subtenants pursuant to the Subleases; and

WHEREAS, Lessor shall contribute a portion of the Total Costs through an equity investment in the Sites (the "Equity Amount"); and

WHEREAS, Lessor wishes to obtain, and the Lenders are willing to provide, financing (the "Financing") of the remaining portion of the Total Costs; and

WHEREAS, Lessee has heretofore caused the Guarantors to have executed and delivered the guaranties (the "Original Guaranties") in the forms of Exhibit B-1 and Exhibit B-2 attached hereto for the benefit of the Lessor, Lenders and Agent, which Guaranties have been joined in by NHCA as an additional Guarantor, and concurrently with the execution and delivery of this Agreement Lessee shall cause the Guarantors to execute and deliver confirmations of the Guaranties (the "Confirmations"; herein, the Original Guaranties, as joined in by NHCA and as confirmed by the Confirmations, are collectively called the "Guaranties") in the forms of Exhibit B-3 and Exhibit B-4 attached hereto from the Guarantors for the benefit of Lessor, Lenders and Agent; and

WHEREAS, to secure the Financing, Agent, on behalf of the Lenders, will

have the benefit of a Lien from Lessor on all of Lessor's right, title and interest in each Site and on substantially all of Lessor's rights against Lessee under the Lease with respect to each Site; and

WHEREAS, the parties have previously entered into that certain Participation Agreement dated July 24, 1996 (the "Original Participation Agreement") and that certain Lease and Agreement dated July 24, 1996 (the "Original Lease"), each of which the parties hereto desire to amend and restate as set forth below.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

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## ARTICLE I

### DEFINITIONS

This Agreement is an amendment and restatement of the Original Participation Agreement. Any obligations of the Lessee under the Original Participation Agreement accrued as of the date hereof shall continue in full force and effect hereunder.

Unless the context shall otherwise require, capitalized terms used and not defined herein shall have the meanings assigned thereto in Appendix 1 hereto for all purposes hereof.

## ARTICLE II

### EFFECTIVENESS; ACQUISITION AND LEASE; GENERAL PROVISIONS

SECTION 2.1. Effectiveness of Agreement. This Agreement shall become effective on the date (on or before October 24, 1996) on which all the conditions precedent thereto set forth in Appendix 2 hereto shall have been satisfied or waived by the applicable parties as set forth therein. As used herein, the term "Document Closing Date" shall mean October 7, 1996.

SECTION 2.2. Agreement to Acquire and Lease and Make Advances. As of the date hereof, Lessor and Lessee shall enter into (i) the Lease pursuant to which Lessor shall lease the Developed Sites to Lessee, and Lessor and Lessee shall enter into, and Lessee shall cause to be recorded, for each Developed Site upon acquisition and each Undeveloped Site upon acquisition of the related Land Interest the Lease Supplement, and (ii) the Construction Agency Agreement



pursuant to which Lessor shall appoint Lessee as construction agent to construct a Facility on each of the Undeveloped Sites on the terms and conditions herein and therein set forth. On each Advance Date, on the terms and conditions herein set forth, Lessor shall make an Advance for the purposes of (i) acquiring one or more Sites, (ii) funding a portion of the cost of constructing a Facility on an Undeveloped Site and/or (iii) funding a portion of the Transaction Costs allocable to a Site. The Developed Sites include, without limitation, the NHCA Sites acquired by Lessor pursuant to that certain Participation Agreement dated as of July 24, 1996 by and among Lessee, Lessor, Agent and the Lenders.

SECTION 2.3. Participation by Lenders. Subject to the terms and conditions of this Agreement and in reliance on the representations and warranties of each of the parties hereto contained herein or made pursuant

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hereto, on each Advance Date each Lender shall finance, in part, each Advance by Lessor by making a secured loan to Lessor (in accordance with Lessor's payment instructions set forth on Schedule II) in an amount in immediately available funds on such Advance Date equal to such Lender's Commitment Percentage of such Advance and in the aggregate not more than its Commitment as set forth on Schedule I hereto. Each loan shall be evidenced by one or more Notes issued to the Lender(s) under and repayable in accordance with the terms of the Loan Agreement (which shall be substantially in the form of Exhibit A thereto).

SECTION 2.4. Participation by Lessor. Subject to the terms and conditions of this Agreement and in reliance on the representations and warranties of each of the parties hereto contained herein or made pursuant hereto, on each Advance Date Lessor shall acquire an equity interest in the Overall Transaction by contributing an amount in immediately available funds on such Advance Date equal to Lessor's Commitment Percentage of the Advance being made on such Advance Date and in the aggregate not more than the Equity Amount. In consideration for its contribution of the Equity Amount Lessor shall be entitled to be paid the Yield on the Equity Amount on each Payment Date.

#### SECTION 2.5. Advance Dates.

(a) Notices and Closing. At least ten (10) Business Days (in the case of a Site Acquisition Date), or five (5) Business Days (in all other cases) prior to each Advance Date, Lessee (in its capacity as Construction Agent, in the case of clause (ii) below with respect to any Undeveloped Site, in the case of clause (iii) below and in the case of clause (vi) below if clause (ii) below shall be applicable to such Advance) or Agent shall deliver to the other and to the Participants an irrevocable written notice substantially in the form of Exhibit N (an "Advance Request"), setting forth:

(i) the proposed Advance Date;

(ii) in the case of an Advance to fund the cost of acquisition of any Site or Group, a statement that a Site or Group is to be acquired, together with a description of such Site or Group and the purchase price therefor, and in the case of any Undeveloped Site, (x) a statement setting forth the Construction Agent's reasonable estimate of the construction period for the construction of the Facility thereon and (y) a statement setting forth whether Lessee (in its capacity as

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Construction Agent) elects to pay interest and Yield allocable to such Site during the applicable Construction Period or elects to have such interest and Yield constitute Capitalized Interest and Capitalized Yield, respectively (which election shall be irrevocable for such Undeveloped Site and the applicable Construction Period therefor);

(iii) in the case of an Advance to fund any portion of the cost of constructing a Facility on an Undeveloped Site, a description of the work so funded, the identity of the provider thereof and the identity of the relevant Site;

(iv) in the case of an Advance to fund any Transaction Costs, a description of such Transaction Costs and a statement specifying the Site or Sites to which such Transaction Costs are allocable;

(v) in the case of an Advance for purposes other than those set forth in clause (iii) above (which shall be funded pursuant to Section 2.5(j)), wire transfer instructions for the disbursement of funds; and

(vi) except for any Advance Request solely for Construction Costs under Section 3.3, the information required by Section 7 of Exhibit N.

All documents and instruments required to be delivered on the Document Closing Date and each Site Acquisition Date pursuant to this Agreement shall be delivered at the offices of Mayer, Brown & Platt, 190 South LaSalle Street, Chicago, Illinois 60603-3441 or at such other location as Agent shall specify. All documents and instruments required to be delivered on any other Advance Date pursuant to this Agreement shall be delivered at the offices of Agent at Plymouth Meeting Executive Campus, 610 West Germantown Pike, Suite 200, Plymouth Meeting, PA 19462, Attention: Carol Paige. On the scheduled Advance Date, and subject to the terms and conditions of this Agreement, and upon receipt of funds by Lessor from the Lenders sufficient therefor, Lessor shall make the requested Advance.

(b) Commitment Limits. The aggregate amount disbursed by the Participants hereunder (including all Capitalized Interest and Capitalized

Yield) shall not exceed the aggregate Commitments. The aggregate amount disbursed by the Participants hereunder with respect to any Site or Facility shall not exceed the amount allocated to such Site and Facility on Schedule III-B or Schedule III-C, as applicable; provided, however, that the amount of the Commitment not allocated to either Developed Sites or Undeveloped Sites on

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Schedule III-B and Schedule III-C, respectively, shall be allocated to Sites upon the identification of each thereof in the following manner:

(i) Upon the identification by Lessee, as Construction Agent, of such an unidentified Developed Site or an unidentified Undeveloped Site, Lessee shall send a written notice of such identification to Agent, which identification shall include Lessee's allocation of the amount of the then unallocated Commitments to Schedule III-B (in the case of a Developed Site) or Schedule III-C (in the case of an Undeveloped Site);

(ii) The amount allocated to such Site shall be the least of (x) the amount set forth in Lessee's notice; (y) the Fair Market Sales Value of such Site (which, in the case of an Undeveloped Site, shall include the projected value thereof upon completion of the Facility thereon and the amount described in this clause (y) shall include the estimated amount of all Advances required to complete the construction of the Facility, in each case based upon the Plans and Specifications for such Facility) as established by the Appraisal with respect to such Site described in Section 3.2(n); and (z) the aggregate amount of the Commitments which has not then or theretofore been allocated to any other Site pursuant to this Section 2.5(b);

(iii) The amount allocated to any other unidentified Site shall be similarly allocated by operation of the provisions of this Section 2.5(b); and

(iv) Schedule III-B or Schedule III-C shall be deemed amended to include such Site and the amount of the allocation determined in accordance with clause (ii) of this Section 2.5(b).

For any Advance Request made by Lessee after the occurrence of a Lease Event of Default, Agent shall have the right, but shall not be obligated, to cancel such Advance Request prior to the honoring of such Advance Request.

(c) Appraised Value Limitations. In no event shall the aggregate amount disbursed by the Participants in respect of any Site exceed the appraised value of such Site as of the Site Acquisition Date set forth in the Appraisal thereof delivered pursuant to Section 3.2(n).

(d) Required Dates. There may not be more than one Advance Date in any calendar month (other than Advance Dates constituting Site Acquisition Dates), and each Advance Date specified in an Advance Request shall be the numerical day of the applicable calendar month which corresponds to the date of the initial Advance Date; provided, however, that if such numerically corresponding day is not a Business Day (or if such calendar month has no numerically corresponding day), the Advance Date shall be the next succeeding Business Day unless such day occurs in a different calendar month, in which case the Advance Date shall be the immediately preceding Business Day. Any provision in this Section 2.5(d) to the contrary notwithstanding, any Site Acquisition Date shall be a permitted Advance Date, but only in respect of the Advance attributable to the acquisition of the applicable Site.

(e) Obligations Several. The obligations of the parties hereto or elsewhere in the Operative Documents shall be several and not joint; and no party shall be liable or responsible for the acts or defaults of any other party hereunder or under any other Operative Document.

(f) Termination of Commitment. Notwithstanding anything in this Agreement to the contrary, no party hereto shall be obligated to make any fundings pursuant to this Agreement after 5:00 P.M., New York time, on October 24, 1996 (for the initial advance) and October 7, 1998 (for any subsequent advance), and no Advance Date may occur following such latter date.

(g) Failure of a Participant to Fund. If Agent determines that any Participant (a "Defaulting Participant") will not make available the amount (the "Defaulted Amount") which would constitute its portion of the Advance specified in an Advance Request, Agent shall promptly notify each other Participant (each, a "Non-Defaulting Participant") and specify the additional amounts required to be funded by each Non-Defaulting Participant. Each Non-Defaulting Participant, as soon as practical after receipt of notice but not before the Advance Date, shall transfer to Agent, in immediately available funds, its pro rata share of the Defaulted Amount, determined in the same proportion that such Non-Defaulting Participant's Commitment bears to the aggregate Commitments of all Non-Defaulting Participants; provided that such amount, together with all amounts previously funded by each Non-Defaulting Participant, shall not exceed the Non-Defaulting Participant's Commitment. If the Defaulted Amount cannot be fully funded by the Non-Defaulting Participants, Agent shall so notify the Non-Defaulting Participants and give to all Non-Defaulting

Participants the opportunity to increase their respective Commitments by notice in writing to Agent; provided that should the aggregate proposed increased

Commitments by one or more Non-Defaulting Participants exceed the Defaulted Amount, Agent shall increase the Commitments of the participating Non-Defaulting Participants on a pro-rata basis in accordance with the respective amounts by which such Non-Defaulting Participants have offered to participate, it being understood that in no event shall the aggregate amount funded by any Participant exceed the amount of such Participant's Commitment, after giving effect to any increase in such Commitment pursuant to this sentence.

In the event of any funding of all or a portion of the Defaulted Amount by the Non-Defaulting Participants, the following rules shall apply notwithstanding any other provision in any Operative Document:

- (i) The Commitment of the Defaulting Participant shall be decreased in an amount equal to the total aggregate increase, if any, in the Commitments of the Non-Defaulting Participants pursuant to this Section 2.5(g) and the Commitment Percentages of the Participants shall be revised accordingly;
- (ii) A Defaulting Participant shall be obligated to fund any Advances occurring after its default based upon its revised Commitment Percentage, if the Commitment Percentages are revised in accordance with the immediately preceding clause (i); and to the extent that the Commitment Percentage of any Defaulting Participant shall not be so revised, Agent may thereafter call upon such Defaulting Participant to fund a share of one or more future Advances in an amount greater than such Defaulting Participant's Commitment Percentage so that the aggregate amount disbursed by such Defaulting Participant shall equal (after giving effect to such Advance or Advances) its Commitment Percentage of the aggregate amount of all Advances then and theretofore made by all Participants;
- (iii) A Defaulting Participant shall not have the right to fund its Defaulted Amount without the written consent of Agent and Lessee and then only to the extent such Defaulted Amount has not been funded by the Non-Defaulting Participants in a manner

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that resulted in a decrease in the Defaulting Participant's Commitment Percentage;

- (iv) If and to the extent that the Defaulted Amount is

not funded by the Non-Defaulting Participants, Agent may delete funds from the Advance Request so that the total Advance specified in the Advance Request equals the aggregate revised fundings for the Advance Date;

- (v) The Defaulting Participant shall not be responsible for any consequential damages suffered by any Lessee or any of Lessee's Affiliates as a result of its failure to so fund; and
- (vi) Until the Defaulting Participant cures its default, the right of the Defaulting Participant to receive any payments made under the Notes or otherwise in accordance with the Operative Documents shall be subordinate in all respects to the right of the Non-Defaulting Participants to receive payments of amounts due under the Notes or otherwise in accordance with the Operative Documents, and no such payments shall be made to the Defaulting Participant until each Non-Defaulting Participant shall have received all such sums then due to it.

(h) Postponement of Advance Date. In the event that any Participant shall make the funding requested pursuant to any Advance Request and the relevant Advance Date shall not have occurred on the date specified in such Advance Request, Lessee (in its capacity as Construction Agent to the extent such Advance Request was made by Lessee in such capacity) shall pay Lessor damages equal to interest on the amount funded by each Participant at the Assumed Interest Rate for the period from the date of each such Participant's Advance to the date such Advance is returned to such Participant or such Advance Date shall have occurred, less any interest earned by Lessor (or Agent) on behalf of the Participants by investing such funded amounts (which damages Lessor will remit to the appropriate Participant(s)); provided that this provision shall not be construed to require Lessor (or Agent) to invest such funds in interest-bearing accounts. Such damages shall be due and payable by Lessee upon the occurrence of such postponed Advance Date and such payment shall be an additional condition precedent to such Advance Date; provided, however, that no additional Advance Request shall be required to be given if an Advance Date is postponed and thereafter timely consummated; and provided, that if such

Advance Date shall not have occurred by the third (3rd) Business Day following the funding by the Participants in respect thereof, then all such damages shall be due and payable on such date, and Lessor (or Agent on its behalf, as the case may be) shall refund to each Participant all amounts funded by such Participant

and all accrued interest allocable to such Participant.

(i) Notes; Notations. Upon the consummation of each Advance, each Lender may make a notation on the grid attached to such Lender's Note indicating the amount of the Loan advanced by such Lender on such Advance Date, and the Agent, on behalf of Lessor and the Lenders, shall make a notation on its records indicating the amount of the Loan advanced by each Lender and the portion of the Equity Amount so advanced by Lessor on such Advance Date. In addition, on each Payment Date during any Construction Period, with respect to the amount of Capitalized Interest and Capitalized Yield due for Advances made in connection with Undeveloped Sites, in the event an Advance Request is made to pay such Capitalized Interest and Capitalized Yield (it being understood that Lessor shall cause such Capitalized Interest and Capitalized Yield to be paid by operation of such Advance Request, if duly included in the Advance Request made by Lessee in its capacity as Construction Agent, or in lieu of including such payment in such Advance Request, Lessee in its capacity as Construction Agent may elect to pay such Capitalized Interest and Capitalized Yield from its own funds in order to avoid having Lessor default in the payment thereof and avoid having such amounts included in the Lease Balance; provided, however, that such election to include or exclude Capitalized Interest and Capitalized Yield in the Advance Request must be made as described in Section 2.5(a)) each Lender shall make a notation on the grid attached to such Lender's Note indicating the amount of Capitalized Interest on such Lender's Note during the Interest Period ending on such Payment Date (which Capitalized Interest shall thereby be added to the principal amount of such Note). Lessor shall make a notation on its records indicating the amount of Capitalized Yield on the Equity Amount during the Interest Period. Each Participant is hereby authorized to record the date and amount of each Advance made by such Participant, each continuation thereof, the date and amount of each payment or repayment of principal or Equity Amount thereof (as the case may be) and the length of each Interest Period with respect thereto, on the grid annexed to and constituting a part of each Note held by such Participant or the records of Agent, as applicable, and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded, provided, however that the failure to make any such recordation or any error in such recordation shall not affect the obligation of

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Lessor under any Note or the obligation of Lessee to pay Rent.

(j) Construction Advances. Lessor shall establish and maintain at Agent a deposit account in the name of the Construction Agent into which any Advances made in order to fund any portion of the cost of constructing a Facility on an Undeveloped Site shall be directly paid. So long as no Lease Event of Default exists Lessor shall grant Construction Agent a power of attorney to withdraw funds from such account for the performance of its agency duties under the Construction Agency Agreement.

(k) Initial Interest and Yield on Advances. Interest and Yield



on each Advance shall be determined by reference to the Prime Rate or LIBO Rate, whichever is applicable, for the period from the date of such Advance until the commencement of the next succeeding Interest Period.

SECTION 2.6. Facility Fee; Commitment Fee; Commitment Reduction. (a) On the Document Closing Date, Lessee shall pay to Agent, for the account of each Participant, a fully-earned, non-refundable Facility Fee. Lessee shall pay to Agent, for the account of each Participant, a fully-earned, non-refundable Commitment Fee (the "Commitment Fee") determined on an amount equal to the daily unused portion of the aggregate Commitments during the period (the "Commitment Period") commencing on the Document Closing Date and ending on the second anniversary of the Document Closing Date, calculated using a rate per annum (based on a year of 360 days and actual days elapsed) equal to the Commitment Fee Factor for such day, on the amount (not less than zero) equal to the amount by which

(i) the amount of such Participant's Commitment (after taking into account any reductions pursuant to Section 2.6(b) below) on such day, exceeds

(ii) the aggregate funded principal amount of such Participant's Loans or Equity Amount, as applicable.

As used herein, the "Commitment Fee Factor" for a given day shall be determined as set forth in Section 2.10 of the Credit Agreement. The Commitment Fee shall be due and payable for the preceding quarter (x) on each Regular Payment Date (as defined in the Credit Agreement) in the Commitment Period, (y) on the date, if any, of each reduction of the amount of the Commitment on the amount so reduced and (z) on the first Business Day after October 7, 1998. From time to time upon receipt, Agent will promptly deliver to the Participants their pro

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rata portions of such Facility Fee and Commitment Fee in accordance with their respective Commitments.

(b) At the option of Lessee, from time to time, exercisable by written notice to Lessor and Agent, Lessee may request Agent to reduce the aggregate unused portion of the Participants' Commitments and Agent shall notify the Participants of such request and the Participants shall each reduce the unused portion of their respective Commitments, subject to the following provisions:

- (i) Such notice from Lessee shall specify the aggregate amount of such reduction for all Participants, which amount shall be \$1,000,000 or an integral multiple thereof;
- (ii) Such notice shall specify the effective date of such reduction, such effective date to be a date not earlier than five Business Days after the date of such notice;



- (iii) The remaining unused portion of the Commitments, after giving effect to such reduction, shall be sufficient to fully fund the remaining acquisition and construction costs to be funded under this Agreement and the other Operative Documents, and Lessee shall so certify in such notice; and
- (iv) Any reduction of the unused portions of Commitments shall be made pro rata among the Participants based upon the respective amounts of the Commitments.

SECTION 2.7. Payments to Participants. The parties to this Agreement hereby agree that any payment required to be made by Lessee to Lessor or any of the Lenders, or by Lessor to Lenders out of amounts paid by Lessee to Lessor, pursuant to any Operative Document may be made directly to Agent on behalf of the applicable Participants by Lessee in lieu of the corresponding payment required to be made by Lessee to such Participants, or by Lessor to Lenders out of amounts payable by Lessee to Lessor, pursuant to any Operating Document. Such payment by Lessee to Agent shall be deemed to constitute (a) the required payment from Lessee to Lessor or any other applicable Participant and (b) the corresponding payment by Lessor to the Lenders. Agent shall promptly (and in any case, within one Business Day) remit to each of the Participants its respective share of any such amounts.

SECTION 2.8. Nature of Transaction. (a) It is the intent of the parties hereto that: (i) the transaction contemplated hereby constitutes an

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operating lease from Lessor to Lessee for purposes of Lessee's financial reporting, (ii) the transaction contemplated hereby preserves ownership in the Sites to Lessee for purposes of Federal and state tax and bankruptcy purposes, (iii) Lessee, pursuant to the Lease, grants a security interest or lien, as the case may be, in the Sites and the other Collateral to Lessor, (iv) for purposes of Federal and state tax and bankruptcy purposes, the payment by Lessee of the portions of Basic Rent described in clauses (i) and (ii) of the definition thereof shall be treated as payments of interest, and the payment by Lessee of the portions of Basic Rent described in clause (iii) of the definition thereof and any other amounts in respect of the Lease Balance shall be treated as repayments of principal, and (v) the Mortgage and Assignment of Lease create a lien and security interest in the Collateral, subject to certain limited exceptions. Nevertheless, Lessee acknowledges and agrees that none of Lessor, Agent or any Lender has provided or will provide tax, accounting, health care regulatory or legal advice to Lessee regarding the Overall Transaction or made any representations or warranties concerning the tax, accounting, regulatory or legal characteristics of the Operative Documents and that Lessee has obtained and relied upon such tax, accounting, regulatory and legal advice concerning the Operative Documents as it deems appropriate.

(b) Specifically, without limiting the generality of subsection (a) of this Section 2.8, but understanding that the parties' characterization is not the sole determinant of the issue, the parties hereto intend and agree that with respect to the nature of the transactions evidenced by the Lease in the context of the exercise of remedies under the Operative Documents, relating to and arising out of any insolvency or receivership proceedings or a petition under the United States bankruptcy laws or any other applicable insolvency laws or statute of the United States of America or any State or Commonwealth thereof affecting Lessee, Lessor or any Lender or any enforcement or collection actions, the transactions evidenced by the Operative Documents are loans made by the Lenders as unrelated third party lenders to Lessee secured by the Sites.

SECTION 2.9. Computations. For all purposes under the Operative Documents, all computations of interest, Yield, Facility Fee, Commitment Fees and other accrued amounts (including the Overdue Rate) shall be made on the basis of actual number of days elapsed in a 360-day year (or in the case of calculations based upon the Prime Rate, on the basis of actual number of days elapsed in a 365 (366) day year), except as otherwise specifically provided in any Operative Document.

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SECTION 2.10. Renewal Term.

(a) Lessee's Renewal Request. Pursuant to Section 6.1 of the Lease, so long as no Lease Payment/Bankruptcy Default or Lease Event of Default shall have occurred and be continuing at the time Lessee delivers the Renewal Request and at the commencement of the Renewal Term, Lessee may request that Agent, Lessor and the Lenders extend the Lease and the Financing for the Renewal Term (such request by Lessee is herein called the "Renewal Request"). In the event Lessee makes such request, within thirty (30) days, Agent will prepare a proposal setting forth the terms and conditions upon which Lessor and each Lender may agree to extend the Lease for the Renewal Term, to present to Lessee, Lessor and each Lender. Within fifteen (15) days of its receipt of Agent's proposal, Lessee shall inform Agent in writing of whether Agent's proposal is acceptable to Lessee, such approval by Lessee being in Lessee's sole discretion. Failure of Lessee to inform Agent in writing of its approval or rejection within fifteen (15) days of its receipt of Agent's proposal shall be deemed to constitute Lessee's rejection thereof, in which event, Lessee's Renewal Request shall be deemed void and of no force or effect.

(b) Agent's Solicitation of Lessor and Lenders. If Lessee shall approve of Agent's proposal in writing, Agent shall solicit approval from each of Lessor and the Lenders of such proposal; provided, that neither Lessor nor any Lender shall be required to approve a proposal submitted by Agent. Within thirty (30) days of solicitation by Agent, Lessor and each Lender shall indicate its approval or rejection of the proposal submitted by Agent, such approval by

Lessor and each Lender being in such party's sole discretion. Failure of Lessor or any Lender to indicate its approval or rejection within thirty (30) days of solicitation shall be deemed to constitute such party's rejection thereof. If Lessor or any Lender rejects (or is deemed to have rejected) Agent's proposal to extend the Lease and the Financing for the Renewal Term (such Lessor or Lender, in either case, is herein called a "Non-Renewing Participant"), then within five (5) Business Days after the expiration of the aforementioned 30-day period, Lessee shall be required to take one of the following actions:

- (i) Lessee may elect to cancel its Renewal Request, in which event, Lessee shall not have any right to extend the Lease and the Financing for the Renewal Term. Lessee shall make such election by written notice delivered to Agent not later than the end of such five (5) Business Day period. In the event that Lessee desires then to elect the Sale Option, Lessee shall make such election in

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its notice cancelling its Renewal Request delivered pursuant to the preceding sentence, and failing such election of the Sale Option, Lessee shall be deemed to have irrevocably waived such Sale Option and elected the Purchase Option.

- (ii) Lessee may elect to replace the Non-Renewing Participant with another Person which will constitute a replacement Lessor or Lender (a "Replacement Participant") upon expiration of the Basic Term, provided that Lessee certifies that the agreement between Lessee and the Replacement Participant to become a Replacement Participant is not based on terms more favorable to the Replacement Participant than terms available to the other Participants (except for Lessee's payment of the Replacement Participant's legal fees and expenses). Lessee shall make such election by written notice delivered to Agent not later than the end of such five (5) Business Day period, which notice shall identify the Replacement Participant. The date of expiration of the Basic Term shall be treated as the Final Maturity Date with respect to the Non-Renewing Participant, and on such date Lessee shall cause the Replacement Participant to purchase in immediately available funds all of the interest of the Non-Renewing Participant in the Sites or the Notes, as applicable, and the Operative Documents, for cash at a price equal to: (x) in the case of Lessor, the aggregate outstanding Equity Amount and accrued but unpaid Yield, plus all other amounts then due and owing to Lessor, or (y) in the case of a Lender, the aggregate outstanding amount of principal and accrued but unpaid interest then outstanding on the Notes then held by the Non-Renewing Participant, plus all other amounts then due and owing to such Non-Renewing Participant. Any such transfer of a

Non-Renewing Participant's interests shall comply with the provisions of Section 6.3 of this Agreement, except those provisions that require a Non-Renewing Participant to pay its own costs and expenses in connection with such transfer. If Lessee fails (for any reason, including a default by the Replacement Participant) to cause the Replacement Participant to pay any such amounts when due pursuant to the preceding sentence, the Lease shall not be renewed for the Renewal Term, Lessee shall not be entitled to the Renewal Term, and such date of expiration of the Basic Term shall be deemed the Final Maturity Date with respect to all Participants. Each Replacement Participant shall be subject to each of the terms and conditions of this Agreement

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and each of the other Operative Documents imposed upon Lenders (or upon Lessor in the case of a Replacement Participant for Lessor), and shall make the representations, warranties and covenants and perform its obligations required hereunder and thereunder. Specifically, without limitation, a Person shall not become a Replacement Participant unless Agent consents to the Replacement Participant (such consent not to be unreasonably withheld), the Non-Renewing Participant shall have been replaced under and in accordance with the Credit Agreement as well and Agent shall receive prior to such Person becoming a Replacement Participant the Non-Renewing Participant's written assignment and the Replacement Participant's written assumption of the Non-Renewing Participant's rights and obligations under the Operative Documents and the Credit Agreement, such assignment and assumption to be substantially in the form of Exhibit O hereto and to otherwise be in form and substance reasonably acceptable to Agent as it relates to this Agreement, and in form and substance required by the Credit Agreement as it relates thereto.

If Lessee shall fail to duly elect either of the options under clauses (i) and (ii) above within the applicable five (5) Business Day period, Lessee shall be deemed to have made its election under clause (i) above and shall be deemed to have elected the Purchase Option.

If at any time after Lessee shall have made a Renewal Request and prior to the commencement of the Renewal Term, a Lease Event of Default shall have occurred, then Lessee's rights under this Section 2.10 shall automatically terminate and Lessee shall not be entitled to the Renewal Term.

Any provision in this Section 2.10 to the contrary notwithstanding, in the event Lessee, Lessor and the renewing and replacement Lenders accept Agent's proposal to renew the Lease and the Financing for the Renewal Term, then all renewing and replacement Lenders must extend the Financing upon the same terms

and conditions; and if the foregoing condition shall not be satisfied, Lessee shall not be entitled to the Renewal Term.

Lessee hereby agrees to pay all reasonable costs and expenses (including reasonable legal fees and expenses) incurred by Agent, the then existing Participants (including any Non-Renewing Participants) and any Replacement Participants in connection with the provisions of this Section 2.10;

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provided, however, that Lessee shall not be responsible for any legal fees and expenses of more than two counsel for all of Agent and the Participants (including, without limitation, special Credit Agreement counsel) and any special local counsel required by Agent. Lessee shall not be responsible for the legal fees and expenses of other counsel for the Non-Renewing Participants and Replacement Participants unless Lessee and such parties mutually agree on the amount of such fees and expenses to be paid by Lessee.

SECTION 2.11. Highest Lawful Rate. It is the intention of the parties hereto to conform strictly to applicable usury laws and, anything herein to the contrary notwithstanding, the obligations of (a) Lessee to Lessor under this Agreement and the Lease, (b) Lessor to the Lenders under this Agreement, the Notes and the Loan Documents and (c) either Lessee or Lessor or any other party under any other Operative Document, shall be subject to the limitation that payments of interest or of other amounts constituting interest under Applicable Laws and Regulations shall not be required to the extent that receipt thereof would be in excess of the Highest Lawful Rate (as defined below), or otherwise contrary to provisions of law applicable to the recipient limiting rates of interest which may be charged or collected by the recipient. Accordingly, if the transactions or the amount paid or otherwise agreed to be paid for the use, forbearance or detention of money under this Agreement, the Lease, the Loan Documents and any other Operative Document would exceed the Highest Lawful Rate or otherwise be usurious under Applicable Laws and Regulations (including without limitation the federal and state laws of the United States of America, or of any other jurisdiction whose laws may be mandatorily applicable) with respect to the recipient of any such amount then, in that event, notwithstanding anything to the contrary in this Agreement, the Lease, the Loan Documents, or any other Operative Document, it is agreed as follows as to the recipient of any such amount:

(a) the provisions of this Section 2.11 shall govern and control over any other provision in this Agreement, the Lease, the Loan Documents, and any other Operative Document and each provision set forth therein is hereby so limited;

(b) the aggregate of all consideration which constitutes interest under Applicable Laws and Regulations that is contracted for, charged or received under this Agreement, the Lease, the Loan

Documents, or any other Operative Document shall under no circumstances exceed the maximum amount of interest allowed by Applicable Laws and

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Regulations of the Commonwealth of Pennsylvania, excluding any conflicts law (or, if and to the extent required by the Applicable Laws and Regulations of any state in which any Site is located, the Applicable Laws and Regulations of such state), it being the intention of the parties that the Applicable Laws and Regulations of the Commonwealth of Pennsylvania, excluding any conflicts laws, shall govern the determination of the Highest Lawful Rate (such maximum lawful interest rate, if any, with respect to such Lender herein called the "Highest Lawful Rate"), and all amounts owed under this Agreement, the Lease, the Loan Documents and any other Operative Document shall be held subject to reduction and (i) the amount of interest which would otherwise be payable to the recipient hereunder and under the Lease, the Loan Documents and any other Operative Document, shall be automatically reduced to the amount allowed under Applicable Laws and Regulations and (ii) any unearned interest paid in excess of the Highest Lawful Rate shall be credited to the payor by the recipient (or, if such consideration shall have been paid in full, refunded to the payee);

(c) all sums paid, or agreed to be paid for the use, forbearance and detention of the money under this Agreement, the Lease, the Loan Documents, or any other Operative Document shall, to the extent permitted by Applicable Laws and Regulations, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the actual rate of interest is uniform throughout the full term thereof;

(d) if at any time the interest, together with any other fees, late charges and other sums payable pursuant to or in connection with this Agreement, the Lease, the Loan Documents, and any other Operative Document executed in connection herewith or therewith, and deemed interest under Applicable Laws and Regulations, exceeds that amount which would have accrued at the Highest Lawful Rate, the amount of interest and any such fees, charges and sums to accrue to the recipient of such interest, fees, charges and sums pursuant to the Operative Documents shall be limited, notwithstanding anything to the contrary in the Operative Documents to that amount which would have accrued at the Highest Lawful Rate for the recipient, but any subsequent reductions, as applicable, shall not reduce the interest to accrue pursuant to the Operative Documents below the recipient's Highest Lawful Rate until the total amount of interest payable to the recipient (including all consideration which constitutes interest) equals the amount of interest

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which would have been payable to the recipient (including all consideration which constitutes interest), plus the amount of fees which would have been received but for the effect of this Section 2.11.

### ARTICLE III CONDITIONS TO ADVANCES AND COMPLETION

SECTION 3.1. Conditions to All Advances. The obligation of each Participant to perform its obligations on any Advance Date shall be subject to the fulfillment to the reasonable satisfaction of (including, with respect to writings, such writings being in form and substance reasonably satisfactory to Agent or, where expressly provided below, the Required Lenders), or the waiver in writing by, Agent (at the direction of Required Lenders) of the conditions precedent set forth in this Section 3.1 (in addition to the conditions precedent set forth in Section 3.2 or 3.3, as applicable) on or prior to such Advance Date (except that the obligation of any party hereto shall not be subject to such party's own performance or compliance):

(a) Advance Request. Lessee (as Lessee or as Construction Agent) shall have delivered an Advance Request conforming with the requirements of Section 2.5 in respect of the proposed Advance Date. For any Advance Request for the acquisition of any Site or Group (other than an Advance Request for an Undeveloped Site), the amount of such Advance shall not be less than \$3,000,000; and for any Advance Request for the acquisition of any Undeveloped Site or for construction costs, the aggregate amount of all Advances and expected Advances for the acquisition of such Undeveloped Site and construction of the related Facility shall not be less than \$5,000,000.

(b) Performance. Each party to any Operative Document shall have performed and complied with all agreements and conditions contained herein and in any other Operative Document to which it is a party required to be performed or complied with by it on or prior to such Advance Date. Without limiting the foregoing, each Participant shall have funded the full amount to be funded by such Participant on such Advance Date, as described in Article II.

(c) Consents and Approvals. All material Governmental Actions and other approvals and consents required to be taken, given or obtained, as the case may be, by or from any Authority or another Person, or by or from any trustee or holder of any Indebtedness or obligation of Lessee, that are necessary or, in the reasonable opinion of Agent or counsel to Agent, advisable

in connection with the execution, delivery and performance of the Operative Documents by all other parties hereto, shall have been taken, given or obtained as the case may be (subject to the provision of Section 4.1(o) that no required building or use related permit, approval or consent material to the use and

operation of any Site need be obtained prior to the date on which such permit, approval or consent is or becomes necessary), shall be in full force and effect and the time for appeal with respect to any thereof shall have expired (or, if an appeal shall have been taken, the same shall have been dismissed) and shall not be subject to any pending proceedings or appeals (administrative, judicial or otherwise).

(d) Representations and Warranties True; Absence of Defaults and Material Adverse Effect. Each representation and warranty of Lessee contained herein or in any other Operative Document shall be true and correct in all material respects as though made on and as of such Advance Date, except that any such representation or warranty which is expressly made only as of a specified date need be true only as of such date. No material Lease Default and no Lease Event of Default shall have occurred and be continuing. Since the Document Closing Date, no Material Adverse Effect shall have occurred.

(e) [INTENTIONALLY OMITTED.]

(f) Officer's Certificate of Lessor. On each Advance Date, Agent shall have received, with sufficient counterpart originals for Agent to distribute to all Participants, an Officer's Certificate of Lessor, dated such Advance Date, stating that (A) each and every representation and warranty of Lessor contained in the Operative Documents to which it is a party is true and correct in all material respects on and as of such Advance Date as though made on and as of such Advance Date, except to the extent such representations and warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date, (B) it has duly performed and complied with all agreements and conditions herein and in any other Operative Document required to be performed or complied with by it on or prior to such Advance Date and (C) each Operative Document to which it is a party is in full force and effect with respect to it.

(g) Transaction Costs. Lessee shall have paid all Transaction Costs invoiced through such Advance Date to the parties to whom such Transaction Costs are payable (or shall have requested payment thereof pursuant to the

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Advance Request). Payments shall be made by wire transfer of immediately available funds, with such wire transfer being made to the account specified on Schedule II in the case of payments to any of the parties listed on Schedule II.

(h) Proceedings Satisfactory, Etc. All proceedings taken in connection with such Advance Date and all documents relating thereto shall be reasonably satisfactory to Agent and counsel to the Participants, and Agent and counsel to the Participants shall have received copies of such documents as Agent or such counsel may reasonably request in connection therewith (with sufficient copies for Agent to distribute to Lessor and all Participants), all



in form and substance reasonably satisfactory to Agent and such counsel.

(i) Taxes. All taxes, charges, fees and costs, if any, payable in connection with the execution, delivery, recording and filing of the Operative Documents and the transactions contemplated to be consummated on each Advance Date shall have been paid in full, or arrangements for such payment shall have been made to the satisfaction of Agent.

SECTION 3.2. Conditions to Acquisition or Ground Lease of Sites. The obligation of each Participant to perform its obligations on any date on which any Site or Group is to be acquired by Lessor and on the date on which any Non-Acquired Land Interest is to be ground leased to Lessor by Lessee or made subject to the Construction Agency Agreement (each, a "Site Acquisition Date") shall in each case be subject to the fulfillment to the reasonable satisfaction of (including, with respect to writings, such writings being in form and substance reasonably satisfactory to Agent or, where expressly provided below, the Required Lenders), or the waiver in writing by, Agent (at the direction of Required Lenders) of the conditions precedent set forth in this Section 3.2 (in addition to the conditions precedent set forth in Section 3.1) on or prior to such Advance Date (except that the obligation of any party hereto shall not be subject to such party's own performance or compliance):

(a) Filings and Recordings. All filings or recordings enumerated and described in Schedule 4.1B hereof, as well as all other filings and recordings necessary or advisable, including precautionary financing statements, in the opinion of Agent or counsel to Agent, to perfect the rights, titles and interests of Lessor, the Lenders and Agent intended to be created by the Operative Documents shall have been made, or shall have been arranged to be made promptly thereafter, in the appropriate places

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or offices, including any recordings and filings necessary to create, perfect, preserve and protect (i) Lessor's interest in the Land Interests, the Facilities and any other property and interests included in the Collateral and the Participants' and Agent's rights under the Operative Documents and (ii) a first mortgage lien on all Land Interests and Facilities included in the Collateral, subject in both cases, to Permitted Exceptions and the rights of Lessee under the Lease. All recording and filing fees and taxes with respect to any recordings or filings made pursuant to this Section 3.1(a) shall have been paid in full, and reasonably satisfactory evidence thereof shall have been delivered to Agent, or arrangements for such payment shall have been made to the satisfaction of Agent. Notwithstanding anything to the contrary contained in this Section 3.1(a), if, as a result of a state's law, significant mortgage or intangible taxes are payable upon recordation, at the request of Lessee, Lessor and Agent will endeavor to minimize the taxes paid in connection with this transaction and will cooperate with Lessee in realizing an alternative approach acceptable to Agent based on the advice of local counsel, that will minimize taxes payable while at the same time not adversely affecting the Lessor, the

Agent or the Lenders.

(b) Opinions of Counsel; Local Counsel Questionnaires. Agent has received, with sufficient counterpart originals for Agent to distribute to Lessor and each Participant, opinions of counsel addressed to Agent, Lessor, and the Lenders substantially in the forms of Exhibits E-1, E-2, E-3 and E-4 with respect to the Operative Documents executed and delivered in connection with such Advance Date and the perfection and validity of the Participants' security interests in the Land Interest being purchased on such Advance Date and the Facility thereon (or to be constructed thereon), with such qualifications and limitations as are acceptable to Agent and counsel to the Participants, and the responses of local counsel to the local counsel questionnaire set forth as Exhibit E-5. Each local counsel shall be subject to the prior approval of Agent not to be unreasonably withheld.

(c) Survey. Lessee shall have delivered, or shall have caused to be delivered, to Agent, with sufficient counterpart originals for Agent to distribute to each Participant, and counsel to the Participants an ALTA survey of the Site in a form satisfactory to the Title Insurance Company and showing no state of facts unsatisfactory (in the reasonable exercise of its judgment) to Agent and counsel to the Participants, which survey shall be certified to Lessor and Agent.

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(d) Title Insurance. Lessor shall have received from the Title Insurance Company its ALTA 1992 (or, with respect to any Site located in the State of Texas, TLTA) owner's policy of title insurance, reasonably acceptable in form and substance to Agent (the "Lessor's Policy") (or a final hand-marked original thereof signed by the Title Insurance Company containing all of the provisions to be included in such policy by the Title Insurance Company, in which case Lessor shall receive a clean, final original of such policy within thirty (30) days), insuring that Lessor has good and marketable title to (or, in the case of any Non-Acquired Land Interest, a good and marketable ground leasehold estate in) the Land Interest being purchased by (or ground leased to, as the case may be) Lessor on such Advance Date, subject to the Lease and such other exceptions to title as are reasonably acceptable to Agent, together with complete, legible copies of all encumbrances, maps and surveys of record. Agent, for the benefit of the Lenders shall have received from the Title Insurance Company its ALTA 1992 form of loan policy of title insurance (the "Loan Policy"; together with the Lessor's Policy, the "Title Policies"), reasonably acceptable in form and substance to Agent and the counsel for the Lenders, insuring the creation under the Mortgage in favor of Agent and the Lease in favor of Lessor of a valid first priority mortgage lien against the Land Interest (or, in the case of a Non-Acquired Land Interest, against Lessor's ground leasehold estate in such Non-Acquired Land Interest), subject to such exceptions to title as are reasonably acceptable to Agent and the counsel for the Lenders, together with complete, legible copies of all encumbrances, maps and surveys of record. The Title Policies shall be dated as of the applicable Site Acquisition Date, shall

be in an amount equal to the Fair Market Sales Value of such Site as of the Site Acquisition Date (assuming in the case of an Undeveloped Site that the Facility had already been constructed thereon) and, to the extent permitted under Applicable Laws and Regulations and to the extent applicable to each type of policy, shall (x) contain affirmative endorsements as to mechanics' liens, usury, doing business, zoning (with express parking coverage), easements and rights-of-way, comprehensive coverage, encroachments, rights of access and survey matters, (y) delete the creditors' rights exclusion and the general exceptions to coverage, and (z) contain such other endorsements reasonably requested by Agent; provided in each case such endorsements are available at commercially reasonable rates.

(e) Environmental Audit. Not less than five (5) Business Days prior to such Site Acquisition Date, Agent shall have received an Environmental Audit for such Site, which shall be in form and substance acceptable to Agent, Lessor and the Required Lenders in their sole and absolute discretion.

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(f) Zoning. In the event that, with respect to a Developed Site, an ALTA 3.1 Zoning Endorsement (with express parking coverage), and with respect to an Undeveloped Site, an ALTA 3.0 Zoning Endorsement, was not obtained in connection with the Title Policies for such Site, Agent on behalf of the Participants shall receive a copy of the applicable zoning ordinance, special use permit or other Governmental Action covering the Site, and such evidence as Agent may reasonably require (including without limitation the written certification of Lessee's certified professional engineer or registered architect or any other person satisfactory to Agent or a zoning letter from the applicable Authority, in each case in form and substance reasonably satisfactory to Agent) that the zoning of the Site is satisfactory and compatible with the Facility located or to be constructed thereon.

(g) Purchase Agreement, Deed and Bill of Sale; Ground Lease. As to any Land Interest other than a Non-Acquired Land Interest, Agent shall have received (i) a fully executed Purchase Agreement regarding the acquisition of such Land Interest and the Facility, if any, or other improvements, if any, located on such Site, together with (x) an Officer's Certificate of Lessee to the effect that such Purchase Agreement is complete and includes all existing amendments, modifications and riders, and (y) a Purchase Agreement Assignment from Lessee to Lessor, (ii) a Deed conveying to Lessor such Land Interest and the Facility, if any, or other improvements, if any, located on such Site and (iii) a Bill of Sale conveying any portion of any such Facility or improvements which do not or may not constitute real estate under Applicable Law (provided that no Bill of Sale shall be required if the form of Deed used purports to convey title to the items which would otherwise be conveyed in the Bill of Sale and if such Deed is in fact sufficient under applicable law to convey title to such items). As to any Non-Acquired Land Interest, Agent shall have received a Ground Lease granting to Lessor a ground leasehold estate on such Non-Acquired Land Interest, duly executed and delivered by Lessee, as ground lessor, and

Lessor, as ground lessee.

(h) Lease Supplement. Agent shall have received, with sufficient counterpart originals for Agent to distribute to each Participant, original counterparts of the Lease Supplement executed by Lessee and Lessor with respect to such Site or Group; provided that only Agent shall receive and retain the one original thereof marked as the sole original counterpart for UCC purposes.

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(i) Mortgage. Agent shall have received a Mortgage duly executed by Lessor with respect to such Site.

(j) Supplement to Assignment of Lease. Agent shall have received a Supplement to the Assignment of Lease duly executed by Lessor with respect to such Site.

(k) Construction Agency Supplement. It shall be a condition to such Advance that the Construction Agency Agreement be in full force and effect and no Construction Agency Event of Default shall have occurred and be continuing. With respect to each Undeveloped Site to be acquired by Lessor on such Site Acquisition Date and with respect to each Non-Acquired Land Interest to be ground leased to Lessor on such Site Acquisition Date which relates to an Undeveloped Site, each Participant and Agent shall receive a Construction Agency Agreement Supplement with respect to the Facility to be constructed on such Site, fully executed by Lessee, as Construction Agent, and Lessor.

(l) Filings and Recordations. Agent shall have received evidence reasonably satisfactory to it that each of the Deed (except in the case of the Non-Acquired Land Interests), the Lease Supplement (if not excluded from recording requirements as provided herein), the Mortgage, the Assignment of Lease and the Supplement to Assignment of Lease delivered on any Site Acquisition Date and, with respect to the Non-Acquired Land Interests, the Ground Lease relating thereto shall have been or are being recorded with the appropriate Authorities in the order in which such documents are listed in this clause (except where recording has been waived in connection with Section 3.2(a)), and the UCC Financing Statements with respect to the Facility being acquired or constructed shall have been or are being filed with the appropriate Authorities.

(m) Insurance. Insurance complying with the provisions of Article XI of the Lease shall be in full force and effect as evidenced by certificates of insurance, broker's reports or insurance binders delivered to Lessor in form and substance reasonably satisfactory to Agent.

(n) Appraisal. Not less than ten (10) Business Days prior to such Site Acquisition Date, Agent shall have received and will deliver to each Participant an appraisal (the "Appraisal") which will establish (by the use of

appraisal methods satisfactory to Agent and Lessor) that, as of the date such Site becomes subject to the Lease, the Site (which, in the case of an Undeveloped Site, Fair Market Sales Value shall include the projected value thereof

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upon completion of the Facility thereon based upon the Plans and Specifications for such Facility) will have a Fair Market Sales Value of not less than the amount allocated to such Site on Schedule III-B or Schedule III-C or, in the case of any unidentified Site, the amount determined pursuant to Section 2.5(b). The Appraisal will also establish the Fair Market Sales Value of such Site as of the end of the Base Term, the Renewal Term and the Extended Renewal Term. The Appraisal will be prepared in accordance with the Financial Institutions Reform Recovery and Enforcement Act of 1989 and will be performed by an independent appraisal company chosen by Agent.

(o) FIRPTA Affidavit. Lessee shall have caused the seller of the Land Interest to be acquired on such Site Acquisition Date (or Lessee itself, as ground lessor, in the case of each Non-Acquired Land Interest) to deliver to Agent either (i) a FIRPTA Affidavit in customary form or (ii) in the case of a seller but not Lessee, if such seller is a "foreign person" as defined in Section 1445 of the Code, evidence that a portion of the sales price to be paid to such seller has been withheld, if so required, in accordance with the provisions of the Code and the Regulations.

(p) No Event of Loss, Condemnation or Event of Taking. No Event of Loss shall have occurred in respect of any Site to be acquired on the Site Acquisition Date. No action shall be pending or threatened by an Authority to initiate a Condemnation or an Event of Taking in respect of any Site to be acquired on the Site Acquisition Date.

(q) Appraised Value Limitation; 25% Test. The appraised value of the Land Interest of any Site or Group to be acquired shall not exceed twenty-five percent (25%) of the forecasted Fair Market Sales Value of such Site or Group (on an "as-built" basis, assuming the construction of a Facility on each Site and each Site included in a Group).

(r) Good Standing. Lessee shall have delivered to Agent a certificate issued by the office of the secretary of state of the jurisdiction in which any Land Interest to be acquired or Non-Acquired Land Interest to be ground leased is located indicating that Lessee is a foreign corporation (or Pennsylvania corporation, in the case of any Land Interest or Non-Acquired Land Interest located in Pennsylvania) in good standing under the laws of such jurisdiction.

(s) Outside Deadline. Notwithstanding anything to the contrary herein or in any other Operative Document, no Site Acquisition Date for any Site

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or Non-Acquired Land Interest shall occur after the earlier of (i) October 7, 1998 and (ii) in the case of an Undeveloped Site, a date which results in the period from such date to the second anniversary of the Document Closing Date being shorter than the construction period applicable to such Undeveloped Site as specified in the Advance Request for the acquisition of such Undeveloped Site in accordance with Section 2.5(a).

The Site Acquisition Date for the Sites set forth on Schedule I of the Lease (the "NHCA Sites") was July 24, 1996.

(t) Location of Site. In the event that the Site or Non-Acquired Land Interest shall be located in a state other than the state in which an existing Site or Non-Acquired Land Interest is located or the Commonwealth of Pennsylvania, Lessor and Agent shall have approved of the State for purposes of the acquisition of such Site or the ground leasing of such Non-Acquired Land Interest.

(u) Confirmation of Certain Operative Documents. As a condition to the earlier to occur of (i) the first advance after the date hereof to acquire any Site or Group or (ii) the entering into a ground lease by Lessor, Lessee shall deliver to Lessor and Agent such written confirmations of the Mortgages and the other documents set forth on Schedule 3.2(u) constituting Operative Documents under the Original Participation Agreement as Lessor and Agent shall reasonably request, together with such updates of counsel opinions (including local counsel opinions) and title insurance endorsements relating thereto as Lessor and Agent shall reasonably request (all in form and substance reasonably satisfactory to Lessor and Agent).

(v) Conditions to Initial Ground Lease. As a condition to the first ground lease to be entered into by Lessor, Lessee shall deliver to Lessor a form of ground lease in form and substance acceptable to Lessor and Agent, together with a written confirmation agreement among Lessee, Lessor and Agent confirming that such form of ground lease shall constitute the form of ground lease to be attached hereto as Exhibit M. In such case, all references thereafter to this Agreement shall be deemed to mean this Agreement together with such confirmation agreement and form of ground lease, whether or not such reference expressly so provides.

SECTION 3.3. Conditions Precedent to Advances for Construction Costs. The obligation of each Participant to perform its obligations on any Advance Date for the payment of costs of construction of a Facility shall be subject to

the fulfillment to the reasonable satisfaction of (including, with respect to writings, such writings being in form and substance reasonably satisfactory to Agent or, where expressly provided below, the Required Lenders), or the waiver



in writing by, Agent (at the direction of Required Lenders) of the conditions precedent set forth in this Section 3.3 (in addition to the conditions precedent set forth in Section 3.1 and 3.2, as applicable) on or prior to such Advance Date (except that the obligation of any party hereto shall not be subject to such party's own performance or compliance):

(a) Building Plans and Architect's Agreement; Assignment.

Agent shall have received, upon request, the first page of a copy of the Plans and Specifications signed, and all other pages thereof initialed by Lessee, as Construction Agent, and Construction Agent's general contractor (if any) and, if required by a Participant, a copy of Construction Agent's agreement with the Architect, if any. Prior to the first Advance under this Section 3.3 with respect to any Facility, Agent shall receive an assignment from Lessee in favor of Lessor of Lessee's interest, as Construction Agent, in the Plans and Specifications and the Architect's Agreement relating to such Facility, in the form required by the Construction Agency Agreement, and either (i) attached thereto is the Architect's written consent to such assignment, in the form required by the Construction Agency Agreement, or (ii) included in such assignment is a certification of Lessee that the applicable Architect's Agreement includes a provision in substance identical to such consent.

(b) Construction Contract; Assignment. Agent shall have

received, upon request, a copy of the general construction contract (if any) and a copy of each Major Construction Document entered into by Construction Agent or by Construction Agent's general contractor, as the case may be. Prior to the first Advance under this Section 3.3 with respect to any Facility, Agent shall receive an assignment from Lessee in favor of Lessor of the general construction contract (if any) relating to such Facility and the Permits related thereto, in the form required by the Construction Agency Agreement, and either (i) attached thereto is the contractor's written consent to such assignment, in the form required by the Construction Agency Agreement, or (ii) included in such assignment is a certification of Lessee that the applicable general construction contract includes a provision in substance identical to such consent.

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(c) Assurance of Completion. In the event that at any time or from time to time, there is unavailable sufficient unfunded Commitment allocated to such Site to fully pay for the completion of construction of such Facility, Lessee, as Construction Agent, shall contribute its own funds to pay costs of such construction prior to making any further request for any Advance to pay for such construction until the remaining unfunded Commitment allocated to such Site is sufficient to fully pay for the completion of such construction without further contributions from Lessee.

(d) Construction Progress Information. In the event that either (i) mechanics' liens (excluding Permitted Liens) with an aggregate amount claimed which equals or is greater than \$500,000 are filed against any Site or (ii) five (5) or more mechanics' liens (excluding Permitted Liens) are filed

against any Site, Lessee, as Construction Agent, shall promptly (and in any event not later than the delivery of the next following Advance Request) furnish to Agent, and shall thereafter continue to furnish to Agent as a condition to each Advance with respect to such Site, notice of the amount and nature of each such mechanics' lien claim and such additional details concerning construction of the Facility as Agent shall require, including (x) receipted invoices, bills of sale or unconditional partial releases of lien (on forms approved by the Participants) from each materials dealer, laborer and contractor employed by Construction Agent for all work completed or materials supplied through such date for which payment is being requested; and (y) receipted invoices, bills of sale or unconditional partial releases of lien (on forms approved by the Participants) from each materials dealer, laborer and subcontractor employed by parties other than Construction Agent for work completed or materials provided no more than 30 days prior to the Advance Date.

SECTION 3.4. Conditions to Substantial Completion. The Completion of any Facility shall be deemed to have occurred upon the satisfaction of the following conditions with respect to such Facility, and with respect to each Facility, Lessee shall provide the following to the satisfaction of (including, with respect to writings, such writings being in form and substance reasonably satisfactory to Agent or, where expressly provided below, the Required Lenders), or the waiver in writing by, Agent (at the direction of Required Lenders), within 60 days of substantial completion of such Facility and prior to the final Advance with respect to such Facility under Section 3.5:

(a) Architect's Certificate. Construction Agent shall have furnished to Agent, with sufficient counterpart originals for Agent to

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distribute to all Participants, a certificate of the Architect substantially in the form of Exhibit K (or such other form reasonably acceptable to Agent) dated at or about the Completion Date and stating that the Facility has been completed substantially in accordance with the Plans and Specifications and such Facility is ready for occupancy; (ii) such Facility, as so completed, complies in all material respects with all Applicable Laws and Regulations, and certifying that attached thereto is a true and correct copy of the "as-built" Plans and Specifications for such Facility (which may be in the form of the initial Plans and Specifications for such Facility, with all change orders attached), and (iii) all licenses, permits and approvals of any Authority affecting the Site, including a final, unconditional certificate of occupancy have been obtained from the necessary Authorities; provided, that the certificate of occupancy may be a temporary certificate of occupancy, in which event, Lessee, as Construction Agent, hereby covenants to (x) obtain a final, unconditional certificate of occupancy within sixty days after substantial completion of the applicable Facility and (y) promptly (and in any event prior to disbursement of the final Advance pursuant to Section 3.5 with respect to such Site) deliver to Agent a true, correct and complete copy of such final, unconditional certificate of occupancy, certified by Lessee, as Construction Agent.



(b) Construction Agent's Certificate; As-Built Survey; Title Insurance Endorsements. Construction Agent shall have furnished to Agent true, correct and complete copies, certified by the Construction Agent, of the following:

(i) an "as-built" ALTA survey of the Site, certified to Agent and Lessor, showing the location of the completed Facility, the location of all points of access to the Site and the location of all easements affecting the Site and certifying that there are no encroachments of the Facility onto any easements affecting the Site or onto any adjoining property and that all applicable setback requirements and other restrictions have been complied with;

(ii) a date-down endorsement, dated not earlier than the date of substantial completion of the Facilities, to the applicable Title Insurance Policy (or, if not available under the applicable state law, then such other evidence of the lack of recorded and unrecorded mechanics' liens affecting (or inchoate rights thereto which could affect) the Site as Agent may reasonably request); and

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(iii) in the event that the applicable Title Insurance Policy is required to include an ALTA 3.0 zoning endorsement pursuant to the provisions of Section 3.2(f), a ALTA 3.1 Zoning Endorsement (with express parking coverage).

(c) Construction Completion. The construction of the Facility shall have been completed substantially in accordance with the Plans and Specifications for such Facility and all Applicable Laws and Regulations, and such Facility shall be ready for occupancy and operation. All fixtures and other property contemplated under such Plans and Specifications to be incorporated into or installed in such Facility shall have been incorporated or installed free and clear of all Liens except for Permitted Liens and Liens in favor of Lessor or Agent.

(d) Lessee Certification. Lessee, as Construction Agent, shall have furnished Lessor and Agent with a certification of Lessee, as Construction Agent, to the effect that:

(i) The representations and warranties of Lessee with respect to such Site set forth in Section 4.1(i) are true and correct as of the Completion Date for such Facility in all material respects. All amounts owing to third parties for the construction of the Facility have been paid in full (other than contingent obligations for which Lessee, as Construction Agent, has made adequate reserves, including amounts funded to the Construction Agent pursuant to Section

(ii) No changes or modifications were made to the related Plans and Specifications after the related Site Acquisition Date that materially and adversely effect the value, utility or economic useful life of such Site.

(e) Searches. Agent shall have received a report, as of a current date, prepared by a search company reasonably satisfactory to Agent, of judgment liens, tax liens and Uniform Commercial Code filings with respect to Lessee and the Site filed of record with the applicable State filing offices in the jurisdiction where such Site is located and the State in which Lessee has its principal place of business.

SECTION 3.5. Conditions Precedent to Final Advances. The obligation of each Participant to perform its obligations on any Advance Date for the payment of the final disbursement of construction costs of a Facility (following the Completion of construction thereon and the expiration of the Construction Period with respect to such Facility) shall be subject to the satisfaction

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of (including, with respect to writings, such writings being in form and substance reasonably satisfactory to Agent or, where expressly provided below, the Required Lenders), or the waiver in writing by, Agent (at the direction of Required Lenders) of the conditions precedent set forth in this Section 3.5 (in addition to the conditions precedent set forth in Section 3.1, 3.2 and 3.3, as applicable) on or prior to such Advance Date (except that the obligation of any party hereto shall not be subject to such party's own performance or compliance):

(a) Funding of Punchlist Amount. Provided that no Lease Event of Default shall have occurred and be continuing, within thirty (30) days after Completion of a Facility and prior to the termination date of the Commitments as set forth in Section 2.5(f), Lessee, as Construction Agent, may request in writing that Lessor request that the Participants fund the remaining cost to complete all "punchlist" items for such Facility (the "Punchlist Amount"), in which event, Agent, on behalf of Lessor, shall make such request of the Participants. Such request by Lessee shall include Lessee's certification of the Punchlist Amount. In such event, the Participants shall make an Advance in an amount equal to the lesser of (x) the Punchlist Amount and (y) the remaining unfunded portion of the aggregate Commitments applicable to such Facility under Section 2.5(b). Any Advance made under this Section 3.5(a), not to exceed \$250,000, shall be paid to Construction Agent. The amount of any Advance so funded to Construction Agent shall be deemed advanced by the Participants hereunder and under the other Operative Documents as of the date so funded, and the Lease Balance shall be increased by such amount on the date so funded by the Participants. Lessee, as Construction Agent, shall cause all punchlist items to be completed within thirty (30) days after the expiration of the Construction

Period for such Facility. Advances so funded shall be used by Lessee, as Construction Agent, as needed, to fund the costs of construction of the Facility for which the Advance was made.

(b) Repayments of Unused Advances. In the event any portion of an Advance funded pursuant to Section 3.5(a) is not used by Lessee, as Construction Agent, to pay the costs of construction of the Facility in connection with which such Advance was made, then Lessee, as Construction Agent, shall have the obligation to cause any such excess funds to be remitted to Agent on the first Payment Date not less than one hundred twenty (120) days after the expiration of the Construction Period for such Facility, in which event, Lessor shall apply such amounts to repayment of the Notes and the Equity Amount pro rata, and the Lease Balance shall be adjusted accordingly.

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(c) Lessee Certification. Upon completion of the punchlist items for any Facility, Lessee, as Construction Agent, shall furnish Lessor and Agent with a certification of Lessee, as Construction Agent, to the effect that:

(i) The representations and warranties of Lessee with respect to the applicable Site set forth in Section 4.1(i) are true and correct as of the date of completion of all such punchlist items. All amounts owing to third parties for the construction of the Facility have been paid in full (other than contingent obligations for which Lessee has made adequate reserves).

(ii) No changes or modifications were made to the related Plans and Specifications after the date of the certification from Lessee specified in Section 3.4(d) that have had a Material Adverse Effect on the value, use or useful life of such Site.

#### ARTICLE IV REPRESENTATIONS AND WARRANTIES

SECTION 4.1. Representations and Warranties of Lessee. As of the date hereof, Lessee makes the representations and warranties set forth in this Section 4.1 to each of the other parties hereto.

(a) Due Organization, etc. Lessee is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and Lessee has full corporate power and authority to conduct its business as presently and presently proposed to be conducted, to own or hold under lease its properties, to enter into and perform its obligations under each of the Operative Documents to which it is or is to be a party and each other agreement, instrument and document to be executed and delivered by it on or before the Document Closing Date in connection with or as contemplated by each such Operative Document to which it is or is to be a party, and it is duly qualified as a foreign corporation authorized to do business and is in good standing in every jurisdiction in which its failure to be so qualified would have a Material Adverse Effect. Lessee is a single purpose

corporation wholly-owned by Genesis, the sole purpose of which is to enter into and perform its obligations under the transactions contemplated by the Operative Documents and hold its rights in and to the Sites.

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(b) Authorization; No Conflict. The execution and delivery by Lessee of each of the Operative Documents to which it is or is to be a party, and the performance by Lessee of its obligations under such Operative Documents, have been duly authorized by all necessary corporate action (including any necessary stockholder action) on its part, and do not and will not: (i) contravene any Applicable Laws and Regulations currently in effect applicable to or binding on it or the Sites; (ii) violate any provision of its charter or bylaws; (iii) result in a breach of or constitute a default under any indenture, loan or credit agreement, or any other agreement or instrument to which Lessee is a party or by which Lessee or its properties may be bound or affected, which breaches or defaults would have, individually or in the aggregate, a Material Adverse Effect; (iv) result in, or require, the creation or imposition of any Lien of any nature upon or with respect to any of the properties now owned or hereafter acquired by Lessee (other than the security interests created pursuant to the Operative Documents); or (v) require any Governmental Action by any Authority, except for (A) the filings and recordings listed on Schedule 4.1B to perfect the rights of Lessor, the Lenders and Agent intended to be created by the Operative Documents, and (B) those Governmental Actions required with respect to Lessee or any of its Affiliates listed on Schedule 4.1A, each of which have been duly effected and are, or on the initial Advance Date will be, in full force and effect; and Lessee is not in default under or in violation of its charter or bylaws. The Lease (including all amendments and supplements thereto including, without limitation, any amendments which may increase the amount of the lease financing facility) is a "Credit Facility" within the meaning of the 1995 Indenture, constitutes "Senior Indebtedness" within the meaning of the 1993 Indenture and, from and after the execution and delivery of the 1996 Indenture and the issuance of the notes thereunder, is or will constitute "Senior Indebtedness" within the meaning thereof, and attached as Schedule 4.1C are correct and complete computations demonstrating compliance by Genesis with Section 5.9 of the 1995 Indenture after giving effect as Indebtedness under such Indenture to the obligations of Lessee and Guarantors under or in connection with the Operative Documents.

(c) Enforceability, etc. Each Operative Document to which Lessee is or is to be a party constitutes the legal, valid and binding obligation of Lessee, enforceable against Lessee in accordance with the terms thereof, except as such enforceability may be limited by applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally and by general equitable principles.

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(d) Litigation. There is no action, proceeding or investigation pending or, to Lessee's knowledge, threatened which questions the validity of the Operative Documents to which Lessee is or is to be a party or any action taken or to be taken pursuant to the Operative Documents to which Lessee is or is to be a party, and there is no action, proceeding or investigation pending or, to Lessee's knowledge, threatened which, if adversely determined, would have a Material Adverse Effect.

(e) Taxes. Lessee has filed or caused to be filed all United States Federal and all other material tax returns that are required to be filed by Lessee, and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessment received by Lessee to the extent that such taxes have become due and payable except to the extent that taxes due, but unpaid, are being contested in good faith by Lessee by appropriate action or proceeding and, to the extent (if any) that such taxes are not due and payable, Lessee has established or caused to be established reserves that are adequate for the payment thereof in accordance with GAAP.

(f) Rights in Respect of the Sites. Lessee is not a party to any contract or agreement to sell any interest in the Sites or any part thereof other than pursuant to or in accordance with this Agreement and the Lease.

(g) No Lease Default, Loss, etc. As of each Advance Date: no Lease Default, Lease Event of Default, Event of Loss, Condemnation or Casualty has occurred and is continuing; there is no action pending or, to the best of Lessee's knowledge, threatened by an Authority to initiate a Condemnation; no condition exists that constitutes, or with the giving of notice or lapse of time or both would constitute an event of default by Lessee under any material indenture, mortgage, chattel mortgage, deed of trust, lease, conditional sales contract, loan or credit arrangement or other material agreement or instrument to which Lessee is a party or by which Lessee or any of its properties may be bound which individually or in the aggregate with all such events of default could have a Material Adverse Effect.

(h) Chief Executive Office of Lessee. The principal place of business and chief executive office, as such terms are used in Section 9-103(3) of the UCC, of Lessee are each located at 148 West State Street, Kennett Square, Pennsylvania 19348. Lessee does not do business in more than one county in the Commonwealth of Pennsylvania; provided, that if Lessee shall hereafter commence doing business in more than one county in the Commonwealth of Pennsylvania, it

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shall cause to be made all filings and recordings described in Section 3.2(a) in light of such change in Lessee's business.

(i) Compliance With Law. With respect to each Site for which a Facility has been completed or acquired, except as otherwise set forth in the Environmental Audit of such Site provided to Lessor and Agent pursuant to

Section 3.2(e) prior to Lessor's acquisition of such Site, (i) Lessee has at all times complied and is in material compliance with and will comply with all Applicable Laws and Regulations, including all Environmental Laws, (ii) each Site and the use thereof by Lessee and its agents, assignees, employees, invitees, lessees, licensees and tenants complies in all material respects with all Applicable Laws and Regulations (including all zoning and land use laws and Environmental Laws) and Insurance Requirements, except for any violations which would not have, individually or in the aggregate, a Material Adverse Effect on Lessee or any Site; and (iii) such Facility on such Site do not encroach in any material manner onto any adjoining land (except as permitted by express written easements or as insured by appropriate title insurance). With respect to each Site for which a Facility has not been completed, the related Plans and Specifications have been or will be prepared in accordance with Applicable Laws and Regulations (including applicable Environmental Laws and building, planning, zoning, subdivision and fire codes, laws, rules and regulations) and such Facility and the other improvements to be constructed on such Site will not, encroach in any manner onto any adjoining land (except as permitted by express written easements or as insured by appropriate title insurance). Except as otherwise set forth in the Environmental Audit of such Site, with respect to each Site, there are no underground storage tanks at such Site and Lessee shall not cause or permit any underground storage tanks to be constructed or located at any Site. Lessee will not direct Lessor to acquire any Site pursuant to Section 2.2 unless (x) such Site and operation and condition thereof shall comply with all Applicable Laws and Regulations, including all Environmental Laws, except for any violations which would not have, individually or in the aggregate, a Material Adverse Effect on Lessee or any Site, and (y) no condition regarding Hazardous Materials exists on or with respect to such Site except as otherwise set forth in the Environmental Audit of such Site.

(j) Investment Company Act. Lessee is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

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(k) Public Utility Holding Company. Lessee is not subject to regulation as a "holding company," an "affiliate" of a "holding company", or a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(l) Licenses, Registrations and Permits. Except as set forth on the Environmental Audit, all material licenses, approvals, authorizations, consents, permits (including building, demolition and environmental permits, licenses, approvals, authorizations and consents), easements and rights-of-way, including proof and dedication, (collectively, the "Permits") required for (x) the use, treatment, storage, transport, disposal or disposition of any Hazardous Material on, at, under or from each Site during the construction of the Facility thereon, (y) construction of each Facility in accordance with the related Plans and Specifications and the Construction Agency Agreement and (z) the use and



occupancy of the Sites and for the operation thereof (including a certificate or certificates of occupancy for such Site or other legally equivalent permission to occupy such Site) have either been obtained from the appropriate Authorities having jurisdiction or from private parties, as the case may be, or will be obtained from the appropriate Authorities having jurisdiction or from private parties, as the case may be, prior to commencing any such construction or use and operation, as applicable, except for those which will not cause a Material Adverse Effect. Lessee shall deliver to Agent, upon request, true, correct and complete copies of all Permits issued prior to the date that this representation is made or remade, as the case may be. Lessee, as Construction Agent, and its contractors have assigned to Lessor all of their respective interests in all such Permits, whether heretofore or hereafter issued.

(m) Nature, Condition and Use of Sites. Each Site to be acquired on a Site Acquisition Date consists of either a Land Interest on which a Facility exists on the Site Acquisition Date or a Land Interest on which a Facility will be constructed pursuant to the Construction Agency Agreement. Such Land Interest is located in the United States (but not in California). No notices, complaints or orders of violation or non-compliance or liability of any nature whatsoever have been issued or, to Lessee's knowledge, threatened by any Authority with respect to the Sites or any present or intended future use thereof, except for such violations and instances of non-compliance as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on any Site, and Lessee is not aware of any circumstances which could give rise to the issuance of any such notices, complaints or orders. Upon

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Completion of each Facility in accordance with the related Plans and Specifications or upon acquisition of each Facility on a Developed Site, (A) there will be no material defects to such Facility including the plumbing, heating, air conditioning and electrical systems thereof and (B) all water, sewer, electric, gas, telephone and drainage facilities required to adequately service such Facility for its intended use will be available pursuant to adequate permits (including any that may be required under applicable Environmental Laws).

(n) Utility Services. Each Site has available all material utilities necessary for use and operation of the Facility thereon for its primary intended purposes and means of access between such Facility and public highways for pedestrians and motor vehicles. All utilities serving each Site, or proposed to serve such Site in accordance with the related Plans and Specifications, are located in, and vehicular access to the Facility on such Site is provided by, either public rights-of-way abutting such Site or by Appurtenant Rights.

(o) Use and Operation of Sites. All material agreements, easements and other rights, public or private, which are necessary to permit the lawful use and operation of the Sites as Lessee intends to use the Sites under

the Lease and which are necessary to permit the lawful intended use and operation of all presently intended utilities, driveways, roads and other means of egress and ingress to and from the same (including certificates of occupancy) have been obtained and are in full force and effect (or with respect to Sites for which a Facility has not yet been completed will be obtained and be in full force and effect on or prior to the completion thereof) and Lessee has no actual knowledge of any pending modification or cancellation of any of the same; upon acquisition of a Site the use of such Site does not (and the intended use of such Site by Lessee under the Lease will not) depend on any variance, special exception or other approval, permit, license or consent of any Authority that has not been obtained for its continuing legal use; and all required building and use related permits, approvals, licenses and consents material to the construction, use and operation of each Site will have been issued and be in full force and effect on or prior to the date such permits, approvals, licenses and consents are or become necessary; and all utilities required for the operation of a Site, as Lessee intends to use such Site under the Lease, will be available as of the Site Acquisition Date on which a Developed Site is to be purchased or on or prior to the date the Facility on an Undeveloped Site is to be completed.

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(p) Securities Act. Neither Lessee nor anyone authorized to act on its behalf (including, without limitation, any of the Guarantors) has, directly or indirectly, in violation of Section 5 of the Securities Act or any state securities laws, offered or sold any interest in the Notes, the Sites or the Lease, or in any security or lease the offering of which, for purposes of the Securities Act or any state securities laws, would be deemed to be part of the same offering as the offering of the aforementioned securities or leases, or solicited any offer to acquire any of the aforementioned securities or leases.

(q) Title. Neither Lessee nor any of its Affiliates has taken or caused to be taken any action which would have a material adverse effect on Lessor's title to the Sites from that indicated in the Title Policies delivered pursuant to Appendix 2 or Section 3.2(d). Neither Lessee nor any of its Affiliates has created, consented to, incurred or suffered to exist any Lien upon any of the Sites other than Permitted Liens.

(r) Federal Reserve Regulations. Neither Lessee, whether as Lessee or as Construction Agent, nor any Affiliate of Lessee will, directly or indirectly, use any of the proceeds of the sale of the Notes or of the purchase by Lessor of the Sites for the purpose of purchasing or carrying any "margin security" or "margin stock" within the meaning of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System, respectively, or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry a margin security or margin stock or for any other purpose which might cause any of the transactions contemplated by this Agreement or any other Operative Document to constitute a "purpose credit" within the meaning of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System,



or for the purpose of purchasing or carrying any security, and neither Lessee, whether as Lessee or as Construction Agent, nor any Affiliate of Lessee has taken or will otherwise take or permit any action by Lessee, whether as Lessee or as Construction Agent, or any of its Affiliates in connection with any of the transactions contemplated by any of the Operative Documents which would involve a violation of Regulation G, T, U, or X, or any other regulation of the Board of Governors of the Federal Reserve System.

(s) ERISA.

(i) A copy of the most recent Annual Report (5500 Series Form) including all attachments thereto as filed with the Internal Revenue Service for each Plan (if any) relating to Lessee or Genesis or any other Guarantor has been provided to the Agent and Lessor and fairly presents the funding status of such Plan N Health

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status. There has been no material deterioration in any Plan's funding status since the date of such Annual Report. Schedule 4.1D hereto sets forth a list of all Plans and Multiemployer Plans relating to the Lessee or Genesis or any other Guarantor, and all information available to Lessee or Genesis or any other Guarantor with respect to the direct, indirect or potential withdrawal liability to any Multiemployer Plan of Lessee or Genesis or any other Guarantor or any Controlled Group Member. Copies have been provided to Agent of all of the documents provided to Genesis pursuant to Section 4.16 of the Stock Purchase Agreement and the representations contained in Section 4.16(d) and (e) are, to the best knowledge of Lessee and Genesis, true, correct and complete. Except as set forth in such Schedule 4.1D, none of Lessee or Genesis or any other Guarantor has or (after giving effect to the consummation of the transactions contemplated by the Stock Purchase Agreement) will have any liability (contingent or otherwise) in excess of \$100,000 for or in connection with, and none of their respective properties is subject to a Lien in connection with, any Pension-Related Event. Neither Lessee nor Genesis nor any other Guarantor nor any Controlled Group Member (both as of the applicable Advance Date and after giving effect to the consummation of the transactions contemplated by the Stock Purchase Agreement) has or (after giving effect to the consummation of the transactions contemplated by the Stock Purchase Agreement) will have any liability (contingent or otherwise) for or in connection with, any Postretirement Benefits.

(ii) Neither Lessee, nor any Controlled Group Member, presently maintains, participates in, or contributes to, a Plan (A) which is subject to Title IV of ERISA, but is not a Multiemployer Plan whose assets do not at least equal the present value of its accrued benefits based on the actuarial methods and assumptions included in the most recent actuarial valuation reports, (B) which is a

Multiemployer Plan for which Lessee or any Controlled Group Member has received notice that the plan is in reorganization or insolvent, (C) for which material actions, lawsuits or claims have been asserted, or (D) for which penalties or taxes have been imposed under Sections 502(i) and 502(l) of ERISA or Section 4975 of the Code. Neither Lessee nor any Controlled Group Member has in the immediate six year period had a complete or partial withdrawal from any Multiemployer Plan and the liability to which Lessee or any Controlled Group Member would become subject under ERISA were there to be a complete withdrawal from all Multiemployer Plans to which Lessee and its Controlled Group Members contribute is not in excess of \$500,000.

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(iii) The execution and delivery of this Agreement, including the issuance and sale of the Notes and the consummation of the transactions contemplated hereby and thereby under the Operative Documents, will not involve any prohibited transactions, within the meaning of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975 of the Code. The representation by Lessee in the preceding sentence is made in reliance upon and subject to the correctness of the representation by each of the Lenders in Section 4.2(e) and the representation by Lessor in Section 4.3(i).

(t) Financial Information.

(i) Audited Financial Statements. Lessee has heretofore furnished to Agent and each Lender the consolidated balance sheet of Genesis and its Consolidated Subsidiaries (including Lessee) as of September 30, 1995 and the related consolidated statements of income, cash flows and changes in stockholders' equity for the fiscal year then ended, as examined and reported on by KPMG Peat Marwick, independent certified public accountants for Lessee and Genesis, who delivered an unqualified opinion in respect thereof. Such financial statements (including the notes thereto), fairly present, in conformity with GAAP, the consolidated financial position of Genesis and its Consolidated Subsidiaries as of such date and their consolidated results of operations and changes in financial position for such fiscal year.

(ii) Interim Financial Statements. Lessee has heretofore furnished to Agent and each Lender interim consolidated balance sheets of Genesis and its Consolidated Subsidiaries as of June 30, 1996 and the related consolidated statements of income, cash flows and changes in stockholders' equity for the portion of Genesis's fiscal year ended at the end of such quarter. Such financial statements fairly present, in conformity with GAAP, the consolidated financial position of Genesis and its Consolidated Subsidiaries as of such date and their consolidated results of operations and changes in financial position

for such fiscal quarter, subject to normal year-end auditing adjustments and except that such financial statements do not contain all of the footnote disclosures required by GAAP.

(iii) Since June 30, 1996 there has been no Material Adverse Effect.

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(u) No Other Filings. Except for the filings and recordings listed in Schedule 4.1B (which filings or recordings shall have been duly made on the applicable Advance Date, or shall have been arranged to be made promptly thereafter (including the payment of any fees or taxes relating to any of the foregoing) in a manner satisfactory to Agent), no other filings or recordings are necessary to validly and effectively convey to Lessor and Agent such interests in the Site and the Collateral as contemplated by the Operative Documents, in each case free and clear of all Liens, other than Permitted Liens.

(v) Zoning. Each Site complies in all material respects with all applicable zoning and subdivision laws, ordinances, regulations and restrictive covenants, and all requirements thereof necessary for the use, occupancy and operation of such Site have been, or upon completion of the Facility thereon will be, satisfied in all material respects, and the current use and intended use under the Lease of such Site is a conforming use in each case, except for violations which would not create a Material Adverse Effect.

(w) Disclosure. The information disclosed in writing by Lessee or any of its Affiliates (or any Person authorized or employed by any such Person as agent or otherwise) to the Lenders in connection with the negotiation of the Operative Documents and the transactions contemplated thereby, when taken as a whole with all other written disclosures to such parties, do not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements herein or therein, in light of the circumstances under which they were made, misleading.

There is no particular fact of which Lessee or any of its Affiliates has knowledge that has not been disclosed by Lessee or any of its Affiliates (or by any Person authorized or employed by Lessee or any of its Affiliates as agent or otherwise) in writing to the Lenders that, as far as Lessee or any of its Affiliates can reasonably foresee, is reasonably likely to have a Material Adverse Effect.

(x) Appraisal Data. The information provided by Lessee and its Affiliates to the Appraiser and forming the basis for the conclusions set forth in each Appraisal, taken as a whole, was true and correct in all material respects and did not omit any information known and available to Lessee necessary to make the information provided not materially misleading.

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(y) Subjection to Government Regulation. None of Agent, Lessor nor any Lender will become (i) solely by reason of entering into the Operative Documents or consummation of the transactions contemplated thereby (other than upon exercise of remedies under the Lease or upon the expiration thereof) subject to ongoing regulation of its operations by any Authority having jurisdiction, or be required to hold any license, permit or approval, solely by reason of Lessee's business activities or the nature of the Sites; or (ii) except for regulation the applicability of which depends upon the existence of facts in addition to the ownership of, or the holding of any interest in, the Sites or any interest therein upon the exercise of remedies under the Lease or upon the expiration thereof, subject to ongoing regulation of its operations by any Authority having jurisdiction, or be required to hold any license, permit or approval, solely by reason of Lessee's business activities or the nature of the Sites.

SECTION 4.2. Representations and Warranties of each Lender. Each Lender represents and warrants severally and only as to itself to each of the other parties hereto as follows:

(a) Due Organization, etc. It is duly organized and validly existing under the laws of the jurisdiction of its organization and has full corporate power and authority to enter into and perform its obligations as Lender under each Operative Document to which it is or is to be a party and each other agreement, instrument and document to be executed and delivered by it on or before each Advance Date in connection with or as contemplated by each such Operative Document to which it is or is to be a party.

(b) Authorization; Enforceability, etc. This Agreement and each other Operative Document to which it is or is to be a party have been or will be, duly authorized, executed and delivered by or on behalf of it and are, or upon execution and delivery will be, legal, valid and binding obligations of it, enforceable against it in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and by general equitable principles.

(c) No Conflict. Neither the execution and delivery of the Operating Documents, nor the consummation of the transactions contemplated thereby, nor compliance by it with any of the terms and provisions thereof (i) requires any approval of its stockholders or approval or consent of any trustee or holders of any of its indebtedness or obligations, (ii) contravenes or will

contravene any Applicable Laws and Regulations currently in effect applicable to or binding on it (except no representation or warranty is made as to any Applicable Laws and Regulations to which it or the Sites, directly or

indirectly, may be subject because of the lines of business or other activities of Lessee) or (iii) results in any breach of or constitutes any default under, any indenture, mortgage, chattel mortgage, deed of trust, lease, conditional sales contract, loan or credit arrangement, other material agreement or instrument, corporate charter, by-laws or other agreement or instrument to which it is a party or by which it or its properties may be bound or affected.

(d) Lessor Liens. Each Site is free and clear of all Lessor Liens attributable to such Lender.

(e) ERISA. It is purchasing its interest in the Note(s) with assets that are not assets of any Plan (or its related trust) which is subject to Title I of ERISA or Section 4975 of the Code.

(f) Investment in Notes. It is acquiring the Notes for its own account for investment and not with a view to any distribution (as such term is used in Section 2(11) of the Securities Act) thereof, and if in the future it should decide to dispose of its interest in the Notes, it understands that it may do so only in compliance with the Securities Act and the rules and regulations of the SEC thereunder and any applicable state securities laws. Neither it nor anyone authorized to act on its behalf has taken or will take any action which would subject the issuance or sale of any Note or any interest in the Sites, the Collateral or the Lease to the registration requirements of Section 5 of the Securities Act. No representation or warranty contained in this Section 4.2(f) shall include or cover any action or inaction of Lessee or any Affiliate thereof whether or not purportedly on behalf of any Lender or any of its Affiliates. Subject to the foregoing and subject to the provisions of Article VI hereof, it is understood among the parties that the disposition of each Lender's property shall be at all times within its control.

(g) Credit Agreement. It holds an interest under the Credit Agreement equivalent to its percentage of the Notes.

(h) Provisions regarding Transfers and Participations. Except as may be waived by the Lenders under Section 9.5 (without the need for any consent of Lessee or any other party), each Lender hereby acknowledges that it has read, understands and intends to comply with the provisions of Sections 6.3 and 6.4 in connection with transfers and participations, including, specifically, the requirement therein that any transfer of any Note or any

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interest in any Operative Document or any grant of a participation in a Note shall be accompanied by a pro rata transfer or grant, as the case may be, of such Lender's interest under the Credit Agreement, in compliance with all applicable requirements of the Credit Agreement.

SECTION 4.3. Representations and Warranties of Lessor.  
Lessor hereby represents and warrants to Lessee, Agent and Lenders

as set forth in this Section 4.3.

(a) Chief Executive Office. Lessor's chief executive office and principal place of business and the place where the documents, accounts and records relating to the Overall Transaction are kept is located at One Mellon Bank Center, Rm 151-4444, Pittsburgh, PA 15258-0001, Attention: Leasing Group.

(b) Due Organization, etc. Lessor is a corporation duly organized and validly existing in good standing under the laws of the Commonwealth of Pennsylvania and has full corporate power and authority to execute, deliver and perform its obligations as Lessor under each Operative Document to which it is or is to be a party and each other agreement, instrument and document to be executed and delivered by it in connection with or as contemplated by each such Operative Document to which it is or is to be a party.

(c) Authorization; Enforceability, etc. This Agreement and each other Operative Document to which Lessor is or is to be a party have been or will be, duly authorized, executed and delivered by or on behalf of Lessor and are, or upon execution and delivery will be, legal, valid and binding obligations of Lessor, enforceable against it in accordance with their respective terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting creditors' rights generally and by general equitable principles.

(d) No Conflict. Neither the execution and delivery thereof, nor the consummation of the transactions contemplated thereby, nor compliance by it with any of the terms and provisions thereof (i) requires any approval of its stockholders or approval or consent of any trustee or holders of any of its indebtedness or obligations, (ii) contravenes or will contravene any Applicable Laws and Regulations currently in effect applicable to or binding on it (except no representation or warranty is made as to any Applicable Laws and Regulations to which it or the Sites, directly or indirectly, may be subject because of the lines of business or other activities of Lessee) or (iii) results in any breach

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of or constitutes any default under, any indenture, mortgage, chattel mortgage, deed of trust, lease, conditional sales contract, loan or credit arrangement, other material agreement or instrument, corporate charter, by-laws or other agreement or instrument to which it is a party or by which it or its properties may be bound or affected.

(e) Lessor Liens. Each Site is free and clear of all Lessor Liens attributable to Lessor.

(f) Litigation. There is no action, proceeding or investigation pending or, to Lessor's knowledge, threatened which questions the validity of the Operative Documents to which Lessor is or is to be a party or any action taken or to be taken pursuant to the Operative Documents to which

Lessor is or is to be a party, and there is no action, proceeding or investigation pending or, to Lessor's knowledge, threatened which, if adversely determined, would have a Material Adverse Effect.

(g) Use of Proceeds. The Proceeds shall be used solely in accordance with the terms and provisions of the Operative Documents.

(h) Financial Information. Lessor (i) holds assets other than the Sites and unrelated to this transaction and (ii) was not created at the request of Lessee in connection with the transactions contemplated by the Operative Documents.

(i) ERISA. Lessor is purchasing its interest in the Sites with assets that are not assets of any Plan (or its related trust) which is subject to Title I of ERISA or Section 4975 of the Code.

SECTION 4.4. Representations and Warranties of Agent. Mellon Bank, N.A., in its individual capacity, hereby represents and warrants to Lessor and Lenders as set forth in this Section 4.4.

(a) Organization and Authority. Agent is a national banking association duly organized and validly existing in good standing under the laws of the United States of America and has the requisite power and authority to enter into and perform its obligations under the Operative Documents.

(b) Authorization; Binding Effect. The Operative Documents to which Agent is or will be a party have been or will be, on the date required to be delivered hereby, duly authorized,

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executed and delivered by Agent, and this Participation Agreement is, and such other Operative Documents are, or, when so executed and delivered by Agent will be, valid, legal and binding agreements of Agent, enforceable against Agent in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(c) Non-Contravention. Neither the execution and delivery by Agent of the Operative Documents to which it is or will be a party, either in its individual capacity, as Agent, or both, nor compliance with the terms and provisions thereof, conflicts with, results in a breach of, constitutes a default under (with or without the giving of notice or lapse of time or both), or violates any of the terms, conditions or provisions of: (i) the articles of organization or by-laws of Agent; (ii) any bond, debenture, note, mortgage, indenture, agreement, lease or other instrument to which Agent, either in its individual capacity, as Agent, or both, is now a party or by which it or its property, either in its individual capacity, as Agent, or both, is bound or



affected, where such conflict, breach, default or violation would be reasonably likely to materially and adversely affect the ability of Agent, either in its individual capacity, as Agent or both, to perform its obligations under any Operative Document to which it is or will be a party, either in its individual capacity, as Agent, or both; or (iii) any of the terms, conditions or provisions of any law, rule, regulation, order, injunction or decree of any Authority applicable to it in its individual capacity, as Agent, or both, where such conflict, breach, default or violation would be reasonably likely to materially and adversely affect the ability of Agent, either in its individual capacity, as Agent or both, to perform its obligations under any Operative Document to which it is or will be a party.

(d) Absence of Litigation, etc. There is no litigation (including derivative actions), arbitration or governmental proceedings pending or, to the best knowledge of Agent, threatened against it which would be reasonably likely to adversely affect Agent's ability to perform its obligations under the Operative Documents to which it is party.

(e) Consents, etc. No authorization, consent, approval, license or formal exemption from, nor any filing, declaration or registration with, any Authority, is or will be required in connection with the execution and delivery by Agent of the Operative Documents to which it is a party or the

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performance by Agent of its obligations under such Operative Documents.

## ARTICLE V COVENANTS OF LESSEE

SECTION 5.1. Further Assurances. Lessee, at its own cost and expense, will cause to be promptly and duly taken, executed, acknowledged and delivered all such further acts, documents and assurances as any Lender, Lessor or Agent reasonably may request from time to time in order to carry out more effectively the intent and purposes of this Agreement and the other Operative Documents and the Overall Transaction. Lessee, at its own cost and expense, will cause all financing statements (including precautionary financing statements), fixture filings and other documents, to be recorded or filed at such places and times in such manner, and will take all such other actions or cause such actions to be taken, as may be necessary or as may be reasonably requested by any Lender, Lessor or Agent in order to establish, preserve, protect and perfect the title of Lessor to the Sites and Lessor's and Lenders' rights under this Agreement and the other Operative Documents and to perfect, preserve and protect the first and prior Lien of the Mortgage on the Collateral. Without limiting the foregoing, Lessee shall furnish to Lessor and Agent, by the ninetieth day (but not earlier than the 180th day) prior to the fifth anniversary of the Document Closing Date, and if the Renewal Term is entered into, by the ninetieth day (but not earlier than the 180th day) prior to the expiration of the Renewal Term, an opinion of counsel with respect to the continued perfection of the security interests



created pursuant to the Operative Documents. Lessee will maintain in full force and effect all Permits. Upon any transfer of the Sites, whether pursuant to any provision of the Operative Documents (including Article VI of the Lease) or after the occurrence of a Lease Event of Default or otherwise, Lessee, at its own cost and expense, will cause to be promptly and duly taken, executed, acknowledged and delivered all such further acts, documents and assurances as any Lender, Lessor or Agent reasonably may request from time to time in order to cause the Permits to be transferred or reissued in the name of the Person acquiring the Sites.

## SECTION 5.2. Consolidation, Merger, Sale, etc.

(a) Lessee shall not consolidate with any Person, merge with or into any Person or convey, transfer or lease to any Person (except as permitted by Section 12.1 of the Lease) all or substantially all of its assets in any single transaction (or

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series of related transactions), unless, immediately after giving effect to such transaction, the conditions set forth in clauses (i) through (v) shall have been satisfied:

(i) The Person formed by such consolidation with or into which Lessee shall be merged or the Person which shall acquire by conveyance, transfer or lease all or substantially all of the assets of Lessee (the "Surviving Company"), if other than Lessee immediately prior to such transaction, shall be a corporation that is organized under the laws of the United States of America, a state thereof or the District of Columbia;

(ii) the Surviving Company shall be a single purpose, wholly-owned direct or indirect subsidiary of Genesis, the sole purpose of which is to enter into (or assume) and perform its obligations under the transactions contemplated by the Operative Documents and hold its rights in and to the Sites;

(iii) the Surviving Company, if other than Lessee immediately prior to such transaction, shall execute and deliver to each of the parties hereto an agreement, in form and substance reasonably satisfactory to Lessor and Agent, containing the assumption by the Surviving Company of the due and punctual payment, performance and observation of each obligation, covenant and agreement of Lessee under this Agreement and each other Operative Document to which, immediately prior to such transaction, Lessee was a party;

(iv) no Lease Payment/Bankruptcy Default or Lease Event of Default (including as a result of the breach of Section 3 of either of the Guaranties) shall have occurred and be continuing or

would occur as a result thereof and no Event of Loss shall have occurred or would occur as a result thereof;

(v) the title of Lessor to the Sites and Lessor's and Lenders' rights under this Agreement and the other Operative Documents and the first and prior Lien of the Mortgage on the Collateral shall not be adversely affected; and

(vi) Lessee shall have delivered to Agent, on behalf of Lessor and the Lenders, an Officer's Certificate and an opinion of counsel reasonably satisfactory to each such Person stating that such transaction complies with this Section 5.2, that all conditions to the consummation of such transaction have been fulfilled and that all Governmental Actions required in connection with such

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transaction have been obtained, given or made.

Upon the consummation of such transaction, the Surviving Company, if other than Lessee immediately prior thereto, shall succeed to, and be substituted for, and may exercise every right and power of, Lessee immediately prior to such transaction under this Agreement and each other Operative Document to which Lessee was a party immediately prior to such transaction, with the same effect as if the Surviving Company had been named herein and therein. Notwithstanding the foregoing provisions of this Section 5.2, no conveyance, transfer or lease of all or substantially all of the assets of Lessee shall release Lessee from its payment or other obligations under this Agreement or any other Operative Document without the written consent of Lessor and Agent.

SECTION 5.3. Corporate Existence. Subject to Section 5.2, Lessee shall at all times maintain its existence as a corporation in good standing under the laws of the Commonwealth of Pennsylvania and shall use commercially reasonable efforts to preserve and keep in full force and effect its franchises material to its business. Lessee shall remain a single purpose corporation, the sole purpose of which is to enter into and perform its obligations under the transactions contemplated by the Operative Documents and hold its rights in and to the Sites.

SECTION 5.4. Construction Matters; Changes. Lessee, as Construction Agent, may execute, without any consent of the Participants, any change order, modification or addition to a Facility to be built on an Undeveloped Site prior to its completion, so long as such change order, modification or addition does not materially and adversely affect the value, utility or economic useful life of the Facility, as built, in accordance with the Plans and Specifications delivered by Lessee to the Participants in connection with the initial Advance in respect of the construction of such Facility and so long as each such change order, modification or addition does not exceed \$100,000 individually and \$500,000 in the aggregate.

SECTION 5.5. Guaranties. Concurrently with the execution and delivery of this Agreement, Lessee shall cause the Guarantors to execute and deliver Confirmations of the Guaranties, which Confirmations are attached hereto as Exhibit B-3, which confirm the guaranty of all obligations of Lessee under the Lease and other Operative Documents, and Exhibit B-4, which confirm the guaranty (subject to certain limitations therein) payment of all amounts

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funded by Lessor and Lenders pursuant to the investment of the Equity Amount and the Financing.

SECTION 5.6. Liens. Lessee shall not incur, suffer or permit to exist any Lien on any of the Sites other than Permitted Liens.

SECTION 5.7. Compliance Certificates.

(a) Lease Defaults. Lessee shall furnish, following the Document Closing Date and until the termination of the Lease, to Lessor, Agent and each Lender a certificate of Lessee signed by a Responsible Officer of Lessee promptly after Lessee obtains knowledge that there exists a Lease Default or Lease Event of Default, which such certificate shall describe such Lease Default or Lease Event of Default in reasonable detail, with a statement of Lessee's action with respect thereto taken or proposed to be taken.

(b) Annual Certificates. Within 90 days after the close of each fiscal year, Lessee shall deliver to Lessor, Agent and each Lender a certificate of Lessee signed by a Responsible Officer of Lessee to the effect that the signer is familiar with or has reviewed the relevant terms of this Agreement, the Lease and each other Operative Document to which Lessee is a party and has made, or caused to be made under his or her supervision, a review of the transactions contemplated hereby and thereby and the condition of the Sites during the preceding fiscal year, and that such review has not disclosed the existence during such fiscal year of any condition or event which constitutes a Lease Event of Default, an Event of Loss, Condemnation (except as described therein) or Casualty (except as described therein), nor does the signer have knowledge, after due inquiry, of the existence as of the date of such certificate, of any condition or event which constitutes a Lease Default, a Lease Event of Default, an Event of Loss, Condemnation or Casualty or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action Lessee has taken or is taking or proposes to take with respect thereto.

(c) Quarterly Certificates. Within 45 days after the close of each fiscal quarter (including the fourth fiscal quarter), Lessee shall deliver to Lessor, Agent and each Lender a certificate of Lessee signed by a Responsible Officer of Lessee to the effect that the signer is familiar with or has reviewed the relevant terms of this Agreement, the Lease and each other Operative Document to which Lessee is a party, which shall include the calculations

necessary to confirm compliance with the financial covenants set forth in

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Section 5.9 of the 1995 Indenture and any similar provisions in the Indenture.

SECTION 5.8. Change of Name or Address. Lessee shall provide Lessor, each Lender and Agent thirty (30) days prior written notice of (i) any change in name, identity or corporate structure or the address of its chief executive office and principal place of business or the office where it keeps its records concerning its accounts and the Sites, or (ii) any change with respect to its places of business whereby it will thereafter have a place of business in only one county in the Commonwealth of Pennsylvania (if prior thereto, it shall have had places of business in more than one county in the Commonwealth of Pennsylvania) or will thereafter have no place of business in the Commonwealth of Pennsylvania.

SECTION 5.9. Environmental Matters. (a) Lessee shall comply at all times with all Applicable Laws and Regulations affecting a Site, the non-compliance of which would have a Material Adverse Effect on such Site and shall maintain at any Site only such minimum quantities of Hazardous Materials, if any, as are necessary for the operation of any Site or held for resale by Lessee, and in all events, such Hazardous Materials shall be held in compliance with all Applicable Laws and Regulations; (b) Lessee shall not cause or permit the installation of any underground storage tanks at any Site; and (c) Lessee shall maintain and comply with appropriate and customary written operations and maintenance plans (including, without limitation, for asbestos-containing materials) for the Sites.

SECTION 5.10. Investigation by Authorities. Lessee shall deliver to Lessor, each Lender and to Agent promptly upon Lessee's receiving written notice of the intent by any Authority to (x) take an action which would constitute a Condemnation or an Event of Taking, (y) investigate any Site for a material violation of any Applicable Laws and Regulations on or at such Site, including any Environmental Law, under which liability may be imposed upon Lessor, any Lender or Agent or under which liability having a Material Adverse Effect may be imposed on Lessee or (z) investigate any Site (other than routine fire, life-safety and similar inspections) for any violation of Applicable Laws and Regulations under which criminal liability may be imposed upon Lessor, any Lender or Agent or under which liability having a Material Adverse Effect may be imposed on Lessee.

SECTION 5.11. Financial and Other Information. Lessee shall deliver to Agent, with sufficient counterpart originals for Agent to distribute

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to Lessor and each Lender, the following financial and other information:

(a) Annual Statements. As soon as practicable, and in any event within ninety (90) days after the close of each fiscal year of Lessee, a consolidated balance sheet of Genesis and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of, income, cash flows and changes in stockholders' equity for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year. Such statements shall be accompanied by an opinion of KPMG Peat Marwick or other certified public accountants of nationally recognized standing selected by Lessee and satisfactory to Agent (the "Independent Accounting Firm"). Such opinion shall be without qualifications that are of "going concern" or like nature or that relate to a limited scope of examination. Such opinion in any event shall contain a written statement of such accountants substantially to the effect that (i) such accountants examined such financial statements in accordance with generally accepted auditing standards and accordingly made such tests of accounting records and such other auditing procedures as such accountants considered necessary under the circumstances and (ii) in the opinion of such accountants such financial statements present fairly the financial position of Genesis and its Consolidated Subsidiaries as of the end of such fiscal year and the results of their operations and their cash flows and changes in stockholders' equity for such fiscal year, in conformity with GAAP. Concurrently with the delivery of the financial statements referred to above in this paragraph, Lessee shall furnish to the Agent, with sufficient counterpart originals for Lessor and each Lender, (1) unaudited statements of income, cash flows and changes in stockholders' equity for each of (x) Genesis and the Restricted Subsidiaries on a consolidated basis and (y) the Unrestricted Entities on a consolidated basis, for such fiscal year, (2) and a balance sheet of each of (x) Genesis and the Restricted Subsidiaries on a consolidated basis and (y) the Unrestricted Entities on a consolidated basis, all in reasonable detail, setting forth in comparative form the corresponding figures for the preceding year, and (3) a certification, without qualification, of the Independent Accounting Firm of the certificate delivered by Lessee pursuant to Section 5.7(c) as of the last fiscal quarter of such fiscal year. Such unaudited financial statements shall be certified by a Responsible Officer of Genesis as presenting fairly the financial position of the subject entities as of the end of such fiscal year and the results of their operations and their cash flows and changes in stockholders' equity for such fiscal year, in conformity with GAAP.

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(b) Quarterly Statements. As soon as practicable, and in any event within forty-five (45) days after the close of each of the first three fiscal quarters of each fiscal year of Genesis, (1) the consolidated statements of income, cash flows and changes in stockholder's equity for each of (x) Genesis and its Consolidated Subsidiaries, (y) Genesis and its Restricted Subsidiaries on a consolidated basis and (z) the Unrestricted Entities on a consolidated basis as of the close of such fiscal quarter and for the period from the beginning of such fiscal year to the end of such fiscal quarter and (2)

unaudited balance sheets of each of such groups of entities as of the close of such fiscal quarter, setting forth in each case in comparative form the figures for the corresponding quarter of, and the corresponding portion of Genesis's preceding fiscal year, all certified (subject, in the case of such quarterly financial statements, to normal year-end auditing adjustments) by a Responsible Officer of Genesis as to fairness of presentation and preparation in accordance with GAAP applied on a basis consistent with those used in preparing the financial statements referred to in Section 5.11(a) hereof (subject to such changes in accounting principles as shall be described in such certificate and shall have been approved in writing attached to such certificate by Genesis's independent accountants);

(c) Compliance Certificates. As soon as practicable, and in any event within forty-five (45) days after the close of each of the first three fiscal quarters of each fiscal year of Genesis and ninety (90) days after the close of each fiscal year of Genesis, a compliance certificate for Genesis and its Consolidated Subsidiaries. Such certificates shall be certified by a Responsible Officer of Genesis as presenting fairly the compliance of Genesis and each Subsidiary with the Financial Covenants as of the end of such fiscal quarter for the year to date or fiscal year, as the case may be, in conformity with GAAP (exclusive of principles of consolidation), subject (in the case of quarterly reports) to normal and recurring year-end audit adjustments. The compliance certificate shall also include the certification required by Section 5.7(c).

(d) Shareholder Mailings. Promptly upon the mailing thereof to the shareholders of Genesis generally, copies of all financial statements, reports and proxy statements so mailed;

(e) Supplemental Environmental Information. Promptly upon receipt thereof, copies of all environmental audits and updates regarding the environmental condition of any of the Sites; and

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(f) Genesis's Total Funded Debt/Cash Flow Ratio. Lessee shall deliver to Agent within forty-five (45) Business Days after the end of each fiscal quarter (including the fourth fiscal quarter) an Officer's Certificate of Genesis setting forth Genesis's Total Funded Debt/Cash Flow Ratio (as defined in the definition of Applicable Margin) as of the last day of the immediately preceding fiscal quarter of Genesis and setting forth in reasonable detail the manner in which such ratio was calculated and any other related information requested by Agent; provided that if at any time Lessee shall fail to deliver such Officer's Certificate on or before the date such information is required to be delivered, then for purposes of Section 2.7 of the Loan Agreement, Genesis's Total Funded Debt/Cash Flow Ratio shall be deemed to be greater than 4.5 for the applicable Interest Period(s); and provided, further, that if, when delivered, such Officer's Certificate sets forth a Total Funded Debt/Cash Flow Ratio which is less than that determined in accordance with the foregoing proviso, the



amounts calculated under said Section 2.7 using such deemed Total Funded Debt/Cash Flow Ratio shall be revised as of the next fiscal quarter using Genesis's actual Total Funded Debt/Cash Flow Ratio for such Interest Period(s), except to the extent that the Officer's Certificate for such subsequent fiscal quarter shall indicate a change in the Total Funded Debt/Cash Flow Ratio from that set forth in the delinquent Officer's Certificate.

(g) Other. With reasonable promptness, unless disclosure thereof is prohibited by Applicable Laws and Regulations and subject to appropriate confidentiality undertakings with respect thereto, such other data and information (financial or otherwise) which is either maintained in the ordinary course of Lessee's business or can be obtained or derived without undue burden to Lessee as to the business of Lessee or as to any Site as from time to time may be reasonably requested in writing by Agent after a Lease Default or Lease Event of Default shall have occurred and be continuing.

SECTION 5.12. Securities. Lessee shall not, nor shall it permit anyone authorized to act on its behalf to, take any action which would subject the issuance or sale of the Notes, any Site or the Lease, or in any security or lease the offering of which, for purposes of the Securities Act or any state securities laws, would be deemed to be part of the same offering as the offering of the aforementioned securities or leases to the registration requirements of Section 5 of the Securities Act or any state securities laws.

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SECTION 5.13. Interest Rates. With respect to each determination of an interest rate pursuant to the Loan Agreement, Lessee agrees to be bound by Section 2.7 of the Loan Agreement.

SECTION 5.14. Appraisals. Lessee will pay all costs of any Appraisal of any or all of the Sites which Agent may from time to time require; provided, however, that Lessee shall only be obligated to pay for appraisals of any Site once every three years and at any time while a Lease Event of Default shall have occurred and is continuing; and provided, further, that prior to the occurrence of a Lease Event of Default, Agent will not require an Appraisal the costs of which are payable by Lessee under this Section 5.13 unless the Agent, in its reasonable judgment, determines that such an Appraisal is necessary based upon the Agent's concern regarding the diminution in value of the applicable Site or based upon bank regulatory requirements.

SECTION 5.15. Environmental Audits. For each Site, Lessee will deliver to Agent, upon Agent's request, but not more often than annually, or at any time upon request while a Lease Event of Default shall have occurred and is continuing, an Environmental Audit in form and substance satisfactory to Agent, which (with Agent's consent) may be updates of previously furnished Environmental Audits; provided, that prior to the occurrence of a Lease Event of Default, Agent will not require an Environmental Audit under this Section 5.14 unless the Agent, in its reasonable judgment, determines that such an

Environmental Audit is necessary based upon the Agent's concern regarding the environmental condition of the applicable Site or based upon bank regulatory requirements. If Lessee shall fail to so deliver any such Environmental Audit, Agent may obtain such an Environmental Audit and Lessee will pay all reasonable costs and expenses thereof.

SECTION 5.16. Additional Compensation in Certain Circumstances.

(a) Increased Costs or Reduced Return Resulting From Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc. If any Applicable Laws and Regulations or guideline or interpretation or application thereof by any Authority charged with the interpretation or administration thereof or compliance with any request or directive of any Authority (whether or not having the force of Applicable Laws and Regulations) now existing or hereafter adopted:

(i) subjects Lessor or any LIBOR Office to any tax or changes the basis of taxation with respect to this

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Participation Agreement, the Lease, the Notes, the Loans or payments by the Lessee or Genesis of Basic Rent, the Lease Balance, principal, interest, commitment fee or other amounts due from any such party hereunder or under the Lease (except for taxes on the overall net income or overall gross receipts of Lessor or such LIBOR Office imposed by the jurisdictions (federal, state and local) in which Lessor's principal office or LIBOR Office is located),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, Lessor or any LIBOR Office (other than requirements expressly included herein in the determination of the LIBO Rate hereunder),

(iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or credits or commitments to extend credit extended by, Lessor or any LIBOR Office, or (B) otherwise applicable to the obligations of Lessor or any LIBOR Office under this Participation Agreement, the Lease or any of the other Operative Documents, or

(iv) imposes upon any Lender or any LIBOR Office any other condition or expense with respect to this Participation Agreement, the Lease, the Notes or any of the other Operative Documents or its making, maintenance or funding of any Loan or any security therefor, and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon any Lender, any LIBOR Office or, in the



case of clause (iii) hereof, any Person controlling a Lender, with respect to this Agreement, the Notes or the issuance, making, maintenance or funding of any Loan (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on such Lender's or such controlling Person's capital, taking into consideration Lessor's or such controlling Person's policies with respect to capital adequacy) by an amount which Lessor deems to be material (Lessor being deemed for this purpose to have made, maintained or funded each portion of the Equity Amount bearing interest based upon LIBO Rate from a Corresponding Source of Funds), Lessor may from time to time notify the Agent and Lessee, of the amount determined in good faith (using any averaging and attribution methods) by Lessor (which determination shall be conclusive) to be necessary

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to compensate Lessor or such LIBOR Office for such increase, reduction or imposition. Such amount shall be due and payable by Lessee to Lessor 30 days after such notice is given, together with an amount equal to interest on such amount from the date two Business Days after the date demanded until such due date at the Prime Rate plus the Applicable Margin (calculated on the basis of a year of 360 days and actual days elapsed). A certificate by Lessor as to the amount due and payable under this Section 5.16(a) from time to time and the method of calculating such amount shall be conclusive.

(b) Funding Breakage. In addition to all other amounts payable hereunder, if and to the extent for any reason any part of any portion of the Equity Amount bearing Yield based upon the LIBO Rate becomes due (by acceleration or otherwise), or is paid, prepaid or converted to Equity Amount bearing Yield based upon the Prime Rate (whether or not such payment, prepayment or conversion is mandatory or automatic and whether or not such payment or prepayment is then due), on a day other than the last day of the corresponding LIBO Period, Lessee shall pay Lessor an amount determined as provided below in this Section 5.16(b).

Furthermore, in addition to all other amounts payable hereunder, if Standard Notice has been given for the conversion to or renewal of any portion of the Equity Amount to Equity Amount bearing Yield based upon the LIBO Rate or for the making of any Advance which shall bear Yield based upon the LIBO Rate or for the selection of a LIBO Period for any Equity Amount bearing Yield based upon the LIBO Rate shall be applicable in whole or in part and (x) Lessee attempts to revoke (expressly, by later inconsistent notices or otherwise) such Standard Notice or (y) (A) an applicable condition precedent is not satisfied and (B) such conversion or renewal does not take place as specified in such Standard Notice or (z) (A) an applicable condition precedent is not satisfied and (B) the portion of such Advance to bear Yield based upon the LIBO Rate is not made as specified in such Standard Notice, then in each case Lessee shall pay Lessor an amount determined as provided below in this Section 5.16(b) if

Lessor has delivered to Lessee and the Agent a certificate stating that Lessor has incurred costs as a result of the events described in this sentence.

"Funding Breakage Date" shall mean, in a case described in the first sentence of this Section 5.16(b), the date that any part of any Equity Amount bearing Yield based upon the LIBO Rate becomes due, or is paid, prepaid or converted, as described in such sentence, or in a case described in the second sentence of this Section 5.16(b), the date for the conversion to or renewal of

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Equity Amount bearing Yield based upon the LIBO Rate, or for the making of a Advance, specified in the Standard Notice described in such sentence. In a case described in the first sentence of this Section 5.16(b), "Adjusted Contract Rate" for a particular amount of Equity Amount shall mean the rate of Yield (including the Applicable Margin) applicable to such amount on the Funding Breakage Date, less the Applicable Margin, and in a case described in the second sentence of this Section 5.16(b), "Adjusted Contract Rate" for a particular principal amount of to-be-made Advances shall mean the rate of Yield (including the Applicable Margin) which would have applied to such amount on the Funding Breakage Date absent the failure to renew, convert or borrow, less the Applicable Margin. "Redeployment Rate" shall mean (x) so long as no determination by Lessor described in Section 2.11 of the Loan Agreement (mutadis mutandis) is then applicable, a Yield rate per annum equal to the LIBO Rate (without the Applicable Margin) determined by the Agent for the applicable amount using as the LIBO Period a period as equal as practicable to the Redeployment Period (as hereinafter defined) or (y) if any determination by Lessor described in Section 2.11 of the Loan Agreement (mutadis mutandis) is then applicable, a Yield rate per annum equal to the Treasury Rate, in each case as of or as soon as practicable after the Funding Breakage Date. In each case, the amount determined as being payable pursuant to this Section 5.16(b) may be referred to as the "Funding Breakage Indemnity." The calculation of the Adjusted Contract Rate and the Redeployment Rate shall be made on the assumption that the LIBO Rate Reserve Percentage shall remain constant throughout the applicable LIBO Period; in the event that such assumption proves to be inaccurate and Lessor would have received greater indemnification absent such assumption, then Lessor shall be entitled to receive such additional indemnification on demand.

The Agent shall calculate Lessor's Funding Breakage Indemnity as follows:

(i) For each portion of the Equity Amount owing to Lessor which so became due, or which was so paid, prepaid or converted, or as to which such Equity Amount were to have been renewed or converted to Equity Amount bearing Yield based upon the LIBO Rate, or which was to be disbursed (to the extent applicable to such to-be-borrowed Advances), the Agent shall calculate the product (the "Future Value Amount") of

(1) the amount of such portions of the Equity Amount multiplied by (2) the greater of (x) zero or (y) the Adjusted Contract Rate minus the Redeployment Rate, in each case for such amount, multiplied by (3) the number of days from and including the Funding Breakage Date to but not including the last day of such LIBO Period (or scheduled LIBO Period in the case of a failure to renew, convert or borrow) (the "Redeployment Period"), divided by 360.

(ii) The Agent shall then determine the present value as of the Funding Breakage Date (discounted at the Treasury Rate as of such Funding Breakage Date, and calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days in the Redeployment Period) (each a "Present Value Amount") of each Future Value Amount (assuming for this purpose that each Future Value Amount is payable on the last day of the corresponding Funding Period (or scheduled Funding Period in the case of a failure to renew, convert or borrow)).

(iii) The Agent finally shall total Lessor's Present Value Amounts for all of its affected portions of the Loans, and this total shall be the amount of the Funding Breakage Indemnity to be paid by Lessee to Lessor.

Such Funding Breakage Indemnity shall be due and payable on demand. In addition, Lessee shall, on the due date for payment of any Funding Breakage Indemnity, pay to Lessor an additional amount equal to interest on such Funding Breakage Indemnity from the Funding Breakage Date to but not including such due date at the Prime Rate plus the Applicable Margin (calculated on the basis of a year of 360 days and actual days elapsed). The amount payable to Lessor under this Section 5.16(b) shall be determined in good faith by the Agent, and such determination shall be conclusive.

## ARTICLE VI OTHER COVENANTS AND AGREEMENTS

SECTION 6.1. Cooperation with Lessee. Lessor, Agent and each Lender shall, to the extent reasonably requested by Lessee (but without assuming additional liability on account thereof), at Lessee's expense, cooperate to allow Lessee to (a) perform its covenants contained in Section 5.1, including at any time and from time to time, upon the reasonable request of Lessee, to promptly and duly execute and deliver any and all such further instruments, documents and financing statements (and continuation statements related thereto) as Lessee may request in order to perform such covenants and (b) further Lessee's requirements as lessee of the Sites, including to file any statement

with respect to any tax abatements or other requirements.

## SECTION 6.2. Covenants of Lessor and Lenders.

(a) Discharge of Liens. Lessor covenants that it will not create or permit to exist at any time, and will, at its own cost and expense, promptly (and in any event, within 90 days) take such action as may be necessary duly to discharge, or to cause to be discharged, all Lessor Liens attributable to it unrelated to the transactions contemplated by the Operative Documents. Notwithstanding the foregoing, Lessor shall not be required to so discharge any such Lessor Lien while the same is being contested in good faith by appropriate proceedings diligently prosecuted so long as such proceedings shall not involve any meaningful danger of the impairment of the Lien of the Mortgages or of the sale, forfeiture or loss of, and shall not interfere with the use or disposition of, any part of the Sites or the Lease or title thereto or any interest therein or the payment of Rent; provided, however, that Lessor shall discharge or bond over any such Lessor Lien attributable to it unrelated to the transactions contemplated by the Operative Documents, whether or not subject to contest as provided above, upon the purchase of any Site by Lessee pursuant to the Lease.

(b) Change of Principal Place of Business. Lessor shall give prompt notice to Lessee and Agent, if Lessor's principal place of business or chief executive office, or the office where the records concerning the accounts or contract rights relating to the Sites or the Overall Transaction are kept, shall cease to be located at One Mellon Bank Center, Rm 151-4444, Pittsburgh, PA 15258-0001, Attention: Leasing Group or if it shall change its name or identity.

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(c) Loan Agreement. As between Lessor and Lessee, Lessor and each Lender hereby agree that, so long as the Lease is in effect, Lessor shall not consent to or permit any amendment of the terms and provisions of the Loan Agreement, the Mortgages or any Note, whether or not any Lease Event of Default shall have occurred and be continuing, if any such amendment or action would have the effect of increasing the obligations of Lessee or decreasing the rights of Lessee, in each case without the prior written consent of Lessee, except that without such consent, Lessor may waive performance by Agent of obligations to Lessor the non-performance of which does not materially adversely affect Lessee.

(d) Depreciation. From the date hereof unless and until Lessor's interest in the Sites is unencumbered by the Lease, neither Lessor nor any Lender shall claim any federal or state tax attributes or benefits (including depreciation) relating to the Sites unless required to do so by an appropriate taxing authority or after a clearly applicable change in Applicable Laws and Regulations or as a protective response to a proposed adjustment by an Authority; provided, however, that if an appropriate taxing authority shall require Lessor to claim any such federal or state tax attributes or benefits, such Person shall promptly notify Lessee thereof and shall permit Lessee to contest such requirement in a manner similar to the contest rights provided in,

and subject to any applicable limitation to a contest contained in, Section 7.2(b) hereof.

(e) Transfer by Lessor. Lessor shall not transfer its interest in the Sites (other than a transfer pursuant to the provisions of the Operative Documents) without the consent of Agent and, so long as no Lease Event of Default shall have occurred and be continuing, Lessee, each such consent not to be unreasonably withheld. The foregoing limitation shall not be applicable to the transfer of any stock or other ownership interests in Lessor, nor of any assets of Lessor other than its rights in the Sites.

(f) No Voluntary Bankruptcy. Lessor shall not (i) commence any case, proceeding or other action under any existing or future law of any jurisdiction (domestic or foreign) relating to bankruptcy, insolvency, reorganization, arrangement, winding up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (ii) seek appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial benefit of its creditors.

SECTION 6.3. Restrictions on and Effect of Transfer by any Lender. No Lender shall assign, convey or otherwise transfer

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(including pursuant to a participation) all or any portion of its right, title or interest in, to or under any of the Operative Documents or any Note, unless the provisions of this Section 6.3 are satisfied. With respect to any assignment, conveyance or other transfer, other than a loan participation, the conditions set forth in clauses (a) through (g) of this Section 6.3 are applicable. With respect to any loan participation, the conditions set forth in Section 6.4 shall be applicable.

(a) Required Notice and Effective Date. Any Lender desiring to effect a transfer of its interest shall give written notice of each such proposed transfer to Lessee and Agent at least ten (10) Business Days prior to such proposed transfer (other than with respect to transfers of a Lender's interest on the Document Closing Date, notice of which may be given on the Document Closing Date), setting forth the name of such proposed transferee, the percentage or interest to be retained by such Lender, if any, and the date on which such transfer is proposed to become effective. All reasonable out-of-pocket costs incurred by Agent and Lessor in connection with any such disposition by a Lender under this Section 6.3 shall be borne by such Lender. In the event of a transfer under this Section 6.3, any expenses incurred by the transferee in connection with its review of the Operative Documents and its investigation of the transactions contemplated thereby shall be borne by such transferee or the relevant Lender, as they may determine, but shall not be considered costs and expenses which Lessee is obligated to pay or reimburse under Section 9.9.

(b) Required Consent; Securities Laws. No Lender may make any such assignment, conveyance or transfer unless (i) Lessee and Agent shall have consented to the transfer and the transferee, such consents not to be unreasonably withheld, and (ii) the applicable Lender and transferee shall have complied with all applicable securities laws with respect to such transfer.

(c) Employee Benefit Plans. No Lender may make any such assignment, conveyance or transfer (including pursuant to a participation) to or in connection with any arrangement or understanding in any way involving any employee benefit plan (or its related trust), as defined in Section 3(3) of ERISA, or with the assets of any such plan (or its related trust), as defined in Section 4975(e)(1) of the Code (other than a governmental plan, as defined in Section 3(32) of ERISA).

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(d) Representations and Warranties. Notwithstanding anything to the contrary set forth above, no Lender may assign, convey or transfer its interest to any Person, unless such Person shall have delivered to Agent and Lessee a certificate confirming the accuracy of the representations and warranties set forth in Section 4.2 with respect to such Person (other than as such representation or warranty relates to the execution and delivery of Operative Documents) and confirmation of such Person's commitment to acquire a corresponding interest in the Credit Agreement.

(e) Amounts. Any assignment of Notes shall be in a face principal amount which, together with the amount of the Credit Agreement such assignee will hold after giving effect to such assignment, is equal to or greater than \$10,000,000 or the entire amount of the Note being transferred. Unless Agent otherwise approves, the applicable Lender shall assign to the transferee an interest in the Credit Agreement corresponding in percentage to the interest in the Notes which such Lender is transferring to the transferee, and such transfer and the transferee shall have satisfied all conditions under the Credit Agreement for the transferee to become a successor party thereto.

(f) Assumption of Obligations. Upon satisfaction of all applicable conditions set forth in this Section 6.3 and the consummation of the transfer (other than a loan participation), the obligations of the transferring Lender under the Operative Documents shall be proportionately released and reduced to the extent of such transfer. Upon any such transfer as above provided, the transferee shall be deemed to be bound by all obligations (whether or not yet accrued) under, and to have become a party to, all Operative Documents to which its transferor was a party, shall be deemed the pertinent "Lender" for all purposes of the Operative Documents and shall be deemed to have made that portion of the payments pursuant to this Agreement previously made or deemed to have been made by the transferor represented by the interest being conveyed; and each reference herein and in the other Operative Documents to the pertinent "Lender" shall thereafter be deemed a reference to the transferee, to



the extent of such transfer, for all purposes. Upon any such transfer, Agent shall deliver to Lessor and Lessee new Schedules I and II to this Participation Agreement, revised to reflect the relevant information for such new Lender and the Commitment of such new Lender (and the revised Commitment of the transferor

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Lender if it shall not have transferred its entire interest).

(g) Affidavit. If a new Note is to be issued upon transfer, the transferring Lender shall have the transferee and Lessor execute an affidavit to the Note, affirming that the Note was executed and delivered outside of the State of Florida.

(h) Effect. From and after any transfer of its Notes in accordance with this Section 6.3 (other than a loan participation) the transferring Lender shall be released, to the extent assumed by the transferee, from its liability and obligations hereunder and under the other Operative Documents relating to the Sites to which such transferor is a party in respect of obligations to be performed on or after the date of such transfer. Upon any transfer by a Lender as above provided, any such transferee shall be deemed a "Lender" for all purposes of such documents and each reference herein to a Lender shall thereafter be deemed a reference to such transferee for all purposes, except as the context may otherwise require. Notwithstanding any transfer as provided in this Section 6.3, the transferor shall be entitled to all benefits accrued and all rights vested prior to such transfer, including rights to indemnification under this Agreement or any other Operative Document.

(i) Documentation; Agent's Fee. Each such transfer (including, without limitation, a loan participation) shall be subject to the requirement that (i) the transferee (or loan participant, as applicable) shall have executed and delivered to Agent, Lessee and Lessor a letter in substantially the form of the Investor's Letter attached hereto as Exhibit G, and (ii) the applicable Lender and transferee shall have executed and delivered such other documents, certificates and opinions of counsel which Lessee or Agent shall reasonably request to confirm the satisfaction of the conditions of this Section 6.3. The applicable Lender or transferee shall pay to Agent for each transfer: (i) a fee of \$3,000, and (ii) the reasonable fees and expenses of counsel to Agent. The obligations of the applicable Lender and the transferee under the immediately preceding sentence shall be joint and several.

#### SECTION 6.4. Covenants and Agreements of Lenders.

(a) Participations. Each Lender covenants and agrees that it will not grant participations in its Notes to any Person (a "Loan Participant")

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"Loan Participant") unless the conditions of clauses (a) through (g) and clause (i) of Section 6.3 shall have been satisfied. In the event of any such sale by a Lender of a participating interest to a Loan Participant, such Lender's obligations under this Agreement and under the other Operative Documents shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of its Note for all purposes under this Agreement and under the other Operative Documents, and Lessor, Agent and, except as set forth in Section 6.4(b), Lessee shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and under the other Operative Documents. Notwithstanding any such loan participation, no Loan Participant shall have any right to vote with respect to the transactions contemplated by the Operative Documents other than with respect to changes in principal amount of the Note in which such Loan Participant has a participation, the interest rate payable under such Note and the stated maturity date of such Note.

(b) Transferee Indemnities. Each Loan Participant shall be entitled to the benefits of Sections 2.11 and 2.12 of the Loan Agreement with respect to its Notes or participation in the Loans outstanding from time to time; provided, that no Loan Participant shall be entitled to receive any greater amount pursuant to such Sections than the transferor Lender would have been entitled to receive in respect of the amount of the Notes or participation transferred by such transferor Lender to such Loan Participant had no such transfer or participation occurred.

SECTION 6.5. Future Lenders. Each Lender, by its acceptance of its Note or Notes, shall be deemed to be bound by and, upon compliance with the requirements of Section 6.4, will be entitled to all of the benefits of the provisions of this Agreement.

SECTION 6.6. Agent under Participation Agreement and Mortgages. For purposes of this Agreement and the Mortgages, the parties hereto agree that Agent shall be the agent of the Lenders, with Agent's duties and obligations hereunder and thereunder being subject to the limitations, and Agent being entitled to the rights, set forth in Article VII of the Loan Agreement. The foregoing provisions of this Section 6.6 shall not limit the provisions of Article 8 of this Participation Agreement or the rights and obligations of Agent as Agent for all of the Participants pursuant to said Article 8.

SECTION 6.7. Prepayment by Lessor. Except as expressly permitted by the Operative Documents, each Lender acknowledges and

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agrees that Lessor may not voluntarily prepay the Notes, or any part thereof, without the written consent of Lessee; provided, however, that Lessor may prepay, or cause to be prepaid, all or any portion of the Notes at any time during the continuance of a Lease Event of Default.



SECTION 6.8. Foreclosure against Lessor. If Lessor's interest in the Sites is foreclosed by reason of a Loan Event of Default while no Lease Event of Default shall have occurred and be continuing, Lessee shall not be responsible for any costs or expenses incurred by Agent in connection with such foreclosure or as a result thereof.

## ARTICLE VII

### INDEMNIFICATION

SECTION 7.1. General Indemnification. Lessee agrees, whether or not any of the transactions contemplated hereby shall be consummated, to assume liability for, and to indemnify, protect, defend, save and keep harmless on an after-tax basis (in accordance with Section 7.5) each Indemnatee from and against any and all Claims that may be imposed on, incurred by or asserted against such Indemnatee (whether because of action or omission, negligent or otherwise, by such Indemnatee or otherwise), whether or not such Indemnatee shall also be indemnified as to any such Claim by any other Person and whether or not such Claim arises or accrues prior to the Document Closing Date or after the Lease Termination Date, in any way relating to or arising out of (a) any of the Operative Documents or any of the transactions contemplated thereby or any investigation, litigation or proceeding in connection therewith, and any amendment, modification or waiver in respect thereof; or (b) any Site or any part thereof or interest therein; or (c) the acquisition, mortgaging, design, construction, preparation, installation, inspection, delivery, non-delivery, acceptance, rejection, purchase, ownership, possession, rental, lease, sublease, repossession, maintenance, repair, alteration, modification, addition or substitution, storage, transfer or title, redelivery, use, financing, refinancing, operation, condition, sale (including any sale pursuant to Section 6.3 of the Lease or any sale pursuant to Article XVIII of the Lease), return or other disposition of all or any part of any interest in the Sites or the imposition of any Lien (or incurrence of any liability to refund or pay over any amount as a result of any Lien) thereon, including, without limitation: (i) Claims or penalties arising from any violation of law, including Applicable Laws and Regulations, or in tort (strict liability or otherwise), (ii) loss of or damage to the environment (including investigation costs, clean-up costs,

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response costs, remediation and removal costs, costs of corrective action, costs of financial assurance, and all other damages, costs, fees and expenses, fines and penalties, including natural resource damages), or death or injury to any Person, and all expenses associated with the protection of wildlife, aquatic species, vegetation, flora and fauna, and any mitigative action required by or under Environmental Laws, (iii) latent or other defects, whether or not discoverable by Lessee or any Indemnatee, (iv) any Claims resulting from the existence or Release of any Hazardous Materials at or from any Site and (v) any Claim for patent, trademark, tradename or copyright infringement, provided that the matters in this clause (c) shall be without duplication of any matter for

which indemnification is provided pursuant to the Environmental Indemnity; (d) the offer, issuance, sale or delivery of the Notes; (e) the breach or alleged breach by Lessee of any representation or warranty, covenant or agreement made by it or deemed made by it in any Operative Document; (f) the transactions contemplated hereby or by any other Operative Document, in respect of the application of Parts 4 and 5 of Subtitle B of Title I of ERISA and any prohibited transaction described in Section 4975(c) of the Code or (g) any other agreement entered into or assumed by Lessee in connection with any Site (including, in each case, matters based on or arising from the negligence of any Indemnatee).

Lessee shall not be required to indemnify under this Section 7.1 for (1) as to an Indemnatee, any Claim to the extent resulting from the willful misconduct or gross negligence of such Indemnatee, as determined by a court of competent jurisdiction or to the extent resulting from the breach of representations, warranties or covenants of such Indemnatee (including, in the case of clause (f) of this Section 7.1, the representation of such Lender set forth in Section 4.2(e) and the covenant of such Lender set forth in Section 6.3(c)), (2) any Claims in respect of Taxes (such Claims to be subject to Section 7.2), other than a payment necessary to make payments under this Section 7.1 on an after-tax basis, provided, that this clause (2) does not apply to any taxes or penalties included in Claims against which the Indemnatee is provided an indemnification under clause (f) of this Section 7.1 and (3) as to an Indemnatee, any Claim resulting from Lessor Liens which such Indemnatee is responsible for discharging under the Operative Documents. In the event that the indemnification provided for herein is prohibited by Applicable Laws and Regulations, Lessee will contribute to a Claim to the maximum extent permitted by law.

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## SECTION 7.2. General Tax Indemnity.

(a) Tax Indemnity. Lessee shall pay, defend and, on written demand, indemnify and hold each Indemnatee harmless (on an after-tax basis in accordance with Section 7.5) from and against, any and all Taxes, howsoever imposed, on or with respect to any Indemnatee, the Sites or any portion thereof, any Operative Document or Lessee or any sublessee or user of a Site by any Authority in connection with or in any way relating to (i) the acquisition, mortgaging, design, construction, preparation, installation, inspection, delivery, non-delivery, acceptance, rejection, purchase, ownership, possession, rental, lease, sublease, repossession, maintenance, repair, alteration, modification, addition or substitution, storage, transfer of title, redelivery, use, financing, refinancing, operation, condition, sale, return or other application or disposition of all or any part of the Sites or the imposition of any Lien (or incurrence of any liability to refund or pay over any amount as a result of any Lien) thereon, (ii) Basic Rent or Supplemental Rent or the receipts or earnings arising from or received with respect to the Sites or any part thereof, or any interest therein or any applications or dispositions

thereof, (iii) any other amount paid or payable pursuant to the Notes or any other Operative Documents, (iv) the Sites or any part thereof or any interest therein, (v) all or any of the Operative Documents, any other documents contemplated thereby and any amendments and supplements thereto, and (vi) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents; provided, however, that the indemnification obligation of this Section 7.2(a) shall not apply to (i) Taxes which are based upon or measured by the Indemnatee's net income (including taxes based on minimum taxes or capital gains), or which are expressly in substitution for, or relieve Indemnatee from, any actual Tax based upon or measured by Indemnatee's net income; (ii) any Tax or imposition to the extent, but only to such extent, it relates to any act, event or omission that occurs after the termination of the Lease and the discharge of all of Lessee's obligations under the Operative Documents which were matured at the time of such termination (but not any Tax or imposition that relates to any period prior to the discharge of all of Lessee's obligations under the Operative Documents which were matured at the time of such termination) unless such termination is the result of a Lease Event of Default or the Site has been transferred to Lessee; (iii) any interest or penalties imposed on an Indemnatee as a result of the failure of such Indemnatee to comply with its obligations set forth in Section 7.2(d) unless such failure results from the failure of Lessee to comply with its obligations set forth in Section

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7.2(d); (iv) any Taxes which are imposed on an Indemnatee as a result of a breach of a covenant or representation by such Indemnatee in any Operative Document (unless caused by the Lessee's breach of its representation, warranties or covenants) or is a result of the gross negligence or willful misconduct of such Indemnatee itself (as opposed to gross negligence or willful misconduct imputed to such Indemnatee), but not Taxes imposed as a result of ordinary negligence of such Indemnatee; (v) Taxes based upon the voluntary transfer, assignment or disposition by Agent, Lessor or any Lender of any interest in any of the Sites (other than a transfer pursuant to the exercise of remedies under the Operative Documents, transfers pursuant to the exercise of the Sale Option or Purchase Option, a transfer to Lessee or otherwise pursuant to the Lease) or any involuntary transfer of any interest in any of the Sites resulting from the bankruptcy or insolvency of the Agent, Lessor or any Lender (other than in connection with the existence of a Lease Event of Default or a Credit Agreement Event of Default); (vi) any gift, inheritance, franchise or estate Taxes (vii) taxes and impositions that are imposed by any state or local jurisdiction or taxing authority within any state or local jurisdiction and that are based upon or measured by the net income or net receipts (including any minimum taxes, withholding taxes or taxes on or measured by capital, net worth, excess profits or items of tax preference or taxes that are capital stock, franchise or doing business taxes); (viii) any Tax or imposition for so long as, but only for so long as, it is being contested in accordance with the provisions of the Participation Agreement; (ix) any Taxes or impositions that are enacted or adopted by their express terms as a substitute for any Tax that would not have been indemnified against pursuant to the terms of Section 7.2(a) of the

Participation Agreement; (x) any Taxes or impositions to the extent that such Taxes are actually reimbursed to the Lessor by another Person other than an Affiliate of the Lessor; (xi) in the event of a voluntary transfer, assignment or disposition, or any involuntary transfer of any interest in any of the Sites resulting from the bankruptcy or insolvency of Lessor (other than in connection with the existence of a Lease Event of Default or a Credit Agreement Event of Default), any Tax or imposition imposed on a direct or indirect transferee, successor or assign of the Lessor to the extent of the excess of such Taxes over the amount of such Taxes that would have been imposed had there not been a transfer by the original Lessor of an interest arising under the Operative Documents, unless a Lease Event of Default shall have occurred and be continuing; and (xii) any Taxes or impositions imposed on the Lessor that are a result of the Lessor not being considered a "United States person" as defined in Section 7701(a)(30) of the Code. Notwithstanding the

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proviso of the preceding sentence, Lessee shall pay or reimburse, and indemnify and hold harmless, any Indemnitee which is not incorporated under the laws of the United States, or a state thereof, and which has complied with Section 7.3, from any deduction or withholding of any United States Federal, state or local income tax. All indemnities contained in this Section 7.2(a) are expressly made for the benefit of, and shall be enforceable by, each Indemnitee.

(b) Contests. Lessee shall pay on or before the time or times prescribed by law any Taxes (except any Taxes excluded by the proviso to Section 7.2(a)); provided, however, that Lessee shall be under no obligation to pay any such Tax so long as the payment of such Tax is not delinquent or is being contested by a Permitted Contest. If any claim or claims is or are made against any Indemnitee for any Tax which is subject to indemnification as provided in Section 7.2(a), Indemnitee shall as soon as practicable, but in no event more than 20 days after receipt of formal written notice of the Tax or proposed Tax, notify Lessee and if, in the reasonable opinion of Lessee and (in the case of any Tax which may reasonably be expected in the aggregate to exceed \$50,000) tax counsel acceptable to the Indemnitee, there exists a basis to contest such Tax which satisfies the requirements of ABA Formal Opinion 85-352 (and if the provisos of the definition of "Permitted Contest" continues to be satisfied and so long as no Lease Event of Default exists), Lessee at its expense may, to the extent permitted by Applicable Laws and Regulations, contest such Tax, and subsequently may appeal any adverse determination, in the appropriate administrative and legal forums; provided that in all other circumstances, upon notice from Lessee to such Indemnitee that there exists a basis to contest any such Tax which satisfies the requirements of ABA Formal Opinion 85-352 (as supported by an opinion of tax counsel to Lessee acceptable to the Indemnitee), the Indemnitee, at Lessee's expense, shall contest any such Tax. Lessee shall pay all expenses incurred by the Indemnitee in contesting any such Tax (including all reasonable attorneys' and accountants' fees, including the allocated costs of internal counsel), upon demand by the Indemnitee. Lessee shall have the right to participate in the conduct of any proceedings controlled

by the Indemnitee to the extent that such participation by such Person does not interfere with the Indemnitee's control of such contest and Lessee shall in all events be kept informed, to the extent practicable, of material developments relative to such proceedings. The Indemnitee shall have the right to participate in the conduct of any proceedings controlled by Lessee and the Indemnitee shall in all events be kept informed, to the extent practicable, of material developments relative to such proceedings.

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The Indemnites agree that a contested claim for which Lessee would be required to make a reimbursement payment hereunder will not be settled or compromised without Lessee's prior written consent (which consent shall neither be unreasonably delayed nor withheld), unless the provisos of the definition of "Permitted Contest" would not continue to be satisfied. Indemnitee shall endeavor to settle or compromise any such contested claim in accordance with written instructions received from Lessee, provided that: (x) Lessee on or before the date the Indemnitee executes a settlement or compromise pays the contested Tax to the extent agreed upon or makes an indemnification payment to the Indemnitee in an amount acceptable to the Indemnitee; and (y) the settlement or compromise does not, in the reasonable opinion of the Indemnitee materially adversely affect the right of such Lessor to receive Rent or the Lease Balance or any other payment pursuant to the Operative Documents, or involve a material risk of sale, forfeiture or loss of any Site or any interest therein or any matter described in the provisos to the definition of "Permitted Contest". The failure of an Indemnitee to timely contest a claim against it for any Tax which is subject to indemnification under Section 7.2(a) and for which it has an obligation to Lessee to contest under this Section 7.2(b) in the manner required by Applicable Laws and Regulations where Lessee has timely requested that such Indemnitee contest such claim shall relieve Lessee of its obligations to such Indemnitee under Section 7.2(a) with respect to such claim to the extent such failure results in the loss of an effective contest. If Applicable Laws and Regulations require the payment of a contested Tax as a condition to, or regardless of, its being contested, and Lessee chooses to contest such Tax or to direct the Indemnitee to contest such Tax in accordance with this Section, then Lessee shall provide the Indemnitee with the funds to pay such Tax, such provision of funds to be deemed a non-interest bearing loan by Lessee to the Indemnitee to be repaid by any recovery of such Tax from such contest and any remaining unpaid amount not recovered to offset Lessee's obligation to indemnify the Indemnitee for such Tax. Lessee shall indemnify the Indemnitee on a grossed-up basis (in accordance with Section 7.5) for and against any adverse tax consequences of such interest-free loan. In the event that the Indemnitee receives a refund (or like adjustment) in respect of any Tax for which the Indemnitee has been reimbursed by Lessee, the Indemnitee shall immediately remit the amount of such refund (or like adjustment) to Lessee, net of all costs and expenses incurred by such Indemnitee.

(c) Payments. Any Tax indemnifiable under Section 7.2(a) shall be paid directly to the applicable taxing authority if direct payment is

is not permitted or is otherwise not made, any amount payable to an Indemnatee pursuant to Section 7.2(a) shall be paid within thirty (30) days after receipt of a written demand therefor from such Indemnatee accompanied by a written statement describing in reasonable detail the amount so payable, but not before the date that the relevant Taxes are due. Any payments made pursuant to Section 7.2(a) directly to the Indemnatee entitled thereto or Lessee, as the case may be, shall be made in immediately available funds at such bank or to such account as specified by the payee in written directions to the payor, or, if no such direction shall have been given, by check of the payor payable to the order of the payee by certified mail, postage prepaid at its address as set forth in this Participation Agreement. Upon the request of any Indemnatee with respect to a Tax that Lessee is required to pay, Lessee shall furnish to such Indemnatee the original or a certified copy of a receipt for Lessee's payment of such Tax or such other evidence of payment as is reasonably acceptable to such Indemnatee. Taxes imposed with respect to the Property for a billing period during which the Lease expires or terminates (provided that the Lessee surrenders possession of the Property to Lessor) shall be adjusted and prorated on a daily basis between the Lessee and the Lessor, whether or not such Imposition is imposed before or after such expiration or termination and each party shall pay or reimburse the other for each party's pro rata share thereof. At Lessee's request, the amount of any indemnification payment by Lessee pursuant to subsection (a) shall be verified and certified by an independent public accounting firm mutually acceptable to Lessee and the Indemnatee. The fees and expenses of such independent public accounting firm shall be paid by Lessee unless such verification shall result in an adjustment in Lessee's favor of 5% or more of the payment as computed by the Indemnatee, in which case such fee shall be paid by the Indemnatee. In no event shall Lessee have the right to review the Indemnatee's tax returns or receive any other confidential information from the Indemnatee in connection with such verification. Any information provided to such accountants by any Person shall be and remain the exclusive property of such Person and shall be deemed by the parties to be (and the accountants will confirm in writing that they will treat such information as) the private, proprietary and confidential property of such Person, and no Person other than such Person and the accountants shall be entitled thereto and all such materials shall be returned to such Person. Such accounting firm shall be requested to make its determination within 30 days of Lessee's request for verifications and the computations of the accounting firm shall be final, binding and conclusive upon Lessee and the Indemnatee. The parties agree that the sole responsibility of the independent public accounting firm shall be to verify the amount of a

payment pursuant to this Participation Agreement and that matters of interpretation of this Participation Agreement are not within the scope of the



independent accounting firm's responsibilities.

(d) Reports. If any report, return or statement is required to be filed with respect to any Taxes that are subject to indemnification under Section 7.2(a), Lessee shall, if Lessee is permitted by Applicable Laws and Regulations, timely prepare and file such report, return or statement; provided, however, that if Lessee is not permitted by Applicable Laws and Regulations to file any such report Lessee will promptly so notify the appropriate Indemnatee, in which case the Indemnatee will file any such report after preparation thereof by Lessee. Lessee will deliver any such return, together with immediately available funds for payment of any Tax due, to such Indemnatee at least ten (10) days in advance of the date such return or payment is due.

SECTION 7.3. Withholding Tax Exemption. On or before the first date on which any payment is due under any Note for the account of any Lender not incorporated under the laws of the United States or a state thereof, such Lender agrees that it will have delivered to each of Lessee, Lessor and Agent (i) two valid, duly completed copies of United States Internal Revenue Service Form 1001 or 4224, certifying in either case that such Lender is entitled to receive payments under the Operative Documents without deduction or withholding of any United States federal income taxes and (ii) a valid, duly completed Internal Revenue Service Form W-8 or W-9 or successor applicable form, as the case may be, to establish an exemption from United States backup withholding tax. Each Lender which so delivers a Form 1001 or 4224 and Form W-8 or W-9, or successor applicable forms, further undertakes to deliver to each of Lessee, Lessor and Agent two additional copies of such form on or before the date that such form expires (currently, three successive calendar years for Form 1001 and one calendar year for Form 4224) or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by Lessee, Lessor or Agent, in each case certifying that such Lender is entitled to receive payments under the Operative Documents without deduction or withholding of any United States Federal income taxes, unless any change in treaty, law or regulation has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender advises Lessee, Lessor and Agent that it is not capable of receiving payments without any withholding of United States Federal income tax.

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SECTION 7.4. Excessive Use Indemnity. In the event that at the end of the Lease Term: (a) Lessee elects the Sale Option; and (b) after paying to Lessor all amounts due under Section 6.3 of the Lease, including Proceeds and the aggregate Applicable Percentage Amount, Lessor does not have sufficient funds to reduce the Lease Balance to zero, then Lessee shall promptly pay over to Lessor the shortfall unless Lessee delivers a report from an independent appraiser in form and substance satisfactory to Lessor and the Agent which

establishes that the decline in value in the Sites from the aggregate amount anticipated for such date in the Appraiser's report delivered with respect to each Site on or about the applicable Site Acquisition Date was not due to the excessive use of any Facility or any Site, failure to maintain any Facility or any Site, modifications or restorations which reduce the value of any Facility or any Site, any adverse change in the environmental condition of any Facility or any Site, any easements granted pursuant to Section 8.3 of the Lease or Section 3.4 of the Construction Agency Agreement which reduce the value of any Facility or Site or any other cause or condition within the power of Lessee to control or affect differing from ordinary wear and tear.

SECTION 7.5. Gross Up. If an Indemnitee shall not be entitled to a corresponding and equal deduction with respect to any payment or Tax which Lessee is required to pay or reimburse under any other provision of this Article VII (each such payment or reimbursement under this Article VII, an "original payment") and which original payment constitutes income to such Indemnitee, then Lessee shall pay to such Indemnitee on demand the amount of such original payment on a grossed-up basis such that, after subtracting all Taxes imposed on such Indemnitee with respect to such original payment by Lessee (including any Taxes otherwise excluded by Section 7.2(b) and assuming for this purpose that such Indemnitee was subject to taxation at the highest Federal marginal rates applicable to widely held corporations for the year in which such income is taxable and at an assumed state and local income tax rate of 9.5%, such payments shall be equal to the original payment to be received or paid (net of any credits, deductions or other tax benefits then actually recognized that arise from the payment by such Indemnitee of any amount, including taxes, for which the payment to be received is made).

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## ARTICLE VIII THE AGENT

SECTION 8.1. Appointment of Agent; Powers and Authorization to Take Certain Actions.

(a) Each Participant irrevocably appoints and authorizes Agent to act as its agent hereunder, with such powers as are specifically delegated to Agent by the terms hereof, together with such other powers as are reasonably incidental thereto. Each Participant authorizes and directs Agent to, and Agent agrees for the benefit of the Participant, that, on the Document Closing Date it will accept the Operative Documents and thereafter, it will accept all documents to be delivered to Agent on behalf of the Participants or the Lenders under the Operative Documents. Specifically, without limitation, Lessor hereby appoints Agent as its agent hereunder and under the Operative Documents to accept delivery of all documents to be delivered to Lessor under the Operative Documents and to take all action on behalf of Lessor required to be taken by Lessor under the Operative Documents, subject to the



remaining provisions of this Article 8. Agent accepts the agency hereby created applicable to it and agrees to receive all payments and proceeds pursuant to the Operative Documents and disburse such payments or proceeds in accordance with the Operative Documents. Agent shall have no duties or responsibilities except those expressly set forth in the Operative Documents. Agent shall not be responsible to any Participant (or to any other Person) (i) for any recitals, statements, representations or warranties of any party contained in any of the Operative Documents or in any certificate or other document referred to or provided for in, or received by any of them under, the Operative Documents, other than the representations and warranties made by Agent in Section 4.4, or (ii) for the value, validity, effectiveness, genuineness, enforceability or sufficiency of the Collateral or the title thereto or of the Loan Agreement or any other document referred to or provided for therein or (iii) for any failure by any Lessee, Lessor, any Lender or any other third party (other than Agent) to perform any of its obligations under any Operative Document. Agent may employ agents, trustees or attorneys-in-fact, may vest any of them with any property, title, right or power deemed necessary for the purposes of such appointment and shall not be responsible for the negligence or misconduct of any of them selected by it with reasonable care. Neither Agent nor any of its directors, officers, employees or agents shall be

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liable or responsible for any action taken or omitted to be taken by it or them hereunder, or in connection herewith, except for its or their own gross negligence or willful misconduct.

(b) Agent shall not have any duty or obligation to manage, control, use, operate, store, lease, sell, dispose of or otherwise deal with any Site, any other Collateral or the Lease, or to otherwise take or refrain from taking any action under, or in connection with, this Agreement or any related document to which Agent is a party, except as expressly provided by the terms hereof, and no implied duties of any kind shall be read into any Operative Document against Agent. The permissive right of Agent to take actions enumerated in this Agreement or any other Operative Document shall never be construed as a duty, unless Agent is instructed or directed to exercise, perform or enforce one or more rights by the Required Participants (provided that Agent has received indemnification reasonably satisfactory to it). Subject to Section 8.1(c) below, no provision of the Operative Documents shall require Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its obligations under the Operative Documents, or in the exercise of any of its rights or powers thereunder. It is understood and agreed that the duties of Agent are ministerial in nature.

(c) Except as specifically provided herein, Agent is acting

hereunder solely as agent and, except as specifically provided herein, is not responsible to any party hereto in its individual capacity, except with respect to any claim arising from Agent's gross negligence or willful misconduct or any breach of a representation or covenant made in its individual capacity.

(d) Agent may accept deposits from, lend money to and otherwise deal with Lessee or any of its Affiliates with the same rights as it would have if it were not the named Agent hereunder.

SECTION 8.2. Reliance. Agent may rely upon, and shall not be bound or obligated to make any investigation into the facts or matters stated in, any certificate, notice or other communication (including any communication by telephone, facsimile, telex, telegram or cable) reasonably believed by it to be genuine and correct and to have been made, signed or sent by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel,

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independent accountants and other experts selected by Agent with due care (including any expert selected by Agent to aid Agent in any calculations required in connection with its duties under the Operative Documents).

SECTION 8.3. Action Upon Instructions Generally. Subject to Sections 8.4 and 8.6, upon written instructions of the Required Participants, Agent shall, on behalf of the Participants, give such notice or direction, exercise such right, remedy or power hereunder or in respect of any Site, and give such consent or enter into such amendment to any document to which it is a party as Agent as may be specified in such instructions. Agent shall deliver to each Participant a copy of each material notice, report and certificate received by Agent pursuant to the Operative Documents. Agent shall have no obligation to investigate or determine whether there has been a Lease Default or Lease Event of Default. Agent shall not be deemed to have notice or knowledge of any Lease Default or Lease Event of Default unless a Responsible Officer of Agent is notified in writing of such Lease Default or Lease Event of Default, provided that Agent shall be deemed to have been notified in writing of any failure of Lessee to pay Basic Rent in the amounts and at the times set forth in Article IV of the Lease. If Agent receives notice of a Lease Default or Lease Event of Default, Agent shall give prompt notice thereof, at Lessee's expense, to each Participant. Subject to Sections 8.4, 8.6 and 9.5 hereof, and subject to the terms and provisions of the Collateral Agency Agreement, Agent shall take action or refrain from taking action with respect to such Lease Default or Lease Event of Default as directed by the Required Participants or, in the case of a Lease Event of Default by virtue of the failure of Lessee to pay any portion of Basic Rent, as directed by any Participant; provided that, unless and until Agent receives such directions, Agent may refrain from taking any action, or may act in its discretion, with respect to such Lease Default or Lease Event of Default. Prior to the date the Lease Balance shall have become due and payable by acceleration pursuant to Article 18 of the Lease, the Required Participants may

deliver written instructions to Agent to waive, and Agent shall waive pursuant thereto, any Event of Default and its consequences; provided that in the absence of written instructions from all Participants, Agent shall not waive any (i) Lease Event of Default by virtue of the failure of Lessee to pay any portion of Basic Rent or (ii) covenant or provision which, under Section 9.5, cannot be modified or amended without the consent of all Participants. As to any matters not expressly provided for by this Agreement, Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder in accordance with instructions signed by the Required Participants

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and such instructions of the Required Participants and any action taken or failure to act pursuant thereto shall be binding on each Participant.

SECTION 8.4. Indemnification. Each Participant shall reimburse and hold Agent harmless, ratably in accordance with its Commitment at the time the indemnification is required to be given, (but only to the extent that any such indemnified amounts have not in fact been paid to Agent by, or on behalf of, Lessee in accordance with Section 7.1) from any and all claims, losses, damages, obligations, penalties, liabilities, demands, suits, judgments, or causes of action, and all legal proceedings, and any reasonable costs or expenses in connection therewith, including allocated charges, costs and expenses of internal counsel of Agent and all other reasonable attorneys' fees and expenses incurred by Agent, in any way relating to or arising in any manner out of (i) any Operative Document, the enforcement hereof or thereof or the consummation of the transactions contemplated thereby, or (ii) instructions from the Required Participants (including, without limitation, the costs and expenses that Lessee is obligated to and does not pay hereunder, but excluding normal administrative costs and expenses incident to the performance by Agent of its agency duties hereunder other than materially increased administrative costs and expenses incurred as a result of an Event of Default), provided that no Participant shall be liable for any of the foregoing to the extent they arise from (a) the gross negligence or willful misconduct of Agent as determined by a court of competent jurisdiction, (b) the inaccuracy of any representation or warranty or breach of any covenant given by Agent in Section 4.4 hereof or in the Loan Agreement, (c) negligence of Agent in the case of Agent's handling of funds or (d) any taxes, fees or other charges payable by Agent based on or measured by any fees, commissions or compensation received by it for acting as Agent in connection with the transactions contemplated by the Operative Documents.

SECTION 8.5. Independent Credit Investigation. Each Participant by entering into this Agreement agrees that it has, independently and without reliance on Agent or any other Participant and based on such documents and information as it has deemed appropriate, made its own credit analysis of Lessee and the Guarantors and its own decision to enter into this Agreement and each of the other Operative Documents to which it is a party and that it will, independently and without reliance upon Agent or any other Participant and based on such documents and information as it shall deem appropriate at the time,

continue to make its own analysis and decisions in taking action under this Agreement and any related documents to which it is a party. Agent shall not be

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required to keep itself informed as to the performance or observance by Lessee of any other document referred to (directly or indirectly) or provided for herein or to inspect the properties or books of Lessee. Except for notices or statements which Agent is expressly required to give under this Agreement and for notices, reports and other documents and information expressly required to be furnished to Agent alone hereunder or under any other Operative Document, Agent shall not have any duty or responsibility to provide any Participant with copies of notices or with any credit or other information concerning the affairs, financial condition or business of Lessee (or any of its Affiliates) that may come into the possession of Agent or any of its Affiliates.

SECTION 8.6. Refusal to Act. Except for notices and actions expressly required of Agent hereunder, Agent shall in all cases be fully justified in failing or refusing to act unless (a) it is indemnified to its reasonable satisfaction by Lessor against any and all liability and reasonable expense which may be incurred by it by reason of taking or continuing to take any such action (provided that such indemnity shall not be required to extend to liability or expense arising from any matter described in clauses (a) through (d) of Section 8.4, it being understood that no action taken by Agent in accordance with the instructions of the Required Participants shall be deemed to constitute any such matter) and (b) it is reasonably satisfied that such action is not contrary to any Operative Document or to any applicable law.

SECTION 8.7. Resignation or Removal of Agent; Appointment of Successor. Subject to the appointment and acceptance of a successor Agent as provided below, Agent may resign at any time by giving 30 days' prior written notice thereof to Lessor, Lenders and Lessee or may be removed at any time for cause by 30 days' prior written notice from the Required Participants to Agent, the other Participants and Lessee. Upon any such resignation or removal, the Required Participants at the time of the resignation or removal shall have the right to appoint a successor Agent. If, within thirty (30) calendar days after the retiring Agent's giving of notice of resignation or receipt of a written notice of removal, a successor Agent is not so appointed and does not accept such appointment, then the retiring or removed Agent may (but shall not be required to) appoint a successor Agent and transfer to such successor Agent all rights and obligations of the retiring Agent. Such successor Agent shall be a Lender if any Lender shall at the time be willing to become the successor Agent, and if no Lender is so willing, then the successor Agent shall be a financial institution. Upon the acceptance of any appointment as Agent hereunder by a successor Agent,

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such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Agent. Upon the effective date of resignation or removal, the retiring or removed Agent shall be discharged from duties and obligations as Agent thereafter arising hereunder and under any related document, but the provisions of this Agreement and the other Operative Documents shall inure to its benefit as to any actions taken or omitted by it while it was Agent under this Agreement and the other Operative Documents. If the Required Participants or the retiring Agent does not appoint a successor in accordance with the foregoing provisions of this Section 8.7, any Participant shall be entitled to apply to a court of competent jurisdiction for such appointment, and such court may thereupon appoint a successor to act until such time, if any, as a successor shall have been appointed as above provided.

SECTION 8.8. Separate Agent. Agent may, for the purpose of meeting any legal requirements of any jurisdiction in which any Site or Collateral may be located, appoint one or more individuals or corporations either to act as co-agent jointly with Agent or to act as separate agent of all or any part of the Collateral, and vest in such individuals or corporations, in such capacity, such title to such Collateral or any part thereof, and such rights or duties as Agent may consider necessary or desirable. Agent shall not be required to qualify to do business in any jurisdiction where it is not now so qualified. Agent shall execute, acknowledge and deliver all such instruments as may be required by any such co-agent or separate agent more fully confirming such title, rights or duties to such co-agent or separate agent. Upon the acceptance in writing of such appointment by any such co-agent or separate agent, it, she or he shall be vested with such interest in the Collateral or any part thereof, and with such rights and duties, not inconsistent with the provisions of the Operative Documents, as shall be specified in the instrument of appointment, jointly with Agent (except insofar as local law makes it necessary for any such co-agent or separate agent to act alone), subject to all terms of the Operative Documents. Any co-agent or separate agent, to the fullest extent permitted by legal requirements of the relevant jurisdiction, at any time, by an instrument in writing, shall constitute Agent its attorney-in-fact and agent, with full power and authority to do all acts and things and to exercise all discretion on its behalf and in its name. If any co-agent or separate agent shall die, become incapable of acting, resign or be removed, the interest in the Collateral or Sites and all rights and duties of such co-agent or separate agent shall, so far as permitted by law, vest in and be exercised by Agent, without the appointment of a successor to such co-agent or separate agent.

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SECTION 8.9. Termination of Agency. The agency created hereby shall terminate upon the final disposition by Lessor of all Sites and the final distribution by Agent of all monies or other property or proceeds received pursuant to the Lease and Loan Agreement in accordance with their respective terms, provided that at such time Lessee shall have complied fully with all the terms hereof.

SECTION 8.10. Compensation of Agency. Lessee shall pay Agent (i) the Structuring/Underwriting Fee pursuant to Section 2.6 hereof and (ii) Agent's reasonable fees, costs and expenses for the performance of Agent's obligations hereunder.

SECTION 8.11. Limitations. It is expressly understood and agreed by and among the parties hereto that, except as otherwise provided herein or in the other Operative Documents: (a) this Participation Agreement and the other Operative Documents to which Agent is a party are executed by Agent, not in its individual capacity (except with respect to the representations and covenants of Agent in Section 4.4), but solely as Agent under the Operative Documents in the exercise of the power and authority conferred and vested in it as such Agent; (b) each and all of the undertakings and agreements herein made on the part of Agent are each and every one of them made and intended not as personal undertakings and agreements by Agent, or for the purpose or with the intention of binding Agent personally, but are made and intended for the purpose of binding only the interests of Lessor and the Lenders in the Sites and Collateral unless expressly provided otherwise; (c) actions to be taken by Agent pursuant to its obligations under the Operative Documents may, in certain circumstances, be taken by Agent only upon specific authority of the Participants or Required Participants; (d) nothing contained in the Operative Documents shall be construed as creating any liability on Agent, individually or personally, or any incorporator or any past, present or future subscriber to the capital stock of, or stockholder, officer or director, employee or agent of, Agent to perform any covenants either express or implied contained herein, all such liability, if any, being expressly waived by the other parties hereto and by any Person claiming by, through or under them; and (e) so far as Agent, individually or personally, is concerned, the other parties hereto and any Person claiming by, through or under them shall look solely to the Collateral and Lessee for the performance of any obligation under any of the instruments referred to herein; provided, however, that nothing in this Section 8.11 shall be construed to limit in scope or substance the general corporate liability of Agent in respect of its gross negligence or willful misconduct or those representations, warranties and covenants of Agent in its individual capacity set forth herein or in any of the

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other agreements contemplated hereby.

SECTION 8.12. Agent May Be a Participant. Lessee and each Participant (a) acknowledge and agree that Agent may be a Participant and Agent, (as well as an agent and a Lender under the Credit Agreement and the Collateral Agent under the Collateral Agency Agreement), and in such other capacities, shall have no obligation to Lessee or the other Participants greater than it would have were Agent solely a Participant and not Agent hereunder, or not the agent or a Lender under the Credit Agreement or Collateral Agent under the Collateral Agency Agreement and (b) waive any conflict or potential conflict by virtue of Agent also being a Participant from time to time.



## ARTICLE IX

### MISCELLANEOUS

SECTION 9.1. Survival of Agreements. The representations, warranties, covenants, indemnities and agreements of the parties provided for in the Operative Documents, and the parties' obligations under any and all thereof, shall survive the execution and delivery and the termination or expiration of this Agreement and any of the Operative Documents, including the termination of the Lease with respect to any Site, the transfer of the interest in the Sites to or by Lessor as provided herein or in any other Operative Documents (and shall not be merged into the Deeds or any other conveyance or transfer document), any disposition of any interest of Lessor in the Sites, the purchase and sale of the Notes, payment therefor and any disposition thereof and shall be and continue in effect notwithstanding any investigation made by any party hereto or to any of the other Operative Documents and the fact that any such party may waive compliance with any of the other terms, provisions or conditions of any of the Operative Documents.

SECTION 9.2. No Broker, etc. Except for Agent (the fees and expenses of which shall be payable by Lessee in accordance with the provisions of this Participation Agreement), each of the parties hereto represents to the others that it has not retained or employed any broker, finder or financial advisor to act on its behalf in connection with this Agreement, nor has it authorized any broker, finder or financial adviser retained or employed by any other Person so to act, nor has it incurred any fees or commissions to which Lessor or any other Participant might be subjected by virtue of its entering into the transactions contemplated by this Agreement. Any party who is in breach of this representation shall indemnify and hold the other parties harmless from and

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against any liability arising out of such breach of this representation.

SECTION 9.3. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto shall be made in writing and shall be deemed to have been given (i) in the case of notice by letter, the earlier of when delivered to the addressee by hand or courier if delivered on a Business Day and, if not delivered on a Business Day, the first Business Day thereafter or on the third Business Day after depositing the same in the mails, registered or certified mail, postage prepaid, return receipt requested, addressed as provided on Schedule II hereto, and (ii) in the case of notice by facsimile or bank wire, when receipt is confirmed if delivered on a Business Day and, if not delivered on a Business Day, the first Business Day thereafter, addressed as provided on Schedule II hereto, or to such other address as any of the parties hereto may designate by written notice. Copies of all notices given by facsimile or bank wire shall be

contemporaneously sent by overnight courier.

SECTION 9.4. Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same agreement.

SECTION 9.5. Amendments. Except as otherwise specifically provided in any Operative Document, neither this Agreement nor any of the other Operative Documents nor any of the terms hereof or thereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification shall be sought; and no such termination, amendment, supplement, waiver or modification shall be effective unless a signed copy thereof shall have been delivered to Lessor, Lessee and Agent. Lessor, Agent and Lessee may amend, supplement, waive or modify this Agreement or any other Operative Document (i) to correct any mistake without the consent of the Required Participants, or (ii) for any other purpose with the written consent of the Required Participants; provided, that without the prior written consent of each Lender, Agent and Lessor shall not:

(a) modify any of the provisions of this Section 9.5, change the definition of "Required Participants" or "Required Lenders" or modify or waive any provision of any Operative Document requiring action by any of the foregoing, or release any collateral (except as otherwise specifically provided in any Operative Document);

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(b) modify, amend, waive or supplement any of the provisions of Articles XI, XIII, XVI and XVII of the Lease;

(c) reduce, modify, amend or waive any indemnities in favor of any Lender;

(d) reduce the amount or change the time of payment of Rent or the Lease Balance;

(e) consent to any assignment of the Lease releasing Lessee from its obligations to pay Rent or the Lease Balance or changing the absolute and unconditional character of such obligations; or

(f) permit the creation of any Lien on the Sites or any part thereof except as contemplated by the Operative Documents, or deprive any Lender of the benefit of the security interest and lien secured by the Sites.

SECTION 9.6. Headings, etc. The Table of Contents and headings of the various Articles and Sections of this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof.



SECTION 9.7. Parties in Interest. Except as expressly provided herein, none of the provisions of this Agreement is intended for the benefit of any Person except the parties hereto, their successors and permitted assigns.

SECTION 9.8. GOVERNING LAW. THIS AGREEMENT HAS BEEN DELIVERED IN, AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO THE CONFLICTS OF LAWS PRINCIPLES OF SUCH STATE.

SECTION 9.9. Payment of Transaction Costs and Other Costs.

(a) Transaction Costs. If the transactions contemplated by this Agreement are consummated, as and when any portion of Transaction Costs becomes due and payable, Lessor, upon Lessee's request, shall promptly (and in any event, prior to the next Advance Date) make payment of such portion of the Transaction Costs to the Person or Persons entitled to payment upon presentation to Lessor of bills or invoices for such payment; provided, however, that Lessor

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shall not be required to pay any Transaction Costs in excess of \$2,000,000.00 in the aggregate. Lessee shall elect which Transaction Costs Lessor shall so pay, provided that such election must include the Structuring/Underwriting Fee and Agent's attorneys fees, and Lessor shall obtain the funds necessary for such payment in accordance with Section 2.5. Any additional Transaction Costs shall be paid by Lessee. If such transactions are not consummated, Lessee shall pay all of the Transaction Costs.

(b) Continuing Expenses. The continuing expenses and disbursements (including reasonable counsel fees and expenses) of Lessor and Agent shall be paid by Lessee as Supplemental Rent; and provided, further that if Lessor shall not have paid \$2,000,000 of Transaction Costs in the aggregate, Lessor shall continue to pay Transaction Costs (the specific Transaction Costs being so paid by Lessor being in Lessor's discretion) in accordance with Section 2.5 until it shall have paid \$2,000,000 of Transaction Costs in the aggregate.

(c) Amendments, Supplements and Appraisal. Without limitation of the foregoing, Lessee agrees to pay to the Lessor, Agent and the Lenders all reasonable costs and expenses (including reasonable legal fees and expenses) incurred by any of them in connection with: (i) the considering, evaluating, investigating, negotiating and entering into or giving or withholding of any amendments or supplements or waivers or consents with respect to any Operative Document; (ii) any Event of Loss or termination of the Lease or any other Operative Document; (iii) the negotiation and documentation of any restructuring or "workout," whether or not consummated, of any Operative Document; (iv) the enforcement of the rights or remedies under the Operative Documents; (v) any transfer by Agent or a Lender of any interest in the Operative Documents during the continuance of a Lease Event of Default; (vi) any Advance Date or (vii) any

Site Acquisition Date; provided, however, that in the case of clauses (i), (ii), (vi), and (vii) Lessee shall not be responsible for any legal fees and expenses of more than two special counsel for all of Agent and the Lenders (including, without limitation, special Credit Agreement counsel) and any special local counsel required by Agent.

SECTION 9.10. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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SECTION 9.11. Limited Liability of Lessor. The parties hereto agree that Lessor shall have no personal liability whatsoever to Lessee, the Lenders, Agent or any of their respective successors and assigns for any Claim based on or in respect of this Agreement or any of the other Operative Documents or arising in any way from the transactions contemplated hereby or thereby; provided, however, that Lessor shall be personally liable: (a) for its own willful misconduct or gross negligence, (b) for liabilities that may result from the incorrectness of any representation or warranty expressly made by it in Section 4.3 or from the failure of Lessor to perform the covenants and agreements set forth in Section 6.2(a) hereof, or (c) for any Tax based on or measured by any fees, commission or compensation received by it for actions contemplated by the Operative Documents. It is understood and agreed that, except as provided in the preceding proviso: (i) Lessor shall have no personal liability under any of the Operative Documents as a result of acting pursuant to and consistent with any of the Operative Documents; (ii) all obligations of Lessor to Lessee, the Lenders, Agent or any of their respective successors and assigns are solely nonrecourse obligations (with liability payable solely out of the Sites and the other Collateral) except to the extent that it has received payment from others; (iii) all such personal liability of Lessor is expressly waived and released as a condition of, and as consideration for, the execution and delivery of the Operative Documents by Lessor; and (iv) this Participation Agreement (except as provided in Section 4.3) is executed and delivered by Lessor solely in the exercise of the powers expressly conferred upon it as Lessor under the Operative Documents.

SECTION 9.12. Liabilities of the Lenders. No Lender shall have any obligation to any other Lender or to Lessee, Lessor or Agent with respect to the transactions contemplated by the Operative Documents except those obligations of such Lender expressly set forth in the Operative Documents or except as set forth in the instruments delivered in connection therewith, and no Lender shall be liable for performance by any other party hereto of such other party's obligations under the Operative Documents except as otherwise so set forth.

SECTION 9.13. Liabilities of Agent. Agent shall have no duty, liability or obligation to any party to this Agreement with respect to the transactions contemplated hereby except those duties, liabilities, or obligations expressly set forth in this Agreement or the Loan Agreement, and any such duty, liability or obligation of Agent shall be as expressly limited by this Agreement or the Loan Agreement, as the case may be.

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SECTION 9.14. Reproduction of Documents. This Agreement, all documents constituting Schedules or Exhibits hereto, and all documents relating hereto received by a party hereto, including, without limitation: (a) consents, waivers and modifications that may hereafter be executed; (b) documents received by the Lenders, Agent or Lessor in connection with the receipt and/or acquisition of the Sites; and (c) financial statements, certificates, and other information previously or hereafter furnished to Agent, Lessor or any Lender may be reproduced by the party receiving the same by any photographic, photostatic, microfilm, micro-card, miniature photographic or other similar process. Each of the parties hereto agrees and stipulates that, to the extent permitted by law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such party in the regular course of business) and that, to the extent permitted by law, any enlargement, facsimile, or further reproduction of such reproduction shall likewise be admissible in evidence.

SECTION 9.15. Consideration for Consents to Waivers and Amendments. Lessee hereby agrees that it will not, and that it will not permit any of its Affiliates to, offer or give any consideration or benefit of any kind whatsoever to any Lender in connection with, in exchange for, or as an inducement to, such Lender's consent to any waiver in respect of, any modification or amendment of, any supplement to, or any other consent or approval under, any Operative Document unless such consideration or benefit is offered ratably to all Lenders.

SECTION 9.16. Payment Directions. It is understood and agreed that during the Lease Term, for administrative convenience and notwithstanding the terms and provisions of the Lease or any Loan Document, Lessee will pay all amounts due Lessor under the Lease and this Agreement, on behalf of Lessor, to or at the direction of Agent (which direction may change from time to time, so long as such direction does not require Lessee to make any payment due on any date to more than one Person) for application in accordance with the terms of Article III of the Loan Agreement.

SECTION 9.17. Action of and Notices to Lessor under Loan Agreement. Notwithstanding anything to the contrary in the Loan Agreement, the Lenders, Lessor and Lessee hereby agree that any notice or demand to be delivered to Lessor pursuant to the Loan Agreement and any action to be taken by Lessor

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under the Loan Agreement shall, so long as no Lease Event of Default is continuing, be delivered directly to or taken by Lessee, with a copy to or notice to Lessor.

SECTION 9.18. Submission to Jurisdiction; Waivers. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY: (a) AGREES THAT ANY ACTION, SUIT OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY OTHER OPERATIVE DOCUMENT OR ANY STATEMENT, COURSE OF CONDUCT, ACT OR OMISSION, OR EVENT OCCURRING IN CONNECTION HERewith OR THEREwith (COLLECTIVELY, "RELATED LITIGATION") MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN ALLEGHENY COUNTY OR PHILADELPHIA COUNTY, PENNSYLVANIA, SUBMITS TO THE JURISDICTION OF SUCH COURTS, AND TO THE FULLEST EXTENT PERMITTED BY LAW AGREES THAT, TO THE EXTENT THAT ANY SUCH COURT HAS OR IS ABLE TO OBTAIN PERSONAL JURISDICTION OVER THE PARTY AGAINST WHICH SUCH PARTY IS SEEKING TO BRING RELATED LITIGATION, IT WILL NOT BRING ANY RELATED LITIGATION IN ANY OTHER FORUM (BUT NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY LENDER TO BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM);

(b) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY RELATED LITIGATION BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY SUCH RELATED LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, AND WAIVES ANY RIGHT TO OBJECT, WITH RESPECT TO ANY RELATED LITIGATION BROUGHT IN ANY SUCH COURT, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH PARTY;

(c) CONSENTS AND AGREES TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY RELATED LITIGATION BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE PREPAID, TO SUCH PARTY'S ADDRESS FOR NOTICES DESCRIBED IN SCHEDULE II 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); AND

(d) WAIVES THE RIGHT TO TRIAL BY JURY IN ANY RELATED LITIGATION.

SECTION 9.19. Final Agreement. THIS AGREEMENT, TOGETHER WITH THE LEASE, LOAN DOCUMENTS, THE OTHER OPERATIVE DOCUMENTS AND OTHER DOCUMENTS EXECUTED IN CONNECTION HERewith OR THEREwith REPRESENT THE ENTIRE FINAL AGREEMENT BETWEEN THE PARTIES HERETO WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREIN AND CANNOT BE MODIFIED, SUPPLEMENTED, AMENDED, RESCINDED OR CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES HERETO. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES HERETO.

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

GENESIS ELDERCARE PROPERTIES, INC.,  
as Lessee

By: \_\_\_\_\_  
Name Printed: George V. Hager, Jr.  
Title: Senior Vice President

MELLON FINANCIAL SERVICES  
CORPORATION #4, as Lessor

By: \_\_\_\_\_  
Name Printed: Robert C. Carpenter  
Title: Assistant Vice President

MELLON BANK, N.A., not in its  
individual capacity except as  
expressly stated herein, but solely  
as Agent

By: \_\_\_\_\_  
Name Printed: Carol Paige  
Title: Vice President

MELLON BANK, N.A., as Lender

By: \_\_\_\_\_  
Name Printed: Carol Paige  
Title: Vice President

CITIBANK, N.A., as Lender

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

FIRST UNION NATIONAL BANK OF NORTH  
CAROLINA, as Lender

By: \_\_\_\_\_

Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

NATIONSBANK, N.A., as Lender

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

FLEET NATIONAL BANK, as Lender

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

CORESTATES BANK, N.A., as Lender

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

PNC BANK, NATIONAL ASSOCIATION, as  
Lender

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION, as Lender

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

CREDIT LYONNAIS NEW YORK BRANCH, as  
Lender

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

Participation Agreement

CREDIT SUISSE, as Lender

By: \_\_\_\_\_

Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

AMSOUTH BANK OF ALABAMA, as Lender

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

BANQUE PARIBAS, as Lender

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

CREDITANSTALT CORPORATE FINANCE,  
INC., as Lender

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

SIGNET BANK, as Lender

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

Participation Agreement

THE SUMITOMO BANK, LIMITED, as  
Lender

By: \_\_\_\_\_

Name Printed:\_\_\_\_\_

Title:\_\_\_\_\_

By:\_\_\_\_\_

Name Printed:\_\_\_\_\_

Title:\_\_\_\_\_

Participation Agreement

THE FIRST NATIONAL BANK OF  
MARYLAND, as Lender

By:\_\_\_\_\_

Name Printed:\_\_\_\_\_

Title:\_\_\_\_\_

SCHEDULE I

Lessor and Lender Commitments

Participant	Acquisition and Construction Commitment	Transaction Costs Commitment	Total Commitment
Lessor			
Mellon Financial	\$ 4,440,000.00	\$ 60,000.00	\$ 4,500,000.00
Lessor Subtotal	\$ 4,440,000.00	\$ 60,000.00	\$ 4,500,000.00
Lenders			
Mellon Bank, N.A.	\$12,809,225.61	\$173,097.64	\$12,982,323.25
Citibank, N.A.	\$12,809,225.60	\$173,097.64	\$12,982,323.24
First Union National Bank of North Carolina	\$10,634,074.08	\$143,703.70	\$10,777,777.78
NationsBank, N.A.	\$10,634,074.08	\$143,703.70	\$10,777,777.78
Fleet National Bank	\$ 9,345,095.40	\$126,285.07	\$ 9,471,380.47
Bank of America National Trust and Savings Association	\$ 9,345,095.40	\$126,285.07	\$ 9,471,380.47



CoreStates Bank, N.A.	\$ 9,345,095.40	\$126,285.07	\$ 9,471,380.47
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Credit Lyonnais New York Branch	\$ 9,345,095.40	\$ 126,285.07	\$ 9,471,380.47
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PNC Bank, National Association	\$ 9,345,095.40	\$ 126,285.07	\$ 9,471,380.47
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AmSouth Bank of Alabama	\$ 8,056,116.72	\$ 108,866.44	\$ 8,164,983.16
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Banque Paribas	\$ 8,056,116.72	\$ 108,866.44	\$ 8,164,983.16
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Credit Suisse	\$ 8,056,116.72	\$ 108,866.44	\$ 8,164,983.16
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The First National Bank of Maryland	\$ 6,444,893.37	\$ 87,093.16	\$ 6,531,986.53
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Creditanstalt Corporate Finance, Inc.	\$ 6,444,893.37	\$ 87,093.16	\$ 6,531,986.53
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Signet Bank	\$ 6,444,893.37	\$ 87,093.16	\$ 6,531,986.53
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The Sumitomo Bank, Limited	\$ 6,444,893.37	\$ 87,093.16	\$ 6,531,986.53
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Lenders' Subtotal	\$143,560,000.00	\$1,940,000.00	\$145,500,000.00
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Total	\$148,000,000.00	\$2,000,000.00	\$150,000,000.00
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## SCHEDULE I

### Lessor and Lender Commitments

Bank	Initial Commitment Percentage
Mellon Bank, N.A.	8.9226%
Citibank, N.A.	8.9226%

First Union National Bank of North Carolina	7.4074%
Nationsbank, N.A.	7.4074%
Fleet National Bank	6.5095%
Bank of America National Trust and Savings Association	6.5095%
CoreStates Bank, N.A.	6.5095%
Credit Lyonnais New York Branch	6.5095%
PNC Bank, National Association	6.5095%
Amsouth Bank of Alabama	5.6117%
Banque Paribas	5.6117%
Credit Suisse	5.6117%
The First National Bank of Maryland	4.4893%
Creditanstalt Corporate Finance, Inc.	4.4893%
Signet Bank	4.4893%
The Sumitomo Bank, Limited	4.4893%

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## SCHEDULE II

### Notice Information and Funding Offices

Lessee:	Genesis Eldercare Properties, Inc. 148 West State Street Kennett Square, PA 19348 Attention: George V. Hager, Jr. Telephone: (610) 444-6350 Facsimile: (610) 444-7483
Lessor:	Mellon Financial Services Corporation #4 One Mellon Bank Center Rm 151-4444 Pittsburgh, PA 15258-0001

Attention: Leasing Group  
Telephone: (412) 234-2110  
Facsimile: (412) 234-3948

Lender and Agent:  
(address for notices)

Mellon Bank, N.A.  
Plymouth Meeting Executive Campus  
610 West Germantown Pike  
Suite 200  
Plymouth Meeting, PA 19462  
Attention: Carol Paige  
Telephone: (610) 941-8409  
Facsimile: (610) 941-4136

Lender and Agent:  
(funding office)

Mellon Bank, N.A.  
Loan Administration  
701 Market Street  
Room 199-5220  
Philadelphia, PA 19106  
Attention: Sally Gaymon  
Telephone: (215) 553-2450  
Facsimile: (215) 553-1016

Other Lenders  
(address for notices  
and funding office)

See attachment hereto

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## ATTACHMENT TO SCHEDULE II

### Notice Information and Funding Offices of Lenders

#### Fleet National Bank

Lender's address for notices:

Fleet National Bank  
75 State Street  
Mail Stop: MA BO F04A  
Boston, Massachusetts 02109-1810  
Attention: Ginger C. Stolzenthaler  
Vice President, Healthcare  
and Institutions Group  
Telephone: 617-346-1647  
Facsimile: 617-346-1634

Lender's funding office:

Fleet National Bank

75 State Street  
Mail Stop: MA BO F04A  
Boston, Massachusetts 02109-1810  
Attention: Ginger C. Stolzenhaler  
Vice President, Healthcare  
and Institutions Group  
Telephone: 617-346-1647  
Facsimile: 617-346-1634

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

The Sumitomo Bank, Limited

Lender's address for notices:

The Sumitomo Bank, Limited  
One Liberty Place  
1650 Market Street, Suite 2860  
Philadelphia, Pennsylvania 19103  
Attention: J. Wade Bell  
Vice President  
Telephone: 215-636-4440  
Facsimile: 215-636-4446

Lender's funding office:

The Sumitomo Bank, Limited  
One Liberty Place  
1650 Market Street, Suite 2860  
Philadelphia, Pennsylvania 19103  
Attention: J. Wade Bell  
Vice President  
Telephone: 215-636-4440  
Facsimile: 215-636-4446

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

Credit Suisse

Lender's address for notices:

Credit Suisse  
12 East 49th Street  
New York, New York 10017  
Attention: Katy Lee  
Telephone: 212-238-5427  
Facsimile: 212-238-5441

Lender's funding office:

Credit Suisse  
12 East 49th Street  
New York, New York 10017  
Attention: Katy Lee  
Telephone: 212-238-5427  
Facsimile: 212-238-5441

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

Credit Lyonnais New York Branch

Lender's address for notices:

Credit Lyonnais New York Branch  
1301 Avenue of the Americas  
New York, New York 10019  
Attention: Evan Wasser, Vice President  
Telephone: 212-261-7680  
Facsimile: 212-261-3440

Lender's funding office:

Credit Lyonnais New York Branch  
1301 Avenue of the Americas  
New York, New York 10019  
Attention: Kenia Perez  
Telephone: 212-261-7313  
Facsimile: 212-261-3440

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

Bank of America National Trust and Savings Association

Lender's address for notices:

Bank of America National Trust  
and Savings Association  
555 South Flower Street  
11th Floor, Department 5618  
Los Angeles, California 90071  
Attention: Wyatt Ritchie  
Telephone: 213-228-9734  
Facsimile: 213-228-2756

Lender's funding office:

Bank of America National Trust  
and Savings Association  
333 South Beaudry Avenue  
Los Angeles, California 90017  
Attention: Janice Ozaki  
Telephone: 213-345-6532  
Facsimile: 213-345-6550

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

Citibank, N.A.

Lender's address for notices:

Citibank, N.A.  
399 Park Avenue  
8th Floor  
New York, New York 10043  
Attention: Margaret Brown  
Telephone: 212-559-0501  
Facsimile: 212-793-3053

Lender's funding office:

Citibank, N.A.  
One Court Square  
7th Floor  
Long Island City, New York 11120  
Attention: Tom Lynch

Telephone: 718-248-9972  
Facsimile: 718-248-4844

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

Creditanstalt Corporate Finance, Inc.

Lender's address for notices:

Creditanstalt Corporate Finance, Inc.  
2 Greenwich Plaza  
Greenwich, Connecticut 06830  
Attention Stacy Harmon  
Gregory F. Mathis  
Telephone: 203-861-6581  
Facsimile: 203-861-6594

Lender's funding office:

Creditanstalt Corporate Finance, Inc.  
2 Greenwich Plaza  
Greenwich, Connecticut 06830  
Attention: Corporate Finance  
Telephone: 203-861-6421  
Facsimile: 203-861-6594

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

PNC Bank, National Association

Lender's address for notices:

PNC Bank, National Association  
1600 Market Square  
22nd Floor  
Philadelphia, Pennsylvania 19103  
Attention: Mark K. Lavelle  
Vice President  
Telephone: 215-585-6506  
Facsimile: 215-585-6987

Lender's funding office:

PNC Bank, National Association  
1600 Market Street  
22nd Floor  
Philadelphia, Pennsylvania 19103  
Attention: Lottie Kirkland  
Telephone: 215-585-5101  
Facsimile: 215-585-6987

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

First Union National Bank of North Carolina

Lender's address for notices:

First Union National Bank  
of North Carolina  
One First Union Center, TW5  
Charlotte, North Carolina 28288-0735  
Attention: Sue Patterson  
Telephone: 704-374-7121  
Facsimile: 704-383-9144

Lender's funding office:

First Union National Bank  
of North Carolina  
One First Union Center, TW5  
Charlotte, North Carolina 28288-0735  
Attention: Sue Patterson  
Telephone: 704-374-7121  
Facsimile: 704-383-9144

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

NationsBank, N.A.



Lender's address for notices:

NationsBank, N.A.  
101 North Tryon  
Charlotte, North Carolina 28255  
Attention: Jacquetta Banks  
Telephone: 704-388-1111  
Facsimile: 704-386-8694

Lender's funding office:

NationsBank, N.A.  
101 North Tryon  
Charlotte, North Carolina 28255  
Attention: Jacquette Banks  
Telephone: 704-388-1111  
Facsimile: 704-386-8694

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

Banque Paribas

Lender's address for notices:

Banque Paribas  
787 Seventh Avenue  
New York, New York 10019  
Attention David R. Laffey  
Telephone: 212-841-2116  
Facsimile: 212-841-2292

Lender's funding office:

Banque Paribas  
787 Seventh Avenue  
New York, New York 10019  
Attention: Robyn Gewanter  
Telephone: 212-841-2950  
Facsimile: 212-841-2217

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

First National Bank of Maryland

Lender's address for notices:

First National Bank of Maryland  
25 South Charles Street  
18th Floor  
Baltimore, Maryland 21201  
Attention: Robert H. Hauver  
Telephone: 410-244-4246  
Facsimile: 410-244-4388

Lender's funding office:

First National Bank of Maryland  
25 South Charles Street  
18th Floor  
Baltimore, Maryland 21201  
Attention: Ed Peters  
Telephone: 410-244-4062  
Facsimile: 410-244-4388

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ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

AmSouth Bank of Alabama

Lender's address for notices:

AmSouth Bank of Alabama  
1900 5th Avenue North AST-5th Floor  
Birmingham, Alabama  
Attention: Laine Little  
Telephone: 205-801-0133  
Facsimile: 205-326-4790

Lender's funding office:

AmSouth Bank of Alabama  
1900 5th Avenue North AST-5th Floor  
Birmingham, Alabama  
Attention: Eleanor Hart  
Telephone: 205-801-0135  
Facsimile: 205-326-5260

ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

CoreStates Bank, N.A.

Lender's address for notices:

Lawrence Dessen, Vice President  
CoreStates Bank NA  
FC 1-8-3-22  
P.O. Box 7618  
Philadelphia, Pennsylvania 19101-7618  
Attention: Lawrence Dessen  
Telephone: (215) 786-2166  
Facsimile: (215) 973-2738

Lender's funding office:

Lori Badolato  
FC 1-3-17-70  
CoreStates Bank NA  
P.O. Box 8500 S 7605  
Philadelphia, Pennsylvania  
Attention: Lori Badolato  
Telephone: (215) 786-7458  
Facsimile: (215) 973-2045

ATTACHMENT TO SCHEDULE II

Notice Information and Funding Offices of Lenders

Signet Bank

Lender's address for notices:

Signet Bank  
7799 Leesburg Pike  
Suite 400  
Falls Church, Virginia 22043  
Attent Wanda Dodson  
Telephone: 703/714-5025  
Facsimile: 703/714-5060

Lender's funding office:

Signet Bank  
7799 Leesburg Pike  
Suite 400  
Falls Church, Virginia 22043  
Attention: Wanda Dodson  
Telephone: 703/714-5025  
Facsimile: 703/714-5060

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SCHEDULE III-A

NHCA Sites

Sites	Seller	Financing Amount 1	Quarterly Principal Amortization
Atlantis Rehabilitation and Health Care Center Old Congress Road, Lantana, Florida	NHCA	\$ 8,030,428.36	\$0
Bowman's Health Care Center South Ridgewood Ormand Beach, Florida	NHCA	\$ 6,486,115.21	\$0
Eagle Crest Nursing Center Parental Home Road Jacksonville, Florida	NHCA	\$14,413,589.36	\$0
Oakwood Rehabilitation and Health Care Center South East Bay Street Eustis, Florida	NHCA	\$ 7,103,840.47	\$0
Tierra Pines Health Care Center	NHCA	\$ 2,264,992.61	\$0

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1 This amount includes the allocable share of the maximum Transaction Costs of \$2,000,000 which may be funded by Lessor pursuant to Section 2.5 of the Participation Agreement.

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Ulmerton Road  
Largo, Florida

Woodlands Nursing Center North 46th Street Tampa, Florida	NHCA	\$ 2,779,763.66	\$0
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Williamsburg Health Care and Rehabilitation Center Mount Vernon Avenue Williamsburg, Virginia	NHCA	\$12,972,230.43	\$0
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Windham Main Street, Route 240 Crozet, Virginia	NHCA	\$ 1,544,313.15	\$0
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Woodmont Health Care Center Dairy Lane Fredricksburg, Virginia	NHCA	\$14,104,726.75	\$0
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Total		\$69,700,000	
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(Sites, if any, marked with an asterisk (\*) indicate that Lessor is not acquiring fee title to the applicable Land Interest, but rather is becoming the ground lessee thereof.)

#### III-A-2

#### SCHEDULE III-B

##### Identified Developed Sites

NONE

III-B-1

#### SCHEDULE III-C

##### Identified Undeveloped Sites

NONE

III-C-1

#### SCHEDULE IV

## Stock Sellers

Mark E. Hamister  
George E. Hamister  
Julia L. Hamister

The George E. Hamister Trust  
The Oliver C. Hamister Trust

National Health Care Affiliates, Inc.  
Oak Hill Health Care Center, Inc.  
Derby Nursing Center Corporation  
Delaware Avenue Partnership

EIDOS, Inc.  
VersaLink, Inc.

51037850.5 122796 835C 96282934

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### SCHEDULE 3.2(v)

#### Operative Documents to be Confirmed

Mortgages (Florida and Virginia)  
Assignment of Lease

### SCHEDULE 4.1A

#### Government Actions

No Government Actions are required other than the obtaining of such licenses, approvals, authorizations, consents, permits (including, without limitation, environmental permits, licenses, approvals, authorizations and consents), easements and rights-of-way, including proof and dedication required under applicable law for the use and occupancy of the Sites and for the operation thereof.

### SCHEDULE 4.1B

#### Filings and Recordings

Recordation of the deeds evidencing the acquisition of a particular site, and recordation of the Lease Supplement relating to the Site with the appropriate county office.

In addition, for each State in which a Site is located, all filings and

recordings specified in the local counsel questionnaire delivered by local counsel for such State pursuant to Appendix 2 or Section 3.2(b) shall be deemed included on this Schedule 4.1B.

SCHEDULE 4.1C  
Computation under Section 5.9  
of 1995 Subordinated Note Indenture

SCHEDULE 4.1D

ERISA Plans

Meridian Healthcare, Inc. Union Retirement Savings Plan,  
established December 1, 1989

Genesis Health Ventures, Inc. Retirement Plan, established January 1, 1989

Genesis Health and Welfare Plan

Definitions Appendix

APPENDIX 1  
to  
Participation Agreement

In the Participation Agreement and each other Operative Document,  
unless the context otherwise requires:

(a) any term defined below by reference to another instrument or document shall continue to have the meaning ascribed thereto whether or not such other instrument or document remains in effect;

(b) words importing the singular include the plural and vice versa;

(c) words importing a gender include any gender;

(d) a reference to a part, clause, section, article, exhibit or schedule is a reference to a part, clause, section and article of, and exhibit and schedule to, such Operative Document;

(e) a reference to any statute, regulation, proclamation, ordinance or law includes all statutes, regulations, proclamations, ordinances or laws amending, supplementing, supplanting, varying, consolidating or replacing them, and a reference to a statute includes all regulations, proclamations and ordinances issued or otherwise applicable under that statute;

(f) a reference to a document includes any amendment or supplement to, or replacement or novation of, that document;

(g) a reference to a party to a document includes that party's successors and permitted assigns; and

(h) references to "including" means including without limiting the generality of any description preceding such term and for purposes hereof the rule of ejusdem generis shall not be applicable to limit a general statement followed by or referable to an enumeration of specific matters to matters similar to those specifically mentioned.

Further, each of the parties to the Operative Documents and their counsel have reviewed and revised the Operative Documents, or requested revisions thereto, and the usual rule of construction that any ambiguities are to be resolved against the drafting party shall be inapplicable in construing and interpreting the Operative Documents.

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"Accrued Variable Rent" means, as of any date of determination, (A) with respect to the Lease, the sum of the aggregate amount of interest that has accrued on the outstanding Notes to the date of determination, and (B) with respect to any Lease Supplement, the product of the Allocated Share in respect of such Lease Supplement multiplied by the amount determined pursuant to the preceding clause (A).

"Additional Costs" mean (i) the amounts payable pursuant to Sections 2.11 and 2.12 of the Loan Agreement, (ii) the amounts payable pursuant to Section 5.16 of the Participation Agreement and (iii) the other amounts due and payable by the Borrower under any Loan Document other than principal and interest on the Notes.

"Adjusted Contract Rate" has the meaning set forth in Section 2.12 of the Loan Agreement.

"Advance" means, as the context may require, each advance of a Loan by a Lender and each advance of a portion of the Equity Amount by Lessor to finance the acquisition of a Site, the construction of a Facility (including any Capitalized Yield) or the payment of Transaction Costs.

"Advance Date(s)" means each of the actual dates, on or prior to the date on which the Commitments shall terminate as set forth in Section 2.5 of the Participation Agreement, on which the transactions contemplated in Article II of the Participation Agreement are completed.

"Advance Request" has the meaning set forth in Section 2.5 of the Participation Agreement.



"Affiliate" of a Person shall mean (a) any other Person which directly or indirectly controls, is controlled by, or is under common control with, such person, (b) any director or officer (or, in the case of a Person which is not a corporation, any individual having analogous powers) of such person or of a Person who is an Affiliate of such person within the meaning of the preceding clause (a), and (c) for each individual who is an Affiliate of the such person within the meaning of the foregoing clauses (a) or (b), any other individual related to such Affiliate by consanguinity or adoption within the third degree. For purposes of the preceding sentence, "control" of a Person means (a) the possession, directly or indirectly, of the power to direct or cause the direction of the

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management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise and (b) in any case shall include direct or indirect ownership (beneficially or of record) of, or direct or indirect power to vote, 5% or more of the outstanding shares of any class of capital stock of such Person (or in the case of a Person that is not a corporation, 5% or more of any class of equity interest).

"Agent" means Mellon Bank, N.A., a national banking association, in its capacity as administrative agent for the Participants under the Loan Agreement and the Participation Agreement.

"Allocated Amount" means, with respect to a Site, the product of (a) the Lease Balance multiplied by (b) a fraction, the numerator of which is Lessor's Cost of such Site and the denominator of which is the aggregate Lessor's Cost of all Sites.

"Allocated Share", with respect to any Lease Supplement, means a fraction (expressed as a percentage) the numerator of which is Lessor's Cost of a Site or Group subject to the Lease Supplement in question and the denominator of which is the Lease Balance.

"Alterations" has the meaning set forth in Section 9.2(a) of the Lease.

"Applicable Laws and Regulations" mean all existing and future applicable laws, rules, regulations (including Environmental Laws), statutes, treaties, codes, ordinances, permits, certificates, orders and licenses of and interpretations by, any Authority, Insurance Requirements and applicable judgments, decrees, injunctions, writs, orders or like action of any court, arbitrator or other administrative, judicial or quasi-judicial tribunal or agency of competent jurisdiction (including those pertaining to health, safety or the environment and those pertaining to the construction use or occupancy of any Site) and any restrictive covenant or deed restriction or easement of record affecting a Site.

"Applicable Margin" means:

- (a) for any Interest Period occurring entirely prior to the earlier of (i) October 1, 1996 and (ii) the date that the Operative Documents are amended to increase the amount of the Commitments set forth in Schedule I to the Participation Agreement, zero basis points for interest determined by reference to the Prime Rate and 100 basis points for interest determined by reference to the LIBO Rate; and

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- (b) for any Interest Period occurring in whole or in part after the earlier of the dates specified in clauses (i) and (ii) of the immediately preceding clause (a), the Applicable Margin set forth in the Credit Agreement, with (x) the Applicable Margin thereunder applicable to the Prime Rate Option thereunder being the Applicable Margin hereunder for interest determined by reference to the Prime Rate under the Operative Documents and (y) the Applicable Margin thereunder applicable to the Euro-Rate Option being the Applicable Margin hereunder for interest determined by reference to the LIBO Rate under the Operative Documents; provided, that the Applicable Margin for the Renewal Term shall be determined by the mutual agreement of Agent and Lessee; and provided, further, that during any Holdover Period, the Applicable Margin shall be increased by 50 basis points.

"Applicable Percentage" for each Lease Supplement means, as of the end of the Basic Term and the Renewal Term, the percentage set forth opposite each such date on Schedule II to such Lease Supplement, and shall be determined on or about the date of acquisition by Lessor of the related Site (or in the case of a Non- Acquired Land Interest, the date of the Ground Lease thereof in favor of Lessor) and set forth in the applicable Lease Supplement or as soon thereafter as Lessor obtains sufficient information to make a determination for financial accounting purposes; provided that in no event shall such percentage be less than 80%.

"Applicable Percentage Amount" means, (a) with respect to any Lease Supplement, the product obtained by multiplying Lessor's Cost of the Site covered by such Lease Supplement by the Applicable Percentage of such Lease Supplement and (b) with respect to the Lease, the sum of all amounts determined pursuant to the foregoing clause (a) for each Lease Supplement then in effect.

"Appraisal" means any appraisal of any one or more Sites prepared by the Appraiser and delivered to Agent, on behalf of Lessor and the Lenders.

"Appraised Value" has the meaning set forth in Section 23(b) of the Ground Lease.

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"Appraiser" means Valuation Counselors or such other appraisal firm as Agent may select from time to time.

"Appurtenant Rights" mean (i) all agreements, easements, rights of way or use, rights of ingress or egress, privileges, appurtenances, tenements, hereditaments and other rights and benefits at any time belonging or pertaining to any Land Interest or the Facilities, including the use of any streets, ways, alleys, vaults or strips of land adjoining, abutting, adjacent or contiguous to any Land Interest and (ii) all permits, licenses and rights, whether or not of record, appurtenant to any Land Interest.

"Architect" means a registered architect or certified professional engineer for Construction Agent or Lessee (which, unless otherwise expressly provided, may be an employee of Lessee).

"Assignment of Construction Documents" means the Assignment of Construction Documents, dated as of October 7, 1996, between Lessor and Construction Agent, substantially in the form of Exhibit B to the Construction Agency Agreement, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Assignment of Construction Agency Agreement" means the Collateral Assignment of Construction Agency Agreement and Construction Documents, dated as of October 7, 1996, from Lessor to Agent as agent for the Lenders, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Assignment of Lease" means the Assignment of Lease and Agreement and Lease Supplements and Memoranda of Lease and Agreement in the form of Exhibit H to the Participation Agreement from Lessor in favor of Agent for the benefit of the Lenders, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement, together with (i) the Consent and Agreement of Lessee attached thereto, and (ii) the amendment thereof in the form of Exhibit H-1 to the Participation Agreement.

"Assignment of Licenses" means the Amended and Restated Collateral Assignment of Licenses, Permits and Approvals from Lessee, NHCA and the Property Sellers to Agent, in the form of Exhibit J to the Participation Agreement, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

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"Assumed Interest Rate" means, as of the date of any Advance by a Participant, the LIBO Rate that would have been applicable for purposes of calculating interest and Yield in the event that the Advance Date to which such Advance relates had occurred on such date.

"Authority" means any entity involved in any way in the administration of Federal or state healthcare-related programs, including the U.S. Department of Health & Human Services, the Health Care Finance Administration, Medicare carriers or intermediaries or Medicaid agencies, bureaus or departments and any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"Authorized Officer" means any officer in the Leasing Department of Mellon who shall be duly authorized to execute the Operative Documents.

"Bankruptcy Code" means the Bankruptcy Reform Act of 1978.

"Basic Rent" means an amount payable on each Payment Date during the Basic Term, the Renewal Term, if applicable, and the Holdover Period, if applicable, equal to the sum of (i) the aggregate amount of interest payable on such Payment Date on the Notes, plus (ii) the aggregate amount of the Yield payable on such Payment Date on the Equity Amount (calculated in accordance with the definition of "Yield" and in a manner consistent with the calculation of the amounts under clause (i) on such Payment Date) plus (iii) starting with the Payment Date October 24, 1996, principal amortization equal to the sum of (x) level principal amortization amounts, if any, for each Site as shown on Schedule III to the Participation Agreement or in the applicable Lease Supplement, plus (y) level principal amortization equal to the lesser of (1) \$100,000 per quarterly Payment Date and (2) the remaining unamortized portion of Transaction Costs funded by Lessor pursuant to Section 2.5 of the Participation Agreement; provided, however, that upon the occurrence and during the continuance of a Loan Event of Default under Sections 6.1(a)(ii), 6.1(a)(iii) and 6.1(a)(iv) of the Loan Agreement while no Lease Event of Default shall have occurred and be continuing, Basic Rent shall be determined on the basis of calculations made as if the Loan Event of Default shall not have occurred and the Loans shall not have been accelerated, whether or not in fact the Loans shall have been accelerated or any other remedies shall have been taken under the Loan Agreement or with respect to the Collateral.

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"Basic Term", with respect to the Developed Sites and the Undeveloped Sites (but only in respect of the Land Interest portion of such Undeveloped Sites), means (a) the period commencing upon the Site Acquisition Date and ending on July 24, 2001 or (b) such shorter period as may result from earlier termination of the Lease as provided therein. With respect to the Facility to be constructed on any Undeveloped Site, the Basic Term will commence upon the expiration of the Construction Period applicable to such Undeveloped Site and will end in accordance with the preceding sentence.

"Basic Term Expiration Date" has the meaning set forth in Section 2.3 of the Lease.

"Bill of Sale" means each Bill of Sale from the seller of any Developed Site to Lessor conveying any portion of the Facility located thereon which under applicable law does not or may not constitute real estate.

"Board of Directors" means, with respect to a corporation, either the board of directors or any duly authorized committee of that board of directors which, pursuant to the by-laws of such corporation, has the same authority as that board of directors as to the matter at issue.

"Borrower" means Lessor, as the borrower under the Loan Agreement.

"Business Day" means (a) any day other than a Saturday, Sunday, public holiday under the laws of the Commonwealth of Pennsylvania or other day on which banking institutions are authorized or obligated to close in the City of Philadelphia, Pennsylvania, the city of New York, New York or the city in which the Agent's office is located; and

(b) solely with respect to determinations of Interest Periods and Payment Dates, dealings in United States Dollars are carried on in the London interbank market.

"Capitalized Interest" means, for any Undeveloped Site, if provided for in the Advance Request with respect to the acquisition thereof, interest accrued pursuant to the Loan Agreement during the Construction Period for such Undeveloped Site, based upon the portion of the Allocated Amount applicable to such Site which represents funded Commitments of the Lenders, except to the extent that such amount is not to be capitalized because sufficient

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unfunded Commitment of the Lenders applicable to such Site is not available therefor.

"Capitalized Yield" means, for any Undeveloped Site, if provided for in the Advance Request with respect to the acquisition thereof, Yield accrued during the Construction Period for such Undeveloped Site, based upon the portion of the Allocated Amount applicable to such Site which represents funded Commitment of the Lessor, except to the extent that such amount is not to be capitalized because sufficient unfunded Commitment of the Lessor applicable to such Site is not available therefor.

"Cash Flow" has the meaning specified in the Credit Agreement.

"Casualty" means an event of damage or casualty relating to any Facility which does not constitute an Event of Loss.

"Claims" mean liabilities, obligations, damages, losses, demands,

penalties, fines, claims, actions, suits, judgments, settlements, utility charges, costs, fees, expenses and disbursements (including legal fees and expenses and costs of investigation which, in the case of counsel or investigators retained by an Indemnatee, shall be reasonable) of any kind and nature whatsoever, that may at any time be imposed on, asserted against or incurred by an Indemnatee as a result of, or arising out of, or in any way related to or by reason of any of the Operative Documents, as well as the Credit Agreement or any "Loan Document" referred to therein and without in any way limiting the generality of the foregoing, including any violation of any Environmental Laws or any other law by any Borrower or Subsidiary of Borrower or any Environmental Affiliate of any of them.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to sections of the Code shall be construed also to refer to any successor sections.

"Collateral" means the property from time to time subject to or purported to be subject to the Liens of the subsisting Mortgage, the Assignment of Lease, the Assignment of Licenses and the Joint Stock Collateral subject to the Pledge Agreement, as limited by the terms and provisions of the Collateral Agency Agreement and, collectively, all of the foregoing.

"Collateral Agency Agreement" means the Second Amended and Restated Collateral Agency Agreement dated as of October 7, 1996, in the form of

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Exhibit I-2 to the Participation Agreement, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Commitment" means as to Lessor or any Lender, its obligation to make amounts available to Lessor or Loans to the Borrower, as the case may be, in an aggregate amount not to exceed at any one time outstanding the amount set forth opposite Lessor's or such Lender's name on Schedule I to the Participation Agreement, as such commitment may be adjusted pursuant to Section 2.5(g) and Section 2.6 of the Participation Agreement.

"Commitment Fee" has the meaning specified in Section 2.6 of the Participation Agreement.

"Commitment Letter" means that certain letter dated July 16, 1996 from Mellon Bank, N.A. to, and accepted by, Genesis.

"Commitment Percentage" means as to any Participant, at a particular time, the percentage of the aggregate Commitments in effect at such time represented by such Participant's Commitment, as such percentage is shown on Schedule I to the Participation Agreement.

"Commitment Period" has the meaning set forth in Section 2.6 of the Participation Agreement.

"Completion" means, with respect to a Facility, the fulfillment of all of the conditions set forth in Section 3.4 of the Participation Agreement.

"Completion Date" means, with respect to a Site, the date on which Completion for the Facility on such Site has occurred.

"Condemnation" means any condemnation, requisition, confiscation, seizure or other taking or sale of the use, occupancy or title to any Site or any part thereof in, by or on account of any actual or threatened eminent domain proceeding or other action by any Authority or other Person under the power of eminent domain or otherwise or any transfer in lieu of or in anticipation thereof, which in any case does not constitute an Event of Taking. A Condemnation shall be deemed to have "occurred" on the earliest of the dates that use, occupancy or title is taken.

"Confirmations" has the meaning set forth in the recitals to the the Participation Agreement.

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"Consolidated Funded Indebtedness" at any time for a specified group of Persons shall mean all Indebtedness (including the current portion thereof) of such Persons which would at such time be classified in whole or part under GAAP as a long-term liability of such Persons and shall also and in any event include (i) any Indebtedness of any such Person having a final maturity more than one year from the date of creation of such Indebtedness and (ii) any Indebtedness of any Person, regardless of its term, which is renewable or extendable by such Person (pursuant to the terms thereof or pursuant to a revolving credit or similar agreement or otherwise) to a date more than one year from such date or more than one year from the date of creation of such Indebtedness, all as determined on a consolidated basis.

"Consolidated Subsidiary" means, as to any Person at any date, any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in such Person's consolidated financial statements as of such date.

"Construction Agency Agreement" means the Construction Agency Agreement, dated as of October 7, 1996, between Lessor and Construction Agent, as supplemented from time to time by the Construction Agency Agreement Supplements, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Construction Agency Event of Default" means a "Construction Agency Event of Default" as defined in Section 5.1 of the



"Construction Agency Agreement Supplement" means a supplement to the Construction Agency Agreement executed and delivered by the Construction Agent and Lessor with respect to an Undeveloped Site, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Construction Agent" means Lessee, as construction agent under the Construction Agency Agreement.

"Construction Commencement Date" has the meaning set forth in Section 2.3 of the Construction Agency Agreement.

"Construction Period" for any Undeveloped Site means the period for construction of the Facility thereon as described in Section 3.3 of the Construction Agency Agreement.

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"Contingent Liability" means any agreement, undertaking or arrangement by which any Person directly or indirectly guarantees, becomes surety for, endorses, assumes, agrees to indemnify another Person (the "Deemed Obligor") against, or otherwise remains liable (contingently or otherwise) for the Indebtedness, obligation or liability (the "Assured Obligation") of the Deemed Obligor. Contingent Liability shall be deemed to exist if a Person agrees, becomes or remains liable (contingently or otherwise), directly or indirectly (a) to purchase or assume, or to supply funds for the payment, purchase or satisfaction of, an Assured Obligation, (b) to make any loan, advance, capital contribution or other investment in, or to purchase or lease any property or services from, a Deemed Obligor (i) to maintain the solvency of the Deemed Obligor, (ii) to enable the Deemed Obligor to meet any other financial condition, (iii) to enable the Deemed Obligor to satisfy any payment of dividends or other distributions upon the shares of any other Person, or (iv) to assure the holder of such Assured Obligation against loss, (c) to purchase or lease property or services from the Deemed Obligor regardless of the non-delivery of or failure to furnish of such property or services, or (d) in respect of any other transaction the effect of which is to assure the payment or performance (or payment of damages or other remedy in the event of nonpayment or nonperformance) of any Assured Obligation.

"Controlled Group Member" means each trade or business (whether or not incorporated) which, at any time, together with Lessee, Genesis, National Health, any Property Seller or any Subsidiary of any thereof is treated as a single employer under Sections 4001(a)(14) or 4001(b)(1) of ERISA or Sections 414(b), (c), (m) or (o) of the Code.

"Corresponding Source of Funds" means, in the case of any portion of a LIBO Rate Loan or Equity Amount (to the extent that the Yield is determined by



reference to the LIBO Rate), the proceeds of hypothetical receipts by a LIBOR Office or by a Lender or Lessor through a LIBOR Office of one or more Dollar deposits in the interbank eurodollar market at the beginning of the Interest Period corresponding to such portion of the LIBO Rate Loan having maturities approximately equal to such portion of the LIBO Rate Loan or Equity Amount and in an aggregate amount approximately equal to such portion (in the case of Lessor) or such Lender's pro rata share of such portion (in the case of a Lender).

"Credit Agreement" means that certain Second Amended and Restated Credit Agreement dated as of October 7, 1996 by and among Genesis Health Ventures, Inc. and certain of its subsidiaries, as borrowers, the institutions identified therein as lenders, Mellon Bank, N.A., as issuer of letters of

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credit, Mellon Bank, N.A., as administrative agent and co-syndication agent and Citibank, N.A. as co-syndication agent, as it may be amended, modified, increased (including any increase in amounts or the commitment thereunder), supplemented, refunded or replaced from time to time, and if so amended, modified, increased, refunded or replaced, the amended, modified, increased, supplemented, refunded or replaced credit agreement. For purposes of the Operative Documents, if the Credit Agreement shall terminate without a replacement agreement having become effective, references to the financial covenants set forth in the Credit Agreement shall mean the financial covenants as set forth in the Credit Agreement immediately prior to its termination, exclusive of any modification to the terms of such agreement or arrangement that were made in contemplation of the termination thereof.

"Debt/Equity Fraction" means at any time a fraction the numerator of which is the aggregate outstanding principal balance of the Notes and the denominator of which is the sum of (i) the aggregate outstanding principal balance of the Notes plus (ii) the outstanding Equity Amount.

"Deed" means each Deed from the seller of any Land Interest to Lessor, conveying the Land Interest and the Facility, if any, or other improvements, if any, located on the related Site in a form acceptable to the Lenders.

"Defaulted Amount" has the meaning set forth in Section 2.5(g) of the Participation Agreement.

"Defaulting Participant" has the meaning set forth in Section 2.5(g) of the Participation Agreement.

"Designated Owner" has the meaning set forth in Section 12.1(b) of the Lease.

"Developed Site" has the meaning set forth in the Recitals to the Participation Agreement.

"Document Closing Date" has the meaning set forth in Section 2.1 of the Participation Agreement.

"Dollar" and the symbol "\$" shall mean lawful money of the United States of America.

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"Early Termination Date" means a Payment Date on which Lessee purchases all (but not less than all) of the Sites from Lessor pursuant to Section 6.5 of the Lease.

"End of Term Report" has the meaning set forth in Section 6.4(c) of the Lease.

"Environmental Audit" means a Phase One environmental site assessment (the scope and performance of which meets or exceeds ASTM Standard Practice E1527-93 Standard Practice for Environmental Site Assessments: Phase One Environmental Site Assessment Process) of each Site to be acquired by Lessor on a Site Acquisition Date or of a Site to be sold pursuant to the Sale Option under the Lease and any additional environmental assessments (including, without limitation, a Phase Two environmental site assessment) requested by the Agent.

"Environmental Concern Materials" means (a) any flammable substance, explosive, radioactive material, hazardous material, hazardous waste, toxic substance, solid waste, pollutant, contaminant or any related material, raw material, substance, product or by-product of any substance specified in or regulated or otherwise affected by any Environmental Law (including but not limited to any "hazardous substance" as defined in CERCLA or any similar state law), (b) any toxic chemical or other substance form or related to industrial, commercial or institutional activities, and (c) asbestos, gasoline, diesel fuel, motor oil, waste and used oil, heating oil and other petroleum products or compounds, polychlorinated biphenyls, radon and urea formaldehyde.

"Environmental Engineer" means Roy F. Weston or such other environmental consulting firm as Construction Agent may from time to time select, subject to the approval of Agent.

"Environmental Indemnity" means the Environmental Indemnity Agreement dated as of July 24, 1996 by Lessee, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Environmental Laws" means any law, whether now existing or subsequently enacted or amended, relating to (a) pollution or protection of the environment, including natural resources, (b) exposure of Persons, including but not limited to employees, to Environmental Concern Materials, (c) protection of the public health or welfare from the effects of products, by-products, wastes,

emissions, discharges or releases of Environmental Concern Materials or (c) regulation of the manufacture, use or introduction into commerce of

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Environmental Concern Materials including their manufacture, formulation, packaging, labeling, distribution, transportation, handling, storage or disposal. Environmental Laws shall include, without limitation, the Resource Conservation and Recovery Act of 1976, (RCRA) 42 U.S.C. ss.ss. 6901-6987, as amended by the Hazardous and Solid Waste Amendments of 1984, the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. ss.ss. 9601-9657, (CERCLA), the Hazardous Materials Transportation Act of 1975, 49 U.S.C. ss.ss. 1801-1812, the Toxic Substances Control Act, 15 U.S.C. ss.ss. 2601-2671, the Clean Air Act, 42 U.S.C. ss.ss. 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. ss.ss. 136 et seq. and all similar federal, state and local environmental laws, ordinances, rules, orders, statutes, decrees, judgments, injunctions, codes and regulations.

"Environmental Permits" means all permits, licenses, authorizations, registrations, certificates and approvals of Authorities required by Environmental Laws.

"Equity Amount" means, with respect to Lessor as of any date of determination, the aggregate outstanding amount invested by Lessor pursuant to the Participation Agreement for the purchase of the Sites, the construction of Facilities (including any Capitalized Yield) or the payment of Transaction Costs, excluding any portion thereof funded by the Lenders.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

"Event of Loss" means (x) the actual or constructive total loss of the Facility on a Site or damage to the Facility on a Site to an extent rendering repair impractical or uneconomical, in any case as reasonably determined in good faith by the Board of Directors of Lessee, such determination to be made promptly after the occurrence of such event and to be evidenced by an Officer's Certificate of Lessee delivered to Lessor, each Lender and Agent, (y) damage to the Facility on a Site which results in an insurance settlement on the basis of a total loss or a constructive total loss (including title insurance proceeds) in respect of a total loss of the Facility on a Site, or (z) an Event of Taking.

"Event of Taking" means (A) taking of title to a Site or the Land Interest or (B) any condemnation (other than a requisition of temporary use)

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or requisition of use for a period scheduled to last beyond the end of the Lease Term, in either case resulting in (i) the loss of use or possession of substantially all of a Site or (ii) the loss of use or possession of a material portion of a Site, in either of clause (i) or clause (ii), as reasonably determined in good faith by a Senior Officer of Lessee, such determination to be made promptly after the occurrence of such event and to be evidenced by an Officer's Certificate of such Senior Officer delivered to Lessor and Agent.

"Excluded Amounts" mean:

(a) all indemnity payments and expenses to which Lessor (or the respective successors, assigns, agents, officers, directors or employees of Lessor) is entitled pursuant to the Operative Documents;

(b) any amounts payable under any Operative Documents to reimburse Lessor (including the reasonable expenses of Lessor incurred in connection with any such payment) for performing any of the obligations of Lessee under and as permitted by any Operative Document;

(c) any insurance proceeds (or payments with respect to risks self-insured or policy deductibles) under liability policies payable to Lessor (or the respective successors, assigns, agents, officers, directors or employees of Lessor);

(d) any insurance proceeds under policies maintained by Lessor and not required to be maintained by Lessee under the Lease;

(e) any amount payable to Lessor pursuant to Section 9.9 of the Participation Agreement;

(f) prior to completion of any foreclosure of the Mortgage or deed in lieu thereof, any expense reimbursements to Lessor or Agent; and

(g) any payments of interest on payments referred to in clauses (a) through (f) above.

"Facilities" mean all buildings, structures and fixtures located on the Land Interest, but excluding the Land Interest.

"Facility" has the meaning set forth in the Recitals to the Participation Agreement.

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"Facility Fee" with respect to each Participant means an amount equal to the product of each Participant's Commitment and ten (10) basis points.

"Fair Market Sales Value" with respect to any Site or any portion thereof means, as of the date of the determination, the fair market sales value as determined by an independent appraiser chosen by Agent (at the direction of the Required Participants) that would be obtained in an arm's-length transaction between an informed and willing buyer (other than a buyer currently in possession) and an informed and willing seller, under no compulsion to buy or sell, and neither of which is related to Lessee, for the purchase of such Site. Such fair market sales value shall be calculated as the value for the use of the Site, assuming, in the determination of such fair market sales value, that the Site is in the condition and repair required to be maintained by the terms of the Lease (unless such fair market sales value is being determined for purposes of Section 9.2(b) of the Lease, in which case this assumption shall not be made).

"Final Maturity Date" means July 24, 2001, subject to extension through the end of the Renewal Term if the Renewal Term is entered into pursuant to Section 2.10 of the Participation Agreement and Section 2.4 of the Lease.

"Final Rent Payment Date" has the meaning set forth in Section 18.1(iii)(B)(1) of the Lease.

"Financial Covenants" means any covenant set forth in the Credit Agreement from time to time which applies a test for determining net worth, or which sets forth financial ratios, net income, debt or value levels or limitations, and as of the Document Closing Date, includes Sections 7.01 through 7.18 of the Credit Agreement.

"Financing" has the meaning set forth in the Recitals to the Participation Agreement.

"Force Majeure" means acts of God, fire, windstorm, flood, explosion, collapse of structures, riot, war, labor disputes, delays or restrictions by governmental bodies (other than delays or restrictions resulting from Lessee's actions or failures to take reasonably foreseeable actions), inability to obtain or use necessary materials or reasonable substitutes, or any other cause beyond the reasonable control of Lessee, other than lack of funds; provided, that in no event shall an event of Force Majeure be deemed to exist for more than ninety (90) days.

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"Funding Breakage Date" has the meaning set forth in Section 2.12 of the Loan Agreement.

"Funding Breakage Indemnity" has the meaning set forth in Section 2.12 of the Loan Agreement.

"Future Value Amount" has the meaning set forth in Section 2.12 of the

"GAAP" means generally accepted accounting principles in the United States, applied on a basis consistent with the principles used in preparing the financial statements of Genesis and its Consolidated Subsidiaries as of June 30, 1996 and for the fiscal year ended most recently prior thereto.

"Genesis" means Genesis Health Ventures, Inc., a Pennsylvania corporation.

"Governmental Action" means all applicable permits, authorizations, registrations, consents, approvals, waivers, exceptions, variances, orders, judgments, decrees, licenses, exemptions, publications, filings, notices to and declarations of or with, or required by, any Authority, or required by any Applicable Laws and Regulations, and shall include, without limitation, all citings, Environmental Permits and operating permits and licenses that are required for the use, occupancy, zoning and operation of the Facilities.

"Ground Lease" means, with respect to any Non-Acquired Land Interest, a ground lease agreement leasing such Non-Acquired Land Interest, executed by Lessee, as lessor under such ground lease, and Lessor, as lessee under such ground lease, and dated as of the applicable Site Acquisition Date, substantially in the form of Exhibit M to the Participation Agreement, with such modifications as may be necessary or desirable in the opinion of Lessor or Lessor's counsel to comply with all Applicable Laws and Regulations and, consistent with the provisions thereof, to set forth the provisions customarily used with respect to the applicable jurisdiction, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Group" means a group of Sites designated as a group by Lessee for accounting purposes pursuant to Section 2.5(a)(ii) of the Participation Agreement. As defined herein, the NHCA Sites are a Group.

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"Guaranties" means the Guaranties as confirmed by the Confirmations, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Guarantors" mean, as of the Document Closing Date, Genesis and all Affiliates of Genesis who are parties to the Credit Agreement as of the Document Closing Date, and thereafter from time to time, Genesis and all Affiliates of Genesis who at such time are or become parties to the Credit Agreement.

"Hazardous Material" means any substance, waste or material which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous by listing characteristic or definition under any Environmental Law, including petroleum, crude oil or any fraction thereof,

petroleum derivatives, by-products and other hydrocarbons and is or becomes regulated by any Authority, including any agency, department, commission, board or instrumentality of the United States, the States in which any Site is located or any political subdivision thereof and also including asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls ("PCBs") and radon gas.

"Hedging Obligations" means, with respect to any Person, all liabilities of such Person under interest rate swap agreements, interest rate cap agreements and interest rate collar agreements, and all other agreements or arrangements designed to protect such Person against fluctuations in interest rates or currency exchange rates.

"Holdover Period" shall mean any period after the Lease Termination Date until the earliest of (i) the sale of the Sites pursuant to Section 6.9 of the Lease, (ii) the reduction of the Lease Balance to zero and the payment by Lessee of all Basic Rent, Supplemental Rent and all other amounts then due and payable under the Operative Documents, and (iii) written notice by the Agent, as agent for the Participants, terminating the Holdover Period pursuant to Section 6.9 of the Lease.

"Highest Lawful Rate" has the meaning set forth in Section 2.11 of the Participation Agreement.

"Indebtedness" has the meaning specified in the Credit Agreement.

"Indemnatee" means each Lessor, Lender, Agent (in its individual capacity and as agent) and Lessor and the respective

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Affiliates, successors, permitted assigns, permitted transferees, invitees, contractors, servants, employees, officers, directors, shareholders, partners, participants, representatives, attorneys and agents of each of the foregoing Persons; provided, however, that in no event shall Lessee be an Indemnatee.

"Indenture" shall mean the 1995 Indenture or the 1996 Indenture (whichever shall be in effect from time to time), or any restatement or replacement thereof from time to time.

"Independent Accounting Firm" has the meaning specified in Section 5.11 of the Participation Agreement.

"Insolvency Event" means (a) a proceeding shall have been instituted with respect to any Person (i) seeking to have an order for relief entered in respect of such Person, or seeking a declaration or entailing a finding that such Person is insolvent or a similar declaration or finding, or seeking dissolution, winding-up, charter revocation or forfeiture, liquidation, reorganization, arrangement, adjustment, composition or other similar relief



with respect to such Person, its assets or its debts under any law, relating to bankruptcy, insolvency, relief of debtors or protection of creditors, termination of legal entities or any other similar law now or hereafter in effect, or (ii) seeking appointment of a receiver, trustee, liquidator, assignee, sequestrator or other custodian for such Person or for all or any substantial part of its property and such proceeding shall result in the entry, making or grant of any such order for relief declaration, finding, relief or appointment, or such proceeding shall remain undismissed and unstayed for a period of 30 consecutive days; or

(b) Any Person shall become insolvent; shall fail to pay, become unable to pay, or state that it is or will be unable to pay, its debts as they become due; shall voluntarily suspend transaction of its business; shall make a general assignment for the benefit of creditors; shall institute (or fail to controvert in a timely and appropriate manner) a proceeding described in (a)(i) of this Definition, or (whether or not any such proceeding has been instituted) shall consent to or acquiesce in any such order for relief, declaration, finding or relief described therein; shall institute (or fail to controvert in a timely and appropriate manner) a proceeding described in (a)(ii) of this Definition, or (whether or not any such proceeding has been instituted) shall consent to or acquiesce in any such appointment or to the taking of possession by any such custodian of all or any substantial part of its property; shall dissolve, wind-up, revoke or forfeit its charter (or other constituent documents) or liquidate itself or any substantial part of its property; or shall take any in furtherance of any of the foregoing.

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"Inspecting Parties" have the meaning specified in Section 15.1 of the Lease.

"Insurance Requirements" means all terms and conditions of any insurance policy either required by the Lease to be maintained by Lessee and all requirements of the issuer of any such policy.

"Interest Period" means with respect to any Advance the successive periods commencing on (and including) a Payment Date and ending on (but excluding) (i) the next succeeding Payment Date (if Lessee elects an Interest Period of three months or the Prime Rate is applicable), or (ii) for any Payment Date after October 24, 1996, the second succeeding Payment Date (if Lessee elects a LIBO Period of six months and the LIBO Rate is applicable), with the Interest Period being determined by reference to clause (i) if Lessee fails to elect a LIBO Period of six months not later than three Business Days prior to the commencement of the applicable Interest Period; provided, however, that no Interest Period during the Basic Term may extend beyond the last Payment Date during the Basic Term (unless the Renewal Term shall be applicable) and no Interest Period during the Renewal Term may extend beyond the last Payment Date of the Renewal Term; and provided, further that for the initial Advance on the Document Closing Date, which occurs on a date other than a Payment Date, the



first Interest Period for such portion of the Lease Balance shall be the period commencing on (and including) the date of such Advance and ending on (but excluding) the next succeeding Payment Date and interest on the Notes shall be 6.65625% per annum (with the Yield for such initial period being determined in accordance with the definition thereof based on such interest rate); and provided, finally, that for any Advance, other than the initial Advance on the Document Closing Date, which occurs on a date other than a Payment Date, the first Interest Period for such portion of the Lease Balance shall be the period commencing on (and including) the date of such Advance and ending on (but excluding) the next succeeding Payment Date and interest on the Notes and Yield for such Advance for such initial period shall be determined by reference to the Prime Rate.

"Joint Stock Collateral" means Collateral as defined in the Pledge Agreement.

"Land Interest" has the meaning set forth in the Recitals to the Participation Agreement.

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"Lease" means the Amended and Restated Lease and Agreement dated as of October 7, 1996 between Lessor and Lessee, in the form of Exhibit A to the Participation Agreement, together with all Lease Supplements thereto from time to time, as such Amended and Restate Lease and Agreement and such Lease Supplements may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Lease Balance" means, as of any date of determination, the sum of the aggregate outstanding principal amount of the Notes plus the Equity Amount, less any amounts applied pursuant to the Operative Documents in reduction thereof.

"Lease Default" means any event, condition or failure which, with notice or lapse of time or both, would become a Lease Event of Default.

"Lease Event of Default" means any event condition or failure designated as a "Lease Event of Default" in Article XVII of the Lease.

"Lease Payment/Bankruptcy Default" means the occurrence of an event specified in Section 17(a), (b), (f) or (g) of the Lease, without regard to any grace or cure periods set forth therein.

"Lease Supplement" means each Lease Supplement and Memorandum of Lease and Agreement, substantially in the form of Exhibit A to the Lease, with such changes as shall be reasonably required by Agent (after consultation with applicable local counsel) executed and delivered by Lessee to Lessor on each Site, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Lease Term" has the meaning set forth in Section 2.3 of the Lease.

"Lease Termination Date" means (i) the expiration of the Lease Term, or (ii) if earlier, the termination of Lessee's right to possession pursuant to Section 18.1 of the Lease, or (iii) with respect to all of the Sites, a termination of the Lease pursuant to Section 6.5 of the Lease.

"Leasehold Estate" means Lessee's interest in the Sites (including the Facilities located thereon) subject to the Lease.

"Lenders" mean the holders of the Notes.

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"Lessee" means Genesis Eldercare Properties, Inc. a Pennsylvania corporation and wholly-owned, single purpose subsidiary of Genesis.

"Lessor" means Mellon Financial Services Corporation #4, and its successors and permitted assigns.

"Lessor Liens" mean Liens on or against any Site or the Lease, or any payment of Rent (a) which result from any act of, or any Claim against, Lessor or any Lender in either case unrelated to the transactions contemplated by the Operative Documents or (b) which result from any tax owed by Lessor or any Lender, except any Tax for which Lessee is obligated to indemnify.

"Lessor's Cost" means (a) for all Sites, the aggregate amount paid or advanced by Lessor on each Advance Date with respect to all Land Interest and Facilities plus all Capitalized Interest and Capitalized Yield, and (b) for any Site, the aggregate amount paid or advanced by Lessor on each Advance Date with respect to the Land Interest for such site and the Facility located or being constructed thereon plus all Capitalized Interest and Capitalized Yield fairly allocable to such Site.

"LIBO Period" means for any Interest Period either three months or six months, as specified by Lessee by irrevocable written notice to Agent received by Agent not later than three (3) Business Days prior to the commencement of such Interest Period, and in the absence of such specification by Lessee, three months; provided, that if Lessee duly and timely selects a six month LIBO Period for any Interest Period, such LIBO Period shall extend through the end of the next succeeding quarterly Interest Period as well; and provided, further, that no LIBO Period during the Basic Term may extend beyond the last Payment Date during the Basic Term (unless the Renewal Term shall be applicable) and no LIBO Period during the Renewal Term may extend beyond the last Payment Date of the Renewal Term; and provided finally, that the LIBO Period for any Interest Period ending on or prior to October 24, 1996 shall be a one-month period; subject to the second proviso of the definition of "Interest Period" for Advances described in such proviso.

"LIBO Rate" shall have the meaning set forth in the Credit Agreement for "Euro Rate."

"LIBO Rate Loans" mean Loans bearing interest by reference to a LIBO Rate.

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"LIBO Rate Reserve Percentage" shall have the meaning set forth in the Credit Agreement for "Euro-Rate Reserve Percentage," with the reference to the Agent therein being a reference to the Agent hereunder.

"LIBOR Office" shall have the meaning set forth in the Credit Agreement for "National Euro-Rate Funding Office".

"Lien" means any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, including but not limited to any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security.

"Loans" has the meaning set forth in Section 2.1 of the Loan Agreement.

"Loan Agreement" means the Amended and Restated Loan Agreement, dated as of October 7, 1996, among Lessor, Agent and the Lenders, in the form of Exhibit C to the Participation Agreement, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Loan Default" means any event, condition or failure which, with notice, passage of time or a determination by the Required Participants or Required Lenders, as applicable, or any combination of the foregoing, would become a Loan Event of Default.

"Loan Documents" mean the Loan Agreement, the Notes, the Mortgages and all documents and instruments executed and delivered in connection with each of the foregoing.

"Loan Event of Default" means any event, condition or failure designated as a "Loan Event of Default" in Section 6.1 of the Loan Agreement.

"Loan Participant" has the meaning specified in Section 6.4(a) of the Participation Agreement.

"Loan Policy" has the meaning set forth in Appendix 2 and Section 3.2(d) of the Participation Agreement.

"Major Construction Document" has the meaning specified in Section 2.6

"Material Adverse Effect" means (a) a material adverse effect on the business, operations, condition (financial or otherwise) or prospects of Genesis or Lessee taken as a whole or Genesis and its Subsidiaries taken as a whole or (b) an adverse effect on the legality, validity, binding effect, enforceability or admissibility into evidence of any Operative Document, or the ability of Agent or any Participant to enforce any rights or remedies under or in connection with the Operative Documents.

"Maximum Construction Period" means, with respect to an Undeveloped Site, the period commencing on the Document Closing Date and ending on the earliest of (i) October 7, 1998, (ii) the Completion Date of the Facility on such Undeveloped Site, and (iii) an early termination of the Construction Period as to such Undeveloped Site pursuant to Section 5.1 of the Construction Agency Agreement.

"Mellon" means Mellon Bank, N.A., a national banking association, and any successor.

"Monthly Anniversary Date" means for each calendar month, the 24th day of such month, provided, however, that in the event that the 24th day of such month shall occur on a date which is not a Business Day, such Monthly Anniversary Date shall be the next following Business Day (unless such next following Business Day is the first Business Day of another calendar month, in which case such Monthly Anniversary Date shall be the immediately preceding Business Day).

"Mortgage" means each of the following, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement: (i) Mortgage, Assignment of Rents and Leases, Pledge Agreement and Fixture Filing Statement from Lessor and Lessee to Agent, substantially in the form of Exhibit D-1 to the Participation Agreement and (ii) Deed of Trust, Assignment of Rents, Pledge Agreement and Fixture Filing Statement from Lessor and Lessee in favor of Agent, substantially in the form of Exhibit D-2 to the Participation Agreement. The decision to use the "Mortgage" form or the "Deed of Trust" form shall be made by Agent with respect to each Site, and each such form shall be modified as necessary or desirable in Agent's opinion to comply with all Applicable Laws and Regulations and to set forth the provisions and remedies customarily used by secured lenders with respect to the applicable jurisdiction in which such instrument is to be recorded.

"Mortgaged Property" has the meaning for Mortgaged Property, Collateral or similar term set forth in the Mortgage.

"Multiemployer Plan" has the meaning specified in the Credit Agreement.

"1993 Indenture" has the same meaning as "1993 Subordinated Debenture Indenture" set forth in the Credit Agreement.

"1995 Indenture" has the same meaning as "1995 Subordinated Note Indenture" set forth in the Credit Agreement.

"1996 Indenture" has the same meaning as "1996 Subordinated Note Indenture" set forth in the Credit Agreement.

"Net Cash Proceeds" shall have the meaning specified in the Credit Agreement.

"Net Condemnation Proceeds" mean all payments received from any Authority relating to an Event of Taking after deducting the costs incurred by Lessee, Lessor, Agent or any Lender in respect of the receipt thereof.

"NHCA" means National Health Care Affiliates, Inc., a Florida corporation.

"NHCA Environmental Indemnity" means the NHCA Environmental Indemnity Agreement dated as of July 24, 1996 by NHCA and the Property Sellers, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"NHCA Sites" has the meaning specified in Section 3.2 of the Participation Agreement.

"Non-Acquired Land Interest" means the Land Interests relating to a Facility if fee title to such Land Interest is not acquired by Lessor pursuant to the Operative Documents.

"Non-Defaulting Participant" has the meaning set forth in Section 2.5(g) of the Participation Agreement.

"Non-Renewing Participant" has the meaning set forth in Section 2.10 of the Participation Agreement.

"Nonseverable" shall describe an Alteration or part of an Alteration which cannot be readily removed from a Site without

causing material damage to or materially impairing the value or utility of such Site.

"Notes" mean the notes issued by the Borrower under the Loan Agreement and denominated as such, substantially in the form of Exhibit A to the Loan Agreement, and any and all Notes issued in replacement or exchange therefor in accordance with the provisions thereof.

"Obligations" has the meaning set forth in Section 11 of the Lease Supplements

"OCC" means the Office of the Comptroller of the Currency or any successor thereto.

"Officer's Certificate" of a Person means a certificate signed by the Chairman of the Board of Directors or the President or any Executive Vice President or any Senior Vice President or any other Vice President of such Person signing with the Treasurer or any Assistant Treasurer or the Controller or any Assistant Controller, Cashier, Assistant Cashier or the Secretary or any Assistant Secretary of such Person, or by any Vice President who is also Controller, Treasurer or Cashier signing alone.

"Operative Documents" means the following documents:

- (1) the Participation Agreement,
- (2) the Lease,
- (3) the Lease Supplements,
- (4) the Construction Agency Agreement,
- (5) the Construction Agency Agreement Supplements,
- (6) the Assignment of Construction Documents,
- (7) the Assignment of Construction Agency Agreement,
- (8) the Purchase Agreement Assignments,
- (9) the Ground Leases,
- (10) the Guaranties,
- (11) the Loan Agreement,
- (12) the Notes,
- (13) the Mortgages,
- (14) the Environmental Indemnity,
- (15) the NHCA Environmental Indemnity,
- (16) the Pledge Agreement,
- (17) the Collateral Agency Agreement,
- (18) the Assignment of Licenses,
- (19) the Assignment of Lease,
- (20) the Deeds, and
- (21) the Bills of Sale.

"Original Guaranties" has the meaning set forth in the recitals to the Participation Agreement.

"Original Lease" has the meaning set forth in Article I of the Lease.

"Overall Transaction" means all the transactions and activities referred to in or contemplated by the Operative Documents.

"Overdue Rate" means the lesser of (a) the highest interest rate permitted by Applicable Laws and Regulations and (b) an interest rate per annum equal to, (i) in the case of the LIBO Rate Loans, (A) until the end of the applicable Interest Period at a rate per annum 2.00% above the rate otherwise applicable to such part, and (B) thereafter in accordance with the following clause (iii); (ii) in the case of the Equity Amount, until the end of the applicable Interest Period at a rate per annum 2.00% above the Yield; and (iii) in the case of any other amount due from Lessee hereunder or under any of the Operative Documents, 2.00% above the then-current Prime Rate.

"Participants" mean Lessor and the Lenders, collectively.

"Participation Agreement" means the Amended and Restated Participation Agreement, dated as of October 7, 1996, among Lessee, Lessor, the Lenders and Agent, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Payment Dates" mean the 24th day of any January, April, July and October in each year, commencing October 24, 1996, and shall include, in any event, the expiration date of the Basic Term (unless the Renewal Term shall be applicable), the expiration date of the Renewal Term, if applicable, and the Lease Termination Date; provided, however, that in the event that any Payment Date shall occur on a date which is not a Business Day, such Payment Date shall be the next following Business Day (unless such next following Business Day is the first Business Day of another calendar month, in which case such Payment Date shall be the immediately preceding Business Day).

"PBGC" means the Pension Benefit Guaranty Corporation established under Title IV of ERISA or any other governmental agency, department or instrumentality succeeding to the functions of said corporation.

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"Pension-Related Event" shall mean any of the following events or conditions:

(a) Any action is taken by any Person (i) to terminate, or would result in the termination of, a Plan, either pursuant to its terms or by operation of law (including, without limitation, any amendment of a Plan which would result

in a termination under Section 4041(e) of ERISA), or (ii) to have a trustee appointed for a Plan pursuant to Section 4042 of ERISA;

(b) PBGC notifies any Person of its determination that an event described in Section 4042 of ERISA has occurred with respect to a Plan, that a Plan should be terminated, or that a trustee should be appointed for a Plan;

(c) Any Reportable Event occurs with respect to a Plan;

(d) Any action occurs or is taken which could result in Lessee, Genesis or any Subsidiary thereof or any Controlled Group Member becoming subject to liability for a complete or partial withdrawal by any Person from a Multiemployer Plan (including, without limitation, seller liability incurred under Section 4204(a)(2) of ERISA), or Lessee, Genesis or any Subsidiary thereof or any other Controlled Group Member receives from any Person a notice or demand for payment on account of any such alleged or asserted liability; or

(e) (i) There occurs any failure to meet the minimum funding standard under Section 302 of ERISA or Section 412 of the Code with respect to a Plan, or any tax return is filed showing any tax payable under Section 4971(a) of the Code with respect to any such failure, or Lessee, Genesis or any Subsidiary thereof or any other Controlled Group Member receives a notice of deficiency from the Internal Revenue Service with respect to any alleged or asserted such failure, or (ii) any request is made by any Person for a variance from the minimum funding standard, or an extension of the period for amortizing unfunded liabilities, with respect to a Plan.

"Permits" has the meaning set forth in Section 4.1(l) of the Participation Agreement.

"Permitted Contest" means actions taken by a Person to contest in good faith, by appropriate proceedings initiated timely and diligently prosecuted, the legality, validity or applicability to any Site or any interest therein of any Person of: (a) any law, regulation, rule, judgment, order, or other legal provision or judicial or administrative requirements; (b) any term or condition

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of, or any revocation or amendment of, or other proceeding relating to, any authorization or other consent, approval or other action by any Authority; or (c) any Lien or Tax; provided that the initiation and prosecution of such contest would not: (i) result in, or materially increase the risk of, the imposition of any criminal liability on any Indemnatee; (ii) materially and adversely affect the security interests created by the Operative Documents or the right, title or interest of Agent or Lessor in or to any of the Sites or the right of Lessor, Agent or any Lender to receive payment of the principal of or interest on any Note, Equity Amount of or Yield on the Equity Amount, Rent or the Lease Balance or any interest therein; or (iii) materially and adversely affect the fair market value, utility or remaining useful life of any Site or



any interest therein or the continued economic operation thereof; and provided further that in any event adequate reserves in accordance with GAAP are maintained against any adverse determination of such contest (with the determination of the adequacy of reserves taking into account the availability of insurance from reputable insurers).

"Permitted Exceptions" mean the exceptions set forth in the Title Policies.

"Permitted Investments" means (i) full faith and credit obligations of the United States of America, or fully guaranteed as to interest and principal by the full faith and credit of the United States of America, maturing in not more than one year from the date such investment is made; (ii) certificates of deposit having a final maturity of not more than one year after the date of issuance thereof of a of any commercial bank incorporated under the laws of the United States of America or any state thereof or the District of Columbia, which bank is a member of the Federal Reserve System and has a combined capital and surplus of not less than \$500,000,000 and with a senior unsecured debt credit rating of at least "A" by Moody's Investors Service, Inc. and "A" by Standard & Poor's Ratings Group; (iii) commercial paper of companies, banks, trust companies or national banking associations (in each case excluding Lessee and its Affiliates) incorporated or doing business under the laws of the United States or one of the States thereof, in each case having a remaining term until maturity of not more than 180 days from the date such investment is made and rated at least P-1 by Moody's Investors Service, Inc. or at least A-1 by Standard & Poor's Ratings Group; and (iv) repurchase agreements maturing within one year with any financial institution having combined capital and surplus of not less than \$500,000,000 with any of the obligations described in clauses (i) through (iii) as collateral so long as title to the underlying obligations pass to Lessor and such underlying securities shall be segregated in a custodial or trust account for the benefit of Lessor.

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"Permitted Liens" shall have the meaning set forth in the Credit Agreement, but shall include (i) Lessor Liens and (ii) Permitted Exceptions.

"Person" means an individual, corporation, partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization or Authority.

"Plan" means any employee pension benefit plan within the meaning of Section 3(2) of ERISA (other than a Multiemployer Plan) covered by Title IV of ERISA by reason of Section 4021 of ERISA, of which Lessee, Genesis or any Subsidiary thereof or any other Controlled Group Member is or has been within the preceding five years a "contributing sponsor" within the meaning of Section 4001(a)(13) of ERISA, or which is or has been within the preceding five years maintained for employees of Lessee, Genesis or any Subsidiary thereof or any other Controlled Group Member.

"Plans and Specifications" means, with respect to a Site, the plans and specifications for the Facility to be constructed on such Site, as amended or supplemented from time to time.

"Pledge Agreement" means the Second Amended and Restated Collateral Agency Agreement dated as of October 7, 1996, in the form of Exhibit I-1 to the Participation Agreement, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Postretirement Benefits" has the same meaning specified in the Credit Agreement.

"Present Value Amount" has the meaning set forth in Section 2.12 of the Loan Agreement.

"Prime Rate" means the interest rate per annum announced from time to time by Mellon as its prime rate. The prime rate may be greater or less than other interest rates charged by Mellon to other borrowers and is not solely based or dependent upon the interest rate which Mellon may charge any particular borrower or class of borrower. If the aforesaid rate changes from time to time after the Document Closing Date, the Prime Rate shall be automatically increased or decreased, as the case may be, without notice to Lessee, Lessor or any Lender, as of the effective time of each change.

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"Proceeds" has the meaning specified in Section 6.4 of the Lease.

"Prohibited Transaction" means a transaction that is prohibited under Code Section 4975 or ERISA Section 406 and not exempt under Code Section 4975 or ERISA Section 408.

"Punchlist Amount" has the meaning specified in Section 3.5(a) of the Participation Agreement.

"Purchase Agreement" means, for any Site, a purchase agreement between the seller of such Site and Lessee, in form and substance acceptable to Agent and counsel to the Participants.

"Purchase Agreement Assignment" means, for any Site, the assignment of the Purchase Agreement from Lessee to Lessor, substantially in the form of Exhibit L to the Participation Agreement or in form otherwise reasonably acceptable to Lessor and Agent, as the same may be amended, modified, restated or supplemented from time to time in accordance with the terms of the Participation Agreement.

"Purchase Option" has the meaning specified in Section 6.2 of the

Lease.

"Purchase Option Exercise Amount" means, as of any date of determination, the sum of (a) the Lease Balance as of the date of purchase, plus (b) all accrued but unpaid Rent, plus (c) all other sums then due and payable under the Operative Documents by Lessee and any of its Affiliates.

"Redeployment Rate" has the meaning set forth in Section 2.12 of the Loan Agreement.

"Redeployment Period" has the meaning set forth in Section 2.12 of the Loan Agreement.

"Regulated Activity" means the use, Release, generation, treatment, storage, recycling, transportation or disposal of Hazardous Material to the extent such activities are regulated by any Authority.

"Regulations" mean the income tax regulations promulgated from time to time under and pursuant to the Code.

"Release" means the release, deposit, disposal or leak of any Hazardous Material into or upon or under any land or water or air, or otherwise into the  
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environment, including by means of burial, disposal, discharge, emission, injection, spillage, leakage, seepage, leaching, dumping, pumping, pouring, escaping, emptying, placement and the like.

"Renewal Request" has the meaning set forth in Section 2.10 of the Participation Agreement.

"Renewal Term" has the meaning set forth in Section 2.4 of the Lease.

"Rent" means Basic Rent and Supplemental Rent, collectively.

"Rent Installment Period" means (i) with respect to any Lease Supplement, the period commencing on (and including) the date of such Lease Supplement and ending on (but excluding) the next succeeding Payment Date, and thereafter, successive periods commencing on (and including) a Payment Date and ending on (but excluding) the next succeeding Payment Date, and (ii) with respect to the Lease, the period commencing on (and including) the date of the initial Lease Supplement and ending on (but excluding) the next succeeding Payment Date, and thereafter, successive periods commencing on (and including) a Payment Date and ending on (but excluding) the next succeeding Payment Date.

"Replacement Participant" has the meaning specified in Section 2.10 of the Participation Agreement.

"Reportable Event" has the same meaning specified in the Credit Agreement.

"Required Lenders" mean, as of the date of the determination, Lenders having aggregate investments in the Overall Transaction (as measured by the outstanding principal amount of the Loans then outstanding) equal to 51% or more of all such investments (including, under all circumstances, Agent).

"Required Participants" mean, as of the date of the determination, Participants having aggregate investments in the Overall Transaction (as measured by the outstanding principal amount of the Loans then outstanding and the outstanding Equity Amount) equal to 51% or more of all such investments (including, under all circumstances, Agent).

"Responsible Officer" of a Person means the President, the Chief Executive Officer, any Vice President, the Controller, the Treasurer or the Chief Financial Officer of such Person.

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"Restricted Subsidiaries" has the same meaning specified in the Credit Agreement.

"Sale Option" has the meaning specified in Section 6.3 of the Lease.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933.

"Securities Exchange Act" means the Securities Exchange Act of 1934.

"Sellers" mean the sellers of the Sites to Lessor, identified on Schedule III to the Participation Agreement.

"Senior Officer" means the Chairman or Vice Chairman of the Board of Directors, the Chairman or Vice Chairman of the Executive Committee of the Board of Directors, the President, any Senior Vice President, the Chief Executive Officer, the Chief Financial Officer or the Treasurer of Lessee.

"Shortfall Amount" has the meaning set forth in Section 6.4(c) of the Lease.

"Site" has the meaning set forth in the Recitals to the Participation Agreement, and shall include, without limitation, all of the right, title and interest of the seller of the Site (or upon the acquisition of title to the Site by Lessor, all right, title and interest of Lessor) in and to the following:

(A) the real property described in Schedule III attached to the Participation Agreement (the "Land"); all buildings, structures and

other improvements now or in the future located on the Land (the "Improvements"; the Improvements and the Land are sometimes collectively referred to herein as the "Property");

(B) all the estate, right, title, claim or demand whatsoever of such Person, in possession or expectancy, in and to the Property or any part thereof;

(C) all right, title and interest of such Person in and to all of the fixtures, furnishings and fittings of every kind and nature whatsoever, and all appurtenances and additions thereto and substitutions or replacements thereof (together with, in each case,

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attachments, components, parts and accessories) currently owned or subsequently acquired by the Mortgagor and now or subsequently attached to, or contained in or used or usable in any way in connection with any operation or letting of the Property (all of the foregoing in this paragraph (C) being referred to as the "Fixtures");

(D) all right, title and interest of such Person in and to all of the fixtures, chattels, business machines, machinery, apparatus, equipment, furnishings, fittings and articles of personal property of every kind and nature whatsoever, and all appurtenances and additions thereto and substitutions or replacements thereof (together with, in each case, attachments, components, parts and accessories) currently owned or subsequently acquired by Mortgagor and now or subsequently attached to, or contained in or used or usable in any way in connection with any operation or letting of the Property, including but without limiting the generality of the foregoing, all screens, awnings, shades, blinds, curtains, draperies, artwork, carpets, rugs, storm doors and windows, furniture and furnishings, heating, electrical, and mechanical equipment, lighting, switchboards, plumbing, ventilating, air conditioning and air-cooling apparatus, refrigerating, and incinerating equipment, escalators, refrigerators, elevators, loading and unloading equipment and systems, stoves, ranges, laundry equipment, cleaning systems (including window cleaning apparatus), telephones, communication systems (including satellite dishes and antennae), televisions, computers (excluding software), sprinkler systems and other fire prevention and extinguishing apparatus and materials, security systems, motors, engines, machinery, pipes, pumps, tanks, conduits, appliances, fittings and fixtures of every kind and description (all of the foregoing in this paragraph (D) being referred to as the "Equipment");

(E) all right, title and interest of such Person in and to all substitutes and replacements of, and all additions and improvements to, the Improvements and the Fixtures and Equipment, subsequently acquired

by such Person or constructed, assembled or placed by such Person on the Land, immediately upon such acquisition, release, construction, assembling or placement, including, without limitation, any and all building materials whether stored at the Property or offsite, and, in each such case, without any further mortgage, conveyance, assignment or other act by such Person;

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(F) all right, title and interest of such Person in, to and under all books and records relating to or used in connection with the operation of the Property or the Fixtures or any part thereof; and all general intangibles related to the operation of the Improvements now existing or hereafter arising;

(G) all right, title and interest of such Person in and to all insurance policies (including title insurance policies) required to be maintained by Lessee pursuant to Article XI of the Lease, including the right to collect and receive such proceeds; and all awards and other compensation, including the interest payable thereon and the right to collect and receive the same, made to the present or any subsequent owner of the Property for the taking by eminent domain, condemnation or otherwise, of all or any part of the Property or any easement or other right therein; and

(H) all right, title and interest of such Person in and to (to the extent assignable) (i) all consents, licenses, building permits, certificates of occupancy and other governmental approvals relating to construction, completion, occupancy, use or operation of the Property or any part thereof and (ii) all plans and specifications relating to the Property.

"Site Acquisition Date" has the meaning specified in Section 3.2 of the Participation Agreement.

"Standard Notice" means a notice of the Lessee for the conversion to or renewal of any portion of the Loans or the Equity Amount to LIBO Rate Loans or to Equity Amount which bears Yield based upon the LIBO Rate or for the making of any Advance which shall bear interest or Yield based upon the LIBO Rate or for the selection of an Interest Period for LIBO Rate Loans or for Equity Amount which bears Yield based upon the LIBO Rate.

"Stock Purchase Agreement" means that certain Stock Purchase Agreement dated as of May 3, 1996 among Stock Sellers and Genesis, as amended.

"Stock Sellers" means those Persons described on Schedule IV attached hereto.

"Structuring/Underwriting Fee" has the meaning specified in Section 2.6

"Sublease" has the meaning specified in Section 12.1 of the Lease.

"Subsidiary" has the meaning specified in the Credit Agreement.

"Subtenant" has the meaning set forth in Section 12.1(a) of the Lease.

"Supplemental Lease Balance" means the product of the Allocated Share of the Lease Supplement in question and the Lease Balance.

"Supplemental Rent" means any and all amounts, liabilities and obligations other than Basic Rent which Lessee assumes or agrees or is otherwise obligated or designated to pay under the Lease or any other Operative Document (whether or not designated as Supplemental Rent) to Lessor, Agent, the Lenders or any other Person, including amounts under Section 9.1 of the Lease, Additional Costs and indemnities and damages for breach of any covenants, representations, warranties or agreements.

"Surviving Company" has the meaning set forth in Section 5.2 of the Participation Agreement.

"Taxes" and "Tax" mean any and all fees (including documentation, recording, license and registration fees), taxes (including income (whether net, gross or adjusted gross), financial institutions, franchise, gross receipts, sales, rental, use, turnover, value-added, property, excise and stamp taxes), levies, imposts, duties, charges, assessments or withholdings of any nature whatsoever, together with any penalties, fines or interest thereon or additions thereto.

"Title Insurance Company" means Chicago Title Insurance Company and its successors and assigns, or such other title insurance company as shall be acceptable to Agent.

"Title Policies" have the meaning specified in Section 3.2(d) of the Participation Agreement.

"Total Costs" means the sum of the Lessor's Costs plus Transaction Costs funded by Lessor; provided, however, that Transaction Costs shall not exceed \$2,000,000 in the aggregate.

"Total Funded Debt/Cash Flow Ratio" has the meaning specified in the Credit Agreement.

"Transaction Costs" shall mean all transaction costs and expenses incurred by Mellon as Agent for the Lessor and the Lenders, Lessee and Lessor in connection with the preparation, negotiation, execution, delivery, performance and administration of the Operative Documents and Agent's syndication of the Notes pursuant to Section 6.7, in each case including without limitation (a) the reasonable legal fees and expenses of special counsel to Mellon, as Agent for Lessor and the Lenders (including, without limitation, reasonable fees and expenses of counsel to Mellon, as Agent, in connection with the transfer by Lessor of its interest in the Sites or the transfer by any of the Lenders of any Notes from time to time), special Credit Agreement counsel to Mellon and special counsel to Lessee, (b) reasonable legal fees and expenses of local counsel to the Lessee, (c) the reasonable expenses of Lessor (including, without limitation, residual value insurance premiums if any), (d) all appraisal fees and expenses, including the cost of an appraisal obtained by Lessor with respect to the Facilities upon a Lease Default or Lease Event of Default, (e) all costs and expenses of the preparation of the Environmental Audits, (f) the Structuring/Underwriting Fee, and (g) all recording, filing fees and expenses, including fees and expenses of the Title Insurance Company. Certain Transaction Costs (not to exceed \$2,000,000 in the aggregate) incurred in connection with the closing of this lease arrangement will be paid by Lessor pursuant to Section 9.9 of the Participation Agreement.

"Treasury Rate" has the meaning specified in the Credit Agreement.

"Turnover Date" has the meaning set forth in Section 12.1(b) of the Lease.

"UCC" means the Uniform Commercial Code of New York or any other applicable jurisdiction.

"Undeveloped Site" has the meaning set forth in the Recitals to the Participation Agreement.

"Unrestricted Entities" has the same meaning specified in the Credit Agreement.

"Yield" means during the Basic Term, (a) the applicable interest rate payable from time to time pursuant to the Loan Agreement plus 300 basis points; provided, that the Yield Rate for the Equity Amount for the Renewal Term, if any, shall be determined by the mutual agreement of Lessor and Lessee; and provided, further, that during any Holdover Period, the Applicable Margin

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(and thus, the Yield) shall be increased by 50 basis points. During any period that the applicable interest rate payable with respect to the portion of any Advance allocable to the Notes pursuant to the Loan Agreement is determined by reference to a LIBO Rate, Yield on the portion of such Advance constituting a portion of the Equity Amount shall be calculated on the basis of actual number



of days elapsed in a 360-day year. During any period that the applicable interest rate payable with respect to the portion of any Advance allocable to the Notes pursuant to the Loan Agreement is determined by reference to the Prime Rate, Yield on the portion of such Advance constituting a portion of the Equity Amount shall be calculated on the basis of actual number of days elapsed in a 365 or 366-day year, as applicable.

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## APPENDIX 2

### to Participation Agreement

#### CONDITIONS PRECEDENT TO DOCUMENT CLOSING DATE

(a) Authorization, Execution and Delivery of Documents; No Default. The Operative Documents shall have been duly authorized, executed and delivered by each of the other parties thereto, shall (to the extent the form and substance thereof shall not be prescribed hereby) be in form and substance satisfactory to the Agent and an executed counterpart of each thereof shall have been delivered to the Agent. Each Lender shall have received an original, duly executed Note registered in such Lender's name. Each of the Participation Agreement, the Lease, the Guaranty, the Loan Agreement, the Notes, the Assignment of Lease and the other Operative Documents shall be in full force and effect as to all other parties and no Lease Default or Lease Event of Default shall have occurred or be continuing.

(b) Litigation. No action or proceeding shall have been instituted or threatened nor shall any governmental action be instituted or threatened before any Authority, nor shall any order, judgment or decree have been issued or proposed to be issued by any Authority, to set aside, restrain, enjoin or prevent the performance of this Agreement or any transaction contemplated hereby or by any other Operative Document or which is reasonably likely, in the sole opinion of the Agent, to have a Material Adverse Effect.

(c) Legality, etc. In the opinion of such Lender or its counsel, the transactions contemplated by the Operative Documents shall not violate any Applicable Laws and Regulations and no change shall have occurred or been proposed in Applicable Laws and Regulations that would make it uneconomic or illegal for any party to any Operative Document to participate in any of the transactions contemplated by the Operative Documents or otherwise would prohibit the consummation of any transaction contemplated by the Operative Documents or expand the duties, obligations and risks of such Lender.

(d) Governmental Approvals. All necessary (or, in the reasonable opinion of Lessor, Agent or either of their respective counsel, advisable) Governmental Actions, in each case required by any Applicable Laws

and Regulations, shall have been obtained or made and be in full force and effect.

(e) Requirements of Law. In the reasonable opinion of Lessor, Agent and their respective counsel, the transactions contemplated by the Operative Documents do not and will not violate in any Applicable Laws and Regulations and do not and will not subject Lessor, Agent or any Lender to any adverse regulatory prohibitions or constraints.

(f) Opinions; Local Counsel Questionnaires. The following opinions, each dated the Document Closing Date (or, in the case of clauses (iii) and (iv) below, in the discretion of Agent, on the applicable Site Acquisition Date), substantially in the form set forth in the Exhibit noted below, and containing such other matters as the parties to whom they are addressed shall reasonably request, shall have been addressed to each of Lessor, Agent and the Lenders, and delivered to Lessor and Agent:

(i) the opinion of Ira Gubernick, Esq., in-house counsel for Lessee (Exhibit E-1).

(ii) the opinion of Blank Rome Comisky & McCauley, special counsel for Lessee (Exhibit E-2);

(iii) the opinion of Holland & Knight ("Special Florida Counsel"), special Florida counsel for Genesis (Exhibit E-3);

(iv) the opinion of Ober, Kaler, Grimes & Shriver ("Special Virginia Counsel"), special Virginia counsel for Genesis (Exhibit E-3); and

(v) the opinion of Blank, Rome, Comisky & McCauley, special counsel for Genesis (Exhibit E-4).

In addition, not less than five (5) days prior to the Document Closing Date, local counsel questionnaires (responding to the matters set forth in Exhibit E-5 and such other matters as Agent shall request) for Florida and Virginia, prepared by Special Florida Counsel and Special Virginia Counsel, respectively, and addressed to Lessor, Agent and the Lenders, shall have been delivered to Agent and shall be in form and substance acceptable to Agent.

(g) Corporate Status and Proceedings. On or prior to the Document Closing Date, each of the Lenders, Lessor and Agent shall have received:

(i) certificates of existence and good standing with respect to Lessee from (A) the Secretaries of State of the State of its incorporation and (B) the Secretary of State of the State of its principal place of business, each dated no earlier than the 10th day prior to the Document Closing Date;

(ii) copies of Lessee's certificate of incorporation, certified by the Secretary of State of the State of its incorporation no earlier than the 10th day prior to the Document Closing Date; and

(ii) with respect to Lessee, an Officer's Certificate substantially in the form of Exhibit F, dated the Document Closing Date, with respect to such Person's governing documents, resolutions and incumbent officers, representations and warranties and absence of defaults.

(h) Lessor Officer's Certificate. Each Lender and Agent shall have received (x) a certificate of the Secretary or Assistant Secretary of Lessor attaching and certifying as to (i) the corporate authority for the execution, delivery and performance by Lessor of each Operative Document to which it is or will be a party, (ii) its organizational documents, (iii) its by-laws, and (iv) the incumbency and signature of persons authorized to execute and deliver such documents on behalf of Lessor and (y) a good standing certificate from the appropriate Authority as to Lessor's good standing.

All documents and instruments required to be delivered on the Document Closing Date shall be delivered at the offices of Mayer, Brown & Platt in New York, New York, or at such other location as may be determined by the Lessor, Agent and Lessee.

(i) Filings and Recordings. All filings or recordings enumerated and described in Schedule 4.1B hereof, as well as all other filings and recordings necessary or advisable, including precautionary financing statements, in the opinion of Agent or counsel to Agent, to perfect the rights, titles and interests of Lessor, the Lenders, the Guarantors and Agent intended to be created by the Operative Documents shall have been made, or shall have been arranged to be made promptly thereafter, in the appropriate places or offices, including any recordings and filings necessary to create, perfect, preserve and protect (i) Lessor's interest in the Land Interests and the Facilities and

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(ii) a first mortgage lien on all Land Interests and Facilities included in the Collateral, subject in both cases, to Permitted Exceptions and the rights of Lessee under the Lease. All recording and filing fees and taxes with respect to any recordings or

filings made pursuant to this Agreement shall have been paid in full, and satisfactory evidence thereof shall have been delivered to Agent, or arrangements for such payment shall have been made to the satisfaction of Agent.

(j) Survey. Lessee shall have delivered, or shall have caused to be delivered, to Agent, with sufficient counterpart originals for Agent to distribute to Lessor and each Lender, and counsel to the Lenders an ALTA survey of each Site to be acquired on or prior to the Document Closing Date in a form satisfactory to the Title Insurance Company and showing no state of facts unsatisfactory to Agent and counsel to the Lenders, which survey shall be certified to Lessor and Agent.

(k) Title Insurance. Lessor shall have received from the Title Insurance Company its ALTA 1992 owner's policy of title insurance, acceptable in form and substance to Agent and counsel to the Lenders (the "Lessor's Policy") (or a final hand-marked original thereof signed by the Title Insurance Company) containing all of the provisions to be included in such policy by the Title Insurance Company, in which case Lessor shall receive a clean, final original of such policy within thirty (30) days), insuring that Lessor has good and marketable title to each Site being purchased by Lessor on or prior to the Document Closing Date, subject to the Lease and such other exceptions to title as are reasonably acceptable to Agent and counsel for the Lenders, together with complete, legible copies of all encumbrances, maps and surveys of record. Agent, for the benefit of the Lenders shall have received from the Title Insurance Company its ALTA 1992 form of loan policy of title insurance (the "Loan Policy"; together with the Lessor's Policy, the "Title Policies"), reasonably acceptable in form and substance to Agent and counsel for the Lenders, insuring the creation under the Mortgage in favor of Agent and the Lease in favor of Lessor of a valid first priority mortgage lien against the Land Interest, subject to such exceptions to title as are reasonably acceptable to Agent and counsel for the Lenders, together with to the extent available complete, legible copies of all encumbrances, maps and surveys of record. Each of the Title Policies shall be dated as of the applicable Site Acquisition Date, shall be in an amount equal to the Fair Market Sales Value of such Site as of such date and, to the extent permitted under Applicable Laws and Regulations and to the extent applicable to each type of policy, and to the extent available within the applicable

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jurisdiction at reasonable prices, shall (x) contain affirmative endorsements as to mechanics' liens, usury, doing business, zoning (with express parking coverage), easements and rights-of-way, comprehensive coverage, encroachments, rights of access and survey matters, (y) delete the creditors' rights exclusion and the general exceptions to coverage, and (z) contain such other endorsements as reasonably requested by Agent.

(l) Environmental Audit. Prior to the Document Closing Date, Agent shall have received an Environmental Audit for each Site to be acquired on

or prior to the Document Closing Date, which shall be in form and substance acceptable to Agent in its sole and absolute discretion.

(m) Zoning. In the event that, with respect to a Site to be acquired on or prior to the Document Closing Date, an ALTA 3.1 Zoning Endorsement (with express parking coverage) was not obtained in connection with the Title Policies for such Site, Agent on behalf of the Lenders shall receive a copy of the applicable zoning ordinance, special use permit or other Governmental Action covering such Site, and such evidence as Agent may require (including without limitation the written certification of Lessee's certified professional engineer or registered architect or any other person satisfactory to Agent) that the zoning of such Site is satisfactory and compatible with the Facility located thereon.

(n) Deed and Bill of Sale; Ground Lease. As to any Site to be acquired on or prior to the Document Closing Date, Agent shall have received (i) a Deed conveying to Lessor such Site, if any, or other improvements, if any, located on such Site, and (ii) a Bill of Sale conveying any portion of any such Facility or improvements which do not or may not constitute real estate under Applicable Law (provided that no Bill of Sale shall be required if the form of Deed used purports to convey title to the items which would otherwise be conveyed in the Bill of Sale and if such Deed is in fact sufficient under applicable law to convey title to such items); provided, however, that for any Non-Acquired Land Interest, the Deed described in clause (i) shall convey only the related Facility and, in addition, Agent shall have received a Ground Lease of the Non-Acquired Land Interest from Lessee or one of its affiliates (whichever shall acquire such Land Interest), as ground lessor, to Lessor, as ground lessee.

(o) Lease Supplement. Agent shall have received original counterparts of the Lease Supplement executed by Lessee and Lessor with respect to each Site or Group to be acquired on or prior to the Document Closing Date;

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provided that only Agent shall receive and retain the one original thereof marked as the sole original counterpart for UCC purposes.

(p) Mortgage. Agent shall have received a Mortgage duly executed by Lessor with respect to each Site to be acquired on or prior to the Document Closing Date.

(q) Assignment of Lease; Consent of Lessee. Agent shall have received an Assignment of Lease duly executed by Lessor, with the consent thereto duly executed by Lessee, with respect to the Lease.

(r) Filings and Recordations. Agent shall have received evidence reasonably satisfactory to it that each of the Deeds, the Florida Lease

Supplement, the Mortgages and the Assignment of Lease delivered shall have been or are being recorded with the appropriate Authorities in the order in which such documents are listed in this clause, and the UCC Financing Statements with respect to the Facilities acquired shall have been or are being filed with the appropriate Authorities.

(s) Insurance. Insurance complying with the provisions of Article XI of the Lease shall be in full force and effect as evidenced by certificates of insurance, broker's reports or insurance binders delivered to Lessor in form and substance reasonably satisfactory to Agent.

(t) Appraisal. Not less than ten (10) Business Days prior to the Document Closing Date, Agent shall have received and will deliver to Lessor and each Lender an appraisal (the "Appraisal") which will establish (by the use of appraisal methods satisfactory to the Lenders) that, as of the date such Site becomes subject to the Lease, such Site will have a Fair Market Sales Value of not less than the amount allocated to such Site on Schedule III. The Appraisal will also establish the Fair Market Sales Value of such Site as of the end of the Base Term and the Renewal Term. The Appraisal will be prepared in accordance with the Financial Institutions Reform Recovery and Enforcement Act of 1989 and will be performed by an independent appraisal company chosen by Agent.

(u) FIRPTA Affidavit. Lessee shall have caused the seller of the Land Interest to be acquired on the Document Closing Date to deliver to Agent either (i) a FIRPTA Affidavit in customary form or (ii) if such seller is a "foreign person" as defined in Section 1445 of the Code, evidence that a portion of the sales price to be paid to such seller has been withheld, if so

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required, in accordance with the provisions of the Code and the Regulations.

(v) No Event of Loss. No Event of Loss shall have occurred in respect of any Site to be acquired on or prior to the Document Closing Date. No action shall be pending or threatened by an Authority to initiate a Condemnation or an Event of Taking in respect of any Site to be acquired on or prior to such date.

(w) Appraised Value Limitation; 25% Test. The appraised value of the Land Interest of any Site or Group to be acquired on or prior to the Document Closing Date shall not exceed twenty-five percent (25%) of the forecasted Fair Market Sales Value of such Site or Group (on an "as-built" basis).

(x) Good Standing. Lessee shall have delivered to Agent a certificate issued by the office of the secretary of state of the jurisdiction in which any Land Interest to be acquired or is located indicating that Lessee is a foreign corporation in good standing under the laws of such jurisdiction.

(y) Stock Purchase Agreement; Assignment. Lessee shall have caused Genesis to execute and deliver to Agent a certified copy of the Stock Purchase Agreement, together with the Assignment of Rights under Stock Purchase Agreement.

(z) Credit Agreement. Lessee shall have caused Genesis to execute and deliver to Agent a certified copy of the Credit Agreement.

(aa) Number of Counterparts. Whenever Agent is to have received any document, agreement or opinion pursuant to the Participation Agreement, such condition shall require that Agent has received sufficient counterpart originals for Agent to distribute to Lessor and each Lender unless otherwise specifically approved by Agent.

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### Investor's Letter

#### EXHIBIT G TO PARTICIPATION AGREEMENT

#### FORM OF INVESTOR'S LETTER

[Date]

Mellon Financial Services  
Corporation #4

One Mellon Bank Center  
Rm 151-4444  
Pittsburgh, PA 15258-0001  
Attention: Leasing Group

Mellon Bank, N.A.  
Plymouth Meeting Executive Campus  
610 West Germantown Pike  
Suite 200  
Plymouth Meeting, PA 19462  
Attention: Carol Paige

Genesis Eldercare Properties, Inc.  
148 West State Street  
Kennett Square, PA 19348  
Attention: George V. Hager, Jr.

Ladies and Gentlemen:

Capitalized terms used in this letter and not otherwise defined herein,

unless the context otherwise requires, shall have the meanings assigned thereto in Appendix 1 to that certain Amended and Restated Participation Agreement (the "Participation Agreement"), dated as of October 7, 1996, among Genesis Eldercare Properties, Inc., as Lessee; Mellon Financial Services Corporation #4, as Lessor; the Persons named on Schedule I thereto (together with their respective permitted successors, assigns and transferees), as Lenders; and Mellon Bank, N.A., a national banking association, not in its individual capacity except as expressly stated therein, but solely as Agent for Lessor and Lenders.

The undersigned has agreed to purchase: [check applicable box]

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|\_ | (1) the Note numbered Note No. \_\_, dated as of \_\_\_\_\_,  
199\_ and in an original principal amount of  
\_\_\_\_\_ Dollars (\$\_\_\_\_\_) from  
-----,

|\_ | (2) a portion, in the amount of \$\_\_\_\_\_, of the Note  
numbered Note No. \_\_, dated as of \_\_\_\_\_, 199\_ and in  
an original principal amount of \_\_\_\_\_  
Dollars (\$\_\_\_\_\_) from \_\_\_\_\_ (the "Current  
Holder"), or

|\_ | (3) loan participation, in the amount of \$\_\_\_\_\_, of  
the Note numbered Note No. \_\_, dated as of \_\_\_\_\_,  
199\_ and in an original principal amount of  
\_\_\_\_\_ Dollars (\$\_\_\_\_\_) from  
-----,

and desires that Lessee and Agent consent to the purchase by the undersigned of the afore-described interest and:

in the case of clause (1) above, Lessor, as borrower, shall execute and deliver to the undersigned a new Note in the current principal amount of Note No. \_\_ in the name of the undersigned, or

in the case of clause (2) above, Lessor, as borrower, shall execute and deliver (i) to the undersigned a new Note in the principal amount of \$\_\_\_\_\_ in the name of the undersigned, and (ii) to the Current Holder a new Note in the principal amount of the excess of the current



principal amount of Note No. \_\_\_ over the amount specified in the immediately preceding clause(i).

The undersigned hereby represents and warrants as of the date hereof to the addressees hereof as follows:

(a) The transfer of the Note, or the portion thereof or loan participation therein being purchased by the undersigned (the Note or such portion or loan participation, as applicable, is called the "Note Interest"), to the undersigned is not to or in connection with any arrangement or understanding in any way involving any employee benefit plan (or its related trust), as defined in Section 3(3) of ERISA, or with the assets of any such plan (or its related trust), as defined in Section 4975(e)(1) of the Code (other than a governmental plan, as defined in Section 3(32) of ERISA);

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(b) The Note Interest is being acquired by the undersigned for investment and not with a view to the resale or distribution of such interest or any part thereof, but without prejudice, however, to the right of the undersigned at all times to sell or otherwise dispose of all or any part of such interest under a registration available under the Securities Act of 1933, as amended, or under an exemption from such registration available under such Act, it being understood that the disposition by the undersigned of the Note Interest to be purchased by the undersigned shall, at all times, remain entirely within its control;

(c) Neither the undersigned nor any Person authorized to act on its behalf has directly or indirectly offered to sell the Note Interest or the related Note or any security similar thereto, to, or otherwise approved or negotiated with respect thereto with, anyone other than the Lenders, and neither it nor any Person authorized to act on its behalf will so offer or sell in violation of Section 5 of the Securities Act of 1933, as amended, or securities or blue sky law of any applicable jurisdiction;

(d) The representations and warranties set forth in Section 4.2 of the Participation Agreement are accurate with respect to the undersigned (other than as such representations and warranties relate to the execution and delivery of Operative Documents);

(e) The undersigned agrees to be bound by the provisions of Section 6.3 of the Participation Agreement in connection with its acquisition of the Note Interest and any subsequent transfer thereof; and

(f) In the case of a purchase as described in clause (1) or clause (2) above, such purchase is being made pursuant to the Assignment and Assumption in the form of Exhibit G-1 attached hereto (which is in the form of Exhibit O to the Participation Agreement). In the case of a purchase of a loan participation as described in clause (3) above, such purchase is being made pursuant to the

Loan Participation Agreement in the form attached hereto [attach form of Loan Participation Agreement].

The undersigned acknowledges that by execution of this letter it shall be bound by all obligations (whether or not accrued) under and, in the case of a transfer of the Note or a portion thereof as described in clause (1) or (2) above, shall

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have become a party to, all Operative Documents to which its transferor was a party.

The undersigned understands that neither the Note or the Note Interest has been or will be registered or qualified under the Securities Act of 1933, as amended, or any securities or "blue sky" laws of any jurisdiction and that neither Agent nor Lessee nor any Participant has an obligation to effect such registration or otherwise assist in the disposition of the Note or Note Interest.

Very truly yours,

-----

By: \_\_\_\_\_  
Name Printed: \_\_\_\_\_  
Title: \_\_\_\_\_

Consent to the acquisition of the aforementioned Note Interest by:

GENESIS ELDERCARE PROPERTIES, INC.,

as Lessee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

MELLON BANK, N.A., not in its individual capacity, but solely as Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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EXHIBIT G-1 TO  
INVESTOR'S LETTER

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Assignment of Lease and Agreement and  
Lease Supplements and  
Memoranda of Lease and Agreement

EXHIBIT H TO PARTICIPATION AGREEMENT

FORM OF ASSIGNMENT OF LEASE AND AGREEMENT AND  
LEASE SUPPLEMENTS AND MEMORANDA OF LEASE AND AGREEMENT

This instrument was prepared by  
and upon recordation should be  
returned to:

Robert E. Gordon, Esq.  
Mayer, Brown & Platt  
190 South LaSalle Street  
Chicago, Illinois 60603

ASSIGNMENT OF LEASE AND AGREEMENT AND  
LEASE SUPPLEMENTS AND MEMORANDA OF LEASE

AND AGREEMENT

Dated as of \_\_\_\_\_, 1996

between

MELLON FINANCIAL SERVICES

CORPORATION #4,

as Lessor

and

MELLON BANK, N.A.,

as Agent and Assignee

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ATTACHMENTS TO	ASSIGNMENT OF LEASE:
Exhibit A        -	Legal Description
Consent and Agreement of Lessee	

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THIS ASSIGNMENT OF LEASE AND AGREEMENT AND LEASE SUPPLEMENT AND MEMORANDUM OF LEASE AND AGREEMENT dated as of July 24, 1996 (herein, as the same may be amended or supplemented from time to time, called this "Assignment Agreement"), is between MELLON FINANCIAL SERVICES CORPORATION #4, a Pennsylvania corporation, as Lessor ("Lessor") and MELLON BANK, N.A., as Agent and assignee (the "Assignee").

Capitalized terms not otherwise defined in this Assignment Agreement shall have the respective meanings assigned thereto in the Appendix 1 to that certain Participation Agreement, dated as of July 24, 1996 (the "Participation Agreement"), by and among Genesis Eldercare Properties, Inc. ("Lessee"), a Pennsylvania corporation, Lessor, Assignee and the Lenders set forth therein (the "Lenders").

### RECITALS:

WHEREAS, the Sites legally described on Exhibit A attached hereto, have

been leased by Lessor to Lessee pursuant to a Lease and Agreement, dated as of July 24, 1996, together with, for each Site, a Lease Supplement and Memorandum of Lease and Agreement (herein, said Lease and Agreement, together with all Lease Supplements and Memoranda of Lease and Agreement, as the same may be amended or supplemented from time to time as permitted thereby and by the Operative Documents, are collectively called the "Lease");

WHEREAS, Lessor has entered into the Participation Agreement with Assignee, Lessee and the Lenders party thereto providing, among other things, for the commitment of the Lenders to assist in financing Lessor's acquisition of the Sites by making Loans to be evidenced by the respective Notes. Such Loans as evidenced by the Notes (i) mature on July 24, 2001 and (ii) bear interest on the unpaid principal amount thereof from time to time outstanding at the interest rate per annum determined as provided in and payable as specified in the Loan Agreement; and

WHEREAS, Lessor is entering into this Assignment Agreement in order to induce the Lenders to make Loans to Lessor and as additional security for the purchase of the Notes.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor hereby agrees for the benefit of Assignee as follows:

Section 1. COLLATERAL ASSIGNMENT OF LEASE. Lessor, in consideration of the premises and for other good and valuable consideration, the receipt whereof

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is hereby acknowledged, and as security for the payment of the principal of, and all interest and all other sums payable on, the Notes and all other sums payable by Lessor to Assignee under the Loan Agreement or under any of the other Operative Documents and the performance and observance by Lessor for the benefit of Assignee or the Lenders of the provisions of each thereof, whether contained therein or incorporated therein by reference, has assigned, transferred, conveyed and set over, and by these presents does assign, transfer, convey and set over, to Assignee, for the benefit of Assignee and the Lenders, all of Lessor's interest in, to and under the Lease and all of Lessor's estate, right, title, interest, claim and demand as Lessor under the Lease, and all existing or future amendments, supplements or modifications of the Lease;

TOGETHER WITH all rights, powers, privileges, options and other benefits of Lessor under the Lease, including, without limitation (a) the right to receive and collect all Rent, income, revenues, issues, profits, Loss Proceeds, bankruptcy claims, liquidated damages, purchase price proceeds (pursuant to Article VI of the Lease, or otherwise), the Applicable Percentage Amount, and other payments, tenders and security payable to or receivable by Lessor under the Lease, to be applied in accordance with Section 3.3 of the Loan Agreement; (b) the right, subject to the provisions of Section 9.5 of the

Participation Agreement and not to the exclusion of Lessor, to give and withhold all waivers, consents, modifications, amendments and agreements under or with respect to the Lease; (c) the right, not to the exclusion of Lessor, to give and receive copies of all notices and other instruments or communications under or pursuant to the Lease; (d) the right to take such action upon the occurrence and during the continuance of a Lease Event of Default as shall be permitted by the Lease or by Applicable Laws and Regulations; and (e) the right to do any and all other things whatsoever which Lessor or any lessor under the Lease, as the case may be, is or may be entitled to do thereunder;

TOGETHER WITH the right and power to execute and deliver as agent and attorney-in-fact of Lessor under the Lease an appropriate deed, bill of sale or other instruments of transfer necessary or appropriate for the conveyance and transfer to Lessee of Lessor's interest in the Sites pursuant to Article VI of the Lease, and all interests of Lessor therein and to perform in the name and for and on behalf of Lessor, as such agent and attorney-in-fact, any and all other necessary or appropriate acts with respect to any such purchase, conveyance and transfer;

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TOGETHER WITH the right, not to the exclusion of Lessor, to inspect the Sites and all records relating thereto and to enforce performance or observance by the Lessee of any of such rights by the exercise of the right to proceed by appropriate court action or actions, either at law or in equity, to enforce performance by Lessee of the applicable covenants and terms or to recover damages for the breach thereof;

EXCLUDING FROM all of the foregoing the Excluded Amounts.

TO HAVE AND TO HOLD the same unto Assignee and its successors and assigns forever.

Section 2. ASSIGNMENT AS COLLATERAL SECURITY. The assignment made hereby is executed as collateral security, and the execution and delivery hereof shall not in any way impair or diminish any obligations of Lessor as lessor under the Lease or of Lessor, Assignee, the Guarantor or any Lender under any of the other Operative Documents, nor impair, affect or modify any of the terms and conditions of the Notes or the Loan Agreement or any of the other Operative Documents securing the Notes, nor shall any of the obligations of Lessor or of any other Person under any of the Operative Documents (other than the express obligations of Assignee) be imposed upon Assignee, including, but not limited to, collecting Rent or enforcing performance by Lessee or the Guarantor.

Without limiting the generality of the foregoing, Assignee shall not be obligated to perform or discharge, nor does Assignee hereby undertake to perform or discharge, any obligation, duty or liability of Lessor under the Lease, or of Lessor under any of the other Operative Documents, or under or by reason of this Assignment Agreement and the Lessor does hereby waive any and all liability,

loss or damage which may or might be asserted against Assignee by reason of any alleged obligations or undertakings on its or their part to perform or discharge any of the terms, covenants or agreements contained in the Lease to be performed or discharged by Lessor thereunder, provided, however, if Assignee does undertake any such action pursuant to the terms, conditions and restrictions contained in this Assignment Agreement and the other Operative Documents, Lessor shall retain any rights it may have with respect thereto under the Operative Documents or by law or in equity, and Assignee shall be liable for its gross negligence or willful misconduct. It is further understood and agreed that this Assignment Agreement shall not operate to (i) place responsibility for the control, care, management or repair of the Sites upon Assignee, nor for the carrying out of any of the terms and conditions of the Lease or of any of the other Operative Documents (except to the extent expressly provided therein),

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in any such case binding upon or applicable to Lessor, or (ii) make Assignee responsible or liable for any waste with respect to the Sites by Lessee or any Person other than by Assignee, or for any dangerous or defective condition of the Sites, or for any negligence of the management, upkeep, or repair or control of the Sites resulting in loss or injury or death to Lessee, any sublessee, sublessor, licensee, employee or stranger other than by Assignee.

Section 3. PAYMENTS UNDER THE LEASE. Lessor hereby directs Lessee to pay to Assignee, as and when due pursuant to the Lease, the Applicable Percentage Amount, all Basic Rent, all Supplemental Rent and all payments pursuant to Articles IV and VI of the Lease, purchase proceeds or avails, income, Loss Proceeds, and other sums paid or payable to Lessor pursuant to the Lease (but excluding any indemnity payments or reimbursements to Lessor from Lessee pursuant to the Lease or otherwise).

Assignee may, at its option, although it shall not be obligated to do so, and without waiving or releasing any obligation or Loan Event of Default, at any time perform any Lease covenant required to be performed by Lessor for and on behalf of Lessor and may recover any money advanced for any such purpose from Lessor on demand, with interest at the Overdue Rate from the date of advancement; and (b) Assignee is authorized to endorse, in the name of Lessor, any item, howsoever received by it, representing any payment on or other proceeds (including Loss Proceeds) of the Lease (including, without limitation, all Basic Rent, Supplemental Rent, payments pursuant to Articles IV and VI of the Lease, purchase proceeds or avails, income, Loss Proceeds and other sums paid or payable to Lessor pursuant to the Lease) and to endorse and deliver, in the name of Lessor, any instrument or other item of the Rent held by Assignee hereunder, in connection with the sale or collection of the Rent.

Section 4. POWER OF ATTORNEY IN RESPECT OF THE LEASE. Lessor does hereby irrevocably constitute and appoint Assignee its true and lawful attorney with an interest and full power of substitution, for it and in its name, place and stead to do any or all of the following (a) ask, demand, collect, receive,

receipt for, sue for, compound and give acquittance for the Recourse Deficiency Amount, all Basic Rent, Supplemental Rent, payments pursuant to Articles IV and VI of the Lease, purchase proceeds or avails, income, Loss Proceeds and other sums paid or payable to Lessor pursuant to the Lease and other sums which are assigned under Section 1 hereof, and (b) without limiting the provisions of the foregoing clause (a) hereof, during the continuance of any Lease Event of Default under the Lease, sue for, compound and give acquittance for, or settle, adjust or compromise any claim for any and all such Rent, purchase proceeds or

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or avails, income, Loss Proceeds and other sums which are assigned under Section 1 hereof as fully as Lessor could itself do, and in its discretion to file any claim or take any other action or proceedings, either in its own name or in the name of Lessor or otherwise, which Assignee may deem necessary or appropriate to protect and preserve the right, title and interest of Assignee in and to such Rent and other sums and security intended to be afforded hereby.

Section 5. ASSIGNEE DESIGNATED RECIPIENT. Lessor hereby directs Lessee to deliver or remit directly to Assignee at its address set forth in the Participation Agreement the Applicable Percentage Amount, all Basic Rent, all Supplemental Rent, payments pursuant to Articles IV and VI of the Lease, purchase proceeds or avails, income, Loss Proceeds and other sums paid or payable to Lessor pursuant to the Lease by wire transfer of Federal or other funds current and immediately available to Assignee on the due date thereof.

Section 6. ALLOCATION PURSUANT TO LOAN AGREEMENT. Notwithstanding anything contained herein to the contrary, the Applicable Percentage Amount, any and all Basic Rent, Supplemental Rent, payments pursuant to Articles IV and VI of the Lease, purchase proceeds or avails, income, Loss Proceeds and other sums paid to or received or collected by or on behalf of Assignee shall be paid, allocated and distributed pursuant to the terms of, and in the order of priority provided for in, Section 3.3 of the Loan Agreement.

Section 7. IRREVOCABILITY; SUPPLEMENTAL INSTRUMENTS. Lessor agrees that the collateral assignment made hereby and the designation and direction to Lessee hereinabove set forth are irrevocable, and that Lessor will not, while said collateral assignment is in effect or thereafter until Lessee has received from Assignee written notice of the termination of said collateral assignment, make any other assignment, designation or direction inconsistent therewith, and that any assignment, designation or direction inconsistent therewith shall be void. Lessor will from time to time, upon request of Assignee, execute all instruments of further assurance and all such supplemental instruments as Assignee may reasonably specify.

Section 8. AMENDMENTS OR TERMINATION OF THE LEASE. Except as otherwise permitted under Section 9.5 of the Participation Agreement, Lessor agrees that it will not enter into any agreement amending, supplementing, hypothecating, waiving, discharging or terminating the Lease.



Section 9. LESSEE'S CONSENT AND AGREEMENT. The consent and agreement by Lessee to the provisions of this Assignment Agreement is attached hereto.

Section 10. REMEDIES CUMULATIVE. Each right, power and remedy of Assignee provided for in this instrument or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Assignment Agreement or in any other Operative Document or now or hereafter existing at law or in equity or by statute or otherwise and the exercise or beginning of the exercise by Assignee of any one or more of such rights, powers or remedies shall not preclude the further exercise thereof or the simultaneous or later exercise by Assignee of any or all such other rights, powers or remedies. No failure or delay on the part of Assignee to exercise any such right, power or remedy (including, without limitation, the granting by Assignee of consent to any action by Lessor) shall operate as a waiver thereof. Lessor stipulates that the remedies at law in respect of any default or threatened default by Lessor in the performance of or compliance with any of the terms of this Assignment Agreement are not and will not be adequate, and that any of such terms may be specifically enforced by a decree for specific performance or by an injunction against the violation of any terms or otherwise.

Section 11. MISCELLANEOUS.

(a) All notices, requests, offers, consents and other instruments given pursuant to this Assignment Agreement shall be delivered in accordance with Section 9.3 of the Participation Agreement.

(b) This Assignment Agreement shall be binding upon, inure to the benefit of and be enforceable by, the respective successors and assigns of the parties hereto. The headings to the various paragraphs of this Assignment Agreement have been inserted for convenience reference only and shall not modify, define, limit or expand the express provisions of this Assignment Agreement. Neither this Assignment Agreement nor any provision hereof may be amended, modified, waived, discharged or terminated orally, but only by an instrument signed by the parties hereto. If any provision of this Assignment Agreement or any application thereof shall be invalid or unenforceable, the remainder of this Assignment Agreement and any other application of such provision shall not be affected thereby.

(c) This Assignment Agreement may be executed in counterparts, each of which shall be deemed an original, and such counterparts shall

constitute but one and the same Assignment Agreement. It shall not be necessary in making proof of this Assignment Agreement to produce or account for more than one such counterpart signed by the party against which enforcement of this Assignment Agreement is sought.

(d) THIS ASSIGNMENT AGREEMENT HAS BEEN DELIVERED IN, AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH COMMONWEALTH, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, EXCEPT THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW, FORECLOSURE HEREUNDER WITH RESPECT TO ANY SITE SHALL BE GOVERNED BY THE LAWS OF THE STATE IN WHICH SUCH SITE IS LOCATED.

(e) Upon payment in full of all indebtedness secured by this Assignment Agreement and the Loan Agreement and performance of all other obligations secured hereby and thereby, Assignee shall, at Lessee's expense, do, execute, acknowledge and deliver each and every deed, conveyance, transfer and release necessary or proper to evidence the release of this Assignment Agreement whereupon this Assignment Agreement and the Lien created hereby shall terminate and be of no further force or effect.

(f) Notwithstanding anything to the contrary set forth herein, in the event of any conflict between any provision of this Assignment Agreement and the Loan Agreement, the terms and provisions of the Loan Agreement shall control.

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IN WITNESS WHEREOF, the undersigned have caused this Assignment Agreement to be duly executed and delivered as of the date and year first above written.

MELLON FINANCIAL SERVICES

CORPORATION #4, a

Pennsylvania corporation, as Lessor

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Address: One Mellon Bank Center  
Room 151-4444  
Pittsburgh, PA 15258-0001  
Attention: Leasing Group  
Telephone: (412) 234-2110  
Facsimile: (412) 234-3948

ACCEPTED:

MELLON BANK, N.A., as Agent and

Assignee

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Address: Plymouth Meeting Executive Campus  
610 West Germantown Pike  
Suite 200  
Plymouth Meeting, PA 19462  
Attention: Carol Paige  
Telephone: (610) 941-8409  
Facsimile: (610) 941-4136

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STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1996, by \_\_\_\_\_, the \_\_\_\_\_ of MELLON FINANCIAL SERVICES CORPORATION #4, a Pennsylvania corporation.

-----  
Signature of Notary

(Notary Seal must be affixed)

-----  
Name of Notary Printed  
My Commission Expires: \_\_\_\_\_  
Commission Number: \_\_\_\_\_

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STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1996, by \_\_\_\_\_, the \_\_\_\_\_, of MELLON BANK, N.A., a national banking association.

-----  
Signature of Notary

(Notary Seal must be affixed)

-----

Name of Notary Printed  
My Commission Expires: \_\_\_\_\_  
Commission Number: \_\_\_\_\_

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Exhibit A  
Legal Description of the Land

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CONSENT AND AGREEMENT  
OF LESSEE

THIS CONSENT AND AGREEMENT dated as of July 24, 1996, by GENESIS ELDERCARE PROPERTIES, INC., A Pennsylvania corporation (the "Lessee") for the benefit of MELLON BANK, N.A., as Agent ("Assignee"), to the assignments made under the Assignment of Lease and Rents, dated as of the date hereof (the "Assignment Agreement"), between MELLON FINANCIAL SERVICES CORPORATION #4, a Pennsylvania corporation as assignor ("Lessor") and Assignee. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Assignment Agreement.

1. Lessee hereby consents to the terms and provisions of the Assignment Agreement and agrees it will deliver or remit, as and when payable pursuant to the Operative Documents directly to Assignee, the Applicable Percentage Amount, all Basic Rent, all Supplemental Rent, and all payments pursuant to Articles IV and VI of the Lease, purchase proceeds or avails, income, Loss Proceeds and other sums paid or payable to Lessor pursuant to the Lease (but excluding any indemnity payments or reimbursements to Lessor from Lessee pursuant to the Lease, any other Operative Document or otherwise), in each case, without any offset, deduction, defense, abatement, suspension, deferment, diminution or reduction for any reason so that said funds shall at all times be available for payment of interest and principal due on the Notes, except in each case as expressly provided in the Lease.

2. Notwithstanding (i) the bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceeding affecting Lessor under the Lease, (ii) any action with respect to the Lease which may be taken by any trustee or receiver of Lessor, or by any court in such proceeding, and (iii) the exercise by the Lender of any rights and remedies under the Assignment Agreement, Lessee agrees that it will remain obligated under the Lease in accordance with their respective terms and that it will not take any action to terminate (other than pursuant to its rights under

the Lease and the Participation Agreement to do so), rescind or avoid the Lease.

3. To the extent that Lessee may acquire any indebtedness of Lessor or any other party to the Participation Agreement, or any claim against Lessor or any other party to the Participation Agreement, by way of subrogation or otherwise, all such indebtedness and claims are hereby subordinated and made fully subject in right of payment thereof to the prior payment in full of the Notes.

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4. In addition to (and not in limitation of) all of Lessee's reimbursement and indemnity obligations set forth in the Operative Documents, Lessee agrees to pay promptly all reasonable and documented costs and expenses incurred by Lessor, pursuant to the Assignment Agreement, for the release of the Assignment Agreement.

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IN WITNESS WHEREOF, Lessee has caused this Consent and Agreement to be duly executed and delivered as of the date and year first above written.

GENESIS ELDERCARE PROPERTIES,  
INC., a Pennsylvania  
corporation, as Lessee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1996, by \_\_\_\_\_, the \_\_\_\_\_ of GENESIS ELDERCARE PROPERTIES, INC., a Pennsylvania corporation, on behalf of the \_\_\_\_\_

-----  
Signature of Notary

(Notary Seal must be affixed)

\_\_\_\_\_  
Name of Notary Printed  
My Commission Expires: \_\_\_\_\_  
Commission Number: \_\_\_\_\_

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EXHIBIT K TO PARTICIPATION AGREEMENT

Form of Architect's Certificate  
(Section 3.4(a))

[In form reasonably acceptable to Agent]

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EXHIBIT L TO PARTICIPATION AGREEMENT

Form of Purchase Agreement Assignment

[In form reasonably acceptable to Lessor and Agent]

L-1

Ground Lease

EXHIBIT M TO PARTICIPATION AGREEMENT

Form of Ground Lease

[To be provided pursuant to Section 3.2(v).]

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Advance Request

EXHIBIT N TO PARTICIPATION AGREEMENT

Form of Advance Request

ADVANCE REQUEST

TO: Mellon Bank, N.A., not individually, but solely as agent (the "Agent") under the Amended and Restated Participation Agreement, dated as of October 7, 1996 (the "Participation Agreement"), among Genesis Eldercare Properties, Inc., as Lessee, Mellon Financial Services Corporation #4, as Lessor, the Lenders named therein and the Agent (all capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Participation Agreement, unless the context otherwise requires).

FROM: Genesis Eldercare Properties, Inc.

DATE: \_\_\_\_\_

REGARDING: Advance Request

Genesis Eldercare Properties, Inc. hereby represents, warrants and certifies as follows:

1. This Advance Request is delivered pursuant to Section 2.5 of the Participation Agreement.

2. Lessee hereby requests an Advance pursuant to the Participation Agreement in the amount of \$ \_\_\_\_\_. The amount of the Advance Request satisfies the requirements of the second sentence of Section 3.1(a).

3. The proposed Advance Date is \_\_\_\_\_.

4. [Include information required by clauses (ii), (iii), (iv), (v) and (vi), as applicable.] The information required pursuant to Section 2.5(a) of the Participation Agreement attached hereto on Annex A is true, correct and complete.

5. The Lessee requests that the disbursement of funds be sent by wire transfer in accordance with the payment instructions attached hereto as Annex B.

6. That (A) each and every representation and warranty of Lessee contained in the Operative Documents is true and correct in all material respects on and as of such Advance Date as though made on and as of such Advance Date, except to the extent such representations or warranties relate solely to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on and as of such earlier date; (B) no material Lease Default and no Lease Event of Default has occurred and is continuing; (C) each Operative Document to which Lessee is a party is in full force and effect with respect to it; and (D) Lessee has duly performed and complied with all covenants, agreements and conditions contained herein or in any other Operative Document required to be performed or complied with by it on or prior to such Advance Date.

7. That, after giving effect to the Advance, (A) the Lease (including all amendments and supplements thereto including, without limitation, any amendments which may increase the amount of the lease financing facility) is a "Credit Facility" within the meaning of the 1995 Indenture, constitutes "Senior Indebtedness" within the meaning of the 1993 Indenture and, from and after the execution and delivery of the 1996 Indenture and the issuance of the notes thereunder, is or will constitute "Senior Indebtedness" within the meaning thereof, and (B) there will be default under the Indenture, including (without limitation) no violation of the of the financial tests set forth in Section 5.9 of the 1995 Indenture or any similar provisions in the Indenture [; and that attached hereto as Annex C is a calculation demonstrating the non-violation of such financial tests].<sup>2</sup>

GENESIS ELDERCARE PROPERTIES, INC.

By: \_\_\_\_\_

Name Printed: \_\_\_\_\_

Title: \_\_\_\_\_

-----

<sup>2</sup> Include the calculation for each Advance Request other than an Advance Request solely for Construction Costs under Section 3.3.

#### ADVANCE REQUEST

Attachments:

Annex A - Information regarding Advance Request

Annex B - Wire transfer instructions for the disbursement of funds

Annex C - Computation under Section 5.9 of 1995 Indenture



## Assignment and Assumption

### EXHIBIT O TO PARTICIPATION AGREEMENT

#### FORM OF ASSIGNMENT AND ASSUMPTION

Reference is made to the Amended and Restated Participation Agreement dated as of October 7, 1996 (the "Participation Agreement"), among Genesis Eldercare Properties, Inc., as Lessee (the "Lessee"); Mellon Financial Services Corporation #4, as Lessor (the "Lessor"); Mellon Bank, N.A., as Agent and the Lenders named therein. Terms defined in the Participation Agreement are used herein as therein defined.

(the "Assignor") and (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, that interest in and to all of the Assignor's rights and obligations under (i) that certain Note numbered Note No. \_\_\_\_, dated as of \_\_\_\_, and in an original principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) (the "Note"), and (ii) the Participation Agreement as it relates to the Note, all as of the effective date of this Assignment and Assumption (the "Assignment and Assumption Effective Date") (as determined below) equal to the percentage interest specified on Schedule I hereto of all outstanding rights and obligations under the Note and the Participation Agreement specified on Schedule I hereto. After giving effect to such sale and assignment, the Assignee's Commitment shall be as set forth on Schedule I hereto.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Participation Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Participation Agreement or any other document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of Lessee, Lessor or Guarantor or the performance or observance by the Lessee, Lessor or Guarantor of any of their respective obligations under the

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Participation Agreement or any of the other Operative Documents.

3. The Assignee confirms and agrees as follows: (i) that it has received a copy of this Assignment and Assumption Agreement, together with

copies of the Operative Documents and the financial statements referred to in Section 5.11 of the Participation Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption; (ii) that it will, independently and without reliance upon the Agent, the Assignor or any other Participant and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Participation Agreement; (iii) that it appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Participation Agreement and the other Operative Documents as are delegated to the Agent by the terms thereof, together with such powers as are reasonably incidental thereto; (iv) that it will perform in accordance with its terms all of the obligations which by the terms of the Participation Agreement or the other Operative Documents are required to be performed by it as a Lender; and (v) that its address for notices and its funding office are as set forth beneath its name on the signature pages hereof.

4. The Assignment and Assumption Effective Date shall be , \_\_\_\_\_. Following the execution of this Assignment and Assumption, Assignor and Assignee shall deliver it to the Agent, Lessor and Lessor with an Investor's Letter from the Assignee for acceptance by the Agent, together with a fee in the amount of \$3,000.

5. The effectiveness of this Assignment and Assumption is subject to the written consent of Agent and Lessee pursuant to the Participation Agreement. Upon such consent by Agent and Lessee, as of the Assignment and Assumption Effective Date (i) the Assignee shall be a party to the Participation Agreement, and shall have the rights and obligations of a Lender under the Participation Agreement, and (ii) the Assignor shall, to the extent provided in this Assignment and Assumption, relinquish its rights and be released from its obligations under the Participation Agreement.

6. Upon such consent by Agent and Lessee, from and after the Assignment and Assumption Effective Date, the Agent shall make all payments under the Participation Agreement in respect of the interests assigned hereby (including, without limitation, all payments of principal, interest and fees with

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with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Participation Agreement for periods prior to the Assignment and Assumption Effective Date directly between themselves.

7. THIS ASSIGNMENT AND ASSUMPTION SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS (AND NOT

THE CONFLICTS LAW) OF THE STATE OF PENNSYLVANIA.

8. The Assignee agrees not to sell any assignments of, or grant loan participations in, its interest in the Note or the Participation Agreement and the other Operative Documents except in accordance with the Participation Agreement.

[ASSIGNOR]

By: \_\_\_\_\_

Name:

Title:

[ASSIGNEE]

By: \_\_\_\_\_

Name:

Title:

Address for Notices:

Funding Office:

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#### SCHEDULE I

TO

ASSIGNMENT AND ASSUMPTION

DATED \_\_\_\_\_, \_\_\_\_\_

Relating to

Note numbered Note No. \_\_\_\_,  
dated as of \_\_\_\_\_, \_\_\_\_\_ and

in an original principal amount of \$ \_\_\_\_\_

A. Original Principal Amount of Note \$ \_\_\_\_\_

B. Percentage of Note assigned to Assignee \_\_\_\_\_ %

C. Assignee's Commitment (including funded amounts) \$ \_\_\_\_\_

D. Assignor's Retained Commitment (including funded  
amounts), after giving effect to Assignment \$ \_\_\_\_\_

$$[ (A) = (C) + (D) ]$$

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## MANAGEMENT AND AFFILIATION AGREEMENT

THIS MANAGEMENT AND AFFILIATION AGREEMENT (the "Agreement"), dated as of August 31, 1996, by and between GENESIS ELDERCARE NETWORK SERVICES, INC., a Pennsylvania corporation ("Manager"), GENESIS HEALTH VENTURES, INC., a Pennsylvania corporation ("Genesis") and AGE INSTITUTE OF FLORIDA, INC., a Florida not-for-profit corporation ("Age").

### BACKGROUND

A. On the date hereof, Age acquired eleven (11) eldercare centers located in Pinellas, Polk, Volusia, Bay and Okaloosa Counties in the State of Florida, and listed on Exhibit "A" attached hereto and hereby made a part hereof (collectively, the "Facilities"), together with all equipment, fixtures and other tangible and intangible assets of Edgemont Partners, LP., a Tennessee limited partnership ("Edgemont") as more particularly described in that certain Asset Purchase Agreement dated the date hereof by and between Age and Edgemont (the "Asset Purchase Agreement") (the Facilities and all such equipment, fixtures and assets, collectively, the "Property").

B. Manager is in the business of operating and managing eldercare centers and providing operational, accounting and financial services to such facilities and Manager is willing to provide the management services with respect to the Facilities on the basis, terms and conditions set forth below.

C. Manager is a subsidiary of Genesis, a recognized leader in providing healthcare services to the geriatric population. Genesis operates through health service networks (hereinafter referred to as the "Genesis Health Network") composed primarily of operating owned, leased and managed long-term care facilities, providing specialty medical services to long-term care providers and patients and developing advanced clinical protocols and personnel training programs. The Genesis Health Network also includes developing, and providing services through, managed care programs for the geriatric and subacute care populations. Age desires to affiliate with the Genesis Health Network to, among other things, receive Genesis' expertise in clinical programming and personnel training; have its Facilities provide care through Genesis' third party managed care payor agreements; and access Genesis' expertise in managed care pricing and patient care.

### TERMS

NOW, THEREFORE, in consideration of the mutual representations, covenants and agreements set forth below, and intending to be legally bound, Manager and Age agree as follows:

SECTION 1 Appointment of Manager. Age hereby appoints and employs Manager as operating manager of the Facilities, and Manager agrees to act as operating manager of the Facilities, to supervise and direct the day to day business activities, management and operation, expansion, repair and renovation of the Facilities and all phases of its operations in the name of and on behalf of Age and for Age's account during the term of this Agreement.

SECTION 2 Term. The term of this Agreement shall commence on the date hereof (the "Commencement Date") and shall continue for a period of ten (10) years from the Commencement Date (such time period is hereinafter referred to as the "Initial Term"). After the expiration of the Initial Term or any subsequent term, this Agreement shall automatically renew for a period of five (5) years unless either party provides the other party with prior written notice of its intention to terminate this Agreement at the end of its current term which notice is given at least one hundred and twenty (120) days prior to the expiration of the Initial Term or any subsequent term.

SECTION 3 Responsibilities of Manager-Management. In connection with the supervision, direction and management of the Facilities, beginning on the Commencement Date, Manager or its subcontractor(s) shall (either directly or through supervision of employees of the Facilities), as agent and on behalf of Age, perform or cause to be performed, the following services:

3.1 Manage the operation of the Facilities, including, but not limited to, the provision of long-term nursing care to residents, staffing, accounting services (but not audit services), billing, collections, rate setting, and general on-site administration.

3.2 Select, employ, supervise and train an adequate staff, as required by law and subject to availability, of nurses, nurse aides, office and other employees, including an administrator (the "Administrator") and a registered nurse as director of nursing (the "Director of Nursing") (each of whom may be replaced by Manager from time to time), and promote, direct, assign and discharge all such employees at Manager's sole discretion; provided, that the initial employment of the Administrator and Director of Nursing requires the prior consent of Age, which consent shall not be unreasonably withheld or delayed. At Age's request, such employees shall be employees of Manager or its Affiliates and carried on the payroll of the Facilities; provided, that Age may decide to directly employ the employees at the Facilities. Age agrees to reimburse Manager for the direct and indirect employment related costs associated with any such

employee, including, without limitation, compensation, salary, bonuses, reasonable business expense reimbursements approved by Manager, employer's FICA payments, unemployment compensation and other employment taxes, bonuses, automobile allowances, vacation, personal and sick leave benefits, workers' compensation, group life, health and accident insurance premiums, disability and other benefits (collectively, "Employment Costs"). Notwithstanding the foregoing, during the term of this Agreement, Manager or its Affiliate, in Manager's sole discretion, may directly employ the Facilities' Administrator and Director of Nursing. The compensation payable to the Administrator and Director of Nursing shall be paid by Age and shall be reasonable and in line with compensation payable by other similar nursing home operators to administrators and nursing directors of comparable facilities in the Facilities' general market area.

3.3 With the prior written consent of Age, institute and amend from time to time, general salary scales, personnel policies and appropriate employee benefits for all employees of the Facilities.

3.4 Issue bills for services and materials furnished by the Facilities and collect accounts receivable and monies owed to the Facilities; design and maintain accounting, billing, patient and collection records; and prepare and file, or supervise the preparation and filing of, insurance, Medicare, Medicaid and any and all other necessary or desirable applications, reports and claims related to revenue production. Age expressly constitutes Manager, to the extent permitted by applicable law, as its agent to administer, process and collect, on Age's behalf and in its name, all Medicare and Medicaid receivables. Manager shall have the right to enforce Age's rights as creditor under any contract relating to the Facilities or in connection with rendering any services at the Facilities for the purposes of collecting accounts receivable and monies owed the Facilities, and Manager shall make reasonable efforts to collect all such receivables and monies.

3.5 Plan, supervise and conduct a program of regular maintenance and repair, except that any single physical improvement or series of related improvements (other than budgeted capital items or maintenance and repair items) costing more than Twenty-five Thousand Dollars (\$25,000) for any single Facility shall be subject to the prior written approval of Age.

3.6 Purchase food, beverage, medical, cleaning and other supplies, equipment, furniture and furnishings necessary for the operation and maintenance of the Facilities and contract for all necessary services for the account of Age, except that the purchase of any single item or series of related items of equipment, furniture or furnishings (other than budgeted or emergency items at

Manager's discretion) which cost more than Twenty-five Thousand Dollars (\$25,000) for any single Facility shall be subject to the prior approval of Age.

3.7 Administer, supervise, coordinate and schedule all patient and other services of the Facilities, including the provision of food, barber/beautician and other ancillary services. Subject to the terms of Section 9 hereof, Manager may contract with any of its Affiliates on an arms-length basis after prior written approval by Age, including, but not limited to, for the provision of the following categories of service at Age's expense: dietary, janitorial and housekeeping, contract maintenance, data processing, group purchasing, pharmacy, medical, enteral feeding and therapy and rehabilitation services. Manager shall use such consultants or other professionals in connection with the provision and delivery of such services, as Manager shall select in its reasonable business judgment.

3.8 Provide for the payment of accounts payable, employee payroll, taxes, insurance premiums and other obligations of the Facilities.

3.9 With the prior consent of Age, institute standards and procedures for admitting and discharging residents, for charging residents for services and for collecting the charges from residents or third parties.

3.10 Furnish to Age for review and approval, policy manuals discussing aspects of the operation of the Facilities and propose revisions to such policy manuals from time to time.

3.11 With Age's consent, not to be unreasonably withheld or delayed, obtain and maintain insurance coverage for the Facilities, including insurance coverage naming Age, Manager and such other persons as may be reasonably requested by Age as additional insureds, with respect to services that could be provided by the Facilities.

3.12 Negotiate and enter into, in the name of and on behalf of Age, such agreements, contracts and orders as it may deem necessary or advisable for the furnishing of services, concessions and supplies for the operation and maintenance of the Facilities in accordance with the Facilities' budgets.

3.13 Handle and settle employee relation matters, union and non-union, and negotiate on behalf of Age (and in conjunction with Age's counsel) with any labor union lawfully entitled to represent employees who work at the Facilities; provided, however, any collective bargaining agreement or labor contract must be submitted to Age for its prior approval and provided, further, that



the institution of any labor litigation and any labor settlement in excess of the sum of Twenty-five Thousand Dollars (\$25,000) for any single Facility must be approved by Age.

3.14 As appropriate, file or contract for filing, annual and semi-annual Medicare and Medicaid cost reports, budget cost reports for setting the Facilities' initial rate and interim rate increase requests.

3.15 Make periodic evaluations of the performances of all departments of the Facilities and provide written notification to Age in the event of any material substandard performances. At Age's written request, Manager shall make available any such evaluations to Age.

3.16 Implement and maintain accounting and internal control systems using accounts and classifications consistent with those used in similar nursing home facilities operated by Manager.

3.17 Implement and maintain a program to provide objective measurements of the quality of healthcare provided at the Facilities, and Manager may utilize patient questionnaires and interviews, periodic inspection, and such other techniques as Manager may reasonably deem necessary to maintain the quality of healthcare at the Facilities.

SECTION 4 Responsibilities of Age. Age makes the following covenants which are material covenants and upon which Manager relies as an inducement to enter into this Agreement:

4.1 Age will cooperate with Manager in every respect to allow Manager to perform its services under this Agreement and will furnish Manager with all information required by it for the performance of its services under this Agreement. Age will permit Manager full access to the Facilities and will allow Manager to examine and copy any data in the possession and control of Age affecting management and/or operation of the Facilities.

4.2 Age will examine documents and contracts submitted by Manager and render reasonable decisions pertaining thereto, when required, promptly, to avoid unreasonable delay in the progress of Manager's work, and, in any event, if Age shall not respond negatively in writing to the notice within ten (10) days after the notice is sent, Age shall be deemed to have approved the matter submitted to Age. In any emergency situation (as determined by Manager), Manager shall not be required to seek or obtain Age's approval for any actions which Manager, in its sole judgment, deems necessary or appropriate to respond to such situations, provided Manager promptly thereafter reports such action to Age. Age shall

execute and deliver any and all applications and other documents that may reasonably be deemed by Manager to be necessary or proper to be executed by Age in connection with the operation of the Facilities.

4.3 Age agrees that Manager retains all ownership and other rights in all proprietary systems, policy and other manuals, materials and other information, in whatever form, developed by Manager or its Affiliates in the performance of its services under this Agreement. Nothing contained in this Agreement shall be construed as a license or transfer of such information either during the term of this Agreement or otherwise. Upon termination of this Agreement, or earlier upon Manager's request, Age shall immediately return all such information to Manager.

4.4 As long as Age shall owe funds to Manager, or any Affiliate of Manager, Age shall not (without the consent of Manager, which may be withheld in its sole discretion) withdraw, lend, pledge or divert any revenues of the Facilities, except as may be provided in this Agreement or the budgets applicable to the Facilities.

4.5 During the term of this Agreement and for a period of two years following the termination of this Agreement, Age shall not, directly or indirectly, for Age or on behalf of any other person or business entity, solicit, recruit, entice or persuade any employee of Manager or its Affiliates to leave the employ of Manager or its Affiliates or to contract with Age or any other person; provided, that, the foregoing shall not limit Age from employing employees of the Facilities in accordance with Section 3.2 hereof.

## SECTION 5 Fees

5.1 Management Fee. Beginning on the Commencement Date, in addition to any other fees due to Manager and reimbursements for operating expenses at the Facilities (including, without limitation, salaries and benefits for employees at the Facilities), compensation to the Manager, consists of a monthly fee (the "Management Fee"), payable in arrears on the last business day of each month, equal to the product of Net Revenue (as defined in Section 15.16(d) of this Agreement) for the immediately preceding month multiplied by 6%.

5.2 Other Fees and Reimbursements. The fees listed above shall be in addition to any and all other reimbursements due Manager, including, without limitation, reimbursements for salaries and benefits for employees, tax contests, costs for filing and expenses related to preparing or contracting for filing reports or

requests to Medicare, its intermediary or Medicaid and costs incurred by the Manager in representing Age in connection with any and all audits, reviews and appeals of Medicare and Medicaid Cost Reports; provided, that, costs for preparation and filing of Medicaid and Medicare cost reports for the Facilities shall be at no additional cost to Age.

5.3 Overdue Invoices. Age shall pay Manager interest on amounts due to Manager which are not paid within thirty (30) days of their due date at a rate of 15% per annum, which rate is subject to adjustment from time to time, to reflect changes in the prime rate announced from time to time by Mellon Bank, N.A.

## SECTION 6 Budgets and Reports.

6.1 Annual Budget. Within ninety (90) days of the date of the Commencement Date, and no later than sixty (60) days prior to the end of each fiscal year of the Facilities, Manager shall submit to Age an annual budget (each an "Annual Budget") covering the operations of and proposed capital expenditures to be made with respect to the Facilities for the next fiscal year (or the remainder of the current fiscal year, in the case of the initial budget). Age shall approve or disapprove the annual budget submitted by Manager no later than thirty (30) days prior to the end of each Facilities' fiscal year. Manager shall not make any expenditure which would have the effect of causing the Budget with respect to each Facility to be exceeded, without first obtaining Age's approval thereof.

6.2 Capital Expenditures. The Annual Budget shall include a capital budget (the "Capital Budget") outlining a program of capital expenditures as may be required by applicable law, any lender of Age or in Manager's reasonable business judgment during the next fiscal year (or the remainder of the current fiscal year, in the case of the initial budget), in which each proposed capital expenditure will be designated as either mandatory, highly recommended or desirable. Age may approve or reject, in its discretion, each proposed capital expenditure, except those indicated as mandatory. Age shall not unreasonably withhold or delay its consent to highly recommended capital expenditures. Manager shall be responsible for designating as a "mandatory capital expenditure" any expenditure which, if not made would, in Manager's reasonable judgment, (a) cause the Facilities to lose or put at risk its license, (b) place at risk the life of a patient of the Facilities, (c) cause the ineligibility of the Facilities under any third party payor program applicable to the Facilities or (d) cause the issuance of a formal notice that the operating license for the Facilities or any substantial portion of the Facilities

will be revoked or suspended or qualified in any material adverse respect.

6.3 Operating Budget. The Annual Budget shall include an operating budget (the "Operating Budget") setting forth an estimate of operating revenues and expenses for the Facilities for the next fiscal year (or the remainder of the current fiscal year, in the case of the initial budget), together with an explanation of anticipated changes in the Facilities. Manager shall provide to Age upon written request such other reports, including a cost comparison report, and all appropriate Medicare and Medicaid reports necessary under these programs, as are normally provided by Manager to owners of other similar nursing home facilities managed by Manager.

6.4 Reports. As soon as available and in any event within forty-five (45) days after the end of each month, Manager shall provide to Age a report reconciling the actual operating expenses incurred during such month to the operating expenses shown on the Operating Budget for such month. Manager shall also furnish or arrange for the preparation of such other reports which shall include: (a) unaudited monthly financial statements of Age for the month then ended, prepared on a basis consistent with the annual statements; (b) at Age's expense, audited annual financial statements of Age prepared by a nationally recognized certified public accounting firm or other independent certified public accounting firm, prepared in accordance with generally accepted accounting principles, and including a balance sheet, a statement of income and expenses for the year then ended; (c) monthly census information of the Facilities as of the end of such month in sufficient detail to show by patient-mix (i.e., private, Medicare, Medicaid and V.A.) the average monthly census of the Facilities; (d) an aged accounts receivable report from the Facilities in sufficient detail to show amounts due from each class of patient-mix by the account age classifications of thirty (30) days, sixty (60) days, ninety (90) days, one hundred twenty (120) days, and over one hundred twenty (120) days and (e) other reports required under Age's senior loan or bond documents.

## SECTION 7 Bank Accounts and Working Capital.

7.1 Manager, in the Facilities' name and on behalf of Age, shall transfer immediately upon receipt, but in no event less frequently than weekly, all Gross Revenues (as defined below) of the Facilities for deposit into a bank account established exclusively for that purpose by Age ("Gross Revenue Account").

7.2 Upon receipt from the Gross Revenue Account of moneys in respect of operating expenses, Manager shall deposit all

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of such moneys in a bank account of the Facilities (the "Operating Account") established in Age's name, and shall supervise the disbursements from the Operating Account on behalf of Age of such amounts and at such times as the same are required in Manager's reasonable business judgment. Manager shall discharge such supervisory responsibilities in accordance with reasonable and customary business standards and practices. Manager shall specify, with the approval of Age, the signatory or signatories of Manager required on all checks or other documents of withdrawal submitted by Manager on the Operating Account, but a signatory designated by Age may also be an authorized signatory on the Operating Account.

All costs and expenses (including Manager's Management Fee as defined in Section 5.1 of this Agreement) incurred in the operation of the Facilities shall be paid out of the Operating Account. Such costs and expenses shall be paid in the following order of priority:

(i) ordinary and necessary expenses and costs of operation of the Facilities, including, without limitation, payroll expenses and utility charges and the payment to Age of "Home Office Fees," as that term is defined in Section 4.18 of the Acquisition Loan and Security Agreement, dated as of August 31, 1996, between Age and Genesis (the "Acquisition Loan Agreement");

(ii) principal and interest due on outstanding indebtedness, if any, under the Acquisition Loan Agreement;

(iii) the Management Fee (as defined in Section 5.1);

(iv) principal and interest due on outstanding indebtedness, if any, under the Working Capital Loan and Security Agreement, dated as of August 31, 1996, between Age and Genesis;

(v) payments with respect to capital improvements;  
and

(vi) transfers into a debt service reserve fund in an amount not to exceed Five Million Dollars (\$5,000,000.00).

Any funds remaining in the Operating Account after payment of the foregoing costs and expenses ("Excess Cash") shall be distributed to Age.

7.3 Taxes. Any federal, state or local taxes, assessments or other governmental charges imposed on the Facilities and arising from Age's period of ownership are the obligations of Age, not of Manager, and shall be paid out of the Operating Account of the Facilities. With Age's prior written consent, Manager may (and upon receipt of Age's written instructions, Manager shall) contest the validity or amount of any such tax or imposition on the Facilities.

#### SECTION 8 Licenses, Permits, Certifications and Contests.

8.1 Manager, as agent of Age, shall apply for, in the name of Age, and obtain and maintain, on behalf of Age, all necessary licenses, permits and approvals to operate the Facilities to substantially comply with all applicable laws, rule and regulations and to be eligible for participation in the Medicaid Program and Federal Medicare Program.

8.2 Neither Age nor Manager shall take any action or fail to take any action which such party knows or has reason to believe will cause any governmental authority having jurisdiction over the operation of the Facilities to institute any proceeding for the suspension, rescission or revocation of any necessary license, permit or approval. Manager shall not take any action or fail to take action which Manager knows or has reason to believe will adversely affect Age's right to accept and obtain payments under Medicare, Medicaid or any other public or private third party medical payment programs.

8.3 Manager shall, with the approval of and at the cost of Age, have the right, on behalf of Age, to contest by appropriate legal proceedings, diligently conducted in good faith in the name of Age, the validity or application of any agreement, law, ordinance, rule, ruling, regulation, order or requirement of any governmental agency having jurisdiction over the operation of the Facilities. Age shall fully cooperate with Manager with regard to the contest and Age shall pay all reasonable attorneys' fees incurred with regard to the contest from the Operating Account. Counsel for any such contest shall be selected by Manager and reasonably approved by Age. Manager shall, with the consent of Age and at Age's cost and expense, process all third party payment claims and appeals for the services provided at the Facilities, including without limitation, exhaustion of all applicable administrative proceedings or procedures, adjustment and denials by governmental agencies or their fiscal

intermediaries and other third party payors.

8.4 Age shall to comply with all federal, state and local laws, rules and regulations and requirements which are applicable to Age provided that Age, at its sole expense and

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without cost to Manager, shall have the right to contest by proper legal proceedings the validity, so far as applicable to it, of any such law, rule, regulation or requirement, provided that such contest shall not result in a suspension of operations of any Facilities, and provided, further, Age shall not be deemed to be in breach of this covenant if Age's failure to comply with any such law, rule, regulation or requirement is the result of the negligence or willful misconduct of Manager.

8.5 Manager shall use its best efforts to operate and maintain the Facilities in compliance with the requirements of any statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the Facilities.

#### SECTION 9. TRANSACTIONS WITH SPECIALISTS; AFFILIATES AND SUBCONTRACTORS

9.1 Staff Specialists. In addition to the other managerial services provided for in this Agreement, Manager may, but shall not be obligated to, make available to the Facilities for consultation and advice, when necessary, specialists in accounting, budgeting, management, nursing, personnel, purchasing, quality assurance, policies and procedures, and third party reimbursement. Manager shall not charge Age separately for the services of consultants in the referenced areas who are employees of Manager or of any of its Affiliates.

9.2 Transactions with Specialists or Affiliates. The parties contemplate that Manager or its Affiliates may propose to provide certain contract services to the Facilities, such as data processing, insurance, dietary and social service consulting, contract maintenance, pharmacy, medical, medical supply, patient therapy, case management and rehabilitation services. Age agrees to promptly review and approve all such proposed contracts which are competitive with the prevailing market rates for such services in the Facilities' market area and which, with respect to services that could be provided by the Facilities, are not expected to exceed the costs that the Facilities would incur if the same services were provided internally and directly by the Facilities.

#### SECTION 10 REPRESENTATIONS AND WARRANTIES. Age, Manager and Genesis make the



following representations and warranties to the other parties:

10.1 Status. The representing party is a corporation duly organized and validly existing in good standing under the laws of its state of incorporation, and has all necessary power to carry on its business as now being conducted, to operate its properties

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as now being operated, to carry on its contemplated business, to enter into this Agreement and to observe and perform its terms.

10.2 Authority and Due Execution. The representing party has full power and authority to execute and to deliver this Agreement and all related documents and to carry out the transactions contemplated by this Agreement. The execution of this Agreement by such party will not, with the passing of time, the giving of notice, or both, result in a default under or a breach or violation of such party's (i) organizational documents; or (ii) any law, regulation, court order, injunction or decree of any court, administrative agency or governmental body; (iii) or any mortgage, note, bond, indenture, agreement, lease, license, permit or other instrument or obligation to which such party is now a party or by which such party or any of its assets may be bound or affected. This Agreement constitutes a valid and binding obligation of the representing party, enforceable against such party in accordance with its terms, except to the extent that its enforceability is limited by applicable bankruptcy, reorganization, insolvency, receivership or other laws of general application or equitable principles relating to or affecting the enforcement of creditors' rights.

10.3 Litigation. There is no litigation, claim, investigation, challenge or other proceeding pending or, to the knowledge of the representing party, threatened against such party, its properties or business which seeks to enjoin or prohibit it from entering into this Agreement.

## SECTION 11 TERMINATION

### 11.1 Termination for Cause.

(a) Bankruptcy, etc. If either party is dissolved or liquidated, or shall apply for or consent to the appointment of a receiver, trustee or liquidator of it or all or a substantial part of its assets, file a voluntary petition in bankruptcy, make a general assignment for the benefit of creditors, file a petition or an answer seeking reorganization or arrangement with creditors or take advantage of any insolvency law, or if an order, judgment or decree shall be



entered by a court of competent jurisdiction, on the application of a creditor, adjudicating the party a bankrupt or insolvent or approving a petition seeking reorganization of the party or appointing a receiver, trustee or liquidator for the party or all or a substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of ninety (90) consecutive days, then in case of

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any such event, this Agreement shall immediately expire, at the other party's option.

(b) Default. If Age or Manager shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by it, or Age shall unreasonably withhold its approval of the budget submitted by the Manager, and such default shall continue for a period of thirty (30) days after written notice by the non-defaulting party to the other specifying the default in question and requesting that the default be cured, then in case of any such event and upon the expiration of any applicable period of grace this Agreement shall expire, at the option of the non-defaulting party on ten (10) days further written notice to the other party, except that with respect to non-monetary defaults of Age or Manager, if the defaulting party has commenced cure within such thirty (30) day period, and diligently pursues such cure after the thirty (30) day period, or in good faith contests the alleged non-monetary default, then the right to give such ten (10) day notice of termination shall be suspended for the time necessary to effect such cure, or pending resolution of such contest, as applicable. Such termination by Manager shall be without prejudice to Manager's right to receive all of the fees and reimbursements provided in this Agreement, including reimbursements for the cost of employees of the Facilities.

(c) Other Causes. In addition to its rights set forth above, Age shall have the right, after thirty (30) days prior written notice to Manager to terminate this Agreement if because of Manager's gross negligence or willful misconduct: (i) there has been a formal notice by the appropriate governmental or regulatory agency (the "Notice"), that the operating license for the Facilities will be revoked or suspended, which Notice is not rescinded, vacated or stayed by action of Manager (or otherwise) within thirty (30) days of its issuance; (ii) the Facilities shall have received formal notice that it will lose eligibility for reimbursement under Medicare or Medicaid which notice is not rescinded, vacated or stayed by action of Manager (or otherwise) within thirty (30) days of its issuance; (iii) a "bed

hold" has been imposed on the comprehensive care beds of the Facilities and remains in effect for more than sixty (60) consecutive days by the appropriate governmental agency; (iv) Manager fails, within the time permitted by such applicable regulatory body, after receipt of notice thereof, to correct any material standards and/or conditions of participation capable of such correction (or obtain waivers for such standards and/or conditions of participation), or fails to diligently prepare a Plan of Correction for any remaining material standards and/or

conditions of participation for which the applicable Facilities is cited pursuant to any licensure and/or certification survey or fails to materially implement the Plan of Correction within the time permitted for such corrections; and such failure causes one of the events described in (i) through (iii) above to occur.

11.2 Partial Termination Upon Destruction or Taking. Age and the Manager each has the option to terminate this Agreement as to a specific Facility upon thirty (30) days prior written notice to the other upon the occurrence of either of the following events:

(i) the Facility or any material portion of the Facility is damaged or destroyed to the extent that in the written opinion of an independent architect or engineer reasonably acceptable to both parties (A) it is not practicable or desirable to rebuild, repair or restore the Facility to its condition immediately preceding such damage within a period of twelve (12) months; or (B) the conduct of normal operations of the Facility would be prevented for a period of twelve (12) months or more; or

(ii) title to or the temporary use of, all or substantially all of the Facility is taken under the exercise of the power of eminent domain by a governmental authority which in the opinion of an independent architect or engineer reasonably acceptable to both parties, prevents or is likely to prevent the conduct of normal operations at the Facility for a period of at least twelve (12) months.

If termination of this Agreement with respect to a particular Facility occurs as a result of any of the events described above in this Section 11.2, then (a) this Agreement shall terminate only as to the Management of that Facility, but shall continue in full force and effect with respect to all other Facilities as to which this Agreement has not been terminated, and (b) if Age or any Affiliate of Age rebuilds, restores or otherwise rearranges the Facility and recommences operations thereof, Age shall give Manager the first option to

manage such Facility, which option must be accepted by Manager within ninety (90) days of receipt of such notice from Age, under the same terms, conditions and fees as provided in this Agreement.

11.3 Effect of Termination. Upon any termination of this Agreement by Manager for cause or by Age without cause (except, in either case, any termination under Section 11.2 of this Agreement), all amounts due to Manager from Age or payable to Manager from Age under the remaining term of this Agreement or otherwise shall be immediately due and payable.

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SECTION 12 NOTICES. Any notice, communication or demand requiring or permitted to be given under this Agreement shall be in writing (including facsimile communications) and shall be sent by first-class mail, or by nationally-recognized overnight courier, or by facsimile transmission or by personal delivery. All notices shall be sent to the applicable party at the following addresses addressed as follows:

12.1 To Age, by addressing the same to:

Age Institute of Florida, Inc.  
Professional Arts Building  
25 Penncraft Avenue  
Chambersburg, PA 17201

12.2 To Manager, by addressing the same to:

Genesis Eldercare Network Services, Inc.  
148 West State Street  
Kennett Square, PA 19348  
Attention: Chairman and Chief Executive  
Officer  
Attention: Law Department

Any such properly given notice shall be effective on the earliest to occur of receipt, telephone confirmation of receipt of facsimile communication, one business day after delivery to a nationally recognized overnight courier, or five business days after deposit in the mail, return receipt requested.

SECTION 13 COSTS AND EXPENSES; INDEMNITY; EXCULPATION.

13.1 Age's Responsibility for Expenses. Except as otherwise expressly provided in this Agreement, all fees, costs, expenses and purchases arising out of, relating to or incurred in the operation of the Facilities, including, without limitation, the fees, costs and expenses of consultants and professionals, shall be the sole responsibility of Age. Manager, by reason of the execution of this Agreement or the performance of its services under this Agreement, shall not be liable for or deemed to have assumed any liability for such fees, costs and expenses, or any other liability or debt of Age whatsoever, arising out of or relating to the Facilities or incurred at its central administrative offices in the performance of its obligations hereunder. Manager shall have no obligations to advance any sums required to maintain necessary licenses and permits and to otherwise keep the Facilities operating, without assurances that

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the necessary funds for the discharge of any such liability of any such obligation will be punctually paid by Age.

13.2 Indemnification by Age. Age shall indemnify and hold Manager and Genesis harmless from and against any and all claims, losses, costs, damages, and liabilities, including reasonable attorneys' fees, incurred, caused or occasioned by, in connection with or arising out of this Agreement or the acts or omissions of Age, its agents, employees or contractors, including, without limitation, Age's violation or failure to perform, or misrepresentation with respect to, any of the terms covenants or conditions of this Agreement, except if such claim, loss, cost, damage or liability results from the negligence or willful misconduct of Manager or Genesis.

13.3 Indemnification by Manager and Genesis. Manager and Genesis shall indemnify and hold Age harmless from and against any and all claims, losses, costs, damages, and liabilities, including reasonable attorneys' fees, incurred, caused or occasioned by, in connection with or arising out of this Agreement or the acts or omissions of Manager, its agents, employees or contractors, including, without limitation, Manager's violation or failure to perform, or misrepresentation with respect to, any of the terms covenants or conditions of this Agreement, except if such claim, loss, cost, damage or liability results from the negligence or willful misconduct of Age.

13.4 Exculpation. Notwithstanding anything to the contrary contained in this Agreement, the liability and obligation of Age to perform and observe and make good its obligations contained in this Agreement and in any contracts entered into between Manager and its Affiliates on behalf of Age in connection with the operation of the Facilities (which contracts shall likewise contain the same exculpation) and to pay the Management Fee in accordance with the provisions of this Agreement shall not be enforced by any action or

proceeding wherein damages or any money judgment or any deficiency judgment or any judgment establishing any personal obligation or liability shall be sought, collected or otherwise obtained against Age or against any past, present or future partner, member, officer, director or shareholder of Age, and Manager, for itself and its successors and assigns, hereby irrevocably, knowingly, voluntarily and intentionally waives any and all right to sue for, seek or demand any such damages, money judgment, deficiency judgment or personal judgment against Age or against any past, present or future partner, member, officer, director or shareholder of Age under or by reason of or in connection with this Agreement and agrees to look solely to Gross Revenue (as defined in Section 15.16(c) of this Agreement) and to the Collateral under the Acquisition Loan Agreement for the enforcement of such liabilities and obligations of Age.

SECTION 14 AFFILIATION WITH GENESIS HEALTH NETWORK. Age agrees to affiliate with Genesis and become a member of the Genesis Health Network. Genesis accepts Age's admission as an affiliate of the Genesis Health Network which affiliation may be terminated by Genesis or Age at any time, with or without cause. As long as Age is affiliated with the Genesis Health Network, Genesis agrees to:

14.1 Provide Age with the opportunity to purchase Facilities goods and services through The Tidewater Shared Services Group, a wholly-owned subsidiary of Genesis, which is a qualified group purchasing organization.

14.2 As such management information systems are developed, provide Age with access to computer data bases developed by Genesis providing on-line access to Genesis Health Network clinical operating systems and quality assurance programs; provided, that, any such access will be at an additional cost to Age.

14.3 Admit patients to the Facilities through agreements negotiated between Genesis and third party payors, from time to time, for the admission and treatment of their subscribers at long-term care facilities affiliated with the Genesis Health Network. Such agreements may reflect alternative compensation\reimbursement methodologies including fee for service, discounts from fee for service and managed care programs.

14.4 Process referrals from third party payors for admission into long-term care facilities affiliated with the Genesis Health Network, including the Facilities. Such referrals shall be made at Genesis' sole discretion. At Age's request, on a case by case basis, Genesis will advise Age on pricing and assessing referrals received directly by Age for the provision of care on a managed care basis.

14.5 For patients at the Facilities referred through the Genesis Health Network, oversee the coordination of patient care, including, without limitation, discharge planning and patient reporting; centrally process all patient billings with appropriate third party payors; and collect and process all data relating to patient outcomes . Genesis will provide Age with copies of all discharge reports provided to third party payors for Facilities patients.

## SECTION 15. MISCELLANEOUS.

15.1 Confidentiality. Age acknowledges that Genesis or its Affiliates retain all ownership and other rights in all

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proprietary systems, manuals, materials, data bases, protocols, contracts, procedures, seminars and programs, and other information, in whatever form, developed by Genesis, Manager or its Affiliates independently or in the performance of its services under this Agreement, including, without limitation, all clinical protocols and training programs provided to Age pursuant to this Agreement (collectively, "Genesis Confidential Information"). Nothing contained in this Agreement shall be construed as a license or transfer of any Genesis Confidential Information to Age either during the term of this Agreement or otherwise. Upon termination of this Agreement, all use of such Genesis Confidential Information by Age shall cease and all such property shall be immediately returned to Genesis. Without the prior written consent of Genesis, Age will not in any manner disclose to any third party any of the terms of any Genesis Confidential Information, or use such information except pursuant to this Agreement. The confidentiality obligations under this Agreement of Age shall terminate with respect to any Genesis Confidential Information to the extent that such information is or becomes part of the public domain through no fault of the party receiving such information or its affiliates or is independently developed by the recipient without any reference to any information obtained from or through the provider. At the request of Genesis, Age agrees to execute a confidentiality agreement evidencing the obligations contained in this Section.

15.2 Public Relations. Age agrees that Genesis may publish the name, address telephone number and other descriptive information about Age and/or the Facilities, in its promotional and informational materials. Genesis agrees that as long as Age is affiliated with the Genesis Health Network, Age, with Genesis' consent not to be unreasonably withheld, may publish that it is a member of the Genesis Health Network in its promotional materials. Age acknowledges that Genesis is a public company and Age agrees that Genesis will

have exclusive control in developing public statements or press releases in connection with any non-routine issues arising from the parties relationship evidenced by this Agreement which Genesis determines may require disclosure to the public.

15.3 Government Regulations. In accordance with their respective obligations under this Agreement, Age and Manager shall operate and maintain the Facilities in compliance with the requirements of any statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the Facilities. If for any reason any term or condition of this Agreement is found to be invalid or contrary to government laws, rules, regulations or orders, Age, Manager and Genesis agree to immediately and in good faith modify such term or condition to comply with such government law, rule, regulation or order.

15.4 Good Faith Effort by Manager. Manager shall act in good faith and use its reasonable efforts to perform its obligations under this Agreement, but shall have no liability to Age for any decisions made with respect to or any actions taken or in the omission of any actions in connection with the Facilities' operations, so long as such decisions, actions or omissions were made or taken in good faith and met the standards of care set forth herein. Any action taken or omitted by Manager in reliance on written advice from accountants with respect to financial reporting matters or legal counsel with respect to legal questions shall be conclusively deemed to have been taken in good faith. The liability of Manager to Age is limited to actual damages suffered by Age as a direct and proximate result of Manager's breach under any provision of this Agreement. Manager makes no warranties, express or implied, and shall not assume any financial or other responsibilities in connection with its obligations under this Agreement, except as specifically provided in this Agreement. Manager shall be responsible for managing the Facilities and all of their assets and services with the same diligence and skill as is employed by prudent owners and managers in the management of similar healthcare facilities, and consistent with the provisions of this Agreement and in substantial compliance with all obligations imposed on Age which are known or reasonably should be known by Manager.

15.5 Assignment. Neither Manager or Age shall assign its rights or obligations under this Agreement without prior written consent of the other party. Notwithstanding the foregoing, Manager may at any time assign its rights and obligations under this Agreement to an Affiliate of Manager, provided that any such assignment shall not release Manager of its obligations under this Agreement unless Age consents to such a release.



15.6 Retention of Control by Age. Age shall at all times continue to exercise control over the assets and operations of the Facilities, and Manager shall perform its responsibilities as described in this Agreement in accordance with written policies and directives adopted by Age. By entering into this Agreement, Age does not delegate to Manager any of the powers, duties and responsibilities vested in Age by law, or by its governance documents. Age may, according to the terms of this Agreement, (a) direct Manager to implement existing Facilities policy, (b) adopt as Facilities policy, recommendations or proposals made by Manager, or (c) adopt as Facilities policy Age's own proposals notwithstanding any objection by Manager; provided that any such policy shall be consistent with the terms of this Agreement. Age shall have the right to approve the Annual Budget.

15.7 Books and Records. Manager shall make available to Age for inspection and copying by Age upon request, all books and

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records and financial data relating to the Facilities. Manager shall provide Age with copies of all licensure and/or certification surveys conducted at the Facilities.

15.8 Force Majeure. Manager shall not be deemed to be in violation of this Agreement if it is prevented from performing any of its obligations under this Agreement for any reason beyond its control including, without limitation, strikes, lockouts, acts of God, unavailability of residents, personnel, supplies, unforeseen changes in statutes, regulations or rules of appropriate governmental or other regulatory authorities.

15.9 Binding Agreement. The terms, covenants, conditions, provisions and agreements contained in this Agreement shall be binding upon and inure to the benefit of Age and Manager, their successors and assigns.

15.10 Relationship of Parties. Nothing contained in this Agreement shall constitute or be construed to be or to create a partnership, joint venture or lease between Age and Manager with respect to the Facilities.

15.11 Entire Agreement; Amendments. This Agreement contains the entire agreement between the parties hereto with respect to the subject matter, and no prior oral or written, and no contemporaneous oral, representations or agreements between the parties with respect to the subject matter of this Agreement shall be of any force and effect. Any additions, amendments or modifications to this Agreement shall be of no force and effect unless in writing and signed by both Age and Manager.

15.12 Governing Law. This Agreement is made under, and shall



be construed and enforced in accordance with, the laws of the State of Florida applicable to agreements made and to be performed solely therein, without giving effect to principles of conflicts of law.

15.13 Arbitration of Accounting Matters. If any controversy should arise between the parties in the performance, interpretation and application of this Agreement which involves accounting matters, either party may serve upon the other a written notice stating that such party desires to have the controversy reviewed by an arbitrator, who shall be a representative of a firm specializing in accounting in the nursing home area of medical services. If the parties cannot agree within fifteen (15) days from the service of such notice, upon the selection of such an arbitrator, the arbitrator shall be selected or designated by the American Arbitration Association upon the written request of either party hereto. Arbitration of such controversy, disagreement or dispute shall be conducted in accordance with the rules then in

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force of the American Arbitration Association and the decision and award of the arbitrator so selected shall be binding upon Age and Manager.

15.14 Maintenance of Books, Records and Documents.

(a) Until the expiration of four (4) years after the furnishing of services pursuant to this Agreement, Manager shall, as provided in Section 952 of the Omnibus Reconciliation Act of 1980, and regulations promulgated thereunder make available, upon written request, to the Secretary of the United States Department of Health and Human Services, or upon request, to the Comptroller General of the United States, or any of their duly authorized representatives, this Agreement, and all books, documents and records of Manager that are necessary to verify the nature and extent of the costs of any services furnished pursuant to this Agreement for which payment may be made under the Federal Medicare Program.

(b) If Manager carries out any of the duties of this Agreement through a subcontract or subcontracts with an aggregate value or cost of Twenty Five Thousand Dollars (\$25,000) or more over a twelve (12) month period with a related organization, such subcontract or subcontracts shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract or subcontracts, the related organization shall, as provided in Section 952, make available, upon written request, to the above referenced Federal officials, or any of their duly authorized representatives, the subcontract or subcontracts, and all books, documents and records of such organization that are necessary to verify the nature and extent of the costs of any services furnished pursuant to such subcontract or subcontracts for which payment may be made under the Medicare

program.

15.15 Further Assurances. At any time and from time to time during the term of this Agreement, at the request of either party (the "Requesting Party"), the other party (the "Other Party") shall promptly execute and deliver all such further agreements, certificates, instruments and documents, including a certificate of the Other Party in a form reasonably satisfactory to the Requesting Party stating that this Agreement is in effect with respect to, and is binding against, the Other Party, and the Other Party shall perform such further actions, as the Requesting Party may reasonably request in order to fully consummate the transactions contemplated by this Agreement and carry out the purposes and intent of this Agreement.

#### 15.16 Certain Definitions.

(a) Affiliate. The term "Affiliate," as used in this Agreement, means a person that, directly or indirectly, controls or is controlled by, or is under common control with, the person specified.

(b) Person. The term "person," as used in this Agreement means any individual, sole proprietorship, joint venture, corporation, partnership, governmental body, regulatory agency or other entity of any nature.

(c) Gross Revenue. The term "Gross Revenue," as used in this Agreement, means all operating revenues and non-operating revenues, receipts, rentals and income and other moneys of, or received by or on behalf of, the Facilities from all sources, and all rights to receive the same, whether in the form of accounts receivable, contract rights, chattel paper, instruments, general intangibles or other rights and all proceeds thereof, including net insurance proceeds and net condemnation awards paid in respect of the Facilities and not applied in restoration thereof, whether now existing or hereafter coming into existence and whether now owned or hereafter acquired, and the proceeds thereof, including revenues derived from ownership, operation or leasing of the Facilities, including fees paid or payable by residents of the Facilities.

(d) Net Revenue. The term "Net Revenue," as used in this Agreement, means Gross Revenue, excluding income to Age from interest and similar passive investments unrelated to the operation of the Facility.

15.17 Severability. If any provision of this Agreement is construed to be invalid, illegal or unenforceable, then the remaining provisions hereof shall not be affected thereby and shall be enforceable without regard thereto.

15.18 Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall constitute an original hereof, and it shall not be necessary in making proof of this Agreement to produce or account for more than one original counterpart hereof.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on their behalf their duly authorized representatives, as of the day and year first above written.

OWNER:

AGE INSTITUTE OF FLORIDA, INC.

ATTEST: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

MANAGER:

GENESIS ELDERCARE NETWORK SERVICES,  
INC.

ATTEST: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

GENESIS HEALTH NETWORK AFFILIATION:

GENESIS HEALTH VENTURES, INC.

ATTEST: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

ACQUISITION LOAN AND SECURITY AGREEMENT

Dated as of August 31, 1996

between

GENESIS HEALTH VENTURES, INC.

and

AGE INSTITUTE OF FLORIDA, INC.

ACQUISITION LOAN AND SECURITY AGREEMENT

This ACQUISITION LOAN AND SECURITY AGREEMENT is made and entered into as of this 31st day of August, 1996, between AGE INSTITUTE OF FLORIDA, INC., a Florida non-profit corporation (together with its successors in interest and assigns, "Borrower") and GENESIS HEALTH VENTURES, INC., a Pennsylvania business corporation (together with its successors in interest and assigns, "Lender").

BACKGROUND

A. On the date hereof, Borrower has acquired from Edgemont Partners, L.P., a Tennessee limited partnership ("Edgemont") eleven (11) health care facilities located in Pinellas, Polk, Volusia, Bay and Okaloosa Counties in the State of Florida as listed on Exhibit "A" attached hereto and made a part hereof (collectively, the "Facilities"), together with all equipment, fixtures and other tangible and intangible assets of Edgemont as more particularly described in that certain Asset Purchase Agreement dated the date hereof by and between Borrower and Edgemont (the "Asset Purchase Agreement") (the Facilities and all such equipment, fixtures and assets, collectively, the "Property").

B. Borrower has requested and Lender has agreed to advance a certain acquisition loan upon the terms and conditions more particularly set forth below, which loan is intended to be secured by, among other things, a first priority mortgage lien on each of the Facilities and a second priority lien on and security interest in Gross Patient Accounts Receivable (as hereinafter

defined) and all Personal Property (as hereinafter defined).

## Terms

NOW, THEREFORE, in consideration of the terms and conditions set forth herein, and of any loans, advances, or extensions of credit heretofore, now or hereafter made to or for the benefit of the Borrower by Lender, and intending to be legally bound hereby, the parties hereto agree as follows:

### 1. Loans.

1.1 Commitment for Loans. Subject to the terms and conditions hereof, and in reliance on the representations and warranties contained in this Agreement, Lender agrees to make an acquisition loan (the "Acquisition Loan") to Borrower in the principal amount of FORTY-FIVE MILLION DOLLARS (\$45,000,000.00).

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1.2 Note. Borrower's obligation to repay the Acquisition Loan with interest in accordance with the terms of this Agreement shall be evidenced by a single promissory note (the "Note") in the amount of Forty-Five Million Dollars (\$45,000,000.00) substantially in the form of Exhibit 1.2 attached hereto. The Note shall be dated the date of this Agreement, shall mature and become due and payable on the Maturity Date (as hereinafter defined) and shall bear interest as set forth in Section 1.3.

1.3 Payment of Principal and Interest on Acquisition Loan. The outstanding principal amount of the Acquisition Loan and all interest then due or accrued thereon if not sooner paid shall be paid in full on August 31, 2001 (as may be extended pursuant to the provisions of Section 1.10 hereof, the "Maturity Date"). Borrower shall pay interest on the unpaid principal amount of the Acquisition Loan at a rate per annum of ten and one-quarter percent (10 1/4%), payable in arrears, commencing on October 1, 1996 and on the first day of each and every calendar month thereafter up to and including September 1, 1997. Commencing on September 1, 1997 (the "First Escalation Date") and on each ensuing anniversary thereof (each such date being an "Escalation Date") until the Maturity Date, the interest rate per annum of the Acquisition Loan shall be increased by the same percentage by which the cost of health care shall have increased over such cost for the immediately preceding year, as such increase is reflected in that certain Consumer Price Index for All Urban Consumers: (1982-84=100) for Medical Care Services: Hospital and Related Services promulgated by the United States Bureau of Labor Statistics (the "Index") and, the increased per annum interest rate being so determined on a given Escalation Date, Age shall pay interest only at such increased interest rate on the unpaid principal amount of the Acquisition Loan from time to time on the first day of

each calendar month following a given Escalation Date until the next Escalation Date, this process to be repeated until the Maturity Date. Interest shall be calculated based upon a three hundred sixty (360) day year and charged on the basis of actual days elapsed.

#### 1.4 Security for the Acquisition Loan.

(a) Borrower hereby grants to Lender (i) a first priority lien and security interest on the Facilities and all proceeds and products thereof, together with all documents, contracts, guarantees, books and records, processing cards, tapes, tabulating runs, programs and similar material related thereto and (ii) a second priority lien and security interest on all of Borrower's Gross Patients Accounts Receivable and other personal property utilized in the Facilities or in connection with the operation thereof, tangible or intangible, whether now owned or hereafter

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acquired, and all proceeds and products thereof, together with all documents, contracts, guarantees, books and records, processing cards, tapes, tabulating runs, programs and similar material related thereto (collectively, "Personal Property;" and together with the Facilities, the "Collateral"). Said liens shall secure the repayment of the Acquisition Loan. Said liens shall also secure the payment of management fees owed to Genesis Eldercare Network Services, Inc. (together with any successors, the "Manager") and payments with respect to services supplied to the Facility by Lender, Manager, or affiliates of either, for pharmaceutical, rehabilitation and other services as permitted by that certain Management Agreement dated the date hereof between Lender, Borrower and Manager (as amended, modified, renewed, restated, or substituted from time to time, the "Management Agreement"). Notwithstanding the foregoing, in the absence of an Event of Default (as defined herein), Borrower shall be entitled to pay from the Gross Patients Accounts Receivable ordinary and necessary expenses and costs of operation of the Facilities, including, without limitation, payroll expenses and utility charges and the payment of Home Office Fees (as defined and permitted herein).

(b) This Agreement constitutes a security agreement under the Pennsylvania Uniform Commercial Code and the Florida Uniform Commercial Code. Borrower agrees to execute and/or deliver to Lender all security documents, assignments, financing statements and other documents requested by Lender or its affiliates from time to time to perfect and protect its interest in the Collateral and enforce this Agreement at Borrower's sole expense.

1.5 Use of Proceeds. Borrower shall use the proceeds of the Acquisition Loan solely for the purchase of the Property from Edgemont.

1.6 Payment. Any principal, interest, or other obligations

payable by Borrower hereunder shall be paid to Lender in immediately available funds before 12:00 noon (Eastern time) on the date due at the principal office of the Lender set forth in this Agreement.

1.7 Prepayment. Borrower may, without premium or penalty, prepay at any time the Acquisition Loan, in whole or in part, by paying to Lender the amount to be prepaid with accrued interest thereon to the date of such prepayment by 12:00 noon (Eastern time) on any business day.

#### 1.8 Late Charges; Default Interest.

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(A) If any scheduled payment of principal or interest, or any other agreed charge, is not paid within ten (10) days after due, Borrower agrees to pay Lender a late charge equal to five percent (5%) of the amount of such payment or charge.

(B) If Borrower shall default in the payment of the principal or interest on the Acquisition Loan or any other amount becoming due hereunder, whether by scheduled maturity, acceleration or otherwise, Borrower shall on demand from time to time pay interest, to the extent permitted by law, on the outstanding amount of the Acquisition Loan and other overdue amounts outstanding up to the date of actual payment (after as well as before judgment) at a rate equal to 3% per annum above the interest rate then applicable to the Acquisition Loan.

1.9 Maximum Rate. Nothing contained in this Agreement or the Note shall require Borrower to pay interest at a rate prohibited by applicable statute. If interest payable to Lender on any date would be in a prohibited amount, it shall be automatically reduced to an amount which is not prohibited and any amounts paid in excess of the prohibited amount shall be applied to the reduction of the principal of the Note.

1.10 Extension of Maturity Date. Borrower may provide Lender notice no later than 12:00 noon (Eastern time) at least ninety (90) days prior to the current Maturity Date that Borrower desires to extend the Maturity Date of the Acquisition Loan for an additional period of five years. In such case, the Maturity Date shall be extended to August 31, 2006, and the monthly payments under this Agreement for each year of the extended term shall be increased to include a repayment of principal in such amounts as would be necessary to amortize fully the then outstanding principal balance of the Acquisition Loan over 30 years (with respect to year one of the extended term), 29 years (with respect to year two of the extended term), 28 years (with respect to year three of the extended term), 27 years (with respect to year four of the extended term), and 26 years (with respect to year five of the extended term), respectively, at the then applicable interest rates.

2. Conditions Precedent to Acquisition Loan. The obligation of Lender to fund the Acquisition Loan hereunder shall be subject to the prior or concurrent fulfillment of each of the following conditions precedent:

2.1 Representations. The representations and warranties of Borrower contained in this Agreement and in any other writings delivered to Lender pursuant hereto, or in connection herewith, on or prior to the date hereof, shall be true and correct on and as of the date hereof.

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2.2 Deliveries to Lender. Lender shall have received on or before the date hereof the following, each in form and substance satisfactory to Lender:

(A) the Note, duly executed and delivered by Borrower;

(B) The Mortgage covering each of the Facilities, duly executed and acknowledged by Borrower;

(C) The Security Agreement, duly executed and delivered by Borrower;

(D) appropriate financing statements on Form UCC-1, duly executed by Borrower in proper form for filing in such offices as may be necessary or, in the opinion of Lender, desirable to perfect the security interests in the Collateral purported to be created by the Mortgage, the Security Agreement and this Agreement;

(E) a marked-up commitment to issue a Title Insurance Policy satisfactory to Lender with respect to each Facility;

(F) copies of all environmental reports prepared for each of the Facilities;

(G) if required by Lender, searches of appropriate state and local records listing all effective financing statements which name as Borrower, Borrower or any predecessor of Borrower (or the owner of the assets of Borrower or any predecessor of Borrower) which are filed in governmental offices, together with copies of such financing statements, none of which shall cover any of the Collateral;

(H) evidence of such insurance coverage with respect to the respective business and operations of Borrower as Lender may reasonably



request;

(I) The following authorizing documents from Borrower: (a) a copy of the resolutions adopted by its governing body (and if required its members) certified by Borrower's authorized officer as of the date hereof, authorizing the execution, delivery and performance of this Agreement, the Note and the other Loan Documents; (b) an incumbency certificate with officers' signatures; (c) a copy of Borrower's organizational documents and all amendments thereto certified by the Secretary of Borrower as of the date hereof; (d) a copy of the Borrower's bylaws or similar governance document, as amended, certified by the Secretary of Borrower as of the date hereof; and (e) a good

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standing certificate from the Secretary of State of the state of organization of Borrower;

(J) copies of all current licenses, certifications and financial information as Lender shall reasonably require;

(K) a letter of direction from Borrower addressed to Lender with respect to the disbursement of the proceeds of the funding;

(L) the favorable written opinion of counsel to Borrower, dated the date hereof, in form and substance satisfactory to Lender and as to such matters as Lender may reasonably request; and

(M) such other approvals, opinions or documents as any Lender may reasonably request.

3. Representations and Warranties of Borrower. Borrower hereby represents and warrants as follows:

3.1 Corporate Status. Borrower is a not for profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida. Borrower has the power and authority to own its own property and assets and to transact the business in which it is engaged. Borrower is not required to qualify to do business in any state or jurisdiction except the State of Florida. Borrower does not have any subsidiaries nor does Borrower operate any portion of its business through any other person.

3.2 Corporate Power and Authority. Borrower has the power and authority to execute, deliver and perform, as the case may be, the terms and provisions of this Agreement, the Note and the other Loan Documents, and Borrower has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement, the borrowings hereunder, the liens granted upon the Collateral pursuant hereto, and the making and delivery of the

Note and the other Loan Documents. This Agreement constitutes, the Note and all of the other Loan Documents, when executed and delivered pursuant hereto, constitute or will constitute, the authorized, valid and legally binding obligations of Borrower enforceable in accordance with their respective terms, except to the extent that their enforceability is limited by applicable bankruptcy, reorganization, insolvency, receivership or other laws of general application or equitable principles relating to or affecting the enforcement of creditors' rights.

3.3 No Violation of Agreements or Laws. Borrower is not in default under the provisions of any agreement to which it is a party and Borrower is not in violation of any applicable provision of law or any applicable regulation of any governmental department, commission, board, bureau, agency or instrumentality (including, without limitation, environmental laws and regulations). Neither the execution and delivery of this Agreement, the Note or any of the other Loan Documents nor the consummation of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or thereof, will violate any applicable provision of law or any applicable regulation, or any order, writ, injunction or decree of any court or governmental department, commission, board, bureau, agency or instrumentality or will conflict or will be inconsistent with, or will result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to impose) any lien, charge or encumbrance upon any of the property or assets of Borrower pursuant to the terms of any indenture, franchise, license, permit, mortgage, deed of trust, agreement or other instrument to which Borrower is a party or by which Borrower may be bound, or to which Borrower may be subject. No order, consent, approval or authorization of any public body, agency, commission or board is necessary for the execution, delivery and performance of this Agreement, the Note or any of the other Loan Documents, except for such orders, consents, approvals or authorizations which have been obtained.

3.4 Recording. There are no agreements, documents or instruments that affect, and Borrower has not taken any action that will or may affect, the first lien priority of Lender's security interest in the Borrower's Facilities and the second lien priority of Lender's security interest in Borrower's Personal Property.

3.5 Litigation and Labor Disputes. To Borrower's knowledge, there are no actions, suits or proceedings, pending or threatened, against or affecting Borrower before any court or before any governmental or administrative body or agency, which if determined adversely to Borrower, individually or in the aggregate, would have a material adverse effect on Borrower's business or properties. Borrower is not a party to any labor dispute.

3.6 Good Title to Properties. Based on Lawyers Title Insurance Corporation (commitment numbers 9602867, 2960352a, 2960352b, 9606449, 9602854 and 9606397, upon closing the acquisition, Borrower has good and marketable title to its property and assets subject to no liens, mortgages, pledges, encumbrances or charges of any kind, except the Permitted Liens.

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3.7 Franchises, License and Permits. Prior to the funding of the Acquisition Loan, Borrower shall hold all material franchises, agreements, licenses and grants of authority as are necessary in connection with the conduct by it of its business, except that Borrower will not receive approval of its application for licensure from the State of Florida as of the closing date of the acquisition.

3.8 Outstanding Indebtedness. Except for (a) indebtedness secured by Permitted Liens, (b) indebtedness represented by the Note and (c) accounts and other current payables and accrued expenses arising from the ordinary course of business, no material portion of which are past due, Borrower does not have any indebtedness.

3.9 Trademarks, Patents, Licenses, Etc.. Borrower possesses all necessary trademarks, trademark rights, trade names, trade name rights, copyrights, patents, patent rights and licenses needed to conduct its businesses. Borrower does not know of, nor has Borrower received any notice of, any conflict between its trademarks, trademark rights, trade names, trade name rights, copyrights, patent rights and licenses and the rights or claimed rights of others.

3.10 Names and Locations. Borrower does not operate or do business, and, within the past five years, has not operated and done business, under a fictitious, trade or assumed name, except the names set forth on Exhibit 3.10. All of the locations at which Borrower conducts its business are listed on Exhibit 3.10.

3.11 Tax Returns and Payments. Borrower has filed all tax returns required by law to be filed by it and has paid all taxes, assessments and other governmental charges levied upon it and any of its respective properties, assets, income or franchises which are due and payable, other than those presently payable without penalty or interest.

3.12 Compliance with ERISA. Borrower is in compliance with all applicable provisions of ERISA.

3.13 Financial Statements. Borrower is a newly formed

corporation and has no audited or unaudited financial statements as of the date of this Agreement.

3.14 The Security Documents. The provisions of the Security Documents are effective to create in favor of Lender a legal, valid and enforceable security interest in all right, title and interest of Borrower in the Collateral; when the Mortgage has been recorded and financing statements have been filed in the

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offices in the jurisdictions listed in Exhibit 3.14 hereto, the Security Documents shall constitute a fully perfected lien on, and security interest in all right, title and interest of Borrower in the Collateral described therein to the extent the filing of financing statements under the Uniform Commercial Code is a permissible method of perfection of security interests in the Collateral described therein in each such jurisdiction, subject to no prior liens except (a) as permitted by Section 4.8, and (b) as to such liens as have been granted pursuant to the Working Capital Loan Agreement; and the Mortgage and the Security Agreement shall constitute a lien on the property described therein subject to no prior liens.

3.15 Ownership. The ownership of Borrower is correctly and accurately set forth on Exhibit 3.15 hereto.

3.16 Disclosure. Neither this Agreement nor any other Loan Document delivered to Lender by or on behalf of Borrower in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained in this Agreement and in such other documents, certificates or instruments not misleading. There is no fact (other than matters of a general economic or political nature which do not affect Borrower uniquely) which materially adversely affects or in the future may (so far as Borrower can now foresee) materially adversely affect the business, condition (financial or otherwise), operations, properties or prospects of Borrower which has not been set forth in this Agreement or in the other Loan Documents delivered to Lender by or on behalf of Borrower specifically for use in connection with the transactions contemplated by this Agreement.

#### 4. Covenants.

So long as the Acquisition Loan remains outstanding or unsatisfied, Borrower agrees to the following:

4.1 Reporting Requirements. Borrower will furnish to Lender:

4.1.1 as soon as available and in any event within

sixty (60) days after the end of each calendar quarter, unaudited financial statements of Borrower for the calendar quarter then ended, prepared on a basis consistent with the annual statements, and certified by an authorized financial officer of Borrower to be true and correct;

4.1.2 as soon as available and in any event within one hundred and twenty (120) days after the end of each calendar year of Borrower, financial statements of Borrower, prepared in accordance with generally accepted accounting principles, and including a balance sheet, a statement of income and expenses for the year then ended and which, at Lender's request, shall be reviewed by a nationally recognized certified public accounting firm or other independent certified public accounting firm acceptable to Lender;

4.1.3 as soon as available and in any event within fifteen (15) days of the end of each calendar quarter, an aged accounts receivable report in sufficient detail to show amounts due by the account age classifications of thirty (30) days, sixty (60) days, ninety (90) days, one hundred twenty (120) days, and over one hundred twenty (120) days, certified by an authorized financial officer of Borrower to be true and correct;

4.1.4 as soon as possible and in any event within five (5) business days of the receipt by such Borrower, any and all notices (regardless of form) from any licensing and/or certifying agency that Borrower's license or the Medicare or Medicaid certification of Borrower is being revoked or suspended, or that action is pending or being considered to revoke or suspend Borrower's license or certification;

4.1.5 as soon as possible and in any event within five (5) business days after Borrower obtains knowledge of the occurrence of a Default or an Event of Default, or any material adverse change in the condition or operations, financial or otherwise, of Borrower, the written statement of the Authorized Financial Officer of Borrower setting forth the details of such Default, Event of Default, event or material adverse change;

4.1.6 promptly after the commencement thereof but in any event not later than five (5) business days after service of process with respect thereto on, or the obtaining of knowledge thereof by, Borrower, notice of each action, suit or proceeding before any court, arbitrator or governmental department, commission, board, bureau, agency or instrumentality concerning the operations, financial or otherwise, of Borrower;

4.1.7 as soon as practicable and in any event within ten (10) Business Days of delivery to Borrower, a copy of any letter issued by

Borrower's independent public accountants or other management consultants with respect to Borrower's financial or accounting systems or controls, including all so-called "management letters;" and

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4.1.8 promptly upon request, such other information concerning the condition or operations, financial or otherwise, of Borrower as Lender, may from time to time reasonably request.

Notwithstanding the foregoing, so long as the Management Agreement remains in full force and effect and to the extent that the current Manager or an Affiliate or successor thereof is the party with responsibility for any such report or document, Borrower shall not be required to furnish Lender the reports and documents required by subsections 4.1.1 through 4.1.5.

4.2 Use of Proceeds. Borrower will use the proceeds of the Acquisition Loan made hereunder for the purposes set forth in Section 1.5.

4.3 Compliance with Laws, Etc. Borrower will comply in all material respects with all applicable laws, rules, regulations and orders, and all contracts and agreements to which it or its properties are subject, paying before the same become delinquent all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or its properties, and paying all lawful claims which if unpaid might become a lien or charge upon any of its properties, except to the extent such taxes, assessments and governmental charges or levies are contested in good faith by proper proceedings which stay the imposition of any penalty, fine or lien resulting from the non-payment thereof and with respect to which adequate reserves have been set aside for the payment thereof.

4.4 Preservation of Existence, Etc. Borrower will maintain and preserve its existence, rights and privileges, and become or remain duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

4.5 Obtaining of Permits, Etc. Borrower will obtain, maintain and observe all material permits, licenses, authorizations, approvals and accreditation necessary or useful in the proper conduct of its business, except that Borrower will use its best efforts to receive approval of its application for licensure from the State of Florida.

4.6 Maintenance of Insurance. Borrower will maintain with responsible and reputable insurance companies or associations insurance (including, without limitation, comprehensive general liability and hazard

insurance) with respect to its properties and business, in such amounts and covering such risks, as is required

by any governmental authority having jurisdiction with respect thereto or as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated or as is required by any Loan Document.

4.7 Maintenance of Properties, Etc. Borrower will maintain and preserve all of its properties necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and comply at all times with the material provisions of all leases to which it is or becomes a party or under which it now or hereafter occupies property, so as to prevent any material loss or forfeiture thereof or thereunder.

4.8 Liens on Property. Borrower will not create or suffer to exist, any lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, upon or with respect to any of its properties, rights or other assets, whether now owned or hereafter acquired, other than the following (referred to collectively as "Permitted Liens"):

4.8.1 the liens or security interests granted to Lender pursuant to this Agreement and the other Loan Documents;

4.8.2 the liens to the Lender pursuant to that certain Working Capital Loan and Security Agreement dated the date hereof in the initial principal amount of \$10,000,000;

4.8.3 liens for taxes, assessments or other governmental charges which are non-delinquent or being contested in good faith and by appropriate proceedings and with respect to which proper reserves have been taken in accordance with generally accepted accounting principles;

4.8.4 deposits or pledges to secure obligations under workers' compensation, social security or similar laws, or under unemployment insurance; and

4.8.5 judgment liens that have been stayed or bonded.

4.9 Indebtedness. Borrower will not create, incur, suffer to exist any indebtedness other than (a) indebtedness created by the Loan Documents and (b) indebtedness which is secured by Permitted Liens.

4.10 Merger, Consolidation. Borrower will not enter into any merger, consolidation or similar transaction, or sell assign, lease or otherwise



dispose of (whether in one transaction or in a

series of transactions), all or substantially all of its assets (whether now or hereafter acquired), without the prior written consent of Lender, which may be granted or refused by Lender in Lender's sole discretion.

4.11 Sale of Assets, Etc. Borrower will not assign, lease or otherwise dispose of any of its properties or assets (whether now owned or hereafter acquired) to any Person, other than sales in the ordinary course of business for a full and fair consideration (except as prohibited by any Loan Document), which in no event shall include a transfer for full or partial satisfaction of a preexisting debt, unless pursuant to enforcement of this Agreement.

4.12 Guaranties, Etc. Borrower will not assume, guarantee, endorse or otherwise become directly or contingently liable, including, without limitation, liable by way of agreement, contingent or otherwise, to purchase, to provide funds for payment, or to supply funds, in connection with any indebtedness of any other Person without the prior consent of Lender.

4.13 Change in Nature of Business. Borrower will not make any material change in the nature of its business, or discontinue or liquidate any material part of its operations without the prior written consent of Lender.

4.14 Pension Plans. Borrower will comply in all material respects with all material requirements of ERISA and will notify Lender immediately upon receipt by Borrower of any notice of the institution of any proceeding or other action which may result in the termination of any employee plan, and deliver to Lender, promptly after the filing or receipt thereof, copies of all reports or notices relating to such proceeding or related action which Borrower files or receives under ERISA with or from the Internal Revenue Service, the Pension Benefit Guaranty Corporation, or the U.S. Department of Labor.

4.15 Environmental Compliance. Borrower will with respect to its properties (now owned or hereafter acquired) comply in all material respects with applicable Environmental Laws, including, without limitation, obtaining, remaining in material compliance with, and maintaining all necessary permits, certificates, licenses, approvals and other authorizations required by such Environmental Laws, and filing when due all notifications required by such Environmental Laws in connection with its ownership or use of any real estate or the operation of its business. Borrower shall not send any wastes to any site listed or formally proposed for listing on the National Priority List promulgated pursuant to CERCLA or to any site listed pursuant to



any similar state law on any state list of hazardous substance sites requiring investigation or clean-up.

4.16 Transactions with Affiliates; Payments to Affiliates. Borrower will not directly or indirectly enter into any transaction with an Affiliate on terms less favorable (including, but not limited to, price and credit terms) to Borrower than would be the case if such transaction had been effected at arms length with a Person other than an Affiliate.

4.17 Limitation on Leases. Borrower will not incur, create or assume any commitment to make any direct or indirect payment, whether as rent or otherwise, under any lease, rental or other arrangement for the use of real or personal property, or both, without the prior consent of Lender.

4.18 Restricted Payments; Executive Compensation; Loans and Advances. Borrower will not declare or make any (i) distributions in respect of any ownership interest of Borrower or to any Affiliate of Borrower; (ii) any payment of compensation to any officer, director of Borrower, any shareholder of Borrower, or any Affiliate of any such Person, or (iii) any loans or advances to any officer, director or shareholder of Borrower, or any Affiliate of any such Person, except that Borrower will be paid certain home office fees (collectively, the "Home Office Fee"), which Home Office Fee shall be paid from net cash flow and have the priority of an operating expense, and may be paid Excess Cash pursuant to the Management Agreement, any and all of which shall be distributable as Borrower sees fit in its good business judgment. The Home Office Fee shall be paid as follows: Fifty Thousand Dollars (\$50,000) shall be payable upon execution hereof; One Hundred Thousand Dollars (\$100,000) shall be payable in twelve (12) equal monthly installments of \$8,333.33 each until and including the first anniversary of the date hereof; from and after such date, One Hundred Fifteen Thousand Dollars (\$115,000) shall be payable in twelve (12) equal monthly installments of \$9,583.33; from and after the third anniversary of the date hereof, One Hundred Thirty-Two Thousand Dollars (\$132,000) shall be payable in twelve (12) equal monthly installments of \$11,000.00; and from and after the fourth anniversary of the date hereof, and on each such anniversary thereafter, the Home Office Fee shall be increased by the same percentage by which the cost of health care shall have increased over the immediately preceding year as evidenced by the Index; such increased Home Office Fee shall be payable until the next ensuing anniversary hereof in twelve (12) equal monthly installments.

4.19 Accounts Receivable. So long as Lender has a lien on Borrower's accounts receivable, Borrower will not sell, discount or otherwise dispose of notes, accounts receivable or other

obligations owing to Borrower except for the purpose of collection in the ordinary course of business, and except that Borrower may pay or distribute Home Office Fees permitted pursuant to Section 4.18 hereof.

4.20 Inconsistent Agreements. Borrower will not enter into any agreement containing any provision which would be violated or breached by any borrowing hereunder or by the performance by Borrower of its obligations hereunder or under any Loan Document.

4.21 Locations and Change In Names. The location of the principal place of business and chief executive office of Borrower shall not be changed, without thirty (30) days' prior written notice to Lender.

4.22 Debt Service Reserve Fund. Borrower agrees to establish, out of the proceeds of the Acquisition Loan, a debt service reserve fund with Lender in the amount of \$1,153,125.00 for application by Lender against monthly interest payments due under the Note in the event that Gross Patients Accounts Receivable are insufficient at any time to fund such payments. Borrower grants Lender a security interest in the debt service reserve fund to secure Borrower's obligations to Lender under this Agreement. Borrower additionally grants to Lender a right of setoff against all moneys from time to time held in such debt service reserve fund, and Borrower shall not permit any other lien to exist upon such debt service reserve fund. Moneys in such fund shall be invested in the manner determined by Lender, but the interest thereon shall accrue to the benefit of Borrower. Borrower shall have the right, with the consent of Lender, to draw upon such fund for use for working capital or to pay for capital improvements to the Facilities, any such withdrawn amounts to be repaid into the fund by Borrower within six months following such withdrawal. Except as provided in the immediately preceding sentence, Borrower shall have no obligation to replenish the fund.

4.23 Capital Improvements Fund. Borrower agrees to establish, out of the proceeds of the Acquisition Loan, a capital improvement fund with Lender in the amount of \$846,875.00. Moneys in the capital improvement fund shall be invested in the manner determined by Lender, interest to accrue for Borrower's benefit. Borrower hereby grants Lender a security interest in the capital improvement fund to secure Borrower's obligations under this Agreement. So long as no Event of Default exists hereunder, advances from the capital improvement fund will be disbursed as follows:

4.23.1 each advance must be for reimbursement of costs incurred or to be incurred by Borrower for capital improvements or renovations to one or more of the Facilities;

4.23.2 each request for an advance shall be accompanied by invoices or other evidence reasonably acceptable to Lender representing the amounts for which the Borrower seeks payment;

4.23.3 if required by Lender, each request for an advance shall be accompanied by lien waiver affidavits from contractors performing any work with respect to the capital improvements to the Facilities;

4.23.4 Borrower shall submit its request for an advance at least ten (10) days prior to the requested advance date.

5. Events of Default. If any of the following events of default (each an "Event of Default") shall occur and be continuing (whatever the reason for such Event of Default, whether it shall be voluntary or involuntary or be affected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental instrumentality):

5.1 Subject to the terms and conditions contained herein, Borrower shall fail to pay any principal of or interest on the Note (whether by maturity, voluntary or required prepayment, acceleration, demand or otherwise) or any amount payable hereunder in accordance with the terms of this Agreement, and such failure shall remain unremedied for ten (10) days; or

5.2 Any representation or warranty made by Borrower in this Agreement, the Note, or any other Loan Document shall have been incorrect in any material respect when made; or

5.3 Borrower shall fail to perform or observe any term, covenant, condition or agreement contained in this Agreement, the Note or any other Loan Document to be performed or observed by Borrower (excluding matters set forth in Section 5.1 above), and such failure shall remain unremedied for thirty (30) days following written notice to Borrower; or

5.4 A default shall occur under that certain Working Capital Loan and Security Agreement of even date between Borrower and Lender, as amended or restated from time to time, and such default shall continue after the expiration of any applicable grace period; or

5.5 Borrower shall default in payment or performance of any material obligation or indebtedness not described above in excess of \$50,000 to Lender or any other Person and such failure shall continue after the expiration of any applicable grace period,

if such default is not being contested in good faith and by appropriate proceedings with respect to which proper reserves have been taken in accordance with generally accepted accounting principles; or

5.6 Borrower shall be generally not paying its debts as they become due or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any petition shall be filed by or against Borrower under the federal bankruptcy laws, or any other proceeding shall be instituted by or against Borrower seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for such person or for any substantial part of its property; or Borrower shall take any action to authorize or effect any of the actions set forth above in this Section and, in the case of the institution of any involuntary proceeding against Borrower, such proceeding shall not be discharged within ninety (90) days of its commencement; or

5.7 Any material provision of this Agreement, the Note or any other Loan Document shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by Borrower or a proceeding shall be commenced by Borrower or by any governmental agency or authority having jurisdiction over Borrower seeking to establish the invalidity or unenforceability thereof, or Borrower shall deny that it has any liability or obligation purported to be created under this Agreement, the Note, or any other Loan Document; or

5.8 A judgment or order for the payment of money exceeding any applicable insurance coverage by more than \$50,000 shall be rendered against Borrower and either (a) enforcement proceedings shall have been commenced and be unstayed or (b) there shall be any period of thirty (30) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

5.9 The Management Agreement shall terminate for any reason, except for termination by Borrower for cause of the Management Agreement or for Manager's termination thereof without cause; or

5.10 The sale of substantially all of the assets of any Facility;

then, at the election of Lender, Lender may by notice to Borrower, (a) declare the Note and all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Note and all such interest, and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower; and (b) exercise any and all of its other rights under applicable laws, hereunder and under any other Loan Documents; provided, that no notice need be given to Borrower upon the occurrence of any Event of Default described in Section 5.7 and the obligations shall be automatically accelerated.

6. Right of Set-Off. Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by Lender to or for the credit or the account of Borrower against any and all of the obligations of Borrower now or hereafter existing under the Loan Documents, irrespective of whether or not Lender shall have made any demand hereunder or under any other Loan Document, and although such obligations may be unmatured. Lender agrees promptly to notify Borrower after any such set-off and application made by Lender; provided, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which Lender may have.

## 7. Definitions; Accounting and Other Terms.

7.1 Definitions. As used in this Agreement, the following terms shall have the respective meanings indicated below (such meanings to be applicable equally to both the singular and plural forms of such terms):

"Acquisition Loan" has the meaning given to such term in Section 1.1 hereof.

"Affiliate", as to any Person, means any other Person which directly or indirectly controls, is controlled by or is under common control with such Person, or any relative (by blood or marriage) of such Person.

"Asset Purchase Agreement" has the meaning given to such term in the Background Section hereof.

"Borrower" has the meaning given to such term in the Preamble hereto.

"Collateral" has the meaning given to such term in Section 1.4 hereof.

"Default" shall mean any event or occurrence which with the passing of time, the giving of notice, or both, could become an Event of Default.

"Edgemont" has the meaning given to such term in the Background Section hereof.

"Environmental Laws" means all statutes, laws, rules, regulations or judicial rulings pertaining to health or the environment applicable to the properties of Borrower, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as heretofore or hereafter amended, the Resource Conservation and Recovery Act of 1976, as heretofore or hereafter amended, and any other federal, state or local statute, law, rule, regulation, or judicial ruling, whether now or hereafter in existence, relating to, or imposing standards of conduct concerning, the existence, release, disposal or handling of any waste, substance, or material (including, but not limited to, asbestos, petroleum products, radon and any substances that are considered hazardous or toxic).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with the rules and regulations promulgated thereunder as in effect from time to time.

"Escalation Date" has the meaning given such term in Section 1.3 hereof.

"Event of Default" means any of the events set forth in Section 5 hereof.

"Excess Cash" shall have the meaning ascribed to such term in Section 7.2 of the Management Agreement.

"Facilities" has the meaning given to such term in the Background Section hereof.

"First Escalation Date" has the meaning given to such term in Section 1.3 hereof.

"Gross Patients Accounts Receivable" shall mean all accounts receivable of Borrower, including all rights of Borrower, if any, arising from the payment for goods sold or leased or for services rendered with respect to

the Facilities, including, without limitation, (i) all accounts arising from the operation of the Facilities and (ii) all rights to payment from the Medicare

program, Medicaid program or similar state or federal programs, boards, bureaus or agencies and rights to payments from patients or private insurers and others arising from the operation of their businesses, including rights to payment from reimbursement contracts. Gross Patients Accounts Receivable shall include the proceeds of the foregoing (whether cash or noncash, movable or immovable, tangible or intangible) received from the sale, exchange, transfer, collection or other disposition or substitution thereof; but shall not include (i) gifts, grants, bequests, donations and/or contributions made to Borrower and (ii) with respect to reimbursements from Medicare or Medicaid or like programs, those accounts receivable in excess of allowable reimbursement amounts.

"Index" has the meaning given to such terms in Section 1.3 hereof.

"Home Office Fee" has the meaning given to such term in Section 4.18 hereof.

"Lender" has the meaning given to such term in the preamble hereto.

"Loan Documents" means, collectively, this Agreement, the Note, and all other documents, instruments or agreements hereafter executed and delivered to Lender by Borrower or others, evidencing or otherwise relating to the Acquisition Loan and the Collateral.

"Maturity Date" has the meaning given to such term in Section 1.3 hereof.

"Mortgage" means that certain Mortgage, Assignment of Rents, and Security Agreement of even date given by Borrower in favor of Lender, as may be amended, modified, or restated from time to time.

"Note" means Borrower's single promissory note, substantially in the form of Exhibit 1.2 hereto, in the principal amount of Forty-Five Million Dollars (\$45,000,000), evidencing the indebtedness of Borrower to Lender resulting from the making of Acquisition Loan, and any promissory note or notes issued in exchange, renewal, or replacement therefor, evidencing the indebtedness of Borrower to Lender resulting from the making of the Acquisition Loan.

"Permitted Liens" has the meaning given to that term in Section 4.8 hereof.

"Person" means an individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or joint venture, or a court or government or any agency or political subdivision thereof.

"Personal Property" has the meaning given such term in Section 1.4 hereof.

"Property" has the meaning given such term in the Background Section hereof.

"Security Agreement" means that certain Security Agreement of even date given by Borrower in favor of Lender, as may be amended, modified, or restated from time to time.

"Security Documents" means, collectively, the Mortgage, Security Agreement, and the UCC-1 financing statements.

7.2 Accounting and Other Terms. All accounting terms used in this Agreement which are not otherwise defined herein shall be construed in accordance with generally accepted accounting principles unless otherwise expressly stated herein. All terms used in this Agreement which are defined in Article 9 of the Uniform Commercial Code in effect in the State of Florida on the date hereof and which are not otherwise defined shall have the same meanings herein as set forth therein.

## 8. Miscellaneous.

8.1 Notices, Etc. Except as otherwise provided herein, all notices, requests, consents, demands, approvals and other communications hereunder shall be deemed to have been duly given, made, served or received if in writing and on the same day as sent when delivered personally or by telecopy, on the third day after being sent when mailed first class mail, postage prepaid, or on the next day after being sent when delivered by an overnight delivery courier, charges prepaid, to the respective parties to this Agreement as follows:

(A) If to Borrower:

AGE Institute of Florida, Inc.  
Professional Arts Building  
25 Penncraft Avenue  
Chambersburg, PA 17201



(B) If to Lender:

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Genesis Health Ventures, Inc.  
148 West State Street  
Kennett Square, Pennsylvania 19348  
Attention: Law Department  
Attention: Chief Financial Officer

The designation of the person to be so notified or the address of such person for the purposes of such notice may be changed from time to time by similar notice in writing, except that any communication with respect to a change of address shall be deemed to be given or made when actually received by the party to whom such communication was sent. No other method of written notice is precluded by this Section.

8.2 Amendments, Etc. No amendment of any provision of this Agreement or the Note shall be effective unless it is in writing and signed by Borrower and Lender, and no waiver of any provision of this Agreement or the Note, nor consent to any departure by Borrower therefrom, shall be effective unless it is in writing and signed by Borrower and Lender and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

8.3 No Waiver; Remedies, Etc. No failure on the part of Lender to exercise, and no delay in exercising, any right hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right under any Loan Document preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of Lender provided herein and in the other Loan Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law. The rights of Lender under any Loan Document against any party thereto are not conditional or contingent on any attempt by Lender to exercise any of its rights under any other Loan Document against such party or against any other person.

8.4 Fees, Costs, Expenses and Taxes. Whether or not any advances under the Acquisition Loan are made hereunder or the transactions contemplated hereby are consummated, Borrower will pay on demand all fees, costs and expenses in connection with the preparation, execution, delivery, filing, and recording, if applicable, of the Loan Documents and the other documents to be delivered under the Loan Documents, and all costs and expenses, if any, in connection with any waiver or amendment of any Loan Document or in connection with the enforcement of the Loan Documents and the other documents to be delivered under the Loan

Documents. In addition, Borrower will any and all other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording, if applicable, of the

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Loan Documents and the other documents to be delivered under the Loan Documents, and will save Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

8.5 Severability of Provisions. Any provision of this Agreement or of any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or invalidity without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

8.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, except that Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Lender.

8.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

8.8 Headings. The captions herein have been inserted solely for convenience of reference and in no way define, limit or describe the scope or substance of any provision of this Agreement.

8.9 Entire Agreement. This Agreement and the other Loan Documents represent the entire agreement between the parties with respect to the transactions contemplated hereby and supersedes all prior agreements and understandings, written or oral.

8.10 Waiver of Jury Trial; Consent to Jurisdiction.

(A) EXCEPT AS PROHIBITED BY LAW, EACH PARTY HERETO WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

(B) BORROWER IRREVOCABLY SUBMITS AND CONSENTS TO THE JURISDICTION OF ANY OF THE COURTS OF THE STATE OF FLORIDA OR THE COMMONWEALTH OF PENNSYLVANIA AND OF ANY FEDERAL COURT SITTING IN THE STATE OF FLORIDA OR THE COMMONWEALTH OF PENNSYLVANIA OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR

RELATING TO THE LOAN DOCUMENTS, AND BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH COURT. BORROWER AGREES THAT SERVICE OF COPIES

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OF ANY SUMMONS AND COMPLAINT AND ANY OTHER PROCESS WHICH MAY BE SERVED IN ANY SUCH ACTION MAY BE MADE AT THE ADDRESS SPECIFIED IN SECTION 8.1 IN THE MANNER PROVIDED BY LAW.

8.11 Exculpation. Notwithstanding anything to the contrary contained in the Loan Documents, the liability and obligation of Borrower to perform and observe and make good the obligations contained in the Loan Documents and to pay the Acquisition Loan in accordance with the provisions of the Note and other Loan Documents shall not be enforced by any action or proceeding wherein damages or any money judgment or any deficiency judgment or any judgment establishing any personal obligation or liability shall be sought, collected or otherwise obtained against Borrower or against any past, present or future partner, officer, director, shareholder or member of Borrower, and Lender for itself and its successors and assigns hereby irrevocably, knowingly, voluntarily and intentionally waives any and all right to sue for, seek or demand any such damages, money judgment, deficiency judgment or personal judgment against Borrower or against any past, present or future partner, officer, director, shareholder or member of Borrower under or by reason of or in connection with any of the Loan Documents and agrees to look solely to the Collateral held under or in connection with the Loan Documents for the enforcement of such liability and obligation of Borrower.

8.13 Governing Law. This Agreement, the Note, the Mortgage and the other Loan Documents and the rights and obligation of the parties thereunder shall be executed, delivered and accepted in the Commonwealth of Pennsylvania and governed by, and construed and interpreted in accordance with, the laws of the State of Florida.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ATTEST:

AGE INSTITUTE OF FLORIDA, INC.

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[SIGNATURES CONTINUED ON THE FOLLOWING PAGE]

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ATTEST:

GENESIS HEALTH VENTURES, INC.

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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WORKING CAPITAL LOAN AND SECURITY AGREEMENT

Dated as of August 31, 1996

between

GENESIS HEALTH VENTURES, INC.

and

AGE INSTITUTE OF FLORIDA, INC.

WORKING CAPITAL LOAN AND SECURITY AGREEMENT

This WORKING CAPITAL LOAN AND SECURITY AGREEMENT is made and entered into as of this 31st day of August, 1996, between AGE INSTITUTE OF FLORIDA, INC., a Florida non-profit corporation (together with its successors in interest and assigns, "Borrower") and GENESIS HEALTH VENTURES, INC., a Pennsylvania business corporation (together with its successors in interest and assigns, "Lender").

BACKGROUND

A. On the date hereof, Borrower has acquired from Edgemont Partners, L.P., a Tennessee limited partnership ("Edgemont") eleven (11) health care facilities located in Pinellas, Polk, Volusia, Bay and Okaloosa Counties in the State of Florida, as listed on Exhibit "A" attached hereto and made a part hereof (collectively, the "Facilities"), together with all equipment, fixtures and other tangible and intangible assets of Edgemont as more particularly described in that certain Asset Purchase Agreement dated the date hereof by and between Borrower and Edgemont (the "Asset Purchase Agreement") (the Facilities and all such equipment, fixtures and assets, collectively, the "Property").

B. Borrower will need funds for the Facility's working capital needs and Lender has agreed to enter into this Agreement with Borrower to provide Borrower with such working capital funds, subject to the terms and conditions contained in this Agreement.

## TERMS

NOW, THEREFORE, in consideration of the terms and conditions set forth herein, and of any loans, advances, or extensions of credit heretofore, now or hereafter made to or for the benefit of Borrower by Lender, and intending to be legally bound hereby, the parties hereto agree as follows:

### 1. Loans.

1.1 Commitment for Loans. Subject to the terms and conditions hereof, and in reliance on the representations and warranties contained in this Agreement, Lender agrees to make loans (such loans being collectively referred to herein as the "Working Capital Loan") to Borrower at any time or from time to time between the date of this Agreement and August 31, 2001 (as may be extended pursuant to the provisions of Section 1.12 hereof, the "Expiration Date") up to TEN MILLION DOLLARS (\$10,000,000.00) (the "Loan

Commitment"). Subject to the terms and conditions hereof, Borrower may draw upon the Working Capital Loan, repay amounts drawn thereunder and draw again on such loan.

1.2 Note. Borrower's obligation to repay the Working Capital Loan with interest in accordance with the terms of this Agreement shall be evidenced by a single promissory note (the "Note") in the amount of Ten Million Dollars (\$10,000,000.00) substantially in the form of Exhibit 1.2 attached hereto. The Note shall be dated the date of this Agreement, shall mature and become due and payable on the Expiration Date and shall bear interest as set forth in Section 1.3.

1.3 Payment of Principal and Interest on Working Capital Loan. The outstanding principal amount of the Working Capital Loan and all interest then due or accrued thereon if not sooner paid shall be paid in full on the Expiration Date. Borrower shall pay interest on the unpaid principal amount of the Working Capital Loan at a rate per annum of thirteen percent (13%), payable in arrears, commencing on October 1, 1996 and continuing on the first day of each and every calendar month thereafter up to and including the Expiration Date. Interest shall be calculated based upon a three hundred sixty (360) day year and charged on the basis of actual days elapsed.

1.4 Making the Working Capital Loan. Borrower may give Lender notice no later than 12:00 noon (Eastern time) at least one (1) business day prior to the date of the proposed borrowing. Each such notice shall be in writing given by Borrower setting forth the amount of the proposed borrowing and the date of the proposed borrowing. Each such notice for a Working Capital Loan such constitute a reaffirmation by the Borrower, effective as the date of such

advance, that (a) the representations and warranties contained in Section 4 of this Agreement are true and correct, and will be true and correct, on the date of the proposed borrowing, (b) no Default or Event of Default has occurred and is continuing hereunder and (c) no material adverse change in the operations or condition, financial or otherwise, of Borrower has occurred and is continuing. Each such notice for a Working Capital Loan hereunder shall constitute a representation and warranty by Borrower that all the conditions in Sections 2 or 3, as the case may be, have been satisfied. Subject to the satisfaction of the terms and conditions hereof, Lender shall make the requested Working Capital Loan available to the Borrower by depositing the proposed borrowing amount into the operating account of the Facility.

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#### 1.5 Security for the Working Capital Loan.

(a) Borrower hereby grants to Lender a first priority lien and security interest on all of Borrower's Gross Patients Accounts Receivable and other personal property utilized in the Facilities or in connection with the operation thereof, tangible or intangible, whether now owned or hereafter acquired, and all proceeds and products thereof, together with all documents, contracts, guarantees, books and records, processing cards, tapes, tabulating runs, programs and similar material related thereto (collectively, "Personal Property" and the "Collateral"). Said lien shall secure the repayment of the Working Capital Loan. Said lien shall also secure the payment of management fees owed to Genesis Eldercare Network Services, Inc. (together with any successors, the "Manager") and payments with respect to services supplied to the Facilities by Lender, Manager, or affiliates of either for pharmaceutical, rehabilitation and other services as permitted by that certain Management Agreement dated the date hereof among Borrower, Lender and Manager (as amended, modified, renewed, restated or substituted from time to time, the "Management Agreement"). Notwithstanding the foregoing, in the absence of an Event of Default (as defined herein), Borrower shall be entitled to pay from the Gross Patients Accounts Receivable ordinary and necessary expenses and costs of operation of the Facilities, including, without limitation, payroll expenses and utility charges and the payment of Home Office Fees (as defined and permitted herein) to Borrower prior to payment of interest on the Working Capital Loan as provided herein, and any such unpaid interest shall accrue (without additional interest or penalty) and be payable at the Expiration Date.

(b) This Agreement constitutes a security agreement under the Pennsylvania Uniform Commercial Code and Florida Uniform Commercial Code. Borrower agrees to execute and/or deliver to Lender all security documents, assignments, financing statements and other documents requested by Lender or its affiliates from time to time to perfect and protect its interest in the

collateral and enforce this Agreement at Borrower's sole expense.

1.6 Use of Proceeds. Borrower shall use the proceeds of the Working Capital Loan solely for the purchase of the Property from Edgemont and for working capital purposes.

1.7 Payment. Any principal, interest, or other obligations payable by Borrower hereunder shall be paid to Lender in immediately available funds before 12:00 noon (Eastern time) on the date due at the principal office of the Lender set forth in this Agreement.

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1.8 Excess Over Loan Commitment. Borrower agrees that the aggregate unpaid principal balance of the Working Capital Loan at any one time outstanding hereunder shall not exceed the Loan Commitment, and that, if for any reason such aggregate unpaid principal balance should at any time exceed the Loan Commitment, Borrower shall immediately pay to Lender in cash an amount equal to the excess. Borrower shall immediately notify Lender of any such deficiency.

1.9 Prepayment. Borrower may, without premium or penalty, prepay at any time the Working Capital Loan, in whole or in part, by paying to Lender the amount to be prepaid with accrued interest thereon to the date of such prepayment by 12:00 noon (Eastern time) on any business day.

1.10 Late Charges; Default Interest.

(A) If any scheduled payment of principal or interest, or any other agreed charge, is not paid within ten (10) days after due, Borrower agrees to pay Lender a late charge equal to five percent (5%) of the amount of such payment or charge.

(B) If Borrower shall default in the payment of the principal or interest on the Working Capital Loan or any other amount becoming due hereunder, whether by scheduled maturity, acceleration or otherwise, Borrower shall on demand from time to time pay interest, to the extent permitted by law, on the outstanding amount of the Working Capital Loan and other overdue amounts outstanding up to the date of actual payment (after as well as before judgment) at a rate equal to 3% per annum above the interest rate then applicable to the Working Capital Loan.

1.11 Maximum Rate. Nothing contained in this Agreement or the Note shall require Borrower to pay interest at a rate prohibited by applicable statute. If interest payable to Lender on any date would be in a prohibited



amount, it shall be automatically reduced to an amount which is not prohibited and any amounts paid in excess of the prohibited amount shall be applied to the reduction of the principal of the Note.

1.12 Extension of Expiration Date. Borrower may provide Lender notice no later than 12:00 noon (Eastern time) at least ninety (90) days prior to the current Expiration Date that Borrower desires to extend the Expiration Date of the Working Capital Loan for up to five additional years, to August 31, 2006; provided, that in such event, Borrower shall be required to amortize the then outstanding principal balance of the Working Capital Loan by the sum of \$1,000,000 per year.

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2. Conditions Precedent to Working Capital Loan. The obligation of Lender to fund the Working Capital Loan hereunder shall be subject to the prior or concurrent fulfillment of each of the following conditions precedent:

2.1 Representations. The representations and warranties of Borrower contained in this Agreement and in any other writings delivered to Lender pursuant hereto, or in connection herewith, on or prior to the date hereof, shall be true and correct on and as of the date hereof.

2.2 Deliveries to Lender. Lender shall have received on or before the date hereof the following, each in form and substance satisfactory to Lender:

(A) the Note, duly executed and delivered by  
Borrower;

(B) the Security Agreement, duly executed and  
delivered by Borrower;

(C) appropriate financing statements on Form UCC-1, duly executed by Borrower in proper form for filing in such offices as may be necessary or, in the opinion of Lender, desirable to perfect the security interests in the Collateral purported to be created by the Security Agreement and this Agreement;

(D) if required by Lender, searches of appropriate state and local records listing all effective financing statements which name as Borrower, Borrower or any predecessor of Borrower (or the owner of the assets of Borrower or any predecessor of Borrower) which are filed in the governmental offices, together with copies of such financing statements, none of which shall cover any of the Collateral;

(E) evidence of such insurance coverage with respect to the respective business and operations of Borrower as Lender may reasonably request;

(F) the following authorizing documents from Borrower: (a) a copy of the resolutions adopted by its governing body (and if required its members) certified by Borrower's authorized officer as of the date hereof, authorizing the execution, delivery and performance of this Agreement, the Note and the other Loan Documents; (b) an incumbency certificate with officers' signatures; (c) a copy of Borrower's organizational documents and all amendments thereto certified by the Secretary of Borrower as of the date hereof; (d) a copy of the Borrower's

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bylaws or similar governance document, as amended, certified by the Secretary of Borrower as of the date hereof; and (e) a good standing certificate from the Secretary of State of the state of organization of Borrower;

(G) copies of all current licenses, certifications and financial information as the Lender shall reasonably require;

(H) a letter of direction from Borrower addressed to Lender with respect to the disbursement of the proceeds of the funding;

(I) favorable written opinion of counsel to Borrower, dated the date hereof, in form and substance satisfactory to Lender and as to such matters as Lender may reasonably request; and

(J) such other approvals, opinions or documents as any Lender may reasonably request.

3. Conditions Precedent to Additional Loans. The obligation of Lender to make any Working Capital Loan, other than in connection with the initial borrowing, is subject to the prior or concurrent fulfillment of each of the following conditions precedent, and, except with respect to Section 3.3 hereof, Borrower shall be deemed to have certified to Lender by a request for a Working Capital Loan that each of the conditions precedent have been fulfilled:

3.1 Representations; No Default. The representations and warranties contained in Article 4 of this Agreement and in any other writing delivered to Lender pursuant hereto on or prior to the date of such borrowing shall be true and correct in all material respects on and as of such date as though made on and as of such date; and no Default or Event of Default shall have occurred and be continuing or would result from the making of the Working

Capital Loan to be made on the date of such borrowing.

3.2 Notice. Lender shall have received a notice for such borrowing pursuant to Section 1.4 hereof.

3.3 No Violation. The making of such Working Capital Loan shall not contravene any law, rule or regulation enacted after the date hereof applicable to Lender.

4. Representations and Warranties of Borrower. Borrower hereby represents and warrants as follows:

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4.1 Corporate Status. Borrower is a not for profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida. Borrower has the power and authority to own its own property and assets and to transact the business in which it is engaged. Borrower is not required to qualify to do business in any state or jurisdiction except the State of Florida. Borrower does not have any subsidiaries nor does Borrower operate any portion of its business through any other person.

4.2 Corporate Power and Authority. Borrower has the power and authority to execute, deliver and perform, as the case may be, the terms and provisions of this Agreement, the Note and the other Loan Documents, and Borrower has taken all necessary corporate action to authorize the execution, delivery and performance of this Agreement, the borrowings hereunder, the liens granted upon the Collateral pursuant hereto, and the making and delivery of the Note and the other Loan Documents. This Agreement constitutes, the Note and all of the other Loan Documents, when executed and delivered pursuant hereto, constitute or will constitute, the authorized, valid and legally binding obligations of Borrower enforceable in accordance with their respective terms, except to the extent that their enforceability is limited by applicable bankruptcy, reorganization, insolvency, receivership or other laws of general application or equitable principles relating to or affecting the enforcement of creditor's rights.

4.3 No Violation of Agreements or Laws. Borrower is not in default under the provisions of any agreement to which it is a party and Borrower is not in violation of any applicable provision of law or any applicable regulation of any governmental department, commission, board, bureau, agency or instrumentality (including, without limitation, environmental laws and regulations). Neither the execution and delivery of this Agreement, the Note or any of the other Loan Documents nor the consummation of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or

thereof, will violate any applicable provision of law or any applicable regulation, or any order, writ, injunction or decree of any court or governmental department, commission, board, bureau, agency or instrumentality or will conflict or will be inconsistent with, or will result in any breach of, any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to impose) any lien, charge or encumbrance upon any of the property or assets of Borrower pursuant to the terms of any indenture, franchise, license, permit, mortgage, deed of trust, agreement or other instrument to which Borrower is a party or by which Borrower may be bound, or to which Borrower may be subject.

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No order, consent, approval or authorization of any public body, agency, commission or board is necessary for the execution, delivery and performance of this Agreement, the Note or any of the other Loan Documents, except for such orders, consents, approvals or authorizations which have been obtained.

4.4 Recording. There are no agreements, documents or instruments that affect, and Borrower has not taken any action that will or may affect, the first lien priority of Lender's security interest in Borrower's Personal Property.

4.5 Litigation and Labor Disputes. To Borrower's knowledge, there are no actions, suits or proceedings, pending or threatened, against or affecting Borrower before any court or before any governmental or administrative body or agency, which if determined adversely to Borrower, individually or in the aggregate, would have a material adverse effect on Borrower's business or properties. Borrower is not a party to any labor dispute.

4.6 Good Title to Properties. Based on Lawyers Title Insurance Corporation commitment numbers 9602867, 2960352a, 2960352b, 9606449, 9602854, and 9606397, upon closing the acquisition, Borrower has good and marketable title to its property and assets subject to no liens, mortgages, pledges, encumbrances or charges of any kind, except the Permitted Liens.

4.7 Franchises, License and Permits. Prior to the funding of the Working Capital Loan, Borrower shall hold all material franchises, agreements, licenses and grants of authority as are necessary in connection with the conduct by it of its business, except that Borrower will not receive approval of its application for licensure from the State of Florida as of the closing date of the acquisition.

4.8 Outstanding Indebtedness. Except for (a) indebtedness secured by Permitted Liens, (b) indebtedness represented by the Note and (c) accounts and other current payables and accrued expenses arising from the

ordinary course of business, no material portion of which are past due, Borrower does not have any indebtedness.

4.9 Trademarks, Patents, Licenses, Etc.. Borrower possesses all necessary trademarks, trademark rights, trade names, trade name rights, copyrights, patents, patent rights and licenses needed to conduct its businesses. Borrower does not know of, nor has Borrower received any notice of, any conflict between its trademarks, trademark rights, trade names, trade name rights,

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copyrights, patent rights and licenses and the rights or claimed rights of others.

4.10 Names and Locations. Borrower does not operate or do business, and, within the past five years, has not operated or done business, under a fictitious, trade or assumed name, except the names set forth on Exhibit 4.10. All of the locations at which Borrower conducts its business are listed on Exhibit 4.10.

4.11 Tax Returns and Payments. Borrower has filed all tax returns required by law to be filed by it and has paid all taxes, assessments and other governmental charges levied upon it and any of its respective properties, assets, income or franchises which are due and payable, other than those presently payable without penalty or interest.

4.12 Compliance with ERISA. Borrower is in compliance with all applicable provisions of ERISA.

4.13 Financial Statements. Borrower is a newly formed corporation and has no audited or unaudited financial statements as of the date of this Agreement.

4.14 The Security Documents. The provisions of the Security Documents are effective to create in favor of Lender a legal, valid and enforceable security interest in all right, title and interest of Borrower in the Collateral; when financing statements have been filed in the offices in the jurisdictions listed in Exhibit 4.14 hereto, the Security Documents shall constitute a fully perfected lien on, and security interest in all right, title and interest of Borrower in the Collateral described therein to the extent the filing of financing statements under the Uniform Commercial Code is a permissible method of perfection of security interests in the Collateral described therein in each such jurisdiction, subject to no prior liens except as permitted by Section 5.8; and the Security Agreement shall constitute a lien on the property described therein subject to no prior liens.

4.15 Ownership. The ownership of Borrower is correctly and accurately set forth on Exhibit 4.15 hereto.

4.16 Disclosure. Neither this Agreement nor any other Loan Document delivered to Lender by or on behalf of Borrower in connection with the transactions contemplated by this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained in this Agreement and in such other documents, certificates or instruments not misleading. There is no fact (other than matters

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of a general economic or political nature which do not affect Borrower uniquely) which materially adversely affects or in the future may (so far as Borrower can now foresee) materially adversely affect the business, condition (financial or otherwise), operations, properties or prospects of Borrower which has not been set forth in this Agreement or in the other Loan Documents delivered to Lender by or on behalf of Borrower specifically for use in connection with the transactions contemplated by this Agreement.

## 5. Covenants.

So long as the Working Capital Loan remains outstanding or unsatisfied, Borrower agrees to the following:

### 5.1 Reporting Requirements. Borrower will furnish to Lender:

5.1.1 as soon as available and in any event within sixty (60) days after the end of each calendar quarter, unaudited financial statements of Borrower for the calendar quarter then ended, prepared on a basis consistent with the annual statements, and certified by an authorized financial officer of Borrower to be true and correct;

5.1.2 as soon as available and in any event within one hundred and twenty (120) days after the end of each calendar year of Borrower, financial statements of Borrower, prepared in accordance with generally accepted accounting principles, and including a balance sheet, a statement of income and expenses for the year then ended and which, at Lender's request, shall be reviewed by a nationally recognized certified public accounting firm or other independent certified public accounting firm acceptable to Lender;

5.1.3 as soon as available and in any event within fifteen (15) days of the end of each calendar quarter, an aged accounts receivable report in sufficient detail to show amounts due by the account age

classifications of thirty (30) days, sixty (60) days, ninety (90) days, one hundred twenty (120) days, and over one hundred twenty (120) days, certified by an authorized financial officer of Borrower to be true and correct;

5.1.4 as soon as possible and in any event within five (5) business days of the receipt by Borrower, any and all notices (regardless of form) from any licensing and/or certifying agency that Borrower's license or the Medicare or Medicaid certification of Borrower is being revoked or suspended,

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or that action is pending or being considered to revoke or suspend Borrower's license or certification;

5.1.5 as soon as possible and in any event within five (5) business days after Borrower obtains knowledge of the occurrence of a Default or an Event of Default, or any material adverse change in the condition or operations, financial or otherwise, of Borrower, the written statement of the Authorized Financial Officer of Borrower setting forth the details of such Default, Event of Default, event or material adverse change;

5.1.6 promptly after the commencement thereof but in any event not later than five (5) business days after service of process with respect thereto on, or the obtaining of knowledge thereof by, Borrower, notice of each action, suit or proceeding before any court, arbitrator or governmental department, commission, board, bureau, agency or instrumentality concerning the operations, financial or otherwise, of Borrower;

5.1.7 as soon as practicable and in any event within ten (10) business days of delivery to Borrower, a copy of any letter issued by Borrower's independent public accountants or other management consultants with respect to Borrower's financial or accounting systems or controls, including all so-called "management letters"; and

5.1.8 promptly upon request, such other information concerning the condition or operations, financial or otherwise, of Borrower as Lender, may from time to time reasonably request.

Notwithstanding the foregoing, so long as the Management Agreement remains in full force and effect and to the extent that the current Manager or its Affiliate or successor is the party with responsibility for any such report or document, Borrower shall not be required to furnish Lender the reports and documents required by subsections 5.1.1 through 5.1.5.

5.2 Use of Proceeds. Borrower will use the proceeds of the

Working Capital Loan made hereunder for the purposes set forth in Section 1.6.

5.3 Compliance with Laws, Etc. Borrower will comply in all material respects with all applicable laws, rules, regulations and orders, and all contracts and agreements to which it or its properties are subject, paying before the same become delinquent all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or its properties, and paying

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all lawful claims which if unpaid might become a lien or charge upon any of its properties, except to the extent such taxes, assessments and governmental charges or levies are contested in good faith by proper proceedings which stay the imposition of any penalty, fine or lien resulting from the non-payment thereof and with respect to which adequate reserves have been set aside for the payment thereof.

5.4 Preservation of Existence, Etc. Borrower will maintain and preserve its existence, rights and privileges, and become or remain duly qualified and in good standing in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary.

5.5 Obtaining of Permits, Etc. Borrower will obtain, maintain and observe all material permits, licenses, authorizations, approvals and accreditation necessary or useful in the proper conduct of its business, except that Borrower will use its best efforts to receive approval of its application for licensure from the State of Florida.

5.6 Maintenance of Insurance. Borrower will maintain with responsible and reputable insurance companies or associations insurance (including, without limitation, comprehensive general liability and hazard insurance) with respect to its properties and business, in such amounts and covering such risks, as is required by any governmental authority having jurisdiction with respect thereto or as is carried generally in accordance with sound business practice by companies in similar businesses similarly situated or as is required by any Loan Document.

5.7 Maintenance of Properties, Etc. Borrower will maintain and preserve all of its properties necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted, and comply at all times with the material provisions of all leases to which it is or becomes a party or under which it now or hereafter occupies property, so as to prevent any material loss or forfeiture thereof or thereunder.



5.8 Liens on Property. Borrower will not create or suffer to exist, any lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, upon or with respect to any of its properties, rights or other assets, whether now owned or hereafter acquired, other than the following (referred to collectively as "Permitted Liens"):

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5.8.1 the liens or security interests granted to Lender pursuant to this Agreement and the other Loan Documents;

5.8.2 the liens to Lender pursuant to that certain Acquisition Loan and Security Agreement dated the date hereof in the initial principal amount of \$45,000,000;

5.8.3 liens for taxes, assessments or other governmental charges which are non-delinquent or being contested in good faith and by appropriate proceedings and with respect to which proper reserves have been taken in accordance with generally accepted accounting principles;

5.8.4 deposits or pledges to secure obligations under workers' compensation, social security or similar laws, or under unemployment insurance; and

5.8.5 judgment liens that have been stayed or bonded.

5.9 Indebtedness. Borrower will not create, incur, suffer to exist any indebtedness other than (a) indebtedness created by the Loan Documents and (b) indebtedness which is secured by Permitted Liens.

5.10 Merger, Consolidation. Borrower will not enter into any merger, consolidation or similar transaction, or sell assign, lease or otherwise dispose of (whether in one transaction or in a series of transactions), all or substantially all of its assets (whether now or hereafter acquired), without the prior written consent of Lender, which may be granted or refused by Lender in Lender's sole discretion.

5.11 Sale of Assets, Etc. Borrower will not assign, lease or otherwise dispose of any of its properties or assets (whether now owned or hereafter acquired) to any Person, other than sales in the ordinary course of business for a full and fair consideration (except as prohibited by any Loan Document), which in no event shall include a transfer for full or partial satisfaction of a preexisting debt, unless pursuant to enforcement of this Agreement.

5.12 Guaranties, Etc. Borrower will not assume, guarantee, endorse or otherwise become directly or contingently liable, including, without limitation, liable by way of agreement, contingent or otherwise, to purchase, to provide funds for payment, or to supply funds, in connection with any indebtedness of any other Person without the prior consent of Lender.

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5.13 Change in Nature of Business. Borrower will not make any material change in the nature of its business, or discontinue or liquidate any material part of its operations without the prior written consent of Lender.

5.14 Pension Plans. Borrower will comply in all material respects with all material requirements of ERISA and will notify Lender immediately upon receipt by Borrower of any notice of the institution of any proceeding or other action which may result in the termination of any employee plan, and deliver to Lender, promptly after the filing or receipt thereof, copies of all reports or notices relating to such proceeding or related action which Borrower files or receives under ERISA with or from the Internal Revenue Service, the Pension Benefit Guaranty Corporation, or the U.S. Department of Labor.

5.15 Environmental Compliance. Borrower will with respect to its properties (now owned or hereafter acquired) comply in all material respects with applicable Environmental Laws, including, without limitation, obtaining, remaining in material compliance with, and maintaining all necessary permits, certificates, licenses, approvals and other authorizations required by such Environmental Laws, and filing when due all notifications, required by such Environmental Laws in connection with its ownership or use of any real estate or the operation of its business. Borrower shall not send any wastes to any site listed or formally proposed for listing on the National Priority List promulgated pursuant to CERCLA or to any site listed pursuant to any similar state law on any state list of hazardous substance sites requiring investigation or clean-up.

5.16 Transactions with Affiliates; Payments to Affiliates. Borrower will not directly or indirectly enter into any transaction with an Affiliate on terms less favorable (including, but not limited to, price and credit terms) to Borrower than would be the case if such transaction had been effected at arms length with a Person other than an Affiliate.

5.17 Limitation on Leases. Borrower will not incur, create or assume any commitment to make any direct or indirect payment, whether as rent or otherwise, under any lease, rental or other arrangement for the use of real or personal property, or both, without the prior consent of Lender.

5.18 Restricted Payments; Executive Compensation; Loans and Advances. Borrower will not declare or make any (i) distributions in respect of any ownership interest of Borrower or to any Affiliate of Borrower; (ii) any payment of compensation to

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any officer, director of Borrower, any shareholder of Borrower, or any Affiliate of any such Person, or (iii) any loans or advances to any officer, director or shareholder of Borrower, or any Affiliate of any such Person, except that Borrower will be paid certain home office fees (collectively, the "Home Office Fee"), which Home Office Fee shall be paid from net cash flow and have the priority of an operating expense and may be paid Excess Cash pursuant to the Management Agreement, any and all of which shall be distributable as Borrower sees fit in its good business judgment. The Home Office Fee shall be paid as follows: Fifty Thousand Dollars (\$50,000) shall be payable upon execution hereof; One Hundred Thousand Dollars (\$100,000) shall be payable in twelve (12) equal monthly installments of \$8,333.33 each until and including the first anniversary of the date hereof; from and after such date, One Hundred Fifteen Thousand Dollars (\$115,000) shall be payable in twelve (12) equal monthly installments of \$9,583.33; from and after the third anniversary of the date hereof, One Hundred Thirty Thousand Dollars (\$132,000) shall be payable in twelve (12) equal monthly installments of \$11,000.00; and from and after the fourth anniversary of the date hereof, and on each such anniversary thereafter, the Home Office Fee shall be increased by the same percentage by which the cost of health care shall have increased over the immediately preceding year as evidenced by the Index; such increased Home Office Fee shall be payable until the next ensuing anniversary hereof in twelve (12) equal monthly installments.

5.19 Accounts Receivable. So long as Lender has a lien on Borrower's accounts receivable, Borrower will not sell, discount or otherwise dispose of notes, accounts receivable or other obligations owing to Borrower except for the purpose of collection in the ordinary course of business, and except that Borrower may pay or distribute Home Office Fees permitted pursuant to Section 5.18 hereof.

5.20 Inconsistent Agreements. Borrower will not enter into any agreement containing any provision which would be violated or breached by any borrowing hereunder or by the performance by Borrower of its obligations hereunder or under any Loan Document.

5.21 Locations and Change In Names. The location of the principal place of business and chief executive office of Borrower shall not be changed, without thirty (30) days' prior written notice to Lender.

6. Events of Default. If any of the following events of default (each an "Event of Default") shall occur and be continuing (whatever the reason for such Event of Default, whether it shall be voluntary or involuntary or be affected by operation of law or

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pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental instrumentality):

6.1 Subject to the terms and conditions contained herein, Borrower shall fail to pay any principal of or interest on the Note (whether by maturity, voluntary or required prepayment, acceleration, demand or otherwise) or any amount payable hereunder in accordance with the terms of this Agreement, and such failure shall remain unremedied for ten (10) days; or

6.2 Any representation or warranty made by Borrower in this Agreement, the Note or any other Loan Document shall have been incorrect in any material respect when made; or

6.3 Borrower shall fail to perform or observe any term, covenant, condition or agreement contained in this Agreement, the Note or any other Loan Document to be performed or observed by Borrower (excluding matters set forth in Section 6.1 above), and such failure shall remain unremedied for thirty (30) days following written notice to Borrower; or

6.4 A default shall occur under that certain Acquisition Loan and Security Agreement of even date between Borrower and Lender, as amended or restated from time to time, and such default shall continue after the expiration of any applicable grace period; or

6.5 Borrower shall default in payment or performance of any material obligation or indebtedness not described above in excess of \$50,000 to Lender or any other person, and such failure shall continue after the expiration of any applicable grace period, if such default is not being contested in good faith and by appropriate proceedings and with respect to which proper reserves have been taken in advance in accordance with generally accepted accounting principles; or

6.6 Borrower shall be generally not paying its debts as they become due or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any petition shall be filed by or against Borrower under the federal bankruptcy laws, or any other proceeding shall be instituted by or against Borrower seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating

to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar

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official for such person or for any substantial part of its property; or Borrower shall take any action to authorize or effect any of the actions set forth above in this Section and, in the case of the institution of any involuntary proceeding against Borrower such proceeding shall not be discharged within ninety (90) days of its commencement; or

6.7 Any material provision of this Agreement, the Note or any other Loan Document shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by Borrower, or a proceeding shall be commenced by Borrower or by any governmental agency or authority having jurisdiction over Borrower, seeking to establish the invalidity or unenforceability thereof, or Borrower shall deny that it has any liability or obligation purported to be created under this Agreement, the Note or any other Loan Document; or

6.8 A judgment or order for the payment of money exceeding any applicable insurance coverage by more than \$50,000 shall be rendered against Borrower and either (a) enforcement proceedings shall have been commenced and be unstayed or (b) there shall be any period of thirty (30) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

6.9 The Management Agreement shall terminate for any reason, except for termination for cause or for Manager's termination thereof without cause; or

6.10 The sale of substantially all of the assets of any Facility;

then, the obligation of Lender to make any further advances hereunder shall immediately terminate, and at the election of Lender, Lender may by notice to Borrower, (a) declare the Note and all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Note and all such interest, and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by Borrower; and (b) exercise any and all of its other rights under applicable laws, hereunder and under any other Loan Document; provided, that no notice need be given to Borrower upon the occurrence of any Event of Default described in Section 6.7 and the obligations shall be automatically accelerated.

7. Right of Set-Off. Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law,

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to set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by Lender to or for the credit or the account of Borrower against any and all of the obligations of Borrower now or hereafter existing under the Loan Documents, irrespective of whether or not Lender shall have made any demand hereunder or under any other Loan Document, and although such obligations may be unmatured. Lender agrees promptly to notify Borrower after any such set-off and application made by Lender; provided, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which Lender may have.

#### 8. Definitions; Accounting and Other Terms.

8.1 Definitions. As used in this Agreement, the following terms shall have the respective meanings indicated below (such meanings to be applicable equally to both the singular and plural forms of such terms):

"Affiliate", as to any Person, means any other Person which directly or indirectly controls, is controlled by or is under common control with such Person, or any relative (by blood or marriage) of such Person.

"Agreement" means this Working Capital Loan and Security Agreement, as the same may be amended or restated from time to time.

"Asset Purchase Agreement" has the meaning given to such term in the Background Section hereof.

"Borrower" has the meaning given to such term in the preamble hereof.

"Collateral" has the meaning given to such term in Section 1.5 hereof.

"Default" shall mean any event or occurrence which with the passing of time, the giving of notice, or both, could become an Event of Default.

"Edgemont" has the meaning given to such terms in the Background Section hereof.

"Environmental Laws" means all statutes, laws, rules, regulations or judicial rulings pertaining to health or the environment applicable to the properties of Borrower, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as heretofore or hereafter amended, the Resource Conservation and Recovery Act of 1976, as heretofore or hereafter amended, and any other federal, state or local statute, law, rule, regulation, or judicial ruling, whether now or hereafter in existence, relating to, or imposing standards of conduct concerning, the existence, release, disposal or handling of any waste, substance, or material (including, but not limited to, asbestos, petroleum products, radon and any substances that are considered hazardous or toxic).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, together with the rules and regulations promulgated thereunder as in effect from time to time.

"Event of Default" means any of the events set forth in Section 6 hereof.

"Excess Cash" has the meaning ascribed to such term in Section 7.2 of the Management Agreement.

"Expiration Date" has the meaning given to such term in Section 1.1 hereof.

"Facilities" has the meaning given to such term in the Background Section hereof.

"Gross Patients Accounts Receivable" shall mean all accounts receivable of Borrower, including all rights of Borrower, if any, arising from the payment for goods sold or leased or for services rendered with respect to the Facilities, including, without limitation, (i) all accounts arising from the operation of the Facilities and (ii) all rights to payment from the Medicare program, Medicaid program or similar state or federal programs, boards, bureaus or agencies and rights to payments from patients or private insurers and others arising from the operation of their businesses, including rights to payment from Reimbursement Contracts. Gross Patients Accounts Receivable shall include the proceeds of the foregoing (whether cash or noncash, movable or immovable, tangible or intangible) received from the sale, exchange, transfer, collection or other disposition or substitution thereof; but, shall not include, (i) gifts, grants, bequests, donations and/or contributions made to Borrower and (ii) with respect to reimbursements from Medicare or Medicaid or like

programs, not those accounts receivable in excess of allowable reimbursement amounts.

"Home Office Fees" has the meaning given to such term in Section 5.18 hereof.

"Lender" has the meaning given to such term in the preamble hereof.

"Loan Commitment" has the meaning given to such term in Section 1.1 hereof.

"Loan Documents" means, collectively, this Agreement, the Note, and all other documents, instruments or agreements hereafter executed and delivered to Lender by Borrower or others, evidencing or otherwise relating to the Working Capital Loan and the Collateral.

"Management Agreement" has the meaning given to such term in Section 1.5 hereof.

"Manager" has the meaning given to such term in Section 1.5 hereof.

"Note" means Borrower's single promissory note, substantially in the form of Exhibit 1.2 hereto, in the principal amount of Ten Million Dollars (\$10,000,000), evidencing the indebtedness of Borrower to Lender resulting from the making of the Working Capital Loan, and any promissory note or notes issued in exchange, renewal or replacement therefor, evidencing the indebtedness of Borrower to Lender resulting from the making of the Working Capital Loan.

"Permitted Liens" has the meaning given to such term in Section 5.8 hereof.

"Person" means an individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or joint venture, or a court or government or any agency or political subdivision thereof.

"Personal Property" has the meaning given to such term in Section 1.5 hereof.

"Property" has the meaning given to such term in the



"Security Agreement" means that certain Security Agreement of even date given by Borrower in favor of Lender, as may be amended, modified, or restated from time to time.

"Security Documents" means, collectively, the Security Agreement and the UCC-1 financing statements.

"Working Capital Loan" means the loans made pursuant to Section 1 hereof.

8.2 Accounting and Other Terms. All accounting terms used in this Agreement which are not otherwise defined herein shall be construed in accordance with generally accepted accounting principles unless otherwise expressly stated herein. All terms used in this Agreement which are defined in Article 9 of the Uniform Commercial Code in effect in the State of Florida on the date hereof and which are not otherwise defined shall have the same meanings herein as set forth therein.

## 9. Miscellaneous.

9.1 Notices, Etc. Except as otherwise provided herein, all notices, requests, consents, demands, approvals and other communications hereunder shall be deemed to have been duly given, made, served or received if in writing and on the same day as sent when delivered personally or by telecopy, on the third day after being sent when mailed first class mail, postage prepaid, or on the next day after being sent when delivered by an overnight delivery courier, charges prepaid, to the respective parties to this Agreement as follows:

(A) If to Borrower:

AGE Institute of Florida, Inc.  
Professional Arts Building  
25 Penncraft Avenue  
Chambersburg, PA 17201  
Attention: Carol A. Tschop, President

(B) If to Lender:

Genesis Health Ventures, Inc.  
148 West State Street

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The designation of the person to be so notified or the address of such person for the purposes of such notice may be changed from time to time by similar notice in writing, except that any communication with respect to a change of address shall be deemed to be given or made when actually received by the party to whom such communication was sent. No other method of written notice is precluded by this Section.

9.2 Amendments, Etc. No amendment of any provision of this Agreement or the Note shall be effective unless it is in writing and signed by Borrower and Lender, and no waiver of any provision of this Agreement or the Note, nor consent to any departure by Borrower therefrom, shall be effective unless it is in writing and signed by Borrower and Lender and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

9.3 No Waiver; Remedies, Etc. No failure on the part of Lender to exercise, and no delay in exercising, any right hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right under any Loan Document preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of Lender provided herein and in the other Loan Documents are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law. The rights of Lender under any Loan Document against any party thereto are not conditional or contingent on any attempt by Lender to exercise any of its rights under any other Loan Document against such party or against any other person.

9.4 Fees, Costs, Expenses and Taxes. Whether or not any advances under the Working Capital Loan are made hereunder or the transactions contemplated hereby are consummated, Borrower will pay on demand all fees, costs and expenses in connection with the preparation, execution, delivery, filing, and recording, if applicable, of the Loan Documents and the other documents to be delivered under the Loan Documents, and all costs and expenses, if any, in connection with any waiver or amendment of any Loan Document or in connection with the enforcement of the Loan Documents and the other documents to be delivered under the Loan Documents. In addition, Borrower will pay any and all other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording, if applicable, of the Loan Documents and the other documents to be delivered under the Loan Documents, and will save Lender harmless from and against any and all liabilities with respect to or resulting

from any delay in paying or omission to pay such taxes and fees.

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9.5 Severability of Provisions. Any provision of this Agreement or of any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or invalidity without invalidating the remaining portions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

9.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, except that Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Lender.

9.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

9.8 Headings. The captions herein have been inserted solely for convenience of reference and in no way define, limit or describe the scope or substance of any provision of this Agreement.

9.9 Entire Agreement. This Agreement and the other Loan Documents represent the entire agreement between the parties with respect to the transactions contemplated hereby and supersedes all prior agreements and understandings, written or oral.

9.10 Waiver of Jury Trial; Consent to Jurisdiction.

(A) EXCEPT AS PROHIBITED BY LAW, EACH PARTY HERETO WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

(B) BORROWER IRREVOCABLY SUBMITS AND CONSENTS TO THE JURISDICTION OF ANY OF THE COURTS OR THE STATE OF FLORIDA OR THE COMMONWEALTH OF PENNSYLVANIA AND OR ANY FEDERAL COURT SITTING IN THE STATE OF FLORIDA OR THE COMMONWEALTH OF PENNSYLVANIA OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THE LOAN DOCUMENTS, AND BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH COURT. BORROWER AGREES THAT SERVICE OF COPIES OF ANY SUMMONS AND COMPLAINT AND ANY OTHER PROCESS WHICH MAY BE SERVED IN ANY SUCH ACTION MAY BE MADE AT THE ADDRESS SPECIFIED IN Section 9.1 IN THE MANNER PROVIDED BY LAW.

9.11 Exculpation. Notwithstanding anything to the contrary contained in the Loan Documents, the liability and obligation of Borrower to perform and observe and make good the obligations contained in the Loan Documents and to pay the Working Capital Loan in accordance with the provisions of the Note and other Loan Documents shall not be enforced by any action or proceeding wherein damages or any money judgment or any deficiency judgment or any judgment establishing any personal obligation or liability shall be sought, collected or otherwise obtained against Borrower or against any past, present or future partner, officer, director, shareholder or member of Borrower, and Lender for itself and its successors and assigns hereby irrevocably, knowingly, voluntarily and intentionally waives any and all right to sue for, seek or demand any such damages, money judgment, deficiency judgment or personal judgment against Borrower or against any past, present or future partner, officer, director, shareholder or member of Borrower under or by reason of or in connection with any of the Loan Documents and agrees to look solely to the Collateral held under or in connection with the Loan Documents for the enforcement of such liability and obligation of Borrower.

9.12 Governing Law. This Agreement, the Note, and the other Loan Documents and the rights and obligation of the parties thereunder shall be executed, delivered and accepted in the Commonwealth of Pennsylvania and governed by, and construed and interpreted in accordance with, the laws of the State of Florida.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

ATTEST:

AGE INSTITUTE OF FLORIDA, INC.

By: \_\_\_\_\_

Name:  
Title:

Name:  
Title:

ATTEST:

GENESIS HEALTH VENTURES, INC.

\_\_\_\_\_  
Secretary

21597-7  
TPA2-366124.4

By: \_\_\_\_\_

Name:  
Title:

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=====

EXECUTION COPY

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

dated as of October 7, 1996

by and among

GENESIS HEALTH VENTURES, INC. and

certain of its Subsidiaries, as Borrowers,

the institutions identified herein as Lenders,

MELLON BANK, N.A. as Issuer of Letters of Credit,

MELLON BANK, N.A. as Administrative Agent and Co-Syndication Agent,

CITIBANK, N.A. as Co-Syndication Agent, and

other CO-AGENTS specified herein,

\$300,000,000

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## SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of October 7, 1996, by and among GENESIS HEALTH VENTURES, INC., a Pennsylvania corporation (together with its successors, "Genesis"), the Subsidiaries of Genesis which are parties hereto from time to time (collectively with Genesis, the "Borrowers"), the Lenders parties hereto from time to time (together with their successors and assigns, the "Lenders"), MELLON BANK, N.A., a national banking association, as issuer of Letters of Credit hereunder (in such capacity, together with its successors and assigns in such capacity, the "Issuer"), MELLON BANK, N.A., a national banking association, as Administrative Agent, and for the Lenders and the Issuer hereunder and under the other Loan Documents (in such capacity, together with its successors and assigns in such capacity, the "Agent") and as Co- Syndication Agent, CITIBANK, N.A., a national banking association, as Co-Syndication Agent and the other Co-Agents specified in the signature pages hereto.

## W I T N E S S E T H T H A T

WHEREAS, certain Borrowers, certain Lenders, the Issuer and the Agent are parties to that certain Credit Agreement, dated as of November 22, 1993, as amended by that certain First Amendment and Waiver to Loan Documents dated as of July 15, 1994, as further amended by that certain Second Amendment to Credit Agreement dated as of September 23, 1994, as further amended by that certain Third Amendment to Credit Agreement dated as of February 10, 1995, as further amended by that certain Fourth Amendment and Modification to Loan Documents and Consent dated as of June 15, 1995, as further amended by that certain Amended and Restated Credit Agreement dated as of September 29, 1995, as further amended by that First Amendment to Credit Documents, dated as of April 12, 1996, and as further amended by that Second Amendment and Waiver to Loan Documents dated as of July 19, 1996 (as so amended, the "Original Credit Agreement");

WHEREAS, certain Borrowers, certain Lenders and the Agent were parties to a certain Acquisition Credit Agreement, dated as of September 29, 1995, (as amended, the "Acquisition Credit Agreement");

WHEREAS, Genesis Eldercare Properties, Inc. a Borrower under the Original Credit Agreement and Mellon Financial Services Corporation #4

entered into a certain Lease and Agreement, dated as of July 24, 1996 which was a Synthetic Lease (as defined below);

WHEREAS, such Synthetic Lease replaced the Acquisition Credit Agreement and substantially contemporaneously with the closing of such Synthetic Lease, the Borrowers party to the Acquisition Credit Agreement terminated such agreement;

WHEREAS, Genesis Eldercare Properties, Inc., a Borrower hereunder, is concurrently herewith entering into a certain Amended and Restated Lease and Agreement, dated as of the date hereof, with Mellon Financial Services Corporation #4 (as the same may be amended, modified or supplemented from time to time consistent with the terms thereof and Section 7.18 hereof, the "Synthetic Lease Facility") which amends and restates the Synthetic Lease referred to above;

WHEREAS, the Borrowers have requested the Lenders under the Original Credit Agreement to increase the amount of their commitments to Three Hundred Million Dollars (\$300,000,000), to modify the security arrangements such that the collateral will consist solely of equity interests of the Borrowers (but no inventory, accounts or general intangibles) and make certain other changes to the Original Credit Agreement;

WHEREAS, the Borrowers hereunder are the guarantors (and certain Borrowers are the lessee or subtenants) under the Synthetic Lease Facility and the Lenders hereunder are the participants in the debt financing supporting the Synthetic Lease Facility;

WHEREAS, the Lenders are willing so to amend and restate the Original Credit Agreement and so to extend credit to the Borrowers on the terms and subject to the conditions set forth herein; and

WHEREAS, ALL OBLIGATIONS HEREUNDER AND UNDER EACH AGREEMENT AND INSTRUMENT DELIVERED IN CONNECTION HERewith FROM TIME TO TIME SHALL CONSTITUTE "SENIOR INDEBTEDNESS" AND "DESIGNATED SENIOR INDEBTEDNESS" WITHIN THE MEANING OF THE 1993 SUBORDINATED DEBENTURE INDENTURE AND THE 1995 SUBORDINATED NOTE INDENTURE, AND AFTER THE EFFECTIVENESS OF THE 1996 SUBORDINATED NOTE INDENTURE, WITHIN THE MEANING OF THE 1996 SUBORDINATED NOTE INDENTURE (as each such term is defined below);

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained and intending to be legally bound hereby, the parties hereto hereby agree as follows;

#### ARTICLE 1 - DEFINITIONS; CONSTRUCTION

1.1 Certain Definitions. In addition to other words and terms defined elsewhere in this Agreement, as used herein the following words and terms shall have the following meanings,

respectively, unless the context hereof otherwise clearly requires:

"Acquisition" shall mean any acquisition by one or more of the Borrowers or their Restricted Subsidiaries, directly or indirectly, whether in one transaction or in a series of related transactions (and whether by merger, consolidation, acquisition of assets or otherwise) of all or any substantial portion of the ownership interests in or assets of any separate business enterprise.

"Acquisition Cost" shall mean, with respect to any Acquisition, the value in Dollars, of the total consideration paid or payable (whether immediate or deferred and whether in cash, equity or other assets) by any of the Borrowers or any of their Restricted Subsidiaries (such consideration including the amount of any Assumed Indebtedness) for or in respect of the ownership interests or assets being acquired in such Acquisition.

"Adjusted Contract Rate" shall have the meaning set forth in Section 2.12(b) hereof.

"Affiliate" of a Person shall mean (a) any other Person which directly or indirectly controls, or is controlled by, or is under common control with, such Person, (b) any director or officer (or, in the case of a Person which is not a corporation, any individual having analogous powers) of such Person or of a Person who is an Affiliate of such Person, and (c) any individual related to such Person or Affiliate by consanguinity or adoption within the third degree. For purposes of the preceding sentence, "control" of a Person means (a) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise and (b) in any case shall include direct or indirect ownership (beneficially or of record) of, or direct or indirect power to vote, 5% or more of the outstanding shares of any class of capital stock of such Person (or in the case of a Person that is not a corporation, 5% or more of any class of equity interest).

"AGE Florida" shall mean the AGE Institute of Florida, Inc., a Florida not-for-profit corporation and member organization of AGE Institute, a Pennsylvania 501(c)(3) organization.

"AGE Florida Documents" shall mean collectively (a) the AGE Florida Financing Facility and (b) the AGE Florida Management Agreement in each case as the same may be

amended, modified, or supplemented from time to time in accordance with the provisions of Section 7.14 hereof.

"AGE Florida Financing Facility" shall mean collectively that certain Acquisition Loan and Security Agreement dated as of August 31, 1996, and that certain Working Capital Loan and Security Agreement dated as of August 31, 1996, in each case as the same may be amended, modified or supplemented from time to time in accordance with the provisions of Section 7.14 hereof.

"AGE Florida Management Agreement" shall mean the Management and Affiliation Agreement, dated as of August 31, 1996 among AGE Florida, Genesis Eldercare Network Services, Inc. and Genesis.

"Agreement" shall mean this Second Amended and Restated Credit Agreement as the same may be amended, modified or supplemented from time to time in accordance with its terms.

"Applicable Margin" shall mean the incremental amount added to the Prime Rate or Euro-Rate to determine the interest rate on Loans as set forth in Section 2.4(b) hereof.

"Assumed Indebtedness" shall mean Indebtedness incurred by a Person which is not a Borrower or a Restricted Subsidiary of a Borrower and which (a) is existing at the time such Person (or assets of such Person) is acquired by a Borrower or Restricted Subsidiary and (b) is assumed by a Borrower or a Restricted Subsidiary in connection with such Acquisition, other than Indebtedness incurred by the original obligor in connection with, or in contemplation of, such Acquisition.

"Borrowers" shall have the meaning ascribed to such term in the preamble hereto. It is the intent of the parties (and a covenant of the Borrowers below) that each of the Material Restricted Subsidiaries shall at all times be "Borrowers" pursuant to the terms of this Agreement.

"Business Day" shall mean any day other than a Saturday, Sunday, public holiday under the laws of the Commonwealth of Pennsylvania or other day on which banking institutions are authorized or obligated to close in the city in which the Agent's Office is located or in the city in which the Issuer's Office is located.

"Capital Expenditures", with respect to any Person, shall mean, for any period, all expenditures (whether paid in cash or accrued as liabilities) of such Person during

such period which are, or should be, classified as capital expenditures in accordance with GAAP.

"Capitalized Lease" shall mean at any time any lease which is, or should be, capitalized on the balance sheet of the lessee at such time in accordance with GAAP, and "Capitalized Lease Obligation" of any Person at any time shall mean the aggregate amount which is, or should be, reported as a liability on the balance sheet of such Person at such time as lessee under a Capitalized Lease in accordance with GAAP.

"Carry-Over Letters of Credit" shall have the meaning set forth in Section 3.1(e) hereof.

"Cash Equivalent Investments" shall mean any of the following: (i) full faith and credit obligations of the United States of America, or fully guaranteed as to interest and principal by the full faith and credit of the United States of America, maturing in not more than one year from the date such investment is made; (ii) time deposits and certificates of deposit having a final maturity of not more than one year after the date of issuance thereof of any commercial bank incorporated under the laws of the United States of America or any state thereof or the District of Columbia, which bank is a member of the Federal Reserve System and has a combined capital and surplus of not less than \$500,000,000 and with a senior unsecured debt credit rating of at least "A" by Moody's Investors Service, Inc. or "A" by Standard & Poor's Ratings Group; (iii) commercial paper of companies, banks, trust companies or national banking associations (in each case excluding Lessee and its Affiliates) incorporated or doing business under the laws of the United States or one of the States thereof, in each case having a remaining term until maturity of not more than 180 days from the date such investment is made and rated at least P-1 by Moody's Investors Service, Inc. or at least A-1 by Standard & Poor's Ratings Group; and (iv) repurchase agreements with any financial institution having combined capital and surplus of not less than \$500,000,000 with a term of not more than seven days for underlying securities of the type referred to in clause (i) above.

"Cash Flow", with respect to any Person, for any period, shall mean (a) Net Income of such Person plus (b) each of the following to the extent deducted in determining Net Income: (i) Interest Expense, (ii) Rental Expense, (iii) depreciation expense, (iv) amortization expense, (v) taxes and (vi) extraordinary losses minus (c) extraordinary gains to the extent included in determining such Net Income, in each case for such period.

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation and Liability Act, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time.

"CERCLIS" shall mean the Comprehensive Environmental Response, Compensation and Liability Information System List, as the same may be amended from time to time.

"Change of Control" shall mean the occurrence of any of the following events:

(a) any Person, in a single transaction or through a series of related transactions, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of more than 50% of the total Voting Stock (as hereinafter defined) of Genesis;

(b) Genesis consolidates or merges with or into another corporation or conveys, transfers or leases all or substantially all of its assets to any Person, or any corporation consolidates or merges with or into Genesis, in any such event pursuant to a transaction in which the outstanding Voting Stock of Genesis is changed into or exchanged for cash, securities or other property, other than any such transaction where (i) the outstanding Voting Stock of Genesis is changed into or exchanged for (x) Voting Stock of the surviving corporation which is not Redeemable Capital Stock (as hereinafter defined) or (y) cash, securities or other property in an amount which Genesis would not be prohibited, under Section 5.10 of the 1995 Subordinated Note Indenture if then in effect, from paying as a Restricted Payment (as defined in the 1995 Subordinated Note Indenture), and (ii) the holders of the Voting Stock of Genesis immediately prior to such transaction own, directly or indirectly, not less than 50% of the Voting Stock of the surviving corporation immediately after such transaction;

(c) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors of Genesis (together with any new directors whose election by such Board of Directors or whose nomination for election by the stockholders of Genesis was approved by a vote of at least 66-2/3% of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for election was

constitute a majority of the Board of Directors of Genesis then in office; or

(d) Genesis is liquidated or dissolved or adopts a plan of liquidation.

For purposes of this definition of "Change of Control," (A) "Voting Stock" shall mean stock of the class or classes pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of a corporation (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency); (B) "Redeemable Capital Stock" of a Person shall mean any capital stock or equity interests that, either by its terms, by the terms of any security into which it is convertible or exchangeable or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to any stated maturity of the principal of the 1995 Subordinated Notes or is redeemable at the option of the holder thereof at any time prior to any such stated maturity, or is convertible into or exchangeable for debt securities at any time prior to any such stated maturity at the option of the holder thereof; and (C) "Board of Directors" of Genesis shall mean the board of directors of Genesis or the executive committee of Genesis.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time.

"Collateral" shall mean the collateral in respect of the Letter of Credit Collateral Account from time to time and the collateral subject to, or purported to be subject to, the Liens of the Pledge Agreement from time to time.

"Collateral Agency Agreement" shall mean the Second Amended and Restated Collateral Agency Agreement, dated as of the date hereof, in substantially the form attached hereto as Exhibit B, as the same may be amended, modified or supplemented from time to time consistent with the terms hereof.

"Collateral Agent" shall have the meaning assigned to that term in the Collateral Agency Agreement.

"Commitment Fee" shall have the meaning set forth in



"Commitment Fee Factor" shall have the meaning set forth in Section 2.10(a) hereof.

"Commitment Percentage" of a Lender at any time shall mean the Commitment Percentage for such Lender set forth below its name on Exhibit F hereto, subject to transfer to or purchase from another Lender as provided in Section 10.15 hereof.

"Commitment" shall mean, with respect to any Lender, the obligation of such Lender to make Loans pursuant to the terms of this Agreement and, with respect to all Lenders, the sum of all of the Lenders' Commitments.

"Controlled Group Member" shall mean each trade or business (whether or not incorporated) which together with any Borrower or any Subsidiary of any Borrower is treated as a single employer under Sections 4001(a)(14) or 4001(b)(1) of ERISA or Sections 414(b), (c), (m) or (o) of the Code.

"Dollar," "Dollars" and the symbol "\$" shall mean lawful money of the United States of America.

"Edella Street Intercreditor Agreement" shall mean that certain Intercreditor Agreement, dated as of November 30, 1993 among (a) First Fidelity Bank, N.A., Pennsylvania (formerly Fidelity Bank, National Association), as Trustee (relating to Edella Street Associates Project), (b) Edella Street Associates, a Pennsylvania limited partnership and (c) Genesis, as it may be amended, modified or supplemented from time to time.

"Effective Date" shall mean the date on which this Agreement shall become effective pursuant to the terms of Section 5.1.

"Environmental Affiliate" shall mean, with respect to any Person, any other Person whose liability (contingent or otherwise) for any Environmental Claim such Person has retained, assumed or otherwise is liable for (by Law, agreement or otherwise).

"Environmental Approvals" shall mean any Governmental Action pursuant to or required under any Environmental law.

"Environmental Claim" shall mean, with respect to any Person, any action, suit, proceeding, investigation, notice, claim, complaint, demand, request for information or other communication (written or

oral) by any other Person (including but not limited to any Governmental Authority, citizens' group or present or former employee of such Person) alleging, asserting or claiming any actual or

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potential (a) violation of any Environmental Law, (b) liability under any Environmental Law or (c) liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, fines or penalties arising out of, based on or resulting from the presence, or release into the environment, of any Environmental Concern Materials at any location, whether or not owned by such Person.

"Environmental Cleanup Site" shall mean any location which is listed or proposed for listing on the National Priorities List (as established under CERCLA), on CERCLIS or on any similar state list of sites requiring investigation or cleanup, or which is the subject of any pending or threatened action, suit, proceeding or investigation related to or arising from any alleged violation of any Environmental Law.

"Environmental Concern Materials" shall mean (a) any flammable substance, explosive, radioactive material, hazardous material, hazardous waste, toxic substance, solid waste, pollutant, contaminant or any related material, raw material, substance, product or by-product of any substance specified in or regulated or otherwise affected by any Environmental Law (including but not limited to any "hazardous substance" as defined in CERCLA or any similar state Law), (b) any toxic chemical or other substance from or related to industrial, commercial or institutional activities, and (c) asbestos, gasoline, diesel fuel, motor oil, waste and used oil, heating oil and other petroleum products or compounds, polychlorinated biphenyls, radon and urea formaldehyde.

"Environmental Law" shall mean any Law, whether now existing or subsequently enacted or amended, relating to (a) pollution or protection of the environment, including natural resources, (b) exposure of Persons, including but not limited to employees, to Environmental Concern Materials, (c) protection of the public health or welfare from the effects of products, by-products, wastes, emissions, discharges or releases of Environmental Concern Materials or (d) regulation of the manufacture, use or introduction into commerce of Environmental Concern Materials including their manufacture, formulation, packaging, labeling, distribution, transportation, handling, storage or disposal. Without limitation, "Environmental Law" shall also include any Environmental Approval and the terms and conditions thereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and any successor statute

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of similar import, and regulations thereunder, in each case as in effect from time to time.

"Euro-Rate" shall have the meaning set forth in Section 2.4(a) hereof.

"Euro-Rate Option" shall have the meaning set forth in Section 2.4(a) hereof.

"Euro-Rate Portion" of any Loan or Loans shall mean at any time the portion of such Loans bearing interest under the Euro-Rate Option or at a rate calculated by reference to the Euro-Rate under Section 2.11(d) hereof. A "Euro-Rate Portion" may either refer to a specific Loan with a specified Funding Period or all Loans bearing interest at the Euro-Rate Option, as the context requires.

"Euro-Rate Reserve Percentage" shall have the meaning set forth in Section 2.4(a) hereof.

"Event of Default" shall mean any of the Events of Default described in Section 8.1 hereof.

"Federal Funds Effective Rate" for any day shall mean the rate per annum determined by the Agent (which determination shall be conclusive) to be the rate per annum announced by the Federal Reserve Bank of New York on such day as being the weighted average of the rates on overnight Federal funds transactions arranged by federal funds brokers on the previous trading day, or, if such Federal Reserve Bank does not announce such rate on any day, the rate for the last day on which such rate was announced.

"First Mortgage Bond Documents" shall mean, collectively, (a) the Indenture of Mortgage and Deed of Trust, dated as of September 1, 1992, from Genesis to Delaware Trust Company (as Corporate Trustee) and Richard N. Smith (as Individual Trustee), relating to the First Mortgage Bonds described in clause (a) of the definition of "First Mortgage Bonds" herein; (b) the Trust Indenture, dated as of June 1, 1992, from the Luzerne County Industrial Development Authority to Fidelity Bank, National Association, as Trustee, relating to the First Mortgage Bonds described in clause (b) of the definition of "First Mortgage Bonds" herein; (c) the Trust Indenture, dated as of June 1, 1992, from the Lackawanna County Industrial Development Authority to

Fidelity Bank, National Association, as Trustee, relating to the First Mortgage Bonds described in clause (c) of the definition of "First Mortgage Bonds" herein; (d) the Installment Sale Agreement, dated as of June 1, 1992, between the Luzerne County Industrial Development Authority and River Street

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Associates; (e) the Installment Sale Agreement, dated as of June 1, 1992, between the Lackawanna County Industrial Development Authority and Edella Street Associates; (f) all other documents, instruments and agreements securing, constituting a Guaranty with respect to, or otherwise relating to the foregoing; and (g) all amendments, supplements and modifications from time to time to any of the foregoing, to the extent permitted under this Agreement.

"First Mortgage Bonds" shall mean, collectively, (a) the 9-1/4% First Mortgage Bonds (Series A) Due 2007 issued by Genesis in the original aggregate principal amount of \$25,000,000; (b) the First Mortgage Revenue Refunding Bonds, Series of 1992 (River Street Associates Project) issued by the Luzerne County Industrial Development Authority in the original aggregate principal amount of \$3,915,000; and (c) the First Mortgage Revenue Refunding Bonds, Series of 1992 (Edella Street Associates Project) issued by the Lackawanna County Industrial Development Authority in the original aggregate principal amount of \$4,115,000.

"Fixed Charge Coverage Ratio" shall mean, as of any date of determination:

(a) Cash Flow of Genesis and its Restricted Subsidiaries on a consolidated basis for the four fiscal quarters ending on, or most recently prior to, such date of determination

divided by

(b) the sum of (i) Interest Expense and Rental Expense of Genesis and its Restricted Subsidiaries on a consolidated basis for the four fiscal quarters ending on, or most recently prior to such date of determination and (ii) principal payments scheduled or required to be made by Genesis and its Restricted Subsidiaries on any Indebtedness (including (without duplication) principal obligations under the Synthetic Lease Facility) during the four fiscal quarters beginning on, or most recently prior to, the date of determination.

"Funding Breakage Date" shall have the meaning set forth in Section 2.12(b) hereof.

"Funding Breakage Indemnity" shall have the meaning set forth in Section 2.12(b) hereof.

"Funding Periods" shall have the meaning set forth in Section 2.4(c) hereof.

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"Future Value Amount" shall have the meaning set forth in Section 2.12(b) hereof.

"GAAP" shall have the meaning set forth in Section 1.3 hereof.

"Geri-Med Debt" shall mean any Assumed Indebtedness which a Borrower or Restricted Subsidiary may assume in connection with an Acquisition of Geriatric & Medical Companies, Inc., in accordance with the terms of this Agreement, so long as such Assumed Indebtedness is as set forth on Schedule 1.1 hereto, which schedule sets forth a list of such Assumed Indebtedness and includes the following information with respect thereto: the term, the interest rate, material prepayment provisions and certain other material terms.

"Governmental Action" shall have the meaning set forth in Section 4.4 hereof.

"Governmental Authority" shall mean any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

"Guaranty" shall mean, with respect to any Person (a "Guarantor"), any contractual or other obligation, contingent or otherwise, of such Person to pay any Indebtedness or other obligation of any other Person or to otherwise protect the holder of any such Indebtedness or other obligation against loss (whether such obligation arises by agreement to pay, to keep well, to purchase assets, goods, securities or services or otherwise) provided, however, that the term "Guaranty" shall not include an endorsement for collection or deposit in the ordinary course of business. The term, "Guaranty," when used as a verb has the correlative meaning.

"Indebtedness" of any Person shall mean (without duplication):

(a) All obligations on account of money borrowed by, or credit extended to or on behalf of, or for or on account of deposits with or advances to, such Person;

(b) All obligations of such Person evidenced by bonds, debentures, notes or similar instruments;

(c) All obligations of such Person for the deferred purchase price of property or services;

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(d) All obligations secured by a Lien on property owned by such Person (whether or not assumed) provided, however, for purposes of determining the amount of such Indebtedness under this clause (d), the amount of any such non-recourse Indebtedness shall be limited to the fair market value of the asset subject to such Lien; and all obligations of such Person under Capitalized Leases (without regard to any limitation of the rights and remedies of the holder of such Lien or the lessor under such Capitalized Lease to repossession or sale of such property);

(e) The face amount of all letters of credit issued for the account of such Person and, without duplication, the unreimbursed amount of all drafts drawn thereunder, and all other obligations of such Person associated with such letters of credit or draws thereon;

(f) All obligations of such Person with respect to acceptances or similar obligations issued for the account of such Person;

(g) All obligations of such Person under a product financing or similar arrangement described in paragraph 8 of FASB Statement of Accounting Standards No. 49 or any similar requirement of GAAP;

(h) All obligations of such Person under any Interest Rate Hedging Agreement or any currency protection agreement, currency future, option or swap or other currency hedge agreement;

(i) all Guaranties of such Person; and

(j) all obligations of such Person under, or in respect of, any Synthetic Leases.

Indebtedness shall not include accounts payable to trade creditors arising out of purchases of goods or services in the ordinary course of business, provided that (i) such accounts payable are payable on usual and customary trade terms, and (ii) such accounts payable are not overdue by more than 60 days according to the original terms of sale except (if no foreclosure, distraint, levy, sale or similar proceeding shall have been commenced) where such payments are being contested in good faith by appropriate proceedings diligently conducted and subject to such reserves or other appropriate provisions as may be required by GAAP. Indebtedness of Genesis and/or its Restricted Subsidiaries shall include any Indebtedness of any Unrestricted Entities

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for which there is recourse to Genesis and/or such Restricted Subsidiaries.

"Indemnified Parties" shall mean the Lender Parties and their respective Affiliates and (without duplication) the directors, officers, employees, attorneys and agents of each of the foregoing.

"Intercreditor Agreements" shall mean (a) the Edella Street Intercreditor Agreement and (b) the River Street Intercreditor Agreement.

"Interest Expense" shall mean, for any Person, for any period, the sum (without duplication) of (a) all interest accrued (or accreted) on Indebtedness of such Person during such period whether or not actually paid (including (without duplication) any obligations under any Synthetic Leases in respect of the interest or yield component of rent) plus (b) the net amount accrued under any Interest Rate Hedging Agreements (or less the net amount receivable thereunder) during such period.

"Interest Rate Hedging Agreement" shall mean any interest rate swap, cap or collar agreement.

"Investments" shall have the meaning set forth in Section 7.5 hereof.

"Joinder Effective Date" shall have the meaning set forth in Section 10.16 hereof.

"Joinder Supplement" shall have the meaning set forth in Section 10.16 hereof.

"Joining Subsidiary" shall have the meaning set forth in Section 10.16 hereof.

"Law" shall mean any law (including common law), constitution, statute, treaty, convention, regulation, rule, ordinance, order, injunction, writ, decree or award of any Governmental Authority.

"Lender" shall have the meaning set forth in the preamble hereto.

"Lender Parties" shall mean collectively the Lenders, the Issuer, and the Agent.

"Letter of Credit" shall have the meaning set forth in Section 3.1(a) hereof.

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"Letter of Credit Availability" shall mean, as of any particular date, the difference (but not less than zero) of

(i) the lower of (A) and (B) where (A) is the difference between the amount of the Commitment as of such date and the aggregate principal amount of the Loans then outstanding or requested hereunder and (B) is \$25,000,000,

minus

(ii) the sum of the Letter of Credit Usage plus the face amount of all Letters of Credit requested (but not yet issued) as of such date.

"Letter of Credit Collateral Account" shall have the meaning set forth in Section 3.7(b) hereof.

"Letter of Credit Commission" shall have the meaning set forth in Section 2.10(b) hereof.

"Letter of Credit Disbursement" shall mean any payment or disbursement by the Issuer under any Letter of Credit, and "Letter of Credit Disbursement Date" shall mean the date on which any such Letter of Credit Disbursement is made.

"Letter of Credit Facing Fee" shall have the meaning set forth



in Section 2.10(b) hereof.

"Letter of Credit Participation" shall have the meaning set forth in Section 3.3(a) hereof.

"Letter of Credit Undrawn Availability" with respect to a specific Letter of Credit shall mean, as of any particular date, the maximum aggregate amount which is then available for drawing under such Letter of Credit (assuming compliance with all conditions for drawing under such Letter of Credit).

"Letter of Credit Usage" shall mean, as of any particular date, the sum of (i) the aggregate Letter of Credit Undrawn Availability for all Letters of Credit outstanding on such date plus (ii) the aggregate amount of all Reimbursement Obligations of the Borrowers outstanding as of such date.

"Lien" shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, including but not limited to any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security.

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"Loans" shall have the meaning set forth in Section 2.1 hereof.

"Loan Documents" shall mean this Agreement, the Notes, the Transfer Supplements, the Letters of Credit, the Security Documents, each Joinder Supplement and all other agreements and instruments executed in connection herewith or therewith in each case as the same may be amended, modified or supplemented from time to time.

"Loan Obligations" shall mean all obligations, from time to time, of any Loan Party to any Lender Party or other Indemnified Party under, or arising out of, this Agreement or any Loan Document.

"Loan Parties" shall mean the Borrowers and any other Person who from time to time grants or purports to grant to the Collateral Agent a Lien on any property pursuant to the Security Documents or is a Guarantor of any Loan Obligations.

"London Business Day" shall mean a day for dealing in deposits in Dollars by and among banks in the London interbank market and which is a Business Day.

"Management Agreement" shall mean any agreement pursuant to which Genesis or any Restricted Subsidiary manages the business of another Person that is not a Restricted Subsidiary.

"Material Adverse Effect" shall mean (a) a material adverse effect on the business, operations, condition (financial or otherwise) or prospects of the Borrowers taken as a whole or the Borrowers and the Restricted Subsidiaries taken as a whole or (b) an adverse effect on the legality, validity, binding effect or enforceability of any Loan Document, or the ability of the Collateral Agent or any Lender Party to enforce any rights or remedies under or in connection with any Loan Document.

"Maturity Date" shall mean the date which is five years after the date hereof, or, if earlier, the date when all of the Commitments shall have terminated pursuant to the terms of Section 2.2 below.

"Material Restricted Subsidiaries" shall mean, at any time, any Subsidiary of Genesis designated as a Material Restricted Subsidiary pursuant to the provisions of Section 7.6 below.

"Mellon" shall mean Mellon Bank, N.A., a national banking association, and any successor.

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"Multiemployer Plan" shall mean any employee benefit plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which any Loan Party, any Subsidiary of any Loan Party or any other Controlled Group Member has or had an obligation to contribute.

"Net Cash Proceeds" shall mean, with respect to any Recapture Event, the gross proceeds thereof in the form of cash or cash equivalents, net of the sum of the following (without duplication): (A) payments made to retire obligations (other than to a Borrower or a Restricted Subsidiary) that are attributable to or secured by the properties that are the subject of such Recapture Event, (B) reasonable brokerage commissions and other reasonable fees and expenses (including reasonable fees and expenses of legal counsel and investment bankers) related to such Recapture Event and (C) all taxes actually paid or estimated in good faith to be or become payable as a result of such Recapture Event.

"Net Income" shall mean, with respect to any Person, for any period the net earnings (or loss) after taxes of such Person for such period; provided, that there shall be excluded from the determination

thereof (a) income (or loss) accounted for by such Person on the equity method because of the income (or deficit) during such period of any other Person in which the former Person had an ownership interest to the extent that any amount was not actually received by such Person, (b) income (or loss) of a foreign consolidated Subsidiary of such Person to the extent that any amount was not actually received by such Person, (c) the undistributed earnings of any consolidated Subsidiary of such Person to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is restricted, (d) any restoration to income of any contingency reserve, except to the extent that provision for such reserve was made against income during such period, and (e) any gain arising from the acquisition of any securities, or the extinguishment, under GAAP, of any Indebtedness, of such Person. Net Income of Genesis and its Restricted Subsidiaries shall exclude any income (or loss) that is attributable to, or derived from, any consolidated Unrestricted Entity.

"1993 Subordinated Debenture Indenture" shall mean the Indenture dated as of November 30, 1993 between Genesis and First Fidelity Bank, N.A., Pennsylvania, as Trustee, relating to the 1993 Subordinated Debentures, as such Indenture may be amended, modified or supplemented from time to time in accordance with the terms of this Agreement.

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"1993 Subordinated Debentures" shall mean the Genesis' 6% Convertible Senior 1993 Subordinated Debentures due November 30, 2003 issued under the 1993 Subordinated Debenture Indenture in the original aggregate principal

amount of \$86,250,000.

"1995 Subordinated Note Indenture" shall mean the Indenture dated as of June 15, 1995 between Genesis and Delaware Trust Company, as Trustee, relating to the 1995 Subordinated Notes, as such Indenture may be amended, modified or supplemented from time to time in accordance with the terms of this Agreement.

"1995 Subordinated Notes" shall mean Genesis' 9-3/4% Senior Subordinated Notes issued under the 1995 Subordinated Note Indenture in the original aggregate principal amount of \$120,000,000.

"1996 Subordinated Note Indenture" shall mean an indenture, on substantially the terms described in the Preliminary Offering Memorandum dated September 30, 1996, with such changes thereto as shall not be adverse to the interests of the Lender Parties hereunder, and with subordination provisions substantially similar to those in the

1995 Subordinated Note Indenture, as such 1996 Subordinated Note Indenture may be amended, modified or supplemented from time to time in accordance with the terms of this Agreement.

"1996 Subordinated Notes" shall mean the senior subordinated notes issued pursuant to the 1996 Subordinated Note Indenture, which notes shall be subordinated to the Loan Obligations as set forth in the 1996 Subordinated Note Indenture and shall be in an aggregate principal amount not exceeding One Hundred and Twenty Five Million Dollars (\$125,000,000).

"Non-Material Restricted Subsidiary" shall mean, at any time, any "Non-Material Restricted Subsidiary" designated pursuant to Section 7.6 hereof.

"Note" shall mean each promissory note of the Borrowers executed and delivered under Section 2.1(c) hereof, substantially in the form of Exhibit A hereto, together with any allonges thereto from time to time and any promissory note issued in substitution therefor pursuant to the terms hereof, together with all extensions, renewals, refinancings or refundings thereof in whole or part, in each case as the same may be amended, modified or supplemented from time to time.

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"Notional Euro-Rate Funding Office" shall have the meaning set forth in Section 2.15(a) hereof.

"Office," (a) when used in connection with the Agent shall mean its office located at Mellon Bank Center, 1735 Market Street, Philadelphia, Pennsylvania 19103; (b) when used in connection with the Issuer shall mean its office located at Three Mellon Bank Center, Pittsburgh, Pennsylvania 15259; and (c) when used in connection with any Lender, shall mean such Lender's office at such domestic address as is specified for such Lender on the signature pages hereof, provided, that in each case, the office may be changed by the specified Person by notice to the other parties hereto.

"Officer's Compliance Certificate" shall mean a certificate, as of a specified date, of a Responsible Officer of Genesis as to each of the following: (a) the absence of any Event of Default or Potential Default on such date, (b) the truth of the representations and warranties herein and in the other Loan Documents as of such date and (c) compliance (or if required by the terms of this Agreement respecting the delivery of any such Officer's Compliance Certificate, pro forma compliance after taking account of such acquisitions, dispositions, indebtedness or other events as this Agreement shall direct for such pro forma compliance statement) with the financial

covenants set forth in Section 7.1 and the financial limitations set forth in Sections 7.3(j), 7.5(f), 7.7, 7.8(d), 7.9(b) and 7.10(e) hereof.

"Option" shall mean the Prime Rate Option or the Euro- Rate Option, as the case may be.

"Original Credit Agreement" shall have the meaning set forth in the recitals hereof.

"PBGC" shall mean the Pension Benefit Guaranty Corporation established under Title IV of ERISA or any other governmental agency, department or instrumentality succeeding to the functions of said corporation.

"Pension-Related Event" shall mean any of the following events or conditions:

(a) Any action is taken by any Person (i) to terminate, or which would result in the termination of, a Plan, either pursuant to its terms or by operation of law (including any amendment of a Plan which would result in a termination under Section 4041(e) of ERISA), or (ii) to have a trustee appointed for a Plan pursuant to Section 4042 of ERISA;

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(b) PBGC notifies any Person of its determination that an event described in Section 4042 of ERISA has occurred with respect to a Plan, that a Plan should be terminated, or that a trustee should be appointed for a Plan;

(c) Any Reportable Event occurs with respect to a Plan;

(d) Any action occurs or is taken which could result in any Loan Party, any Subsidiary of any Loan Party or any other Controlled Group Member becoming subject to liability for a complete or partial withdrawal by any Person from a Multiemployer Plan (including seller liability incurred under Section 4204(a)(2) of ERISA), or any Loan Party, any Subsidiary of any Loan Party or any other Controlled Group Member receives from any Person a notice or demand for payment on account of any such alleged or asserted liability; or

(e) (i) There occurs any failure to meet the minimum

funding standard under Section 302 of ERISA or Section 412 of the Code with respect to a Plan, or any tax return is filed showing any tax payable under Section 4971(a) of the Code with respect to any such failure, or any Loan Party, any Subsidiary of any Loan Party or any other Controlled Group Member receives a notice of deficiency from the Internal Revenue Service with respect to any alleged or asserted such failure, or (ii) any request is made by any Person for a variance from the minimum funding standard, or an extension of the period for amortizing unfunded liabilities, with respect to a Plan.

"Permitted Liens" shall have the meaning set forth in Section 7.2 hereof.

"Person" shall mean an individual, corporation, partnership, trust, unincorporated association, joint venture, joint-stock company, Governmental Authority or any other entity.

"Plan" shall mean any employee pension benefit plan within the meaning of Section 3(2) of ERISA (other than a Multiemployer Plan) covered by Title IV of ERISA by reason of Section 4021 of ERISA, of which any Loan Party, any Subsidiary of any Loan Party or any other Controlled Group Member is or has been within the preceding five years a "contributing sponsor" within the meaning of Section 4001(a)(13) of ERISA, or which is or has been within the preceding five years maintained for employees of any Loan

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Party, any Subsidiary of any Loan Party or any other Controlled Group Member.

"Pledge Agreement" shall mean the Amended and Restated Pledge Agreement, dated as of the date hereof, in substantially the form of Exhibit C hereto, as the same may be amended, modified or supplemented from time to time in accordance with the terms hereof.

"Postretirement Benefits" shall mean any benefits, other than retirement income, provided by any Borrower to retired employees, or to their spouses, dependents or beneficiaries, including group medical insurance or benefits, or group life insurance or death benefits.

"Potential Default" shall mean any event or condition which with notice, passage of time or a determination by the Required Lenders, or any combination of the foregoing, would constitute an Event of Default.

"Present Value Amount" shall have the meaning set forth in

Section 2.12(b) hereof.

"Prime Rate" shall mean the interest rate per annum announced from time to time by Mellon as its prime rate. The Prime Rate may be greater or less than other interest rates charged by Mellon to other borrowers.

"Prime Rate Option" shall have the meaning set forth in Section 2.4(a) hereof.

"Prime Rate Portion" of any Loan or Loans shall mean at any time the portion, of such Loan or Loans bearing interest at such time (i) under the Prime Rate Option or (ii) in accordance with Section 2.11(d) hereof.

"Pro Rata Share" of each Lender shall mean a share proportional to such Lender's Commitment Percentage.

"Qualifying Interest Rate Hedging Agreements" at any time shall mean Interest Rate Hedging Agreements to which Genesis is a party and which is on terms and conditions (including without limitation the counterparties thereto) satisfactory to the Agent; provided, however, the notional amounts covered by all such Interest Rate Hedging Agreements at any time outstanding shall not exceed \$50,000,000 in the aggregate. With respect to any Qualifying Interest Rate Hedging Agreement having a Lender as the counterparty, the Agent shall, if requested by Genesis, consent to a joinder supplement to the Collateral Agency Agreement whereby, subject to the terms of the Collateral Agency Agreement, such Qualifying Interest Rate Hedging Agreement shall be

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entitled to the security provided for in the Security Documents.

"Quarterly Compliance Certificate" shall have the meaning set forth in Section 6.1(d) hereof.

"Recapture Event" shall mean any sale, assignment, transfer or other disposition by any Borrower or any Restricted Subsidiary of any assets (other than inventory or other assets sold or disposed of in the ordinary course of business according to ordinary business terms, and other than obsolete or worn-out assets), in each case whether now owned or hereafter acquired, provided, however, that any sale of Synthetic Lease Property shall not constitute a Recapture Event.

"Redeployment Period" shall have the meaning set forth in Section 2.12(b) hereof.

"Redeployment Rate" shall have the meaning set forth in Section 2.12(b) hereof.

"Regular Payment Date" shall mean the last day of each March, June, September and December after the date hereof.

"Reimbursement Obligation" shall have the meaning set forth in Section 3.4(a) hereof.

"Related Litigation" shall have the meaning set forth in Section 10.17(b) hereof.

"Rental Expense" shall mean, with respect to any Person for any period, the aggregate rental obligations of such Person, payable in respect of any leases other than Capital Leases or Synthetic Leases during such period, but in any case including obligations for taxes, insurance, maintenance and similar costs which the lessee is obligated to pay under the terms of such leases and which are attributable to the leases for such period (whether such amounts are accrued or paid during such period).

"Reportable Event" shall mean (i) a reportable event described in Section 4043 of ERISA and regulations thereunder, (ii) a withdrawal by a substantial employer from a Plan to which more than one employer contributes, as referred to in Section 4063(b) of ERISA, (iii) a cessation of operations at a facility causing more than twenty percent (20%) of Plan participants to be separated from employment, as referred to in Section 4062(e) of ERISA, or (iv) a failure to make a required installment or other payment with respect to a Plan when due in accordance with Section 412 of the Code or Section 302 of ERISA which causes the total

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unpaid balance of missed installments and payments (including unpaid interest) to exceed \$750,000.

"Required Lenders" shall mean, as of any date, Lenders holding, in the aggregate, at least 51% of the Commitment.

"Responsible Officer" of a Person shall mean the President, the Chief Executive Officer, any Vice President, the Controller, the Treasurer or the Chief Financial Officer of such Person.

"Restricted Subsidiaries" shall mean all direct and indirect Subsidiaries of Genesis other than Unrestricted Entities. When



reference is made to Restricted Subsidiaries of a specified Person, it shall mean Restricted Subsidiaries that are Subsidiaries of such Person. Restricted Subsidiaries shall be either "Material Restricted Subsidiaries" or "Non-Material Restricted Subsidiaries" as designated by Genesis pursuant to the terms of this Agreement.

"Revolver Participant" shall have the meaning set forth in Section 10.15(b) hereof.

"River Street Intercreditor Agreement" shall mean that certain Intercreditor Agreement, dated as of November 30, 1993 among (a) First Fidelity Bank, N.A., Pennsylvania (formerly Fidelity Bank, National Association), as Trustee under a Trust Indenture dated as of June 1, 1992 relating to \$3,915,000 aggregate principal amount of First Mortgage Revenue Refunding Bonds, Series of 1992 (River Street Associates Project), (b) River Street Associates, a Pennsylvania limited partnership, (c) the Collateral Agent and (d) Genesis, as it may be amended, modified or supplemented from time to time.

"Secured Parties" shall have the meaning ascribed to such term in the Collateral Agency Agreement.

"Security Documents" shall mean the Collateral Agency Agreement, the Pledge Agreement, and any other agreement or instrument from time to time granting or purporting to grant the Agent or the Collateral Agent a Lien in any property for the benefit of the Lender Parties to secure the Loan Obligations, or constituting a Guaranty for such Loan Obligations, or subordinating other obligations to such Loan Obligations.

"Senior Funded Debt/Cash Flow Ratio" shall mean as at any date of determination:

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(a) Senior Funded Indebtedness as of such date of determination

divided by

(b) Cash Flow of Genesis and its Restricted Subsidiaries on a consolidated basis for the four fiscal quarters ending on, or most recently prior to, such date of determination.

"Senior Funded Indebtedness" at any time shall mean Total Funded Indebtedness of Genesis and its Restricted Subsidiaries on a consolidated basis, other than (a) Indebtedness which is evidenced by

the 1993 Subordinated Debentures, (b) Indebtedness which is evidenced by the 1995 Subordinated Notes and (c) any other Indebtedness which is both permitted under the terms of this Agreement and expressly subordinated in right of payment to all Loan Obligations under terms satisfactory to the Agent.

"Silver Lake Bristol Documents" shall mean any agreement or instrument relating to financing of a nursing facility known on November 30, 1993 as "Silver Lake Bristol" which financing constitutes Indebtedness of any Borrower or any Subsidiary of any Borrower or with respect to which any Borrower or any Subsidiary of any Borrower provides a Guaranty, in each case as the same may be amended, modified or supplemented from time to time.

"Silver Lake Dover Documents" shall mean (a) the Trust Indenture dated as of February 1, 1993 between The Delaware Economic Development Authority and Fidelity Bank, National Association, as Trustee, relating to The Delaware Economic Development Authority's First Mortgage Revenue Refunding Bonds (Dover Health Care Associates, Inc. Project), (b) the Loan Agreement referenced in such Trust Indenture, (c) the Guaranty Agreement dated as of February 1, 1993 between Genesis and The Delaware Economic Development Authority and (d) any other agreement or instrument providing for security for or a Guaranty of the obligations under or with respect to the documents described in this definition or the Bonds issued under such Trust Indenture, in each case as the same may be amended, modified or supplemented from time to time.

"Solvent" shall mean, with respect to the Borrowers (treated as if they comprised a single consolidated entity) at any time, that at such time (a) the sum of the debts and liabilities (including contingent liabilities) of the Borrowers is not greater than all of the assets of the Borrowers at a fair valuation, (b) the present value of the assets at fair valuation of the Borrowers is not less than the amount that will be required to pay the probable

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liability of the Borrowers on their debts as they become absolute and matured, (c) the Borrowers have not incurred, will not incur, do not intend to incur, and do not believe that they will incur, debts or liabilities (including contingent liabilities) beyond their ability to pay as such debts and liabilities mature, (d) the Borrowers are not engaged in, and are not about to engage in, a business or a transaction for which their property constitutes or would constitute unreasonably small capital, and (e) the Borrowers are not otherwise insolvent as defined in, or otherwise in a condition which could in any circumstances then or subsequently render any transfer, conveyance,

obligation or act then made, incurred or performed by them avoidable or fraudulent pursuant to, any Law that may be applicable to them pertaining to bankruptcy, insolvency or creditors' rights (including but not limited to the Bankruptcy Code of 1978, as amended, and, to the extent applicable to them, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act, or any other applicable Law pertaining to fraudulent conveyances or fraudulent transfers or preferences).

"Standard Notice" shall mean an irrevocable notice provided to the Agent on a Business Day which is

(a) At least one Business Day in advance in the case of (i) the making of any Loan to which only the Prime Rate Option shall be applicable, (ii) conversion to or renewal of a Loan to which only the Prime Rate Option shall be applicable or (iii) prepayment of any Prime Rate Portion; and

(b) At least three London Business Days in advance in the case of (i) the making of any Loan to which the Euro-Rate Option shall be applicable in whole or in part, (ii) conversion to or renewal of a Loan to which the Euro-Rate Option shall be applicable in whole or in part or (iii) prepayment of any Euro-Rate Portion.

Standard Notice must be provided no later than 10:00 o'clock a.m., Philadelphia, Pennsylvania time, on the last day permitted for such notice.

"Stock Payment" by any Person shall mean any dividend, distribution or payment of any nature (whether in cash, securities, or other property) on account of or in respect of any shares of the capital stock (or warrants, options or rights therefor) of such Person, including but not limited to any payment on account of the purchase, redemption, retirement, defeasance or acquisition of any shares of the

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capital stock (or warrants, options or rights therefor) of such Person, in each case regardless of whether required by the terms of such capital stock (or warrants, options or rights) or any other agreement or instrument.

"Subordinated Affiliate Notes" shall mean promissory notes issued, from time to time, by a Borrower to an Affiliate which is not a Borrower evidencing an obligation of such Borrower to repay a cash advance, in each case made in accordance with terms of this Agreement and having maturities, subordination provisions, and the other terms which shall be reasonably satisfactory in form and substance to the

"Subsidiary" of a Person at any time shall mean

(a) any corporation of which a majority (by number of shares or number of votes) of any class of outstanding capital stock normally entitled to vote for the election of one or more directors (regardless of any contingency which does or may suspend or dilute the voting rights of such class) is at such time owned directly or indirectly, beneficially or of record, by such Person or one or more Subsidiaries of such Person;

(b) any trust of which a majority of the beneficial interest is at such time owned directly or indirectly, beneficially or of record, by such Person or one or more Subsidiaries of such Person; and

(c) any partnership, joint venture or other entity of which ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at such time owned directly or indirectly, beneficially or of record, by, or which is otherwise controlled directly, indirectly or through one or more intermediaries by, such Person or one or more Subsidiaries of such Person;

"Synthetic Lease" shall mean any lease (other than a Capital Lease) wherein the lessee is treated (or purported to be treated) as the owner of the leased property for income tax purposes, including the Synthetic Lease Facility.

"Synthetic Lease Facility" shall have the meaning ascribed to such term in the recitals to this Agreement.

"Synthetic Lease Facility Documents" shall mean the Synthetic Lease Facility, any subleases entered into from time to time pursuant to Section 12.1(a) of the Synthetic Lease Facility (or any successor Section thereto) and all

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other documents, agreements and instruments delivered thereunder or in connection therewith, as the same may be amended, modified or supplemented from time to time in accordance with the terms of Section 7.18 of this Agreement.

"Synthetic Lease Participant" shall have the meaning ascribed

to such term in the Collateral Agency Agreement.

"Synthetic Lease Property" shall mean all real property, personal property and fixtures of every kind, now or hereafter, leased pursuant to the Synthetic Lease Facility.

"Tax Sharing Agreement" shall mean an agreement among Genesis and each of its Subsidiaries (that file tax returns on a consolidated basis with Genesis) limiting, as between the parties thereto, the tax liabilities of Genesis and its Restricted Subsidiaries in connection with any consolidated tax filings (which may include as part of the consolidated group for tax purposes both Restricted Subsidiaries and Unrestricted Entities) to the amount of tax liabilities Genesis and its Restricted Subsidiaries would have incurred had they filed separately.

"Taxes" shall have the meaning set forth in Section 2.13(a) hereof.

"Total Assets" shall mean, with respect to any Person all assets which are, or should be included on such Person's balance sheet in accordance with GAAP.

"Total Funded Debt/Cash Flow Ratio" as of any date of determination shall mean the ratio of:

(a) Total Funded Indebtedness of Genesis and its Restricted Subsidiaries on a consolidated basis as of such date of determination

divided by

(b) Cash Flow of Genesis and its Restricted Subsidiaries on a consolidated basis for the four fiscal quarters ended on, or most recently prior to, such date of determination.

"Total Funded Indebtedness" of any Person, as at any date of determination, shall mean the sum of (a) all Indebtedness (including the current portion thereof) of such Person (including all Indebtedness consisting of obligations under any Synthetic Lease, Capitalized Lease Obligations, Guaranties and letter of credit reimbursement obligations)

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as at such date of determination plus (b) the product of (i) Rental Expense for the four fiscal quarters ended on, or most recently prior to, such date of determination multiplied by (ii) eight (8).

"Transfer Effective Date" shall have the meaning ascribed to such term in the applicable Transfer Supplement.

"Transfer Supplement" shall have the meaning set forth in Section 10.15(c) hereof.

"Treasury Rate" as of any Funding Breakage Date shall mean the rate per annum determined by the applicable Lender (which determination shall be conclusive) to be the semiannual equivalent yield to maturity (expressed as a semiannual equivalent and decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) for United States Treasury securities maturing on the last day of the corresponding Funding Period and trading in the secondary market in reasonable volume (or if no such securities mature on such date, the rate determined by standard securities interpolation methods as applied to the series of securities maturing as close as possible to, but earlier than, such date, and the series of such securities maturing as close as possible to, but later than, such date).

"Unrestricted Entities" shall mean any Subsidiaries or Investments which are designated as "Unrestricted Entities" in accordance with the terms of Section 7.6 hereof.

1.2 Construction. In this Agreement and each other Loan Document, unless the context otherwise clearly requires, references to the plural include the singular, the singular the plural and the part the whole; "or" has the inclusive meaning represented by the phrase "and/or;" and the terms "property" and "assets" each include all properties and assets of any kind or nature, tangible or intangible, real, personal or mixed, now existing or hereafter acquired. The words "hereof," "herein" and "hereunder" (and similar terms) in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document. The words "includes" and "including" (and similar terms) in this Agreement or any other Loan Document mean "includes without limitation" and "including without limitation," respectively (and similarly for similar terms). References in this Agreement or any other Loan Document to "determination" (and similar terms) by any Lender Party include good faith estimates by such Lender Party (in the case of quantitative determinations) and good faith beliefs by such Lender Party (in the case of

qualitative determinations). No doctrine of construction of ambiguities in agreements or instruments against the interests of the party controlling the drafting thereof shall apply to this Agreement or any other Loan Document. The section and other headings contained in this Agreement and in each other Loan Document, and any tables of contents contained herein or therein, are for

reference purposes only and shall not affect the construction or interpretation of this Agreement or such other Loan Document in any respect. Whenever this Agreement requires the delivery of financial projections, it is understood that the projections shall be made in good faith, consistent with the Loan Documents and based on Genesis' best judgment as to the anticipated financial performance and results of operations. However, any such financial projections shall not constitute a representation or warranty that such future financial performance or results of operations will in fact be achieved.

### 1.3 Accounting Principles.

(a) As used herein, "GAAP" shall mean generally accepted accounting principles (other than as set forth in this Section 1.3(a) as to consolidation) in the United States, applied on a basis consistent with the principles used in preparing the financial statements of Genesis and its consolidated Subsidiaries as of September 30, 1995 and for the fiscal year then ended, as referred to in Section 4.6 hereof. When the word "consolidated" is used in this Agreement with respect to "Genesis and its Subsidiaries on a consolidated basis" or "Genesis and its consolidated Subsidiaries" or similar phrases, it shall be used in a manner consistent with generally accepted accounting principles in the United States. However, when the word "consolidated" is used with respect to "Genesis and its Restricted Subsidiaries" or another group of Persons, it shall imply principles respecting elimination of inter-company obligations and similar concepts under generally accepted accounting principles but shall not imply adherence to any principles directing which Persons should be included in such group.

(b) Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters shall be made, and all financial statements to be delivered pursuant to this Agreement shall be prepared, in accordance with GAAP and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP.

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## ARTICLE 2 - THE CREDITS

### 2.1 Revolving Credit Loans.

(a) Commitment to Lend. Subject to Section 2.3 and the other terms and conditions set forth herein, each Lender, severally and not jointly, agrees to make loans (the "Loans") to the Borrowers in an aggregate principal amount not to exceed the amount of such Lender's Commitment, at any time and from time to time, on or after the Effective Date and to, but not including, the Maturity Date.

Each Lender's Commitment shall initially be equal to the amount set forth as its "Initial Commitment" below its name on the signature

pages hereof, and shall be subject to adjustment pursuant to the terms hereof. A Lender shall have no obligation to make any proposed Loan, however, to the extent that, after giving effect to the proposed Loan, the aggregate principal amount of such Lender's Pro Rata Share of all Loans would exceed the amount of (i) such Lender's Commitment at such time less (ii) such Lender's Pro Rata Share of the Letter of Credit Usage at such time.

(b) Nature of Credit. Subject to the restrictions set forth in this Section 2.1 above, and elsewhere in this Agreement, the Borrowers may borrow, repay and reborrow Loans until the Maturity Date.

(c) Notes. The obligation of the Borrowers to repay the principal amount of the Loans and to pay interest thereon shall be evidenced by separate Notes issued to each Lender. Such notes may be amended by appropriate allonges or replaced in whole as required by the terms hereof.

(d) Due Date. To the extent not due and payable earlier, Loan Obligations shall be due and payable on the Maturity Date.

## 2.2 Reduction of Commitment.

(a) Voluntary Reductions. Genesis, on behalf of the Borrowers, may at any time or from time to time on two (2) Business Days prior written notice (which shall be irrevocable) permanently reduce, by amounts proportional to the respective Lenders' Pro Rata Shares, the Commitment. Each such reduction of Commitment shall be in an aggregate amount which is an integral multiple of \$1,000,000.

(b) Mandatory Reductions in Connection with Asset Sales. No more than five Business Days after the date of any Recapture Event, Genesis, on behalf of the Borrowers, shall notify the Agent in writing that a Recapture Event has occurred,

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the date of such event and the amount of the Net Cash Proceeds received in connection therewith. In the event that the Borrowers do not, within 364 days after the date of any sale of assets constituting a Recapture Event, reinvest all of the corresponding Net Cash Proceeds in their business (and so state in a certificate delivered by Genesis (on their behalf) to the Agent), then on or before the 364th day following such sale, Genesis, on behalf of the Borrowers, shall, by written notice to the Agent, permanently reduce the amount of the Commitment, by an amount equal to the amount of such Net Cash Proceeds not so reinvested. (In addition, the Borrowers shall prepay the Loans as required by Section 2.8 below.)

## 2.3 Making of Loans.



(a) Borrowing Notice. Subject to the restrictions set forth in this Agreement, whenever a Borrower desires that the Lenders make Loans, Genesis, on behalf of such Borrower, shall provide Standard Notice to the Agent setting forth the following information:

(a) The date, which shall be a Business Day, on which such proposed Loans are to be made;

(b) The aggregate principal amount of the Loans (which shall be in integral multiples of Five Hundred Thousand Dollars (\$500,000));

(c) The interest rate Option or Options (each separate Option to be in an amount which is an integral multiple of Five Hundred Thousand Dollars (\$500,000));

(d) With respect to each Euro-Rate Portion, the Funding Period to apply; and

(e) The name of such Borrower.

(g) Timing. Upon receipt of a Standard Notice requesting a Loan, the Agent shall promptly notify each Lender of the information contained therein and of the amount of such Lender's portion of the Loan, which shall equal such Lender's Pro Rata Share of the aggregate principal amount of the entire Loan to be made on a given day. Unless any applicable condition specified in Article 5 hereof has not been satisfied, on the date specified in such Standard Notice, each Lender shall make the proceeds of its portion of the Loan available to the Agent at the Agent's Office, no later than 12:00 o'clock Noon, Philadelphia, Pennsylvania time, in funds immediately available at such Office. The Agent will make the funds so received available to the Borrowers in funds immediately available at the Agent's Office.

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## 2.4 Interest Rates.

(a) Bases of Borrowing. The unpaid principal amount of the Loans shall bear interest for each day until due on one or more bases selected by Genesis on behalf of the Borrowers from among the interest rate Options set forth below. Subject to the provisions of this Agreement, Genesis on behalf of the Borrowers may select different Options to apply simultaneously to different portions of the Loans and may select different Funding Periods to apply simultaneously to different Euro-Rate Portions. The aggregate number of different Funding Periods applicable to the Euro-Rate Portions at any time shall not exceed six (or, if the Prime Rate Option is applicable to any Loans, five). Without limiting any right or remedies of the Lenders hereunder, the Euro-Rate

Option may not be selected at any time there is an Event of Default or Potential Default.

(i) Prime Rate Option: The "Prime Rate Option" shall mean a rate per annum (computed on the basis of a year of 365/6 days and actual days elapsed) for each day equal to the Prime Rate for such day plus the Applicable Margin for such day.

(ii) Euro-Rate Option: The "Euro-Rate Option" shall mean a rate per annum (based on a year of 360 days and actual days elapsed) for each day equal to the Euro-Rate for such day plus the Applicable Margin for such day. "Euro-Rate" for any day, as used herein, shall mean the rate per annum determined by the Agent by dividing (the resulting quotient to be rounded upward to the nearest 1/100 of 1%) (A) the rate of interest (which shall be the same for each day in such Funding Period) determined in good faith by the Agent (which determination shall be conclusive) to be the average of the rates per annum for deposits in Dollars offered to major money center banks in the London interbank market at approximately 11:00 o'clock a.m., London time, two London Business Days prior to the first day of such Funding Period for delivery on the first day of such Funding Period in similar amounts and maturities as the proposed Euro-Rate Portion and Funding Period by (B) a number equal to 1.0 minus the Euro-Rate Reserve Percentage.

"Euro-Rate Reserve Percentage" for any day shall mean the percentage (expressed as a decimal, rounded upward to the nearest 1/100 of 1%), as determined in good faith by the Agent (which determination shall be conclusive), which is in effect on such day as prescribed by the Board of Governors of the Federal Reserve System representing the maximum reserve requirement (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency liabilities") of a member bank in such System. The Euro-

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Rate shall be adjusted automatically as of the effective date of each change in the Euro-Rate Reserve Percentage.

(b) Applicable Margins.

(i) From the Effective Date until the conditions set forth in Section 2.4(b)(ii) hereof apply, the Applicable Margin for any Prime Rate Portion of the Loans shall be 0.00% and the Applicable Margin for each Euro-Rate Portion of the Loans shall be 1.25%.

(ii) Commencing on the first day of the calendar month following the calendar month in which the Agent shall have received from Genesis, on behalf of the Borrowers, a Quarterly Compliance Certificate in accordance with Section 6.1(d) hereof, the Applicable Margin for each interest rate Option shall mean the percentage set forth below.

Total Funded Debt/ Cash Flow Ratio -----	Applicable Margin for Prime Rate Option -----	Applicable Margin for Euro-Rate Option -----
less than 3.0	0.00%	0.50%
equal to or greater than 3.0 but less than 3.5	0.00%	0.75%
equal to or greater than 3.5 but less than 4.0	0.00%	1.00%
equal to or greater than 4.0 but less than 4.5	0.00%	1.25%
equal to or greater than 4.5	0.00%	1.50%

The Applicable Margin shall be adjusted quarterly when the Quarterly Compliance Certificate is delivered pursuant to Section 6.1(d) below provided, however, at any time that Genesis shall fail to deliver on the designated date a Quarterly Compliance Certificate pursuant to Section 6.1(d) hereof the Applicable Margin shall be 0.00% for any Prime Rate Portion of the Loans and 1.50% for any Euro-Rate Portion of the Loans until such time as a new Quarterly Compliance Certificate is delivered hereunder.

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(c) Funding Periods. At any time when Genesis on behalf of the Borrowers shall select or renew the Euro-Rate Option to apply to any part of the Loans, Genesis on behalf of the Borrowers, shall specify one or more periods (the "Funding Periods") during which each such Option shall apply, such Funding Periods being one, two, three or six months; provided,

(i) Each Funding Period shall begin on a London Business Day,

and the term "month", when used in connection with a Funding Period, shall be construed in accordance with prevailing practices in the interbank eurodollar market at the commencement of such Funding Period, as determined in good faith by the Agent (which determination shall be conclusive);

(ii) Genesis on behalf of the Borrowers may not select a Funding Period that would end after the Maturity Date; and

(iii) Genesis on behalf of the Borrowers shall, in selecting any Funding Period, allow for foreseeable mandatory prepayments and scheduled amortization, if any, of the Loans.

(d) Euro-Rate Unascertainable; Impracticability. If

(i) on any date on which a Euro-Rate would otherwise be set, the Agent (in the case of clauses (A) or (B) below) or any Lender (in the case of clause (C) below) shall have determined in good faith (which determination shall be conclusive) that:

(A) adequate and reasonable means do not exist for ascertaining such Euro-Rate, or

(B) a contingency has occurred which materially and adversely affects the interbank eurodollar market, or

(C) the effective cost to such Lender of funding the Euro-Rate Portion (or deemed cost in the good faith determination of such Lender) shall exceed the relevant Euro-Rate, or

(ii) at any time any Lender shall have determined in good faith (which determination shall be conclusive) that the making, maintenance or funding of any part of the Euro-Rate Portion has been made impracticable or unlawful by compliance with any Law or with any request or directive of any Governmental Authority (whether or not having the force of Law);

then, and in any such event, the Agent or such Lender, as the case may be, may notify Genesis, on behalf of the Borrowers, of such determination. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of each of the affected Lenders to allow the Borrowers to select, convert to or renew the Euro-Rate Option shall be suspended (and all such existing Loans made by such Lenders shall automatically convert to Loans bearing interest at the Prime Rate Option and all outstanding requests for Loans from the relevant Lenders shall be deemed requests for Loans

bearing interest at the Prime Rate Option) until the Agent or such Lender, as the case may be, shall have notified Genesis, on behalf of the Borrowers, of the Agent's or such Lender's determination that the circumstance giving rise to such previous determination no longer exist.

## 2.5 Conversion or Renewal of Interest Rate Options.

(a) Conversion or Renewal. Subject to the provisions of Section 2.12(b) hereof, and if no Event of Default or Potential Default shall have occurred and be continuing, Genesis, on behalf of the Borrowers, may convert any part of the Loans from any interest rate Option or Options to one or more different interest rate Options:

(i) At any time with respect to conversion from the Prime Rate Option; or

(ii) At the expiration of any Funding Period with respect to conversions from or renewals of any Euro-Rate Portions.

Whenever Genesis, on behalf of the Borrowers, desires to convert or renew any interest rate Option or Options, Genesis, on behalf of the Borrowers, shall provide to the Agent Standard Notice setting forth the following information:

(w) The date, which shall be a Business Day, on which the proposed conversion or renewal is to be made;

(x) The principal amount of each Prime Rate Portion and each Euro-Rate Portion being continued or converted;

(y) The principal amount of the Prime Rate Portion, if any, and the principal amount of each Euro-Rate Portion, if any, selected (each such Euro-Rate Portion and the Prime Rate Portion being in a principal amount at least equal to Five Hundred Thousand Dollars (\$500,000)); and

(z) With respect to each conversion to or continuation of a EuroRate Portion, the Funding Period selected.

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(b) Failure to Convert or Renew. Absent due notice from Genesis, on behalf of the Borrowers, of conversion or renewal in the circumstances described in Section 2.5(a) hereof, any part of the Euro-Rate Portion for which such notice is not received shall be converted automatically to the Prime Rate Option on the last day of the expiring Funding Period.

2.6 Prepayments Generally. Whenever any Borrower desires or is required to prepay any part of the Loans, it shall provide Standard Notice to the Agent setting forth the following information:

(a) The name of such Borrower;

(b) The date, which shall be a Business Day, on which the proposed prepayment is to be made;

(c) The total principal amount of such prepayment, specifying the Prime Rate Portion and each Euro-Rate Portion to be prepaid.

On the date specified in such Standard Notice, the principal amounts specified in such notice, together with interest thereon shall be due and payable.

2.7 Optional Prepayments. The Borrowers shall have the right at their option from time to time to prepay their Loans in whole or in part in amounts which are integral multiples of One Million Dollars (\$1,000,000), without premium or penalty with respect to any part of the Loans (subject, however, to Section 2.12(b) hereof):

(a) At any time with respect to any part of the Prime Rate Portion; or

(b) At the expiration of any Funding Period with respect to prepayment of the Euro-Rate Portion corresponding to such expiring Funding Period.

Any such prepayment shall be made in accordance with Section 2.6 hereof.

2.8 Mandatory Prepayments in connection with Mandatory Reductions of Commitment. Any time there is a mandatory reduction in Commitment pursuant to Section 2.2(b) hereof, the Borrowers shall immediately prepay the outstanding principal amount of the Loans, any Reimbursement Obligations, and any other Loan Obligations which are payable in an amount equal to the amount of the Commitment reduction (to the extent there are then Loans outstanding, accrued interest, Reimbursement Obligations or other Loan Obligations which are then payable). In addition, if, at any time (whether by reason of a voluntary or

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mandatory reduction in the amount of the Commitment or otherwise), (x) the sum of the aggregate outstanding principal amount of the Loans at such time plus the Letter of Credit Usage at such time exceeds (y) the amount of the Commitment at such time, the Borrowers shall immediately, prepay the Loans and Reimbursement Obligations to the extent of such excess. Any prepayment pursuant to this

Section 2.8 shall be applied to Loan Obligations in the following order of priority:

(i) first, if any Reimbursement Obligations are then outstanding, pay such Reimbursement Obligations, together with interest thereon to such date,

(ii) second, if any Loans are then outstanding, pay or prepay such Loans, together with interest thereon to such date, and

(iii) third, any other Loan Obligations.

Within the constraints set forth above, each prepayment shall be applied first to any Loans to which the Prime Rate Option is applicable and then to any Loans to which the Euro-Rate Option is applicable, in each case in such order among such Loans as the Agent may, in its discretion, determine.

2.9 Interest Payment Dates. Interest on the Prime Rate Portion shall be due and payable on each Regular Payment Date and on the Maturity Date. Interest on each Euro-Rate Portion shall be due and payable on the last day of the corresponding Euro-Rate Funding Period and, if such Euro-Rate Funding Period is longer than three months, also every third month during such Funding Period. After maturity of any part of the Loans (by acceleration or otherwise), interest on such part of the Loans shall be due and payable on demand.

#### 2.10 Fees.

(a) Commitment Fee. The Borrowers, jointly and severally, shall pay to the Agent for the account of each Lender a commitment fee (the "Commitment Fee") for each day from and including the Effective Date to but not including the Maturity Date, calculated using a rate per annum (based on a year of 360 days and actual days elapsed) equal to the Commitment Fee Factor for such day, on the amount (not less than zero) equal to the amount by which

(i) the amount of such Lender's Commitment (after taking into account any reductions pursuant to Section 2.2 hereof) on such day, exceeds

(ii) the sum of (x) the aggregate principal amount of such Lender's Loans outstanding on such day plus (y) such

Lender's Pro Rata Share of the aggregate Letter of Credit Undrawn Availability for all Letters of Credit outstanding on such day.

As used herein, the "Commitment Fee Factor" for a given day shall initially be 0.25% but commencing on the first day of the calendar month following the calendar month in which the Agent shall have received from Genesis, on behalf of the Borrowers, a Quarterly Compliance Certificate in accordance with Section 6.1(d) hereof, the "Commitment Fee Factor" shall mean the rate per annum set forth below:

Total Funded Debt/ Cash Flow	Applicable Commitment Fee Factor
less than 3.0	0.15%
equal to or greater than 3.0 but less than 3.5	0.20%
equal to or greater than 3.5 but less than 4.5	0.25%
equal to or greater than 4.5	0.3125%

Notwithstanding the foregoing, at any time that Genesis shall fail to deliver on the designated date a Quarterly Compliance Certificate pursuant to Section 6.1(d) below or at any time that there shall exist any other Event of Default or Potential Default, the Applicable Commitment Fee Factor shall be (until such certificate is delivered or until such Event of Default or Potential Default shall have been duly waived or cured) 0.3125%.

The Commitment Fee shall be due and payable for the preceding period for which such fee has not been paid: (x) on each Regular Payment Date, (y) on the date of each reduction of the amount of the Commitment on the amount so reduced and (z) on the Maturity Date.

(b) Letter of Credit Commission; Letter of Credit Facing Fee. The Borrowers jointly and severally agree to pay to the Agent for the account of each Lender a commission (the "Letter of Credit Commission") for each day calculated on the aggregate Letter of Credit Undrawn Availability for all Letters of Credit outstanding on such day using a per annum rate (based on a year of 360 days and actual days elapsed) equal to the then- Applicable Margin for the Euro-Rate Option. In addition, for

each Letter of Credit issued hereunder, the Borrowers jointly and severally agree to pay to the Agent for the sole account of the Issuer a Letter of Credit



facing fee (the "Letter of Credit Facing Fee") for each day calculated on the aggregate Letter of Credit Undrawn Availability for all Letters of Credit outstanding on such day using a per annum rate (based on a year of 360 days and actual days elapsed) equal to 0.10% per annum. Such Letter of Credit Commission and such Letter of Credit Facing Fee shall be due and payable in arrears

(x) on each Regular Payment Date with respect to each Letter of Credit then outstanding, and

(y) on the date of expiration or other termination of each Letter of Credit, with respect to such expiring or otherwise terminating Letter of Credit,

in each case for the period for which such fees have not theretofore been paid.

2.11 Pro Rata Treatment; Joint and Several Liability; Payments Generally; Interest on Overdue Amounts; Authorization of Genesis by Other Borrowers.

(a) Pro Rata Treatment. Each borrowing and each conversion or renewal of interest rate Options hereunder shall be made, and all payments and prepayments made in respect of principal of and interest on Loans, Commitment Fees and Letter of Credit Commission due from the Borrowers hereunder or under the Notes shall be applied, with respect to each Lender, in proportion to such Lender's Pro Rata Share except for (x) payments in respect of any Euro-Rate Portions converted to Prime Rate Portions as provided in Section 2.4(d) hereof and (y) payments to a Lender subject to a withholding deduction under Section 2.13(c) hereof. The failure of any Lender to make a Loan shall not relieve any other Lender of its obligation to lend hereunder, but neither the Agent nor any Lender shall be responsible for the failure of any other Lender to make a Loan.

(b) Joint and Several Liability. The Borrowers acknowledge that the credit provided hereunder is on terms more favorable than any Borrower acting alone would receive and that each Borrower benefits indirectly from all Loans hereunder. Genesis and, subject only to the terms of Section 10.7 hereof, each of the other Borrowers, shall be jointly and severally liable for all Loan Obligations, regardless of, inter alia, which Borrower requested (or received the proceeds of) a particular Loan or for which Borrower's account a particular Letter of Credit was issued hereunder.

(c) Payments Generally. All payments and prepayments to be made by any Borrower with respect to Loan Obligations shall

be payable in Dollars at 12:00 o'clock Noon, Philadelphia, Pennsylvania time, on the day when due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, and an action therefor shall immediately

accrue, without set-off, counterclaim, withholding or other deduction of any kind or nature (except for payments to a Lender subject to a withholding deduction under Section 2.13(c) hereof). Except for payments under Section 2.12 or 10.6 hereof, such payments shall be made to the Agent at its Office in Dollars in funds immediately available at such Office, and payments under Section 2.12 or 10.6 hereof shall be made to the applicable Lender or Issuer at such domestic account as it shall specify to Genesis, on behalf of the Borrowers, from time to time in funds immediately available at such account. Any payment or prepayment received by the Agent or such Lender or Issuer after 12:00 o'clock Noon, Philadelphia, Pennsylvania time, on any day shall be deemed to have been received on the next succeeding Business Day. The Agent shall distribute to the Lenders or the Issuer, as the case may be, all such payments received by the Agent for their respective accounts as promptly as practicable after receipt by the Agent.

(d) Interest on Overdue Amounts. Without limiting any other rights or remedies of the Lenders hereunder, under any other Loan Document or available at law or in equity, to the extent permitted by Law, after there shall have become due (by acceleration or otherwise) any Loans hereunder or any other Loan Obligations, such Loans shall bear interest for each day until paid (before and after judgment), payable on demand, at a rate equal to 2.0% per annum in excess of the rate otherwise in effect and in the case of any other Loan Obligations, shall bear interest for each day until paid (before and after judgment), payable on demand, at a rate equal to 2.00% above the then-current Prime Rate Option.

(e) Irrevocable Authorization of Genesis by Borrowers. Each of the Borrowers hereby irrevocably authorizes Genesis to give notices, make requests, make payments, receive payments and notices, give receipts and execute agreements, make agreements or take any other action whatever on behalf of such Borrower under and with respect to any Loan Document and each Borrower shall be bound thereby. This authorization shall be irrevocable and the Agent and each Lender Party may rely on any notice, request, information supplied by Genesis and every document executed by Genesis, agreement made by Genesis or other action taken by Genesis in respect of the Borrowers or any thereof as if the same were supplied by any or all Borrowers. Without limiting the generality of the foregoing, the failure of one or more Borrowers to join in the execution of any writing in connection herewith shall not, unless the context clearly requires, relieve any such Borrower from obligations in respect of such writing.

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## 2.12 Additional Compensation in Certain Circumstances.

(a) Increased Costs or Reduced Return Resulting From Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc. If any Law or guideline or interpretation or application thereof by any Governmental Authority charged

with the interpretation or administration thereof or compliance with any request or directive of any Governmental Authority (whether or not having the force of Law) now existing or hereafter adopted:

(i) subjects any Lender Party or any Notional Euro-Rate Funding Office to any tax or changes the basis of taxation with respect to this Agreement, the Notes, any Letter of Credit or any Letter of Credit Participation, the Loans or payments by the Borrowers of principal, interest, commitment fee or other amounts due from the Borrowers hereunder or under the Notes (except for taxes on the overall net income or overall gross receipts of such Lender Party or such Notional Euro-Rate Funding Office),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, such Lender Party or any Notional Euro-Rate Funding Office (other than requirements expressly included herein in the determination of the Euro-Rate hereunder),

(iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or credits or commitments to extend credit extended by, any Lender Party or any Notional Euro-Rate Funding Office, or (B) otherwise applicable to the obligations of any Lender Party or any Notional Euro-Rate Funding Office under this Agreement or any Letter of Credit or any Letter of Credit Participation, or

(iv) imposes upon any Lender Party or any Notional Euro-Rate Funding Office any other condition or expense with respect to this Agreement, the Notes or its making, maintenance or funding of any Loan or any Letter of Credit or any Letter of Credit Participation, or any security therefor,

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon any Lender Party, any Notional Euro-Rate Funding Office or, in the case of clause (iii) hereof, any Person controlling a Lender Party, with respect to this Agreement, the Notes, any Letter of Credit or any Letter of Credit Participation or the issuance, making, maintenance or

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funding of any Loan or Letter of Credit or Letter of Credit Participation (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on such Lender Party's or such controlling Person's capital, taking into consideration such Lender Party's or such

controlling Person's policies with respect to capital adequacy) by an amount which such Lender Party deems to be material (such Lender Party being deemed for this purpose to have made, maintained or funded each Euro-Rate Portion through transactions in the interbank eurodollar market whether or not such transactions were actually carried on there), such Lender Party may from time to time notify Genesis, on behalf of the Borrowers, of the amount determined in good faith (using any averaging and attribution methods) by such Lender Party (which determination shall be conclusive) to be necessary to compensate such Lender Party or such Notional Euro-Rate Funding Office for such increase, reduction or imposition. Such amount shall be due and payable by the Borrowers to such Lender Party 30 days after such notice is given. A certificate by such Lender Party as to the amount due and payable under this Section 2.12(a) from time to time and the method of calculating such amount shall be conclusive.

(b) Funding Breakage. In addition to all other amounts payable hereunder, if and to the extent for any reason any part of any Euro-Rate Portion of the Loans becomes due (by acceleration or otherwise), or is paid, prepaid or converted to another interest rate Option (whether or not such payment, prepayment or conversion is mandatory or automatic and whether or not such payment or prepayment is then due), on a day other than the last day of the corresponding Funding Period, the Borrowers, jointly and severally, shall pay each Lender an amount determined as provided below in this Section 2.12(b).

Furthermore, in addition to all other amounts payable hereunder, if Standard Notice has been given for the conversion to or renewal of the Euro-Rate Option or for the making of any Loan to which the Euro-Rate Option shall be applicable in whole or in part and (x) a Borrower attempts to revoke (expressly, by later inconsistent notices or otherwise) such Standard Notice or (y) (A) an applicable condition precedent is not satisfied and (B) such conversion or renewal does not take place as specified in such Standard Notice or (z) (A) an applicable condition precedent is not satisfied and (B) the Euro-Rate Portion of such Loan is not made as specified in such Standard Notice, then in each case the Borrowers, jointly and severally, shall pay each Lender an amount determined as provided below in this Section 2.12(b) if such Lender has delivered to Genesis, on behalf of the Borrowers, and to the Agent a certificate stating that such Lender has incurred costs as a result of the events described in this sentence.

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"Funding Breakage Date" shall mean, in a case described in the first sentence of this Section 2.12(b), the date that any part of any Euro-Rate Portion becomes due, or is paid, prepaid or converted, as described in such sentence, or in a case described in the second sentence of this Section 2.12(b), the date for the conversion or renewal of the Euro-Rate Option, or for the making of a Loan, specified in the Standard Notice described in such sentence. In a case described in the first sentence of this Section 2.12(b), "Adjusted Contract Rate" for a particular principal amount of Loans

shall mean the rate of interest (including the Applicable Margin) applicable to such principal amount on the Funding Breakage Date, less the Applicable Margin, and in a case described in the second sentence of this Section 2.12(b), "Adjusted Contract Rate" for a particular principal amount of to-be-made Loans shall mean the rate of interest (including the Applicable Margin) which would have applied to such principal amount on the Funding Breakage Date absent the failure to renew, convert or borrow, less the Applicable Margin. "Redeployment Rate" shall mean (x) so long as no determination described in Section 2.4(d) hereof is then applicable, a rate per annum equal to the Euro-Rate (without the Applicable Margin) determined by the Agent for the applicable principal amount using as the Funding Period a period as equal as practicable to the Redeployment Period (as hereinafter defined) or (y) if any determination described in Section 2.4(d) hereof is then applicable, a rate per annum equal to the Treasury Rate, in each case as of or as soon as practicable after the Funding Breakage Date. In each case, the amount determined as being payable pursuant to this Section 2.12(b) may be referred to as the "Funding Breakage Indemnity." The calculation of the Adjusted Contract Rate and the Redeployment Rate shall be made on the assumption that the Euro-Rate Reserve Percentage shall remain constant throughout the applicable Funding Period; in the event that such assumption proves to be inaccurate and the Lenders would have received greater indemnification absent such assumption, then the Lenders shall be entitled to receive such additional indemnification on demand.

The Agent shall calculate each Lender's Funding Breakage Indemnity as follows:

a. For each portion of the Loans owing to such Lender which so became due, or which was so paid, prepaid or converted, or as to which the Euro-Rate Option was to have been renewed or converted to, or which was to be borrowed (to the extent the Euro-Rate Option was to be applicable to such to-be-borrowed Loans), the Agent shall calculate the product (the "Future Value Amount") of

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(1) the principal amount of such portion of the Loans

multiplied by

(2) the greater of

(x) zero or

(y) the Adjusted Contract Rate minus the Redeployment Rate, in each case for such principal amount,

multiplied by

(3) the number of days from and including the Funding Breakage Date to but not including the last day of such Funding Period (or scheduled Funding Period in the case of a failure to renew, convert or borrow) (the "Redeployment Period"), divided by 360.

b. The Agent shall then determine the present value as of the Funding Breakage Date (discounted at the Treasury Rate as of such Funding Breakage Date, and calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days in the Redeployment Period) (each a "Present Value Amount") of each Future Value Amount (assuming for this purpose that each Future Value Amount is payable on the last day of the corresponding Funding Period (or scheduled Funding Period in the case of a failure to renew, convert or borrow)).

c. The Agent finally shall total such Lender's Present Value Amounts for all of its affected portion of the Loans, and this total shall be the amount of the Funding Breakage Indemnity to be paid by the Borrowers to such Lender.

Such Funding Breakage Indemnity shall be due and payable on demand. In addition, the Borrowers shall, on the due date for payment of any Funding Breakage Indemnity, pay to such Lender an additional amount equal to interest on such Funding Breakage Indemnity from the Funding Breakage Date to but not including such due date at the Prime Rate Option (calculated on the basis of a year of 360 days and actual days elapsed). The amount payable to each Lender under this Section 2.12(b) shall be determined in good faith by the Agent, and such determination shall be conclusive.

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## 2.13 Taxes.

(a) Payments Net of Taxes. All payments made by the Borrowers under this Agreement or any other Loan Document shall be made free and clear of, and without reduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, and all liabilities with respect thereto, excluding

(i) in the case of any Lender Party, income or franchise taxes imposed on such Lender Party by the jurisdiction under the laws of which such Lender Party is organized or any political subdivision or taxing authority thereof or therein or as a result of a connection

between such Lender Party and any jurisdiction other than a connection resulting solely from this Agreement and the transactions contemplated hereby, and

(ii) in the case of each Lender, income or franchise taxes imposed by any jurisdiction in which such Lender's lending offices which make or book Loans are located or any political subdivision or taxing authority thereof or therein

(all such non-excluded taxes, levies, imposts, deductions, charges or withholdings being hereinafter called "Taxes"). If any Taxes are required to be withheld or deducted from any amounts payable to any Lender Party under this Agreement or any other Loan Document, the Borrowers, jointly and severally, shall pay the relevant amount of such Taxes and the amounts so payable to such Lender Party shall be increased to the extent necessary to yield to such Lender Party (after payment of all Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement and the other Loan Documents. Whenever any Taxes are paid by the Borrowers with respect to payments made in connection with this Agreement or any other Loan Document, as promptly as possible thereafter, the Borrowers shall send to the Agent for its own account or for the account of the Issuer or such Lender, as the case may be, a certified copy of an original official receipt received by the Borrowers showing payment thereof.

(b) Indemnity. Without limiting any other indemnity obligations of the Borrowers, the Borrowers hereby jointly and severally indemnify each Lender Party for the full amount of all Taxes attributable to payments by or on behalf of the Borrowers hereunder or under any of the other Loan Documents, any Taxes paid by such Lender Party, as the case may be, any present or future claims, liabilities or losses with respect to or resulting from any omission to pay or delay in paying any Taxes (including any incremental Taxes, interest or penalties that may become

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payable by such Lender Party as a result of any failure to pay such Taxes), whether or not such Taxes were correctly or legally asserted.

(c) Withholding and Backup Withholding. Each Lender that is incorporated or organized under the laws of any jurisdiction other than the United States or any State thereof agrees that, on or prior to the date any payment is due to be made to it hereunder or under any other Loan Document, it will furnish to Genesis, on behalf of the Borrowers, and the Agent

(i) two valid, duly completed copies of United States Internal Revenue Service Form 4224 or United States Internal Revenue Form 1001 or successor applicable form, as the case may be, certifying in each case that such Lender is entitled to receive payments under this



Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes and

(ii) a valid, duly completed Internal Revenue Service Form W-8 or W-9 or successor applicable form, as the case may be, to establish an exemption from United States backup withholding tax.

Each Lender which so delivers to Genesis and the Agent a Form 1001 or 4224 and Form W-8 or W-9, or successor applicable forms, agrees to deliver to Genesis, on behalf of the Borrowers, and the Agent two further copies of the said Form 1001 or 4224 and Form W-8 or W-9, or successor applicable forms, or other manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or otherwise is required to be resubmitted as a condition to obtaining an exemption from withholding tax, or after the occurrence of any event requiring a change in the most recent form previously delivered by it, and such extensions or renewals thereof as may reasonably be requested by Genesis, on behalf of the Borrowers, and the Agent, certifying in the case of a Form 1001 or Form 4224 that such Lender is entitled to receive payments under this Agreement or any other Loan Document without deduction or withholding of any United States federal income taxes, unless in any such cases an event (including any changes in Law) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such letter or form with respect to it and such Lender advises Genesis, on behalf of the Borrowers, and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax, and in the case of a Form W-8 or W-9, establishing an exemption from United States backup withholding tax.

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2.14 [Intentionally Omitted]

2.15 Funding by Branch, Subsidiary or Affiliate.

(a) Notional Funding. Each Lender shall have the right from time to time, prospectively or retrospectively, without notice to the Borrowers, to deem any branch, subsidiary or affiliate of such Lender to have made, maintained or funded any part of the Euro-Rate Portion at any time. Any branch, subsidiary or affiliate so deemed shall be known as a "Notional Euro-Rate Funding Office." Such Lender shall deem any part of the Euro-Rate Portion of the Loans or the funding therefor to have been transferred to a different Notional Euro-Rate Funding Office if such transfer would avoid or cure an event or condition described in Section 2.4(d) hereof or would lessen compensation payable by the Borrower under Section 2.12(a) hereof, provided that such Lender determines in its sole discretion that such transfer would be practicable and would not have a material adverse effect on such part of the Loans, such Lender or any Notional Euro-Rate Funding Office (it being assumed for purposes of such



determination that each part of the Euro-Rate Portion is actually made or maintained by or funded through the corresponding Notional Euro-Rate Funding Office). Notional Euro-Rate Funding Offices may be selected by such Lender without regard to such Lender's actual methods of making, maintaining or funding Loans or any sources of funding actually used by or available to such Lender.

(b) Actual Funding. Each Lender shall have the right from time to time to make or maintain any part of the Euro-Rate Portion by arranging for a branch, subsidiary or affiliate of such Lender to make or maintain such part of the Euro-Rate Portion. Such Lender shall have the right to (i) hold any applicable Note payable to its order for the benefit and account of such branch, subsidiary or affiliate or (ii) request the Borrowers to issue one or more replacement Notes payable to such branch, subsidiary or affiliate and with appropriate changes reflecting that the holder thereof is not obligated to make any additional Loans to the Borrowers. The Borrowers agree to comply promptly with any request under subsection (ii) of this Section 2.15(b). If any Lender causes a branch, subsidiary or affiliate to make or maintain any part of the Euro-Rate Portion hereunder, all terms and conditions of this Agreement shall, except where the context clearly requires otherwise, be applicable to such part of the Euro-Rate Portion and to any note payable to the order of such branch, subsidiary or affiliate to the same extent as if such part of the Euro-Rate Portion were made or maintained and such note were a Note payable to such Lender's order.

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## 2.16 Transitional Provisions.

(a) Generally. Until the Effective Date, the Original Credit Agreement shall remain in full force and effect. From and after the Effective Date the terms of this Agreement shall amend and restate the terms of the Original Credit Agreement (except that any indemnification provisions therein shall survive). From and after the Effective Date, the collateral securing the Loan Obligations shall be the "Collateral" referred to in the Pledge Agreement and any cash collateral required hereunder. Any Lien created in connection with the Original Credit Agreement on other collateral (e.g., accounts, inventory and general intangibles) which secured the obligations under the Original Credit Agreement is, as of the Effective Date, terminated and the Agent shall direct the Collateral Agent, upon the written request of the Borrowers, to execute such releases (including the relevant releases or amendments to financing statements), redeliver such collateral and take such other action at any time, or from time to time (regardless of whether an Event of Default or Potential Default shall then exist), on or after the Effective Date as the Agent or the Collateral Agent shall deem necessary or desirable to carry out the terms hereof.

## ARTICLE 3 - LETTER OF CREDIT SUBFACILITY

### 3.1 The Letter of Credit Subfacility.

(a) General. Subject to the terms and conditions of this Agreement, and relying upon the representations and warranties herein set forth and upon the agreements of the Lenders set forth in Sections 3.3, 3.4 and 3.8 hereof, the Issuer may issue for the account of any Borrower letters of credit (each, as amended, modified or supplemented from time to time, a "Letter of Credit") at any time or from time to time on or after the Effective Date. No Borrower shall request any Letter of Credit to be issued, nor shall the Issuer be obligated to issue any Letter of Credit, except within the following limitations: (i) no Letter of Credit shall be issued later than 90 days before the Maturity Date, (ii) no Letter of Credit shall be issued if the Agent shall have received the notice from the Required Lenders referred to in Section 3.2(c)(iii) hereof, and (iii) no Letter of Credit shall be issued if, after giving effect to issuance of the requested Letter of Credit, the Letter of Credit Availability would be less than zero at such time. Letters of Credit shall be issued, extended, renewed or amended only out of the unused portion of the Commitment.

(b) Terms of Letters of Credit. No Borrower shall request any Letter of Credit to be issued, nor shall the Issuer be obligated to issue any Letter of Credit, except within the following limitations: each Letter of Credit (i) shall have an

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expiration date no later than the earlier of (A) 13 months after the date of issuance thereof or (B) ten days before the Maturity Date, (ii) except with respect to certain of the Carry-Over Letters of Credit, shall not have an expiration date which is extendable under an "evergreen" or similar provision (unless the Issuer expressly agrees to the same in its sole discretion in any particular case), (iii) shall be denominated in Dollars, (iv) shall be payable only against sight drafts (and not time drafts), and (v) unless otherwise expressly agreed by the Issuer in its sole discretion, shall be in a minimum stated amount of \$100,000.

(c) Purposes of Letters of Credit. Each Letter of Credit shall be satisfactory in form, substance and beneficiary to the Issuer in its sole discretion. Each Letter of Credit shall be used by a Borrower as a standby letter of credit used solely (x) to provide credit enhancement for obligations of such Borrower or a Restricted Subsidiary of such Borrower in connection with insurance programs in which such Borrower or Restricted Subsidiary participates, contract performance guarantees, leasing arrangements and like bonding requirements of such Borrower or Restricted Subsidiary, all in the ordinary course of business of such Borrower or Restricted Subsidiary, and (y) for other purposes approved by the Issuer in its discretion. Letters of Credit shall not be used to provide credit support for any Indebtedness or other direct or indirect financing arrangements of any Borrower or any other Person without the

written consent of the Required Lenders and the Issuer. No Borrower shall at any time permit any Letter of Credit to be issued or to remain outstanding to support, directly or indirectly, any obligations of any Person except such Borrower or a Restricted Subsidiary of such Borrower. The provisions of this Section 3.1(c) represent only an obligation of the Borrowers to the Issuer and the Lenders; the Issuer shall not have any obligation to the Lenders to ascertain the purpose of any Letter of Credit, and the rights and obligations of the Lenders and the Issuer among themselves shall not be impaired or affected by a breach of this Section 3.1(c).

(d) Documentary Fees, Etc. In addition to the fees payable under Section 2.10 hereof, the Borrowers shall be obligated, jointly and severally, to pay to the Agent, for the sole account of the Issuer, such administration, maintenance, amendment, transfer, drawing and negotiation fees as may be customarily charged by the Issuer from time to time in connection with letters of credit issued by it.

(e) Certain Outstanding Letters of Credit. Each of the "Letters of Credit" (as defined in the Original Credit Agreement, and including without limitation each such "Letter of Credit" which is a "Carry-Over Letter of Credit" as defined in the Original Credit Agreement) which are outstanding as of the Effective Date (collectively, the "Carry-Over Letters of Credit")

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shall, as of the Effective Date, automatically be deemed to be Letters of Credit issued hereunder and shall be subject to all of the terms and provisions of this Agreement, provided that notwithstanding the restrictions contained in Sections 3.1(b) and 3.1(c) above, each of the Carry-Over Letters of Credit shall be deemed to be permitted hereunder. Each Lender agrees that its obligations with respect to Letters of Credit pursuant to this Agreement shall include such Carry-Over Letters of Credit. With respect to each such Carry-Over Letter of Credit, for the period commencing on the Effective Date the Borrowers shall jointly and severally pay all Letter of Credit Commissions, Letter of Credit Facing Fees and other amounts owing with respect thereto as set forth in this Agreement at the times and in the manner herein set forth, and the Borrowers shall jointly and severally pay or cause to be paid under the Original Credit Agreement on the Effective Date all fees, commissions and other amounts owing with respect to such Carry-Over Letters of Credit for the period before the Effective Date.

### 3.2 Procedure for Issuance and Amendment of Letters of Credit.

(a) Request for Issuance. Genesis, on behalf of any Borrower, may from time to time request, upon at least five Business Days' notice, the Issuer to issue a Letter of Credit by delivering to the Issuer and the Agent a written request to such effect, specifying the date on which such Letter of

Credit is to be issued, the expiration date thereof, and the stated amount thereof, together with such other certificates, documents and other papers and information as the Issuer may request. If the Issuer desires to issue such Letter of Credit, the Issuer shall promptly notify the Agent (by telephone or otherwise), and furnish the Agent with the proposed form of Letter of Credit to be issued. The Agent shall determine, as of the close of business on the day before such proposed issuance, whether such proposed Letter of Credit complies with the limitations set forth in Sections 3.1(a) and 3.1(b) hereof. Unless such limitations are not satisfied, or unless the Required Lenders have given notice to the Agent to cease issuing Letters of Credit pursuant to Section 3.2(c)(iii) hereof, the Agent shall notify the Issuer (in writing or by telephone promptly confirmed in writing) that the Issuer is authorized to issue such Letter of Credit. If the Issuer issues a Letter of Credit, it shall deliver the original of such Letter of Credit to the beneficiary thereof or as Genesis, on behalf of the relevant Borrower, shall otherwise direct, and shall promptly notify the Agent thereof and furnish a copy thereof to the Agent.

(b) Extension or Increase.

(i) Genesis, on behalf of any Borrower, may from time to time request the Issuer (in writing with a copy sent

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concurrently to the Agent) to extend the expiration date of an outstanding Letter of Credit issued by the Issuer for the account of such Borrower or increase the amount of such Letter of Credit. Each such request shall for all purposes hereunder (including but not limited to Section 5.2 hereof) be treated as though Genesis (on behalf of such Borrower) had requested issuance of a replacement Letter of Credit; provided, however, that if such extension or increase is approved under the terms hereof, the Issuer may, if it elects, issue an amendment to the particular Letter of Credit providing for such an extension or increase in lieu of issuing a new Letter of Credit in substitution for the outstanding Letter of Credit.

(ii) If any Letter of Credit contains an "evergreen" expiration provision, the relevant Borrower may request the Issuer (in writing with a copy sent concurrently to the Agent) to permit the extension of the expiration date of such Letter of Credit for the renewal period provided for therein (so long as such renewal period does not extend beyond the Maturity Date), provided that such request is given not less than 30 days immediately prior to the date as of which, absent contrary notice by the Issuer under such Letter of Credit, such expiration date would automatically be extended thereunder. Each such request shall for all purposes hereunder (including but not limited to Section 5.2 hereof) be treated as though such Borrower had requested issuance of a replacement Letter of Credit; provided, however, that if the extension is approved under the terms hereof, the Issuer need not issue any amendment of or replacement for the outstanding Letter of Credit. In the absence

of such request given within such period of time, the Issuer shall give such notice as is required or permitted under such Letter of Credit in order to avoid the extension of such Letter of Credit under such "evergreen" provision, but failure of the Issuer to give such notice shall not impair the rights of the Issuer or the obligations of the Borrowers or the other Lender Parties hereunder. If at any time for any reason any Letter of Credit has an expiration date which extends beyond the Maturity Date, the Borrowers, jointly and severally, shall immediately upon demand by the Agent pay to the Agent, for deposit to the credit of the Letter of Credit Collateral Account, an amount in cash equal to the lesser of (A) the Letter of Credit Undrawn Availability with respect to such Letter of Credit and (B) the excess of (1) the aggregate Letter of Credit Undrawn Availability for all Letters of Credit outstanding at such time over (2) the amount then on deposit with the Agent in the Letter of Credit Collateral Account.

(c) Limitations on Issuance, Extension and Amendment.

(i) As between the Borrowers, on the one hand, and the Lender Parties, on the other hand, the issuance or extension of any Letter of Credit (including any deemed issuance arising

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from increase or extension of a Letter of Credit as provided in Section 3.2(b) hereof) is within the discretion of the Issuer.

(ii) As between the Issuer, on the one hand, and the Agent and the Lenders, on the other hand, the Issuer shall be justified and fully protected in issuing any Letter of Credit (including any deemed issuance arising from increase or extension of a Letter of Credit as provided in Section 3.2(b) hereof) after receiving authorization from the Agent as provided in Section 3.2(a) hereof, notwithstanding any subsequent notices to the Issuer, any knowledge of an Event of Default or Potential Default, any knowledge of failure of any condition specified in Section 5.2 hereof to be satisfied, any other knowledge of the Issuer, or any other event, condition or circumstance whatever.

(iii) As between the Agent, on the one hand, and the Lenders, on the other hand, the Agent shall not authorize issuance of any Letter of Credit pursuant to Section 3.2(a) hereof (including any deemed issuance arising from increase or extension of a Letter of Credit as provided in Section 3.2(b) hereof) if the Agent shall have received, at least two Business Days before authorizing such issuance, from the Required Lenders an unrevoked written notice that any condition precedent set forth in Section 5.2 will not be satisfied and expressly requesting that the Agent direct the Issuer to cease to issue Letters of Credit. Unless the Agent has received such notice or has determined that the applicable limitations set forth in Sections 3.2(a) and 3.2(b) hereof are not satisfied, the Agent shall be justified and fully protected, as against the Lenders, in authorizing the Issuer to issue such Letter of Credit,

notwithstanding any subsequent notices to the Agent, any knowledge of an Event of Default or Potential Default, any knowledge of failure of any condition specified in Section 5.2 hereof to be satisfied, any other knowledge of the Agent, or any other event, condition or circumstance whatever.

(d) Amendments. At the request of the relevant Borrower from time to time, and subject to satisfaction of such conditions as the Issuer may require, the Issuer may amend, modify or supplement Letters of Credit, or waive compliance with any condition of issuance or payment, without the consent of, and without liability to, the Agent or any Lender, provided that any such amendment, modification or supplement that extends the expiration date or increases the amount of an outstanding Letter of Credit shall be subject to Section 3.2(b) hereof.

### 3.3 Letter of Credit Participating Interests.

(a) Generally. Concurrently with the issuance (or deemed issuance) of each Letter of Credit, the Issuer automatically shall be deemed, irrevocably and unconditionally, to have sold, assigned, transferred and conveyed to each other

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Lender, and each other Lender automatically shall be deemed, irrevocably and unconditionally, severally to have purchased, acquired, accepted and assumed from the Issuer, without recourse to, or representation or warranty by, the Issuer, an undivided interest, in a proportion equal to such Lender's Pro Rata Share, in all of the Issuer's rights and obligations in, to or under such Letter of Credit, the related Reimbursement Obligations, and all collateral, guarantees and other rights from time to time directly or indirectly securing the foregoing (such interest of each Lender being referred to herein as a "Letter of Credit Participation"). Amounts other than Reimbursement Obligations and Letter of Credit Commissions payable from time to time under or in connection with a Letter of Credit shall be for the sole account of the Issuer. On the date that any Purchasing Lender becomes a party to this Agreement in accordance with Section 10.15 hereof, Letter of Credit Participations in any outstanding Letters of Credit held by the Lender from which such Purchasing Lender acquired its interest hereunder shall be proportionately reallocated between such Purchasing Lender and such transferor Lender (and, to the extent such transferor Lender is the Issuer, the Purchasing Lender shall be deemed to have acquired a Letter of Credit Participation from such transferor Lender to such extent).

(b) Obligations Absolute. Notwithstanding any other provision hereof, each Lender hereby agrees that its obligation to participate in each Letter of Credit issued in accordance herewith, and its obligation to make the payments specified in Section 3.4 hereof, are each absolute, irrevocable and unconditional and shall not be affected by any event, condition or circumstance whatever. The failure of any Lender to make any such payment shall not relieve

any other Lender of its funding obligation hereunder on the date due, but no Lender shall be responsible for the failure of any other Lender to meet its funding obligations hereunder.

### 3.4 Letter of Credit Drawings and Reimbursements.

(a) Borrowers' Reimbursement Obligation. If the Issuer makes any Letter of Credit Disbursement under any Letter of Credit, the Issuer shall notify Genesis (on behalf of the Borrowers) and the Agent of the date and amount of such Letter of Credit Disbursement (which notification may be by telephone). The Borrowers hereby jointly and severally agree to reimburse the Issuer for the amount of each Letter of Credit Disbursement, by making payment of the amount of such Letter of Credit Disbursement to the Agent for the account of the Issuer in accordance with Section 2.11(c) hereof, not later than the first Business Day next following the date on which the Issuer notifies Genesis of such Letter of Credit Disbursement (such first Business Day being referred to herein as the "Reimbursement Obligation Due Date"). Such obligation of the Borrowers to make

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reimbursement of any such Letter of Credit Disbursement is herein referred to as a "Reimbursement Obligation." The Borrowers hereby jointly and severally agree to pay to the Agent, for the account of the Issuer, on demand, interest on the amount of any Reimbursement Obligation for each day from and including the date of the corresponding Letter of Credit Disbursement until the amount of such Reimbursement Obligation is paid in full (before and after judgment), in accordance with Section 2.11(d) hereof, at the rate per annum set forth in Section 2.11(d) hereof. Notwithstanding the foregoing, at the option of the Agent, if at any Reimbursement Obligation Due Date, there shall be any Commitment available to make Loans hereunder, and if the Agent at that time shall not have been advised in writing by any party hereto that an Event of Default or Potential Default has occurred, the Agent, by notice to the parties hereto, may require each Lender to make Loans bearing interest (unless otherwise requested by the Borrowers pursuant to the terms of this Agreement) at the Prime Rate Option, the proceeds of which shall be used to repay such Reimbursement Obligations.

(b) Payment by Lenders on Account of Unreimbursed Draws. If the Issuer makes a Letter of Credit Disbursement and is not reimbursed in full therefor on the related Reimbursement Obligation Due Date in accordance with Section 3.4(a) hereof, the Issuer will promptly notify the Agent thereof (which notice may be by telephone), and the Agent shall forthwith notify each Lender (which notice may be by telephone promptly confirmed in writing) thereof. Upon receipt of such notice, each such Lender will pay to the Agent, for the account



of the Issuer, in immediately available funds, an amount equal to such Lender's Pro Rata Share of the unreimbursed portion of such Letter of Credit Disbursement, as follows: if such notice is received by such Lender at or prior to 12:00 o'clock Noon, Philadelphia, Pennsylvania time on any Business Day, such Lender shall make such payment to the Agent by 4:00 o'clock p.m., Philadelphia, Pennsylvania time on the same Business Day, and if such notice is received by such Lender after 12:00 o'clock Noon, Philadelphia, Pennsylvania time on any Business Day, such Lender shall make such payment to the Agent no later than 12:00 o'clock Noon, Philadelphia, Pennsylvania time on the next succeeding Business Day. If and to the extent that any Lender fails to make such payment to the Agent for the account of the Issuer on such due date, such Lender shall pay such amount on demand, together with interest, for the Issuer's own account, for each day from and including such due date to and including the date of payment to the Issuer (before and after judgment) at the following rates per annum: (x) for each day from and including such due date to and including the second Business Day thereafter, at the Federal Funds Effective Rate for such day, and (y) for each day thereafter, at the rate applicable to Reimbursement Obligations under Section 3.4(a) hereof for such day.

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(c) Distributions to Lenders. If, at any time, after the Issuer has made a Letter of Credit Disbursement and has received from any Lender such Lender's Pro Rata Share of such Letter of Credit Disbursement, the Issuer receives any payment or makes any application of funds on account of the Reimbursement Obligation arising from such Letter of Credit Disbursement, the Issuer will pay to the Agent, for the account of such Lender, such Lender's Pro Rata Share of such payment or application, provided, however, that any Lender's Pro Rata Share of interest accrued on any Reimbursement Obligation prior to the date of receipt by the Issuer of such Lender's Letter of Credit Participation payment in respect of such Reimbursement Obligation may be retained by the Issuer for its own account.

(d) Rescission. If any amount received by the Issuer on account of any Reimbursement Obligation shall be avoided, rescinded or otherwise returned or paid over by the Issuer for any reason at any time, whether before or after the termination of this Agreement, each Lender will, promptly upon notice from the Agent or the Issuer, pay over to the Agent for the account of the Issuer its Pro Rata Share of such amount, together with its Pro Rata Share of any interest or penalties payable with respect thereto.

(e) Equalization. If any Lender receives any payment or makes any application on account of its Letter of Credit Participation, such Lender shall forthwith pay over to the Issuer, in Dollars and in like kind of funds received or applied by it the amount in excess of such Lender's ratable share of the amount so received or applied, and, to the extent appropriate, equitable adjustment will be made (by creation or reallocation of participation interests or otherwise) by the Issuer and the Lenders so that, in effect, all such excess



amounts will be shared ratably among the Issuer and the Lenders in a manner consistent with this Section 3.4.

3.5 Obligations Absolute. The payment obligations of the Borrowers under Section 3.4 hereof shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following circumstances:

(a) any lack of validity or enforceability of this Agreement, any Letter of Credit, any other Loan Document;

(b) any release of any other Borrower or Loan Parties or any change of any Borrowers or Loan Parties;

(c) the existence of any claim, set-off, defense or other right which any Borrower or any other Person may have at any time against any beneficiary or transferee of any Letter of Credit (or any Persons for whom any such

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beneficiary or transferee may be acting), any Lender Party, or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or any unrelated transaction;

(d) any draft, certificate, statement or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(e) payment by the Issuer under any Letter of Credit against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit, or payment by the Issuer under the Letter of Credit in any other circumstances in which conditions to payment are not met; or

(f) any other event, condition or circumstance whatever, whether or not similar to any of the foregoing.

The Borrowers bear the risk of, and neither the Issuer, any of its directors, officers, employees or agents, nor any other Lender Party, shall be liable or responsible for any of, the foregoing matters, the use which may be made of any Letter of Credit, or acts or omissions of the beneficiary or any transferee in connection therewith.

3.6 Further Assurances. Each Borrower hereby agrees, from time to time, to do and perform any and all acts and to execute any and all further instruments reasonably requested by the Issuer more fully to effect the purposes

of this Agreement and the issuance of the Letters of Credit hereunder.

### 3.7 Cash Collateral for Letters of Credit.

(a) Cash Collateral for Letter of Credit Exposure in Certain Circumstances. To the extent that this Agreement or any other Loan Document requires a payment, prepayment or other application of funds to be made by the Borrowers with respect to the Loans, such provision shall be construed as follows: after payment in full of the outstanding Loans (whether or not such payment would require any Borrower to pay any amount under Section 2.12(b) hereof) and the payment in full of all outstanding Reimbursement Obligations, then, to the extent of the excess, if any, of the aggregate Letter of Credit Usage at such time over the balance of funds in the Letter of Credit Collateral Account, an amount equal to the remainder of the amount so required to be paid by the Borrowers shall immediately be paid by the Borrowers to the Agent for deposit in the Letter of Credit Collateral Account. In addition, the Borrowers agree that, without limitation of the foregoing or of any other provisions of

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this Agreement or the other Loan Documents requiring collateral for the Letters of Credit or other Loan Obligations in whole or in part, and without limitation of other rights and remedies under this Agreement or the other Loan Documents or at law or in equity, if all of the Loans become due and payable pursuant to Section 8.2 hereof, the Borrowers shall immediately pay to the Agent, for deposit in the Letter of Credit Collateral Account, an amount equal to the excess, if any, of the aggregate Letter of Credit Usage at such time over the balance of funds in the Letter of Credit Collateral Account.

(b) Letter of Credit Collateral Account. The Agent shall maintain in its own name at its Office a deposit account (the "Letter of Credit Collateral Account"), which shall bear interest (added to the deposit balance) in accordance with the Agent's ordinary practices for deposit accounts of like size and nature, over which the Agent shall have sole dominion and control, and no Borrower shall have any right to withdraw any funds deposited therein. The Agent shall deposit into the Letter of Credit Collateral Account such funds as this Agreement or any Loan Document requires to be paid therein. As security for the payment of all Loan Obligations, the Borrowers hereby grant, convey, assign, pledge and transfer to the Agent, and create in the Agent's favor a continuing Lien on and security interest in, the Letter of Credit Collateral Account, all amounts from time to time on deposit therein, all proceeds of the conversion, voluntary or involuntary, thereof into cash, instruments, securities or other property, and all other proceeds thereof. Each Borrower hereby represents, warrants, covenants and agrees that such Lien shall at all times be valid and perfected, prior

to all other Liens, and each Borrower shall take or cause to be taken such actions and execute and deliver such instruments and documents as may be necessary or, in the Agent's reasonable judgment, desirable to perfect or protect the such Lien. No Borrower shall create or suffer to exist any Lien on any amounts or investments held in the Letter of Credit Collateral Account other than the Lien in favor of the Agent granted under this Section 3.7.

(c) Application of Funds. The Agent shall apply funds in the Letter of Credit Collateral Account: (i) on account of Reimbursement Obligations as and when the same become due and payable if and to the extent that the Borrowers fail directly to pay the same, and (ii) if no Reimbursement Obligations are due and payable, no Letters of Credit are outstanding and the balance of the Letter of Credit Collateral Account exceeds the aggregate Letter of Credit Usage, the excess shall be applied on account of the other Loan Obligations secured hereby. If all Loan Obligations (other than Loan Obligations constituting contingent obligations under indemnification provisions which survive indefinitely, so long as no unsatisfied claim has been made under any such indemnification provision) have been indefeasibly paid

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in full in cash, all Commitments have terminated and all Letters of Credit have expired, promptly following demand by Genesis on behalf of the Borrowers the Agent shall release to the Borrowers all remaining funds in the Letter of Credit Collateral Account.

### 3.8 Certain Provisions Relating to the Issuer.

(a) General. The Issuer shall have no duties or responsibilities except those expressly set forth in this Agreement and the other Loan Documents, and no implied duties or responsibilities on the part of the Issuer shall be read into this Agreement or any other Loan Document or shall otherwise exist. The duties and responsibilities of the Issuer to the other Lender Parties under this Agreement and the other Loan Documents shall be mechanical and administrative in nature, and the Issuer shall not have a fiduciary relationship in respect of any Lender Party or any other Person. The Issuer shall not be liable for any action taken or omitted to be taken by it under or in connection with this Agreement or any other Loan Document, unless caused by its own gross negligence or willful misconduct. The Issuer shall not be under any obligation to ascertain, inquire or give any notice relating to (i) the performance or observance of any of the terms or conditions of this Agreement or any other Loan Document on the part of any Loan Party, (ii) the business, operations, condition (financial or otherwise) or prospects of any Loan Party or any other Person, or (iii) the existence of any Event of Default or Potential Default. The Issuer shall not be under any obligation, either initially or on a continuing basis, to provide the Agent or any Lender with any

notices, reports or information of any nature, whether in its possession presently or hereafter, except for such notices, reports and other information expressly required by this Agreement to be so furnished.

(b) Administration. The Issuer may rely upon any notice or other communication of any nature (written or oral, including but not limited to telephone conversations, whether or not such notice or other communication is made in a manner permitted or required by this Agreement or any other Loan Document) purportedly made by or on behalf of the proper party or parties, and the Issuer shall not have any duty to verify the identity or authority of any Person giving such notice or other communication. The Issuer may consult with legal counsel (including in-house counsel for the Issuer or in-house or other counsel for any Loan Party), independent public accountants and any other experts selected by it from time to time, and the Issuer shall not be liable for any action taken or omitted to be taken in good faith in accordance with the advice of such counsel, accountants or experts. Whenever the Issuer shall deem it necessary or desirable that a matter be proved or established with respect to any Loan Party or Lender Party, such matter may be established by a certificate of such Loan Party or Lender

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Party, as the case may be, and the Issuer may conclusively rely upon such certificate.

(c) Indemnification of Issuer by Lenders. Each Lender hereby agrees to reimburse and indemnify the Issuer and each of its respective directors, officers, employees and agents (to the extent not reimbursed by a Loan Party and without limitation of the obligations of the Loan Parties to do so), ratably in accordance with its Pro Rata Share, from and against any and all amounts, losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements of any kind or nature (including the fees and disbursements of counsel for the Issuer or such other Person in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not the Issuer or such other Person shall be designated a party thereto) that may at any time be imposed on, incurred by or asserted against the Issuer, in its capacity as such, or such other Person, as a result of, or arising out of, or in any way related to or by reason of, this Agreement, any other Loan Document, any "Loan Document" referred to in the Original Credit Agreement, any transaction from time to time contemplated hereby or thereby, or any transaction secured or financed in whole or in part, directly or indirectly, with any Letter of Credit or the proceeds thereof, provided, that no Lender shall be liable for any portion of such amounts, losses, liabilities, claims, damages, expenses,

obligations, penalties, actions, judgments, suits, costs or disbursements resulting from the gross negligence or willful misconduct of the Issuer or such other Person, as finally determined by a court of competent jurisdiction and, provided, further that no Lender that was not a party to the Original Credit Agreement shall be obligated to indemnify the Issuer or its directors, officers, employees or agents from losses and other liabilities referred to above to the extent that such liabilities were solely the result of, arose solely out of, or were related solely to the Original Credit Agreement or other "Loan Documents" referred to therein and as to those liabilities which are not subject to indemnification by the new Lenders by reason of this proviso, the Pro Rata Shares of the other Lenders shall be adjusted accordingly to fully indemnify the Issuer.

#### ARTICLE 4 - REPRESENTATIONS AND WARRANTIES

The Borrowers hereby jointly and severally represent and warrant to each Lender Party as follows:

4.1 Status. Each Borrower and each Subsidiary of each Borrower is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or is a partnership duly organized and validly existing under the laws of its jurisdiction of organization. Each Borrower and each Subsidiary of each Borrower has the power

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and authority to own its property and to transact the business in which it is engaged or presently proposes to engage. Each Borrower and each Subsidiary of each Borrower is duly qualified to do business as a foreign corporation or foreign partnership and is in good standing in all jurisdictions in which the ownership of its properties or the nature of its activities or both makes such qualification necessary or advisable, except for matters that, individually or in the aggregate, could not have a Material Adverse Effect. Schedule 4.1 hereto states as of the date hereof the jurisdiction of incorporation or organization of each Borrower and each Subsidiary of each Borrower, and the jurisdictions in which each Borrower and each Subsidiary of each Borrower is qualified to do business as a foreign corporation or a foreign partnership, as the case may be.

4.2 Power and Authorization. Each Borrower has power and authority to execute, deliver, perform, and take all actions contemplated by, each Loan Document to which it is a party, and all such action has been duly and validly authorized by all necessary corporate or partnership proceedings on its part. Without limitation of the foregoing, each Borrower has the power and authority to borrow pursuant to the Loan Documents to the fullest extent permitted hereby and thereby from time to time, and has taken all necessary corporate or partnership action to authorize such borrowings.

4.3 Execution and Binding Effect. This Agreement and each other Loan Document has been duly and validly executed and delivered by each Borrower which is a party hereto or thereto, as the case may be. This Agreement and each other Loan Document constitutes the legal, valid and binding obligation of each Borrower which is a party hereto or thereto, as the case may be, enforceable against such Borrower in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

4.4 Governmental Approvals and Filings. No approval, order, consent, authorization, certificate, license, permit or validation of, or exemption or other action by, or filing, recording or registration with, or notice to, any Governmental Authority (collectively, "Governmental Action") is or will be necessary or advisable in connection with execution and delivery of any Loan Document by any Borrower, consummation by any Borrower of the transactions herein or therein contemplated, performance of or compliance with the terms and conditions hereof or thereof by any Borrower or to ensure the legality, validity, binding effect, enforceability or admissibility in evidence hereof or thereof.

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4.5 Absence of Conflicts. Neither the execution and delivery of any Loan Document by any Borrower, nor consummation by any Borrower of the transactions herein or therein contemplated, nor performance of or compliance with the terms and conditions hereof or thereof by any Borrower does or will

(a) violate or conflict with any Law,

(b) violate, conflict with or result in a breach of any term or condition of, or constitute a default under, or result in (or give rise to any right, contingent or otherwise, of any Person to cause) any termination, cancellation, prepayment or acceleration of performance of, or result in the creation or imposition of (or give rise to any obligation, contingent or otherwise, to create or impose) any Lien upon any of property of any Borrower or any Subsidiary of any Borrower (except for any Lien in favor of the Collateral Agent or Secured Parties pursuant to the Security Documents pursuant to, or otherwise result in (or give rise to any right, contingent or otherwise, of any Person to cause) any change in any right, power, privilege, duty or obligation of any Borrower or any Subsidiary of any Borrower under or in connection with,

(i) the articles of incorporation or bylaws (or other constituent documents) of any Borrower or any Subsidiary of any Borrower,

(ii) any agreement or instrument creating, evidencing or securing any Indebtedness to which any Borrower or any Subsidiary of any Borrower is a party or by which any of them or any of their respective properties (now owned or hereafter acquired) may be subject or bound, or

(iii) any other agreement or instrument or arrangement to which any Borrower or any Subsidiary of any Borrower is a party or by which any of them or any of their respective properties (now owned or hereafter acquired) may be subject or bound,

except, in the case of the foregoing clause (iii), for matters that, individually or in the aggregate, could not have a Material Adverse Effect, or

(c) result in the suspension, revocation, impairment, forfeiture or non-renewal of any permit, license, qualification, authorization or approval applicable to the operations or properties of any Borrower or other Restricted Subsidiary, or adversely affect the ability of any Borrower or other Restricted Subsidiary to participate in any public

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or private reimbursement program or to be a party to any Blue Cross or similar provider agreement.

4.6 Audited Financial Statements. Genesis has heretofore furnished to the Agent and each Lender consolidated balance sheets of Genesis and its consolidated Subsidiaries as of September 30, 1995 and 1994 and the related consolidated statements of income, cash flows and changes in stockholders' equity for the fiscal years then ended, as examined and reported on by KPMG Peat Marwick, independent certified public accountants for Genesis, who delivered an unqualified opinion in respect thereof. Such financial statements (including the notes thereto) present fairly the financial condition of Genesis and its consolidated Subsidiaries as of the end of each such fiscal year and the results of their operations and their cash flows for the fiscal years then ended, all in conformity with GAAP.

4.7 Interim Financial Statements. Genesis has heretofore furnished to the Agent and each Lender interim consolidated balance sheets of Genesis and its consolidated Subsidiaries as of the first three fiscal quarters of the fiscal year beginning October 1, 1995, together with the related consolidated statements of income, cash flows and changes in stockholders' equity for the applicable fiscal periods ending on each such date. Such financial statements (including the notes thereto) present fairly the financial condition of Genesis and its consolidated Subsidiaries as of the end of each



such fiscal quarter and the results of their operations and their cash flows for the fiscal periods then ended, all in conformity with GAAP, subject to normal and recurring year-end audit adjustments, and except that such financial statements do not contain all of the footnote disclosures required by GAAP.

#### 4.8 INTENTIONALLY OMITTED

4.9 Projections. Genesis has furnished to the Agent and each Lender projections prepared by Genesis demonstrating the projected consolidated financial condition and results of operations of Genesis and its Subsidiaries for the period commencing on October 1, 1995 and ending on September 30, 2001, which projections are accompanied by a written statement of the assumptions and estimates underlying such projections. Such projections were prepared on the basis of such assumptions and estimates. Such projections, assumptions and estimates, as of the date of preparation thereof and as of the date hereof, are reasonable, are made in good faith, are consistent with the Loan Documents and represent Genesis' best judgment as to such matters. Nothing has come to the attention of Genesis which would lead Genesis to believe that such projections will not be attained or exceeded. Nothing contained in this Section 4.9 shall constitute a representation or warranty that such future

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financial performance or results of operations will in fact be achieved.

4.10 Solvency. On and as of the Effective Date and after giving effect to all Loans, all Reimbursement Obligations and all other obligations and liabilities being incurred on such date in connection therewith or in connection with Letters of Credit (including but not limited to contingent Reimbursement Obligations with respect to outstanding Letters of Credit), and on the date of making or issuance of each subsequent Loan, Letter of Credit or other extension of credit hereunder and after giving effect to application of the proceeds thereof in accordance with the terms of the Loan Documents, the Borrowers, treated as if they comprised a single consolidated entity, are and will be Solvent.

4.11 Absence of Undisclosed Liabilities. No Borrower and no Restricted Subsidiary of any Borrower has any liability or obligation of any nature whatever (whether absolute, accrued, contingent or otherwise, whether or not due), forward or long-term commitments or unrealized or anticipated losses from unfavorable commitments, except (x) as disclosed in the financial statements referred to in Sections 4.6 and 4.7 hereof, (y) matters that, individually or in the aggregate, could not have a Material Adverse Effect and (z) as disclosed in Schedule 4.11 hereto.

4.12 Absence of Material Adverse Changes. Since June 30, 1996 there has been no material adverse change in the business, operations, condition



(financial or otherwise), or prospects of the Borrowers and Restricted Subsidiaries, taken as a whole.

4.13 Accurate and Complete Disclosure. All factual information (taken as a whole) heretofore, contemporaneously or hereafter provided in writing by or on behalf of any Borrower or any Subsidiary of any Borrower to any Secured Party (or any other Person) pursuant to or in connection with this Agreement or any other Loan Document or any transaction contemplated hereby or thereby is or will be (as the case may be) true and accurate in all material respects on the date as of which such information is dated (or, if not dated, when received by such Secured Party or such other Person, as the case may be) and does not or will not (as the case may be) omit to state any material fact necessary to make such information (taken as a whole) not misleading at such time in light of the circumstances in which it was provided. Each Borrower has, or prior to the Effective Date will have, disclosed to each Secured Party in writing every fact or circumstance known to such Borrower which has, or which, so far as such Borrower can now or then foresee is reasonably possible in the future and could if it occurs have, a Material Adverse Effect.

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4.14 Margin Regulations. Except as provided in the following sentence, no part of the proceeds of any Loan hereunder will be used for the purpose of buying or carrying any "margin stock," as such term is used in Regulations G and U of the Board of Governors of the Federal Reserve System, as amended from time to time, or to extend credit to others for the purpose of buying or carrying any "margin stock". It is understood, however, that proceeds of certain Loans hereunder may be used in connection with the proposed Acquisition of Geriatric & Medical Companies, Inc. and therefore such Loans may be considered "purpose loans" within the meaning of said Regulation U; however, no stock issued to any Borrower in connection with such Acquisition will be "margin stock" and the Loans shall not be subject to regulation under said Regulation U. No Borrower and no Subsidiary of any Borrower is or at any time will be engaged in the business of extending credit to others for the purpose of buying or carrying "margin stock". No Borrower and no Subsidiary of any Borrower owns or will own any "margin stock". Neither the making of any Loan nor any use of proceeds of any such Loan will violate or conflict with the provisions of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System, as amended from time to time.

4.15 Subsidiaries. Schedule 4.15 hereto states the authorized capitalization of each Subsidiary (if a corporation) of each Borrower, the number of shares of each class of capital stock issued and outstanding of each such corporate Subsidiary, and the number and percentage of outstanding shares of each such class of capital stock owned by each Borrower or Subsidiary and whether such Subsidiary (whether or not a corporation) is (1) an Unrestricted Entity, (2) a Material Restricted Subsidiary or (3) a Non-Material Restricted

Subsidiary. The outstanding shares of each Subsidiary (if a corporation) of each Borrower have been duly authorized and validly issued and are fully paid and nonassessable. Each Borrower and each Subsidiary of each Borrower owns beneficially and of record and has good title to all of the shares it is listed as owning in such Schedule 4.15, free and clear of any Lien, except for Liens in favor of the Collateral Agent as contemplated by the Loan Documents. There are no options, warrants, calls, subscriptions, conversion rights, exchange rights, preemptive rights or other rights, agreements or arrangements (contingent or otherwise) which may in any circumstances now or hereafter obligate any Subsidiary of any Borrower to issue any shares of its capital stock or any other securities except for matters set forth in Schedule 4.15 hereto. Every Material Restricted Subsidiary (whether a corporation or a partnership) of Genesis is a Borrower hereunder and is designated as such on the signature pages hereto (or, after the Effective Date, on signature pages of a Joinder Supplement hereto).

4.16 Partnerships, Investments, Etc. No Borrower and no Restricted Subsidiary of any Borrower is or will be a partner

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(general or limited) of any partnership, or is or will be a party to any joint venture or will own (beneficially or of record) any equity or similar interest in any Person (including but not limited to any interest pursuant to which such Borrower or Restricted Subsidiary has or may in any circumstance have an obligation to make capital contributions to, or be generally liable for or on account of the liabilities, acts or omissions of such other Person), other than (x) equity interests in other wholly-owned Borrowers, (y) equity interests in wholly-owned Non-Material Restricted Subsidiaries and (z) Investments permitted under Section 7.5 hereof. Each investment (other than Unrestricted Entities which are Subsidiaries specified on Schedule 4.15 hereto) permitted under Section 7.5(f) hereof is listed on Schedule 4.16 hereto.

4.17 Litigation. There is no pending or (to any Borrower's knowledge after due inquiry) threatened action, suit, proceeding or investigation by or before any Governmental Authority against or affecting any Borrower or any Restricted Subsidiary of any Borrower, except for (x) matters set forth in Schedule 4.17 hereto, (y) matters described in the financial statements referred to in Section 4.6 hereof, and (z) matters that if adversely decided, individually or in the aggregate, could not have a Material Adverse Effect.

4.18 Absence of Events of Default. No event has occurred and is continuing and no condition exists which constitutes an Event of Default or Potential Default.

4.19 Absence of Other Conflicts. No Borrower and no Subsidiary of any Borrower is in violation of or conflict with, or is subject to any contingent liability on account of any

violation of or conflict with:

(a) any Law,

(b) its articles of incorporation or bylaws (or other constituent documents), or

(c) any agreement or instrument or arrangement to which it is party or by which it or any of its properties (now owned or hereafter acquired) may be subject or bound, except, with respect to clauses (a) or (c) above for matters that, individually or in the aggregate, could not have a Material Adverse Effect.

4.20 Power To Carry On Business. Each Borrower and each Restricted Subsidiary of each Borrower has all requisite power and authority and all necessary licenses, permits, approvals, consents, qualifications, authorizations and accreditations to own and operate its respective properties and

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to carry on its respective business as now conducted and as presently planned to be conducted, including, but not limited to, the ownership and operation of its skilled and intermediate long-term care nursing facilities, pursuant to all applicable Laws except where any failure to possess any such license, permit, approval, consent, qualification, authorization or accreditation, either individually or collectively with all other such failures, could not have a Material Adverse Effect. No Borrower and no Subsidiary of any Borrower is in default under any such license, permit, approval, consent, qualification, authorization or accreditation, and no event has occurred, and no condition exists, which, with the giving of notice, the passage of time or both, would constitute a default thereunder, which default or condition, individually or collectively with other such defaults or conditions, could have a Material Adverse Effect. Where required by Law, the Borrowers have obtained valid certificates of need and all other accreditations necessary to own and operate all of their facilities. No condition exists, and no event has occurred, which, with the giving of notice, the passage of time or both, would result in the suspension, revocation, impairment, forfeiture or nonrenewal of any such license, permit, approval, consent, qualification, authorization or accreditation, and there is no claim challenging the validity of any of the foregoing which condition, event or claim, individually or collectively with all such conditions, events or claims, could have a Material Adverse Effect.

4.21 Insurance. Each Borrower and each Restricted Subsidiary of each Borrower (x) maintains insurance with financially sound and reputable insurers not related to or affiliated with any Borrower or (y) administers state-approved self-insurance programs or (z) operates a licensed or chartered captive insurance company which meets the qualifications of the domicile in

which it is located, with respect to its properties and business and against at least such liabilities, casualties and contingencies and in at least such types and amounts as is customary in the case of Persons engaged in the same or a similar business or having similar properties similarly situated, including insurance covering their respective properties, buildings, machinery, equipment, tools, furniture, fixtures and operations, and medical malpractice, professional liability and public liability. Schedule 4.21 hereto sets forth a list of all insurance and self-insurance currently maintained by or in respect of each Borrower and each Subsidiary of each Borrower, setting forth the identity of the insurance carrier, the type of coverage, the amount of coverage and the deductible. There are no claims, actions, suits, proceedings against, arising under or based upon any of such insurance policies (that may exceed the amount or scope of coverage) or self-insurance programs except as set forth in such Schedule 4.21. Such Schedule 4.21 identifies each insurance policy providing for a retrospective premium adjustment or other change in compensation payable to the insurer

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on the basis of claims or loss experience, and describes any liability the applicable Borrower or Subsidiary has with respect to such matters.

4.22 Third-Party Reimbursement Programs. Schedule 4.22 hereto sets forth a list of the public or private payors in whose reimbursement programs any facility operated by any Borrower or any Restricted Subsidiary of any Borrower participates. Each Borrower and each Restricted Subsidiary of a Borrower has timely filed, or caused to be timely filed, all cost reports or other reports of every kind whatsoever required by Law or by contract (whether oral or written) or otherwise to be made with respect to the purchase of or reimbursement for services by third-party purchasers or payors, including, but not limited to, Medicare and Medicaid programs and other insurance carriers except where the failure to timely file, individually or collectively with all other similar acts, could not have a Material Adverse Effect, and all such reports are complete and accurate in all material respects. No Borrower or Restricted Subsidiary of a Borrower has any liability for itself or any other Person for any refund, discount or adjustment to any such Person, and, except as may be disclosed in the financial statements referred to in Section 4.6 hereof, no interest or penalties are accruing with respect thereto, except any such refund, discount, adjustment, interest or penalty, which individually or collectively with all such other refunds, discounts, adjustments, interest or penalties, could not have a Material Adverse Effect.

4.23 Title to Property. Each Borrower and each Restricted Subsidiary of each Borrower has good and marketable title in fee simple to all real property owned or purported to be owned by it and good title to all other property of whatever nature owned or purported to be owned by it, including but not limited to all property reflected in the most recent audited balance sheets referred to in Section 4.6 hereof or submitted pursuant to Section 6.1(a)

hereof, as the case may be (except as sold or otherwise disposed of in the ordinary course of business after the date of such balance sheets or, after the Effective Date, as otherwise permitted by Section 7.10 hereof) it being understood that title to and interest in the Synthetic Lease Property is held pursuant to the terms of the Synthetic Lease Facility.

4.24 Intellectual Property. Each Borrower and each Restricted Subsidiary of each Borrower owns, or is licensed or otherwise has the right to use, all the patents, trademarks, service marks, names (trade, service, fictitious or otherwise), copyrights, technology (including but not limited to computer programs and software), processes, data bases and other rights, free from burdensome restrictions, necessary to own and operate its properties and to carry on its business as presently

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conducted and presently planned to be conducted without conflict with the rights of others.

4.25 Taxes. All tax and information returns required to be filed by or on behalf of any Borrower or any Subsidiary of any Borrower, which is included in a consolidated tax group with such Borrower have been properly prepared, executed and filed. All taxes, assessments, fees and other governmental charges upon any Borrower or any Subsidiary of any Borrower, which is included in a consolidated tax group with such Borrower or upon any of their respective properties, incomes, sales or franchises which are due and payable have been paid other than those not yet delinquent and payable without premium or penalty, and except for those being diligently contested in good faith by appropriate proceedings, and in each case adequate reserves and provisions for taxes have been made on the books of each Borrower and each such Subsidiary of each Borrower. The reserves and provisions for taxes on the books of each Borrower and each such Subsidiary of each Borrower are adequate for all open years and for its current fiscal period. No Borrower and no such Subsidiary of any Borrower knows of any proposed additional assessment or basis for any material assessment for additional taxes (whether or not reserved against). No Borrower and no Restricted Subsidiary of any Borrower has at any time filed a consolidated tax return with any Person other than Genesis and its Subsidiaries. The Tax Sharing Agreement is, or within thirty (30) days after the Effective Date and thereafter will be, in full force and effect. Schedule 4.25 hereto describes all tax sharing arrangements or agreements to which any Borrower or any Subsidiary of any Borrower is, or upon the Effective Date will be, subject or bound other than the Tax Sharing Agreement.

4.26 Employee Benefits. A copy of the most recent Annual Report (5500 Series Form) including all attachments thereto has been filed with the Internal Revenue Service for each Plan (if any) relating to any Borrower and, upon request, will be provided to the Agent and each Lender and fairly presents the funding status of such Plan. There has been no material

deterioration in any Plan's funding status since the date of such Annual Report. Schedule 4.26 hereto sets forth a list of all Plans and Multiemployer Plans relating to the Borrowers, and all information available to any Borrower with respect to the direct, indirect or potential withdrawal liability to any Multiemployer Plan of any Borrower or any Controlled Group Member. Except as set forth in such Schedule 4.26, no Borrower and no Subsidiary of any Borrower has any liability (contingent or otherwise) in excess of \$100,000 for or in connection with, and none of their respective properties is subject to a Lien in connection with, any Pension-Related Event. No Borrower and no Subsidiary of any Borrower has any liability (contingent or otherwise) for or in connection with, any Postretirement Benefits.

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#### 4.27 Environmental Matters.

(a) Each Borrower and each Restricted Subsidiary of each Borrower and each of their respective Environmental Affiliates is and has been, in full compliance with all applicable Environmental Laws, except for (x) matters set forth in Schedule 4.27 hereto and (y) matters which, individually or in the aggregate, could not have a Material Adverse Effect. There are, to the Borrowers' knowledge after due inquiry, no circumstances that may prevent or interfere with such full compliance in the future.

(b) Each Borrower and each Subsidiary of each Borrower and their respective Environmental Affiliates have all Environmental Approvals necessary or desirable for the ownership and operation of their respective properties, facilities and businesses as presently owned and operated and as presently proposed to be owned and operated, except for (x) matters set forth in Schedule 4.27 hereto and (y) matters which, individually or in the aggregate, could not have a Material Adverse Effect.

(c) There is no Environmental Claim pending or, to the knowledge of any Borrower after due inquiry, threatened, and there are no past or present acts, omissions, events or circumstances (including but not limited to any dumping, leaching, deposition, removal, abandonment, escape, emission, discharge or release of any Environmental Concern Material at, on or under any facility or property now or previously owned, operated or leased by any Borrower or any Subsidiary of any Borrower or any of their respective Environmental Affiliates) that could form the basis of any Environmental Claim, against any Borrower or any Subsidiary of any Borrower or any of their respective Environmental Affiliates, except for (x) matters set forth in Schedule 4.27 hereto, and (y) matters which, if adversely decided, individually or in the aggregate, could not have a Material Adverse Effect.

(d) No facility or property now or previously owned, operated or leased by any Borrower or any Subsidiary of any Borrower or any of their respective Environmental Affiliates is an Environmental Cleanup Site. To the

best of the Borrowers' knowledge, no Borrower, no Subsidiary of any Borrower and none of their respective Environmental Affiliates has directly transported or directly arranged for the transportation of any Environmental Concern Materials to any Environmental Cleanup Site. No Lien exists, and, to the Borrowers' knowledge after due inquiry, no condition exists which could result in the filing of a Lien, against any property of any Borrower or any Subsidiary of any Borrower or any of their respective Environmental Affiliates, under any Environmental Law.

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4.28 Proceeds of Loans; Obligations Secured By Letters of Credit. The Borrowers will apply the proceeds of the Loans only (a) to refinance Indebtedness and liabilities under the Original Credit Agreement, (b) to fund Capital Expenditures, subject to the other limitations set forth in this Agreement, (c) to fund Acquisitions, subject to the other limitations set forth in this Agreement, (d) to fund seasonal fluctuations and growth in working capital and (e) to pay all or a portion of the redemption price of the 1993 Subordinated Debentures, to the extent that a redemption of the 1993 Subordinated Debentures is permitted under this Agreement. Each Borrower will request the issuance of Letters of Credit, and the Carry-Over Letters of Credit are being and will be used, only for the purposes permitted under Section 3.1 hereof. All obligations of any Borrower or any Subsidiary of any Borrower to be secured by a Letter of Credit issued or deemed issued hereunder will at all times be legal, valid, binding and enforceable obligations of such Borrower or Subsidiary.

4.29 Regulatory Restrictions. No Borrower, and no Subsidiary of any Borrower, is (a) an "investment company" or a company "controlled" by an investment company within the meaning of the Investment Company Act of 1940, as amended, (b) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, (c) subject to regulation under the Federal Power Act, the Interstate Commerce Act, or the Investment Company Act of 1940, as amended, or (d) subject to any other Law which purports to restrict or regulate its ability to borrow money or obtain credit as a consequence of the nature of the business conducted by such Person.

4.30 Regulation O. No director, executive officer or principal shareholder of any Borrower is a "director," "executive officer" or "principal shareholder" of any Lender, as such terms are used in Regulation O of the Board of Governors of the Federal Reserve System, as amended.

4.31 Security Documents. When executed and delivered (or amended) on the Effective Date, the Security Documents will be effective to create in favor of the Collateral Agent for the benefit of the Secured Parties a legal, valid and enforceable Lien on and security interest in all right, title



and interest of each Borrower in the collateral described therein, and the Collateral Agent will possess, for the benefit of the Secured Parties, a fully perfected and continuing first priority Lien on and security interest in all right, title and interest of each Borrower in the collateral described in the Security Documents, subject to no Liens other than Permitted Liens. All equity interests in each Borrower shall be included in the Collateral.

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4.32 1993 Subordinated Debentures, 1995 Subordinated Notes, and the 1996 Subordinated Notes.

(a) All of the Loan Obligations constitute and will constitute "Senior Indebtedness" and "Designated Senior Indebtedness" within the meaning ascribed to such terms in the 1993 Subordinated Debenture Indenture. The subordination provisions of the 1993 Subordinated Debenture Indenture are enforceable against Genesis and the holders from time to time of the 1993 Subordinated Debentures.

(b) Interest paid or incurred by Genesis with respect to the 1993 Subordinated Debentures is and shall be allowed to Genesis as a deduction for purposes of computing taxable income of Genesis under the Code.

(c) All of the Loan Obligations constitute and will constitute "Senior Indebtedness" and "Designated Senior Indebtedness" within the meaning ascribed to such terms in the 1995 Subordinated Note Indenture. The subordination provisions of the 1995 Subordinated Note Indenture are enforceable against Genesis and the holders from time to time of the 1995 Subordinated Notes.

(d) From and after the execution and delivery of the 1996 Subordinated Note Indenture and the issuance of the 1996 Subordinated Notes, (i) all of the Loan Obligations will constitute "Senior Indebtedness" and "Designated Senior Indebtedness" within the meaning ascribed to such terms (or similar terms) in the 1996 Subordinated Note Indenture and (ii) the subordination provisions of the 1996 Subordinated Note Indenture will be enforceable against Genesis and the holders from time to time of the 1996 Subordinated Notes.

## ARTICLE 5 - CONDITIONS

5.1 Conditions to Effectiveness. The effectiveness of this amendment and restatement of the Original Credit Agreement by this Agreement, and the obligation of each Lender to make Loans hereunder and the obligation of the Issuer to issue (or to be deemed to have issued) any Letter of Credit hereunder is subject to the satisfaction, of the following conditions precedent (in addition to the conditions precedent set forth in Section 5.2 hereof in the case of the making of Loans or the issuance (or deemed issuance) of Letters of



Credit):

(a) Agreement. The Agent shall have received a counterpart of this Agreement for each Lender, duly executed by each of the Borrowers, by each of the Lenders, by the Issuer and by the Agent.

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(b) Notes. The Agent shall have received an executed Note for each Lender conforming to the requirements hereof and duly executed on behalf of each of the Borrowers.

(c) Security Documents. The Agent (or Collateral Agent) shall have received the duly executed copies of the Collateral Agency Agreement and the Pledge Agreement, together with

(i) Certificates and instruments representing the stock certificates and other instruments pledged pursuant to such Security Documents, accompanied by duly executed instruments of transfer or assignment in blank, in form and substance satisfactory to the Agent and Collateral Agent; and

(ii) Evidence of the completion of all recordings and filings (including Uniform Commercial Code financing statements) with respect to, and of all other actions with respect to, the above Security Documents as may be necessary or, in the opinion of the Agent, desirable to create, perfect or protect the Liens created or purported to be created thereby.

(d) Lien Searches To the extent required by the Agent, evidence of recent searches respecting Uniform Commercial Code and judgment liens showing no filings or recordings, except for (x) Permitted Liens and (y) such other filings and recordings as are acceptable to the Agent (it being understood that such acceptance does not limit any obligations of the Borrowers hereunder or under other Loan Documents).

(e) Obligations Under Existing Credit Agreement. All principal, interest, premiums, fees and other amounts outstanding or otherwise due and payable with respect to the Original Credit Agreement or the other "Loan Documents" referred to therein shall have been paid in full or refinanced with Loans hereunder.

(f) Synthetic Lease Facility. The Synthetic Lease Facility and

other Synthetic Lease Facility Documents shall have been duly executed and delivered and shall be in full force and effect and a Responsible Officer of Genesis shall deliver to the Agent, with copies for each Lender, a certificate to such effect together with a copy of such documents.

(g) [INTENTIONALLY OMITTED]

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(h) Corporate or Partnership Proceedings. The Agent shall have received, with a counterpart for each Lender Party, certificates by the Secretary or Assistant Secretary of each Borrower dated as of the Effective Date as to (i) true copies of the articles of incorporation and bylaws or partnership agreement (or other constituent documents) of such Borrower in effect on such date, (ii) true copies of all corporate or partnership action taken by such Borrower relative to this Agreement and the other Loan Documents and (iii) the incumbency and signature of the respective officers of such Borrower executing this Agreement and the other Loan Documents to which such Borrower is a party, together with satisfactory evidence of the incumbency of such Secretary or Assistant Secretary. The Agent shall have received, with a copy for each Lender Party, copies of (x) certificates from the appropriate Secretary of State or other applicable Governmental Authority dated not more than 30 days before the Effective Date showing the good standing of each Borrower in its state of incorporation or organization and (y) certificates from the appropriate Secretaries of State or other applicable Governmental Authorities dated not more than 30 days before the Effective Date showing the good standing of Genesis in each state in which Genesis does business.

(i) Insurance. If requested by the Agent, the Borrowers shall have delivered evidence that the insurance policies required by this Agreement and the other Loan Documents have been obtained and are in effect.

(j) Litigation. There shall not be pending (or to the knowledge of any Borrower after due inquiry, threatened) any action, suit, proceeding or investigation by or before any Governmental Authority seeking to challenge, prevent or declare illegal any of the transactions contemplated by the Loan Documents.

(k) Other Conflicts. The Agent shall have received, with copies for each Lender, true and correct copies of each consent, waiver, amendment or agreement which has been obtained by or on behalf of any Borrower or any Restricted Subsidiary of Borrower in respect of any matter which would, absent such consent, waiver, amendment or agreement, be within the scope of clause (b)(ii) of Section 4.5 hereof,

and such items shall be satisfactory in form and substance to the Agent and shall be in full force and effect.

(l) Financial Statements, Projections, Etc. The Agent shall have received, with a counterpart for each Lender Party, copies of such of the financial statements, and projections referred to in Sections 4.6, 4.7 and 4.9 hereof as it shall request.

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(m) Legal Opinion of Counsel to the Borrowers. The Agent shall have received, with an executed counterpart for each Lender Party, an opinion addressed to each Lender Party, dated the Effective Date, of Blank, Rome, Comisky & McCauley, counsel to each of the Borrowers, as to such matters as may be requested by the Agent and in form and substance satisfactory to the Agent.

(n) Fees, Expenses, Etc. All fees and other compensation required to be paid to the Agent, the Issuer or the Lenders on or prior to the Effective Date pursuant to the terms hereof or as otherwise agreed by any of the parties hereto shall have been paid or received.

(o) No Material Adverse Change, Etc. There shall not have occurred any material adverse change in the business, operations, assets or condition (financial or otherwise) or prospects of Genesis and its consolidated Subsidiaries from that reflected in the financial statements referred to in Section 4.7 hereof. There shall not have occurred any adverse change in the business lines or prospects of any Borrower or any Restricted Subsidiary of any Borrower.

(p) Additional Matters. The Agent shall have received such other certificates, opinions, documents (including licenses, permits and accreditations and releases executed by entities, if any, which were Borrowers under the Original Credit Agreement but are not Borrowers hereunder) and instruments as may be reasonably requested by the Agent.

5.2 Conditions to All Loans and to Issuance of All Letters of Credit. The obligation of each Lender to make any Loan and the obligation of the Issuer to issue any Letter of Credit is subject to (in addition to the conditions specified in Section 5.1 hereof) satisfaction of the following further conditions precedent:

(a) Notice. Appropriate notice for the making of such Loan or the issuance of such Letter of Credit shall have been given by the applicable Borrower as provided in Article 2 or Article 3 hereof.

(b) Representations and Warranties. Each of the representations and warranties made by each Loan Party herein and in each other Loan Document shall be true and correct in all material respects on and as of such date as if made on and as of such date, both before and after giving effect to any Loans requested to be made and the issuance of any Letters of Credit requested to be issued on such date. Without limiting the generality of the foregoing, both before and after giving effect to the proposed Loan or

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Letter of Credit, Genesis shall be in compliance with the financial tests set forth in Section 5.9 of the 1995 Subordinated Note Indenture and any similar provisions in the 1996 Subordinated Note Indenture.

(c) No Defaults. No Event of Default or Potential Default shall have occurred and be continuing or shall exist on such date or after giving effect to any Loans requested to be made and any Letters of Credit requested to be issued on such date.

(d) No Violations of Law. Neither the making nor use of any Loans nor the issuance or use of the proceeds of any Letters of Credit shall cause any Lender Party to violate or conflict with any Law.

(e) No Material Adverse Effect. There shall not have occurred, or be threatened, any event, act or condition which could have a Material Adverse Effect.

Each request by a Borrower for the making of any Loan or the issuance of any Letter of Credit shall constitute a representation and warranty by such Borrower that the conditions set forth in this Section 5.2 have been satisfied as of the date of such request. Failure of the Agent to receive notice from such Borrower to the contrary before such Loan is made or such Letter of Credit is issued shall constitute a further representation and warranty by such Borrower that the conditions referred to in this Section 5.2 have been satisfied as of the date such Loan is made or such Letter of Credit is issued.

#### ARTICLE 6 - AFFIRMATIVE COVENANTS

The Borrowers hereby covenant to each Lender Party as follows:

##### 6.1 Reporting Requirements.

(a) Annual Audit Reports. As soon as practicable, and in any event within 90 days after the close of each fiscal year of Genesis, Genesis, on behalf of the Borrowers, shall furnish to the Agent, with a copy for the Issuer and each Lender, consolidated statements of income, cash flows and changes in

stockholders' equity of Genesis and its consolidated Subsidiaries for such fiscal year and a consolidated balance sheet of Genesis and its consolidated Subsidiaries as of the close of such fiscal year, and notes to each, all in reasonable detail, setting forth in comparative form the corresponding figures for the preceding fiscal year. Such financial statements shall be accompanied by an opinion of KPMG Peat Marwick or other independent certified public accountants of recognized national standing selected by

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the Borrowers and satisfactory to the Required Lenders. Such opinion shall be free of any exception or qualification which is of "going concern" or like nature or which relates to a limited scope of examination. Such opinion in any event shall contain a written statement of such accountants substantially to the effect that (i) such accountants examined such financial statements in accordance with generally accepted auditing standards and accordingly made such tests of accounting records and such other auditing procedures as such accountants considered necessary under the circumstances and (ii) in the opinion of such accountants such financial statements present fairly the financial position of Genesis and its consolidated Subsidiaries as of the end of such fiscal year and the results of their operations and their cash flows and changes in stockholders' equity for such fiscal year, in conformity with GAAP.

Concurrently with the delivery of the financial statements referred to above in this paragraph (a) Genesis, on behalf of the Borrowers, shall furnish to the Agent, with a copy for the Issuer and each Lender, (1) unaudited statements of income, cash flows and changes in stockholders' equity for each of (x) Genesis and the Restricted Subsidiaries on a consolidated basis and (y) the Unrestricted Entities on a consolidated basis, for such fiscal year and (2) a balance sheet of each of (x) Genesis and the Restricted Subsidiaries on a consolidated basis and (y) the Unrestricted Entities on a consolidated basis, all in reasonable detail, setting forth in comparative form the corresponding figures for the preceding year. Such unaudited financial statements shall be certified by a Responsible Officer of Genesis as presenting fairly the financial position of the subject entities as of the end of such fiscal year and the results of their operations and their cash flows and changes in stockholders' equity for such fiscal year, in conformity with GAAP.

(b) Quarterly Consolidated Reports. As soon as practicable, and in any event within 45 days after the close of each of the first three fiscal quarters of each fiscal year of Genesis, Genesis, on behalf of the Borrowers, shall furnish to the Agent, with a copy for the Issuer and each Lender, (1) unaudited consolidated statements of income, cash flows and changes in stockholders' equity for each of (x) Genesis and its consolidated Subsidiaries, (y) Genesis and its Restricted Subsidiaries on a consolidated basis and (z) the Unrestricted Entities on a consolidated basis as of the close of such fiscal quarter and for the period from the beginning of such fiscal year to the end of such fiscal quarter and (2) unaudited balance sheets of each of such three groups of entities as of the close of such fiscal quarter, and notes

to each, all in reasonable detail, setting forth in comparative form the corresponding figures for the same periods or as of the same date during the preceding fiscal year (except for the balance sheets, which shall set forth in comparative form the corresponding balance sheets as

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of the prior fiscal year end). Such financial statements shall be certified by a Responsible Officer of Genesis as presenting fairly the financial position of the subject entities as of the end of such fiscal quarter and year-to-date period, and the results of their operations and their cash flows and changes in stockholders' equity for such fiscal quarter and year-to-date period, in conformity with GAAP, subject to normal and recurring year-end audit adjustments.

(c) INTENTIONALLY OMITTED

(d) Quarterly Compliance Certificates. Genesis, on behalf of the Borrowers, shall deliver to the Agent, with a copy for the Issuer and each Lender, an Officer's Compliance Certificate concurrently with the delivery of the financial statements referred to in subsections (a) and (b) of this Section 6.1 (a "Quarterly Compliance Certificate"). Each Quarterly Compliance Certificate shall include for informational purposes, in addition to the information set forth in other Officer's Compliance Certificates, the calculations necessary to confirm compliance with the financial covenants set forth in Section 5.9 of the 1995 Subordinated Note Indenture and any similar provisions in the 1996 Subordinated Note Indenture. The Quarterly Compliance Certificate which is to be delivered concurrently with the annual audited financial statements referred to in subsection (a) of this Section 6.1 shall also be certified by the independent certified public accountants which provide the opinion referred to in such subsection (a).

(e) Certain Other Reports and Information. Promptly upon their becoming available to any Borrower, such Borrower shall deliver to the Agent, with a copy for the Issuer and each Lender, a copy of (i) all regular or special reports, registration statements and amendments to the foregoing which any Borrower or any Restricted Subsidiary of any Borrower shall file with the Securities and Exchange Commission (or any successor thereto) or any securities exchange, (ii) all reports, proxy statements, financial statements and other information distributed by any Borrower or any Restricted Subsidiary to its stockholders, bondholders or the financial community generally, and (iii) all accountants' management letters pertaining to, all other reports submitted by accountants in connection with any audit of, and all other reports from outside accountants with respect to, any Borrower or any Restricted Subsidiary of any Borrower.

(f) INTENTIONALLY OMITTED

(g) Projections. As soon as practicable, and in any event within 60 days of the beginning of each fiscal year of Genesis, Genesis, on behalf of the Borrowers, shall furnish to

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the Agent, with a copy for the Issuer and each Lender, a copy of the projections prepared by the Borrowers demonstrating the projected consolidated financial condition and results of operations of the Borrowers and their Restricted Subsidiaries, for the five-year period commencing on the first day of such fiscal year, which projections shall be accompanied by a written statement of the assumptions and estimates underlying such projections and on the basis of which such projections shall have been prepared. Such projections, assumptions and estimates shall be accompanied by a statement, certified by a Responsible Officer of Genesis, to the effect that as of the date of preparation thereof and as of the date of delivery thereof pursuant to this Section 6.1(g), such projections, assumptions and estimates were reasonable, made in good faith, consistent with the Loan Documents and represent the Borrowers' best judgment as to such matters at such times.

(h) Age Florida Financial Statements. At any time that indebtedness under the AGE Florida Financing Facility is in excess of Fifteen Million Dollars (\$15,000,000), the Borrowers shall promptly furnish, or cause to be furnished, to the Agent, with a copy for each Lender Party, all financial statements of Age Florida (or Age Florida and its Subsidiaries) which the Agent may request.

(i) Modifications to Schedules. The Borrowers may, from time to time, furnish to the Agent, with a copy for the Issuer and each Lender, revisions to certain schedules hereto, necessary to reflect information respecting transactions permitted hereunder in such form as the Agent may reasonably request. Unless the Agent notifies Genesis to the contrary, such revisions (if they reflect transactions and events permitted hereunder and under the other Loan Documents (in all cases after taking account of all waivers and amendments thereto)) shall be deemed to be amendments hereto.

(j) Notice of Certain Events. Promptly upon any Borrower becoming aware of any of the following, the Borrowers shall give the Agent notice thereof, together with a written statement of a Responsible Officer of the Borrower which gives such notice setting forth the details thereof and any action with respect thereto taken or proposed to be taken by any Borrower:

(i) Any Event of Default or Potential Default.

(ii) Any material adverse change in the business, operations or condition (financial or otherwise) or prospects of any Borrower or any Subsidiary of any Borrower.



(iii) Any pending or threatened action, suit, proceeding or investigation by or before any Governmental Authority against or affecting any Borrower or any

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Subsidiary of any Borrower, except for matters that if adversely decided, individually or in the aggregate, could not have a Material Adverse Effect.

(iv) Any material violation, breach or default by Genesis or any Subsidiary thereof of or under the 1993 Subordinated Debentures, the 1993 Subordinated Debenture Indenture, the 1995 Subordinated Notes, the 1995 Subordinated Note Indenture, the 1996 Subordinated Note Indenture, the First Mortgage Bond Documents, the AGE Florida Documents, the Silver Lake Dover Documents, the Silver Lake Bristol Documents, agreements respecting the investment in Doctors Health System, Inc., any Assumed Indebtedness or any other agreement or instrument material to the business, operations, condition (financial or otherwise) or prospects of Genesis and its Restricted Subsidiaries taken as a whole.

(v) (A) Any termination for default of any Management Agreement, any lease by a Restricted Subsidiary of a nursing or other healthcare facility or any other real property or any other agreement or instrument material to the business, operations, condition (financial or otherwise) or prospects of Genesis and its Restricted Subsidiaries taken as a whole, (B) any termination for convenience or other early termination or failure to exercise any option to renew by the other party to any Management Agreement, any lease referred to in clause (A) above or any other agreement or instrument material to the business, operations, condition (financial or otherwise) or prospects of Genesis and its Restricted Subsidiaries taken as a whole except, with respect to this clause (B), for any termination or failure to renew which, individually or in the aggregate with all other such terminations or failures to renew, could not have a Material Adverse Effect or (C) any actual or threatened suspension, debarment or declaration of ineligibility of any Borrower or any Subsidiary by any Governmental Authority, including but not limited to any actual or threatened suspension, debarment or declaration of ineligibility with respect to any Medicare or Medicaid program.

(vi) Any Pension-Related Event. Such notice shall be accompanied by: (A) a copy of any notice, request, return, petition or other document received by any Loan Party or any Controlled Group Member from any Person, or which has been or is to be filed with or provided to any Person (including without limitation the Internal Revenue Service, PBGC or any Plan participant, beneficiary, alternate



payee or employer representative), in connection with such Pension-Related Event, and (B) in the case of any Pension-Related Event with respect to a Plan, the most recent Annual Report (5500

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Series), with attachments thereto, and the most recent actuarial valuation report, for such Plan.

(vii) Any Environmental Claim pending or threatened against any Borrower or any Subsidiary of any Borrower or any of their respective Environmental Affiliates, or any past or present acts, omissions, events or circumstances (including but not limited to any dumping, leaching, deposition, removal, abandonment, escape, emission, discharge or release of any Environmental Concern Material at, on or under any facility or property now or previously owned, operated or leased by any Borrower or any Subsidiary of any Borrower or any of their respective Environmental Affiliates) that could form the basis of such Environmental Claim, which Environmental Claim, if adversely resolved, individually or in the aggregate, could have a Material Adverse Effect.

(viii) Any material violation, breach or default by Genesis or any Subsidiary of Genesis of the terms of the Synthetic Lease Facility or other Synthetic Lease Facility Documents.

(k) Visitation; Verification. The Borrowers shall permit such Persons as the Agent or any Lender may designate from time to time to visit and inspect any of the properties of the Borrowers and of any Restricted Subsidiary, to examine and verify their respective books and records and take copies and extracts therefrom and to discuss their respective affairs with their respective directors, officers, employees and independent accountants upon prior notice at such times during regular business hours, and as often, as the Agent may reasonably request. The Borrowers hereby authorize such officers, employees and independent accountants to discuss with the Agent or any Lender the affairs of the Borrowers and their Restricted Subsidiaries. The Borrowers shall cooperate, and shall cause each of its Restricted Subsidiaries to cooperate, with the Agent and the Lenders in such inspection and verification. Any examination and verification of accounts and inventory shall be at the expense of the Lenders, with each Lender to be responsible for its Pro Rata Share of such expense.

(l) Environmental Audit. The Agent shall have the right, at the direction of the Required Lenders and at the expense of the Lenders in proportion to their respective Pro Rata Shares, from time to time to designate such Persons (the "Environmental Auditors") as the Agent may select to visit, inspect and have access to any of the properties, products or wastes of each Borrower and each Restricted Subsidiary and, to the extent possible, their respective Environmental Affiliates, for the purpose of investigating whether

there may be a basis for any Environmental Claim or any condition which could result in

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any liability, cost or expense to the Agent or any Lender. Such investigation may include, among other things, above and below ground testing for the presence of Environmental Concern Materials and such other tests as may be necessary or advisable in the opinion of the Agent. The Borrowers will supply to the Environmental Auditors such historical and operational information, including the results of all samples sent for analysis, correspondence with Governmental Authorities and environmental audits or reviews regarding properties, products and wastes of any Borrower, any Restricted Subsidiary or any of their respective Environmental Affiliates as are within its possession, custody or control, or which are available to any of them, and will make available for meetings with the Environmental Auditors appropriate personnel employed by or consultants retained by the Borrowers and Restricted Subsidiaries having knowledge of such matters.

(m) Annual Bank Meeting. The Borrowers shall cooperate in the arrangement of, and shall cause appropriate officers thereof to attend and participate in, an annual bank meeting at the request of the Agent.

(n) Other Information. In addition, the Borrowers will promptly furnish to the Agent such other information as the Agent may reasonably request.

6.2 Insurance. Each of the Borrowers shall, and shall cause each of its Restricted Subsidiaries to, maintain with financially sound and reputable insurers insurance with respect to its properties and business and against such liabilities, casualties and contingencies and of such types and in such amounts as are customary in the case of Persons engaged in the same or similar businesses or having similar properties similarly situated and as is satisfactory from time to time to the Required Lenders, including insurance covering its respective properties, buildings, machinery, equipment, tools, furniture, fixtures and operations, and medical malpractice, professional liability and public liability, as well as business interruption, all of which insurance in any event shall not provide for a materially lower level of coverage than the insurance referred to in Schedule 4.21 hereto. The Borrowers shall, if so requested by the Collateral Agent or the Agent, deliver to the Collateral Agent or the Agent original or duplicate policies of such insurance and, as often as the Collateral Agent or the Agent may reasonably request, a report of a reputable insurance broker, or an insurance company representative if an insurance broker is not involved, with respect to such insurance.

6.3 Payment of Taxes and Other Potential Charges and Priority Claims. Each of the Borrowers shall, and shall cause

(a) on or prior to the date on which penalties attach thereto, all taxes, assessments and other governmental charges imposed upon it or any of its properties; and

(b) on or prior to the date when due, all lawful claims of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons and all other lawful claims which, in each case if unpaid, might result in the creation of a Lien upon any of its properties,

provided that unless and until foreclosure, distraint, levy, sale or similar proceedings shall have been commenced, such Borrower or such Restricted Subsidiary need not pay or discharge any such tax, assessment, charge or claim so long as (x) the validity thereof is contested in good faith and by appropriate proceedings diligently conducted, (y) such reserves or other appropriate provisions as may be required by GAAP shall have been made therefor and (z) to the extent that the aggregate amount of such taxes, assessments, charges or claims at any time exceeds \$250,000, the Borrowers deposit and maintain with the Agent a bond or other security satisfactory to the Required Lenders in such amount as the Required Lenders shall require to assure the discharge of such excess amount.

6.4 Preservation of Status. Each of the Borrowers shall, and shall cause each of its Restricted Subsidiaries to, maintain its status as a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, or maintain its status as a partnership duly organized and validly existing under the laws of its jurisdiction of organization. Each of the Borrowers shall, and shall cause each of its Restricted Subsidiaries to, continue to be duly qualified to do business as a foreign corporation or partnership, as the case may be, and in good standing in all jurisdictions in which the ownership of its properties or the nature of its business or both make such qualification necessary or advisable, except for matters that, individually or in the aggregate, could not have a Material Adverse Effect.

6.5 Governmental Approvals and Filings. Each of the Borrowers shall, and shall cause each of its Restricted Subsidiaries to, keep and maintain in full force and effect all Governmental Actions necessary or advisable in connection with execution and delivery of any Loan Document by any Borrower, consummation by any Borrower of the transactions herein or therein contemplated, performance of or compliance with the terms and conditions hereof or thereof by any Borrower or to ensure the legality, validity, binding effect, enforceability or admissibility in evidence hereof or thereof.

6.6 Power To Carry On Business. Each of the

Subsidiaries to, (a) maintain in effect all licenses, permits, approvals, consents, qualifications, authorizations and accreditations necessary or appropriate to own and operate all nursing or other facilities which it owns or operates and (b) obtain all licenses, permits, approvals, consents, qualifications, authorizations and accreditations necessary or appropriate to own and operate all nursing or other facilities which it acquires.

6.7 Maintenance of Properties. Each of the Borrowers shall, and shall cause each of its Restricted Subsidiaries to, maintain or cause to be maintained in good repair, working order and condition the properties now or hereafter owned, leased or otherwise possessed by it and shall make or cause to be made all needful and proper repairs, renewals, replacements and improvements thereto so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

6.8 Material Restricted Subsidiaries As Borrowers. The Borrowers shall cause all of their Subsidiaries which are Material Restricted Subsidiaries to be Borrowers hereunder (by signing Joinder Supplements hereto, executing Notes or allonges thereto and taking such other action as the Agent may reasonably request) and to cause all the capital stock or other equity interests in such Material Restricted Subsidiaries to be pledged to the Collateral Agent pursuant to the Security Documents.

6.9 Financial Accounting Practices. Each of the Borrowers shall, and shall cause each of its Restricted Subsidiaries to, make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect its transactions and dispositions of its assets and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (a) transactions are executed in accordance with management's general or specific authorization, (b) transactions are recorded as necessary (i) to permit preparation of financial statements in conformity with GAAP and (ii) to maintain accountability for assets, (c) access to assets is permitted only in accordance with management's general or specific authorization and (d) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Each of the Borrowers shall, and shall cause each of the Restricted Subsidiaries to, have a fiscal year ending September 30.

6.10 Use of Proceeds. The Borrowers shall apply the proceeds of the Loans only for, and shall request the issuance of Letters of Credit only for, the respective purposes described in Section 4.28 hereof. The Borrower shall not use the proceeds of any Loans hereunder, or request the issuance of Letters of Credit hereunder, directly or indirectly in violation of Regulations

U or G of the Board of Governors of the Federal Reserve System, as amended from time to time, for any unlawful purpose or in any manner inconsistent with Section 4.28 hereof or any other provision of any Loan Document.

6.11 Preservation of Status as Senior Indebtedness. Genesis shall promptly take all action requested by the Agent or otherwise necessary at any time to protect, preserve and give effect to (a) the status of the Lenders, the Issuer and the Agent as the holders of "Senior Indebtedness" and "Designated Senior Indebtedness" within the meaning of the 1993 Subordinated Debenture Indenture and (b) the status of the Lenders, the Issuer and the Agent as the holders of "Senior Indebtedness" and "Designated Senior Indebtedness" within the meaning of the 1995 Subordinated Note Indenture and (c) the status of the Lenders, the Issuer and the Agent as holders of "Senior Indebtedness" and "Designated Senior Indebtedness" (or similar term used therein) within the meaning of the 1996 Subordinated Note Indenture.

6.12 Interest Rate Hedging Agreements. Genesis shall, from time to time, enter into one or more Qualifying Interest Rate Hedging Agreements to the extent necessary to ensure that at all times at least 30% of the Consolidated Funded Indebtedness of the Borrowers effectively bears, or is capped at, a fixed interest rate.

6.13 Continuation of or Change in Business. Each of the Borrowers and each Restricted Subsidiary of each Borrower shall continue to engage in its business substantially as conducted and operated during the present and preceding fiscal year, and no Borrower shall, and no Borrower shall permit any of its Restricted Subsidiaries to, engage in any other business.

6.14 Corporate Separateness. Each of the Borrowers shall, and shall cause each of its Restricted Subsidiaries to, conduct its business and operations and the business and operations of each Restricted Subsidiary separately from that of each Unrestricted Entity, and cause each Unrestricted Entity to conduct its business and operations separately from that of such Borrower and the Restricted Subsidiaries, including, without limitation, (i) not commingling funds or other assets of an Unrestricted Entity with the funds or other assets of the Borrower or a Restricted Subsidiary; (ii) maintaining separate corporate and financial records and observing all corporate formalities; (iii) causing each Unrestricted Entity to pay its liabilities from its assets; provided that this clause shall not prohibit a Borrower or any Restricted Subsidiary from making an Investment in an Unrestricted Entity that is otherwise permitted under Section 7.10 of this Agreement; (iv) maintaining capitalization adequate to meet the business needs of each Unrestricted Entity; (v) causing all reports and filings of the Borrower to refer to each Unrestricted Entity as a Subsidiary

rather than as a division; and (vi) causing each Unrestricted Entity to conduct its dealings with third parties in its own name and as a separate and independent entity.

#### ARTICLE 7 - NEGATIVE COVENANTS

The Borrowers hereby covenant to each Lender Party as follows:

##### 7.1 Financial Covenants.

(a) Fixed Charge Coverage. The Fixed Charge Coverage Ratio shall be at least equal to the ratios set forth below during the periods indicated below:

Period -----	Ratio -----
from the Effective Date through June 30, 1997	2.15 to 1.00
from July 1, 1997 through through September 30, 1999	2.25 to 1.00
from October 1, 1999 and thereafter	2.50 to 1.00.

(b) Senior Funded Debt/Cash Flow. The Senior Funded Debt/Cash Flow Ratio shall be not greater than 4.0 to 1 at any time from the Effective Date through September 30, 1999 and shall be not greater than 3.50 to 1 at any time thereafter.

(c) Consolidated Net Worth. The total amount of stockholders' equity of Genesis and its Restricted Subsidiaries on a consolidated basis at any date of determination after the Effective Date shall be not less than the sum of (i) Four Hundred and Fifty Million Dollars (\$450,000,000) plus (ii) an amount equal to the net proceeds of all equity offerings of Genesis on a cumulative basis commencing with the Effective Date through such date of determination plus (iii) 75% of the cumulative amount of Net Income (which shall not be reduced by the amount of any net loss for any fiscal quarter) of Genesis and its Restricted Subsidiaries on a consolidated basis for the period commencing on the first day of the fiscal quarter in which the Effective Date occurs through the last day of the fiscal quarter ending on, or most recently prior to, such date of determination.

(d) Total Funded Debt/Cash Flow. The Total Funded Debt/Cash Flow Ratio shall be not greater than 5.00 to 1 at any time from the Effective Date through September 30, 1999 and shall be not greater than 4.50 to 1 at any time thereafter.

(e) Calculations of Financial Covenants. The financial covenants set forth in this Section 7.1 shall be tested at the end of each fiscal quarter and at such other times as may be required by the terms of this Agreement. Following the effective date of any Acquisition that is effected by Genesis or any of its Restricted Subsidiaries and that is permitted under Section 7.9(c) hereof, the financial covenants set forth in this Section 7.1 shall be computed on a pro forma basis as if the effective date of such Acquisition had been the first day of the earliest of the four fiscal quarters ended on, or most recently prior to, such actual date of the Acquisition. For purposes of such computation, the Borrowers may elect to make pro forma income statement adjustments at the time of the effective date of such Acquisition under the following circumstances: (i) adjustments to reflect the elimination of that portion of salary and employee benefit expenses relating to owners, management and board members of the Person so acquired that, as a consequence of such Acquisition, will no longer be incurred by the Person so acquired on an on-going basis following the Acquisition, to the extent demonstrated by Genesis to the satisfaction of the Agent, and (ii) adjustments to reflect any other savings in expenses which will be realized by such Person so acquired as a consequence of such Acquisition, to the extent demonstrated by Genesis to the satisfaction of the Required Lenders. Following the effective date of any disposition that is effected by Genesis or any of its Restricted Subsidiaries and that is permitted under Section 7.10 hereof, the financial covenants set forth in this Section 7.1 shall be computed on a pro forma basis as if the effective date of such disposition had been the first day of the earliest of the four fiscal quarters ended on, or most recently prior to, such actual date of disposition. Similarly, following the effective date of any designation or redesignation of a Subsidiary or Investment pursuant to the terms of Section 7.6 below, if the effect of such designation or redesignation is to change the entities which constitute Restricted Subsidiaries, the financial covenants set forth in this Section 7.1 shall be computed on a pro forma basis as if the effective date of such designation or redesignation had been the first day of the earliest of the four fiscal quarters ended, or most recently prior to, such actual date of the designation or redesignation as the case may be.

7.2 Liens. No Borrower shall, and no Borrower shall permit any of its Restricted Subsidiaries to, at any time create, incur, assume or suffer



to exist any Lien on any of its assets (now owned or hereafter acquired), or agree, become or remain liable (contingently or otherwise) to do any of the foregoing, except for the following ("Permitted Liens"):

(a) Liens pursuant to the Security Documents in favor of the Collateral Agent for the benefit of the Secured Parties;

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(b) Liens existing on the Effective Date securing obligations existing on the Effective Date, as such Liens and obligations are listed in Schedule 7.2 hereto (and extension, renewal and replacement Liens upon the same property theretofore subject to a listed Lien, provided that the amount secured by each Lien constituting such an extension, renewal or replacement Lien shall not exceed the amount secured by the corresponding Lien theretofore existing);

(c) Liens arising from taxes, assessments, charges or claims described in Section 6.3 hereof that are not yet due or that remain payable without penalty;

(d) Liens arising from taxes, assessments, charges or claims described in Section 6.3 hereof to the extent determined to remain unpaid under the proviso to such Section 6.3, provided that the aggregate amount secured by all Liens described in this subsection (d) shall not at any time exceed \$500,000;

(e) INTENTIONALLY OMITTED

(f) Liens existing on real estate and equipment acquired by any Borrower in an Acquisition permitted under Section 7.9 hereof so long as any such Lien (i) secures only corresponding Assumed Indebtedness permitted hereunder and (ii) is confined solely to such property so acquired and proceeds thereof;

(g) Liens on Synthetic Lease Property which secure obligations under the Synthetic Lease Facility and other Synthetic Lease Facility Documents;

(h) Liens on stock and equity interests held in Unrestricted Entities so long as such Liens do not secure Indebtedness prohibited hereunder; and

(i) Other Liens securing Indebtedness permitted under Section 7.3 hereof in an amount not to exceed Twenty-Five Million Dollars (\$25,000,000) .



provided, however, no Lien permitted under clauses (f), (h) or (i) above shall be created at any time, if there shall exist, either before or after giving effect to such transaction, an Event of Default. "Permitted Lien" shall in no event include any Lien imposed by, or required to be granted pursuant to, ERISA or any Environmental Law. Nothing in this Section 7.2 shall be construed to limit any other restriction on Liens imposed by the Security Documents or otherwise in the Loan Documents.

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7.3 Indebtedness. No Borrower shall, and no Borrower shall permit any of its Restricted Subsidiaries to, at any time create, incur, assume or suffer to exist any Indebtedness (including Indebtedness of Unrestricted Entities for which there is recourse (contingent or otherwise) to Genesis or a Restricted Subsidiary), or agree, become or remain liable (contingently or otherwise) to do any of the foregoing, except:

(a) Indebtedness to the Lender Parties pursuant to this Agreement and the other Loan Documents;

(b) INTENTIONALLY OMITTED

(c) Indebtedness constituting intercompany loans and advances permitted by clause (b) of Section 7.5 hereof;

(d) Indebtedness evidenced by the 1993 Subordinated Debentures, Indebtedness evidenced by the 1995 Subordinated Notes and (subject to receipt of an opinion of Borrowers' counsel as to the "Senior Indebtedness" status of the Loan obligations under the 1996 Subordinated Note Indenture, which opinion shall be substantially the same as the opinion delivered hereunder relative to the 1995 Subordinated Note Indenture) Indebtedness evidenced by the 1996 Subordinated Notes;

(e) Obligations of Genesis under any Qualifying Interest Rate Hedging Agreement entered into pursuant to Section 6.12 hereof;

(f) Indebtedness under the Synthetic Lease Facilities and other Synthetic Lease Facility Documents in a principal amount not to exceed One Hundred and Fifty Million Dollars (\$150,000,000);

(g) Geri-Med Debt provided that such Indebtedness shall, at no time, be in an aggregate principal amount exceeding One Hundred and Thirty-Five Million Dollars (\$135,000,000);

(h) INTENTIONALLY OMITTED

(i) Indemnities by a Borrower or a Subsidiary of a Borrower of the liabilities of its directors or officers or employees in their capacities as such as permitted by Law; and

(j) Other Indebtedness incurred from time to time, provided that the aggregate principal amount of all such other Indebtedness shall not exceed One Hundred Million Dollars (\$100,000,000) at any time and it shall be incurred on terms which comply with the provisions of Section 7.17

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and other terms hereof. All such Indebtedness as of the date of this Agreement is listed on Schedule 7.3 hereto.

At the time any Indebtedness is incurred pursuant to clause (j) of this Section 7.3, Genesis shall notify the Agent and shall deliver to the Agent, with copies for each Lender, an Officer's Compliance Certificate showing pro forma compliance with the covenants referred to therein after giving effect to the proposed Indebtedness. Any Indebtedness of a Borrower to an Affiliate of such Borrower which is not itself a Borrower hereunder shall be evidenced by a Subordinated Affiliate Note.

7.4 Avoidance of Other Conflicts. No Borrower shall, and no Borrower shall permit any of its Subsidiaries to, violate or conflict with, be in violation of or conflict with, or be or remain subject to any liability (contingent or otherwise) on account of any violation or conflict with

(a) any Law,

(b) its articles of incorporation or bylaws (or other constituent documents), or

(c) any agreement or instrument to which it is party or by which any of them or any of their respective Restricted Subsidiaries is a party or by which any of them or any of their respective properties (now owned or hereafter acquired) may be subject or bound,

except, with respect to (a) or (c), for matters that could not, individually or in the aggregate, have a Material Adverse Effect.

7.5 Loans, Advances and Investments. No Borrower shall, and no Borrower shall permit any of its Restricted Subsidiaries to, at any time (i) make or suffer to exist or remain outstanding any loan or advance to, or (ii) purchase, acquire or own (beneficially or of record) any stock, bonds, notes or

securities of, or any partnership interest (whether general or limited) in, or any other interest in, or (iii) make any capital contribution to or other investment in any other Person, or agree, become or remain liable (contingently or otherwise) to do any of the foregoing (any and all of the foregoing are collectively referred to as "Investments" or individually as an "Investment"), except:

(a) Receivables owing to a Borrower or a Restricted Subsidiary of a Borrower arising from provision of services or sales of inventory under usual and customary terms in the ordinary course of business; and loans and advances extended by a Borrower or a Restricted Subsidiary of a Borrower to subcontractors or suppliers (excluding subcontractors or suppliers which are non-Borrower Affiliates of that Borrower

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or Restricted Subsidiary) under usual and customary terms in the ordinary course of business;

(b) Loans from a Borrower or Restricted Subsidiary to another Borrower or Restricted Subsidiary provided, however, if such loan is being made by a non-Borrower to a Borrower, it shall be evidenced by one or more Subordinated Affiliate Notes;

(c) The capital stock or other ownership interests of a Subsidiary permitted under Section 7.6 below.

(d) Cash Equivalent Investments;

(e) Loans to Age Florida existing on the date hereof pursuant to the Age Financing Facility in an aggregate principal amount not to exceed at any time Fifty Five Million Dollars (\$55,000,000) provided, that (i) the AGE Florida Management Agreement shall remain in effect so long as any Indebtedness is outstanding under the AGE Florida Financing Facility; and (ii) so long as the outstanding amount of loans and advances made pursuant to this clause (e) shall be in excess of Ten Million Dollars (\$10,000,000), Genesis or its Subsidiaries shall have a first priority Lien on substantially all of the assets of AGE Florida; and

(f) Other Investments not covered by clauses (a) through (e) of this Section 7.5 provided, that

(i) the aggregate amount of all such Investments (which shall include all existing and new commitments for Investments) together with (but without duplication) the aggregate amount of all dispositions of Unrestricted Entities pursuant to Section 7.10(f) shall not, at any date of

determination, exceed an amount equal to ten percent (10%) of the Total Assets of Genesis and its Restricted Subsidiaries on a consolidated basis as at the end of the fiscal quarter ended on, or most recently prior to, such date of determination. The foregoing ratio is to be tested at the time any Investment is made pursuant to this clause (f), at the time of any disposition of an Unrestricted Entity pursuant to Section 7.10(f) and at the end of each fiscal quarter of the Borrowers; and

(ii) no Event of Default shall then exist either before or after giving effect to such transaction and prior to the making of any Investment in excess of \$2,000,000, Genesis, on behalf of the Borrowers, shall deliver to the Agent, with copies for each Lender, a certificate of a Responsible Officer of Genesis demonstrating pro forma compliance with the foregoing

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covenant after giving effect to the proposed Investment.

The "amount" of any Investment referred to in this Section 7.5 shall mean the sum of the following (without duplication): the amount of cash paid for or contributed to such Investment; the fair market value of any equity or assets constituting consideration for or contributed to such Investment; and any commitment to pay, contribute, incur, or become liable for any of the foregoing. The "amount" of any Disposition referred to in this Section 7.5 shall mean the fair market value of the asset (including equity) subject to such disposition.

7.6 Issuance of Subsidiary Stock or Other Ownership Interests; Designation of "Unrestricted Entity", Etc.

(a) Subsidiaries. The Borrowers shall not, and shall not permit any Restricted Subsidiary to, create, acquire, dispose of, or change any interest in any Subsidiary except (subject to the restrictions set forth in paragraphs (b), (c), (d) and (e) below) as follows:

(i) Subsidiaries (or any interest therein) may be created or acquired in connection with an Acquisition to the extent permitted under Section 7.9 below;

(ii) Subsidiaries (or any interest therein) may be created or acquired in connection with an Investment to the extent permitted under Section 7.5(f) above;

(iii) Subsidiaries may be created as wholly-

owned Restricted Subsidiaries of Genesis or other Restricted Subsidiaries; and

(iv) Subsidiaries (or any interest therein) may be disposed of pursuant to the provisions of Section 7.10 hereof.

(b) Unrestricted Entities. Interests in Subsidiaries and Investments may (subject to the provisions of Sections 7.5(f) (Investments), 7.10 (Dispositions) and 7.6(e) below) from time to time be designated or redesignated as Unrestricted Entities. All interests in Unrestricted Entities shall be deemed Investments made pursuant to Section 7.5(f) and shall be subject to the financial and other conditions set forth therein.

(c) Non-Material Restricted Subsidiaries. Each Non-Material Restricted Subsidiary shall, as at any date of determination,

(i) have Total Assets equal to or less than Two Million Five Hundred Thousand Dollars (\$2,500,000) and

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(ii) have Cash Flow for the four fiscal quarters ending on, or most recently prior to, such date of determination less than Two Million Five Hundred Thousand Dollars (\$2,500,000)

provided, however, that at all times the aggregate consolidated amount of Total Assets of all Non-Material Restricted Subsidiaries shall be less than ten percent (10%) of the aggregate consolidated amount of Total Assets of Genesis and its consolidated Subsidiaries and provided, further, that at all times, the aggregate consolidated amount of Cash Flow of all Non-Material Restricted Subsidiaries shall be less than ten percent (10%) of the aggregate consolidated amount of Cash Flow of Genesis and its consolidated Subsidiaries in each case for the four fiscal quarters ended on, or most recently prior to, such date. No Restricted Subsidiary which has a Subsidiary that is a Material Restricted Subsidiary shall, itself, be a Non-Material Restricted Subsidiary.

(d) Material Restricted Subsidiaries. Each Subsidiary of Genesis that is neither a "Non-Material Restricted Subsidiary" nor an "Unrestricted Entity" shall be a Material Restricted Subsidiary. At all times, (i) the Cash Flow of the Material Restricted Subsidiaries on a consolidated basis, for any fiscal quarter, must be equal to or greater than ninety per cent (90%) the Cash Flow of Genesis and its Subsidiaries, on a consolidated basis, for such fiscal quarter and (ii) the Total Assets of the Material Restricted Subsidiaries on a consolidated basis must be equal to or greater than ninety per cent (90%) of the Total Assets of Genesis and its Subsidiaries on a consolidated basis. Each Material Restricted Subsidiary must, at all times, be a Borrower

hereunder and all ownership interests therein must be duly pledged to the Collateral Agent pursuant to the Security Documents. The "Lessee" or any "Subtenant" (as each such term is defined in the Synthetic Lease Facility) shall be a Material Restricted Subsidiary.

(e) Designation. On the Effective Date, Schedule 4.15 hereto shall specify the designation of each Subsidiary of Genesis and Schedule 4.16 hereto shall specify each Investment (that is not a Subsidiary and) that is an "Unrestricted Entity". Thereafter, subject to the provisions of this Agreement Genesis may, from time to time, designate (or with the consent of the Agent, redesignate) a Subsidiary as a "Material Restricted Subsidiary", a "Non-Material Restricted Subsidiary" or an "Unrestricted Entity" and may, from time to time, designate an Investment as an "Unrestricted Entity" (or with the consent of the Agent, redesignate such Investment so as not to be an "Unrestricted Entity") subject to the following conditions:

(i) At any time a Subsidiary is formed or acquired in accordance with the terms of this Agreement, at

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any time any other Investment is made in accordance with the terms of this Agreement and at any time that Genesis shall desire to change the designation of a Subsidiary or Investment in accordance with the terms of this Agreement, Genesis shall deliver to the Agent:

1) a writing specifying,

(w) the Subsidiary or Investment subject to such designation or redesignation,

(x) whether the designation or redesignation, as the case may be, is a "Material Restricted Subsidiary", a "Non-Material Restricted Subsidiary" or an "Unrestricted Entity" (and in the case of a redesignation, the former designation),

(y) a statement that such designation or redesignation complies with the terms of this Section 7.6 and the basis for such statement, and

(z) a statement that no Event of Default or Potential Default then exists or is caused thereby (including any default under Section

2) a revised Schedule 4.15 and/or Schedule 4.16 to this Agreement;

3) an Officer's Compliance Certificate showing, for the two fiscal quarters immediately preceding the fiscal quarter in which the redesignation is proposed to occur and on a projected basis for the fiscal quarter in which the redesignation is proposed to occur compliance with the financial covenants referred to therein after giving effect to the redesignation; and

4) if applicable, such Joinder Supplements, instruments and other documents as shall be necessary to cause any Subsidiary to become a Borrower hereunder and a "Grantor" under the Security Documents.

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Any redesignation of a Restricted Subsidiary as an Unrestricted Entity shall be deemed to be a transfer under Section 7.10(e) hereof and shall be subject to the conditions specified therein.

7.7 Dividends and Related Distributions. Genesis shall not declare or make any Stock Payment, or agree, become or remain liable (contingently or otherwise) to declare or make any Stock Payment, except as follows:

(a) Genesis may from time to time declare and make Stock Payments if such Stock Payments are payable solely in shares of capital stock (or options, warrants or rights therefor) of Genesis.

(b) Subject to the provisions of paragraph (d) below, Genesis may from time to time declare and make cash Stock Payments on account of dividends on, its capital stock, if on the date of such payment (or, in the case of a dividend, on the date of declaration) the aggregate amount of all Stock Payments declared or made or to be made under this Section 7.7(b) in any fiscal year of Genesis including the amount of the proposed Stock Payment, does not exceed 25% of the Net Income of Genesis and its Restricted Subsidiaries on a consolidated basis for the fiscal year ending on, or most recently prior to, such date of payment or declaration.

(c) Subject to the provisions of paragraph (d) below, in

addition to the payments described above, Genesis may from time to time declare and make cash Stock Payments on account of purchases, redemptions, retirements or acquisitions of its capital stock (but not cash dividends) if the aggregate amount of all such Stock Payments on a cumulative basis commencing on the Effective Date does not exceed Twenty Million Dollars (\$20,000,000).

(d) Any Stock Payments pursuant to the preceding paragraphs (b) and (c) shall be subject to the following additional conditions:

(i) No Event of Default or Potential Default shall exist either before or after giving effect to such proposed declaration, payment, purchase, redemption, retirement or acquisition; and

(ii) The Agent receives, with a copy for each Lender Party, not later than the Business Day after the date of the Stock Payment (or in the case of a dividend, the date of declaration), a certificate signed by a Responsible Officer of Genesis, dated such date of Stock Payment (or in the case of a dividend, the of declaration), describing such Stock Payment, certifying that such Stock Payment is in compliance

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with the provisions of this Section 7.7, and including a statement in reasonable detail of the information and calculations necessary to establish compliance with this Section 7.7.

Genesis shall not declare any dividend payable later than 60 days after declaration.

7.8 Leases. The Borrowers shall not, and shall not permit any of their Restricted Subsidiaries to, at any time enter into or suffer to remain in effect any lease, as lessee, of any property, or agree, become or remain liable (contingently or otherwise) to do any of the foregoing, except:

(a) Leases which are not Capitalized Leases or Synthetic Leases and which are in existence on the Effective Date and listed (including a description of the Rental Expense with respect thereto) in Schedule 7.8 hereto;

(b) Leases (including subleases) by a Borrower as lessor (or sublessor) to another Borrower as lessee (or sublessee);



(c) Capitalized Leases and Synthetic Leases permitted under Section 7.3 hereof; and

(d) Other leases which are not Capitalized Leases or Synthetic Leases and then only to the extent that the Rental Expense of the Borrowers and their Restricted Subsidiaries with respect to such other leases does not exceed \$10,000,000 in any four consecutive fiscal quarters of Genesis.

7.9 Acquisitions, Etc. No Borrower shall, and no Borrower shall permit any of its Restricted Subsidiaries to engage in any Acquisition (other than an acquisition of assets in the ordinary course of business) or agree, become or remain liable (contingently or otherwise) to do the foregoing, except:

(a) (i) A Restricted Subsidiary of Genesis (whether or not a Borrower) may merge with or into or consolidate with (ii) any Borrower, provided that a Borrower is the surviving entity and provided, further, that no Event of Default or Potential Default shall occur and be continuing before or after giving effect to such transaction;

(b) A Borrower or a Restricted Subsidiary of a Borrower may engage in any other Acquisition not covered by clause (a) of this Section 7.9, provided

(i) that such Borrower (for itself or on behalf of its Restricted Subsidiary) delivers to the Lender

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Parties, not later than 15 Business Days before the consummation of such Acquisition, a notice of the proposed Acquisition, together with (1) copies of audited financial statements of the relevant Person to be acquired for its last three fiscal years most recently ended (to the extent that such audited statements are required to be filed with the Securities and Exchange Commission (or any successor hereto) or are otherwise available to the Borrowers or, to the extent such audited statements are not so available, unaudited statements for as much of such period (as are so required to be filed or otherwise are available to the Borrowers), (2) copies of the interim financial statements of such Person to be acquired for the latest fiscal quarter, (3) a pro forma projected balance sheet of Genesis and its Restricted Subsidiaries as of the date of and after giving effect to, the proposed Acquisition and a pro forma income statement of Genesis and its Restricted Subsidiaries for the four fiscal quarters ended on, or most recently prior to, the date of such

proposed Acquisition after giving effect thereto, (4) an Officer's Compliance Certificate showing pro forma compliance with the covenants referred to therein after giving effect to the proposed Acquisition (which certificate may be delivered after the other items referred to in this paragraph (i) but no later than five (5) Business Days prior to the date of the proposed Acquisition), (5) revisions to the most recent projections delivered by Genesis pursuant to Section 6.1(g) hereof, which revisions shall take into account the projected financial condition and results of operations of the acquired Person for the period covered by such projections, (6) copies of any agreements entered into or proposed to be entered into by such Borrower or Restricted Subsidiary in connection with such Acquisition, (7) if applicable, the documents required under Section 7.6(e) above, and (8) such other information about such Person to be acquired or such Acquisition as any Lender Party may reasonably request,

(ii) that as part of such Acquisition, all or substantially all of the ownership interests in or assets of such Person will be acquired by such Borrower or Restricted Subsidiary,

(iii) that the board of directors (or equivalent governing body) of such Person has approved such Acquisition,

(iv) that not less than 75% of such Person's revenues during its most recently completed fiscal year were derived from lines of business which are, at the

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time of such Acquisition, among the principal lines of business of any of the Borrowers or Restricted Subsidiaries,

(v) that no Event of Default or Potential Default shall occur and be continuing before, or after giving effect to, the consummation of such Acquisition,

(vi) that a Borrower (including an entity that becomes a Borrower consistent with the provisions of this Agreement or if no Borrower is a party thereto, a Restricted Subsidiary) shall be the surviving entity in any merger effected in connection with such Acquisition and no Acquisition consisting of a consolidation shall be permitted under this Section 7.9(c),

(vii) that the Borrowers shall cause any new (direct or indirect) Material Restricted Subsidiary of Genesis which is created or acquired as a direct or indirect result of, or in connection with, such Acquisition, and any (direct or indirect) Non-Material Restricted Subsidiary which becomes a Material Restricted Subsidiary as a result of, or in connection with, such Acquisition, to become a Borrower hereunder pursuant to and in accordance with the terms of Section 10.16 hereof at the time of such Acquisition and shall cause the ownership interests therein to be pledged under the Security Documents,

(viii) that the Acquisition Cost of such Acquisition, when added to the aggregate Acquisition Cost of all other Acquisitions made during the same fiscal year as the proposed Acquisition, does not exceed Three Hundred Million Dollars (\$300,000,000), and

(ix) that the Acquisition Cost of such Acquisition does not exceed Fifteen percent (15%) of the Total Assets of Genesis and its Restricted Subsidiaries, on a consolidated basis, determined as of the end of the fiscal quarter ended on, or most recently prior to, the date of such Acquisition.

Notwithstanding the foregoing, the Acquisition of Geriatric & Medical Companies, Inc. shall not be subject to the restrictions set forth in clauses (viii) or (ix) above and the Acquisition Cost thereof shall be excluded from any future computations thereunder. Within 20 days after the consummation of any Acquisition made pursuant to clause (b) of this Section 7.9, Genesis, on behalf of the Borrowers, shall deliver to the Agent, with copies for each Lender Party, a certificate stating that the

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Acquisition has been consummated in accordance with the terms of this Section 7.9 and setting forth the date the Acquisition was consummated.

7.10 Dispositions of Properties. No Borrower shall, and no Borrower shall permit any of its Restricted Subsidiaries to, sell, convey, assign, lease as lessor (except to a Borrower as lessee, and then subject to Section 7.11 hereof), transfer, abandon or otherwise dispose of (collectively, for purposes of this Section 7.10, "transfer"), voluntarily or involuntarily, any of its properties, or agree, become or remain liable (contingently or otherwise) to do any of the foregoing, except:

(a) The Borrowers and Restricted Subsidiaries of the Borrowers may sell inventory in the ordinary course of

business;

(b) The Borrowers and Restricted Subsidiaries of the Borrowers may dispose of equipment which is obsolete or no longer useful in the business of such Borrowers or such Restricted Subsidiaries;

(c) A Borrower may transfer its properties to another Borrower which is a wholly-owned Subsidiary of Genesis so long as no Event of Default or Potential Default shall exist either before or after giving effect to such transfer;

(d) The Borrowers and Subsidiaries of the Borrowers may sell or lease the Synthetic Lease Property pursuant to the terms of the Synthetic Lease Facility; and

(e) So long as no Event of Default or Potential Default has occurred or would exist after giving effect to such transfer and subject to other restrictions contained herein, the Borrowers and Restricted Subsidiaries of the Borrowers may transfer other properties (including ownership interests of a Subsidiary,) subject to the following conditions:

(i) Unless the Required Lenders consent in writing to a transfer which does not satisfy either or both of the following financial tests, both of the following financial tests shall be satisfied:

(A) The sum of the aggregate fair market value of the property subject to such proposed transfer plus the aggregate fair market value of all property previously transferred (or deemed transferred through a redesignation of a Restricted Subsidiary or Investment as an Unrestricted Entity pursuant to Section 7.6(e)) pursuant to this

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Section 7.10(e) at any time after the Effective Date (in each case determined as of the date of transfer or proposed transfer, as the case may be) is less than an amount equal to 10% of the Total Assets of Genesis and its Restricted Subsidiaries, on a consolidated basis, determined as of the fiscal quarter ending on, or most recently prior to, the date of the proposed transfer; and

(B) The sum of the amount of Cash Flow attributable to the property subject to such proposed transfer plus the amount of Cash Flow attributable to all property previously transferred pursuant to this Section 7.10(e) at any time after the Effective Date (in each case for the four fiscal quarters ended on, or most recently prior to, the date of the transfer or proposed transfer, as the case may be) is less than an amount equal to 10% of the Cash Flow of Genesis and its Restricted Subsidiaries, on a consolidated basis, for the four fiscal quarters ending on, or most recently prior to, the date of the proposed transfer.

For purposes of making the calculation required in the preceding paragraph (B), if the property subject to transfer is substantially all the assets or equity of a Person, the "Cash Flow attributable to the property" shall mean the Cash Flow of such Person. If the property subject to transfer is less than substantially all the assets or equity of a Person, then the "Cash Flow attributable to the property" shall mean such amount of the Cash Flow of that Person as may be specifically attributable to the property subject to transfer if such amount is identifiable. If it is not identifiable, then it shall be conclusively presumed to be such portion of the Cash Flow of that Person as is equivalent to the portion of the assets of such Person being transferred;

(ii) the Agent receives, with a copy for each Lender Party, prior to such proposed transfer, an Officers Compliance Certificate showing pro forma compliance with the financial covenants referred to therein after giving effect to such transfer;

(iii) such transfer is made in good faith in an arm's-length transaction to a Person which is not an Affiliate of any Borrower; and

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(iv) in the event that any shares of capital stock, partnership interests or other ownership interests of a Borrower are to be disposed of in such transaction each of the following additional conditions shall be met:

(1) Such transfer is accomplished in a single transaction;

(2) All Loans made to such Borrower and all intercompany obligations of such Borrower shall have been repaid in full and such Borrower shall sign an acknowledgement that all obligations of the Lender Parties to it are terminated; and

(3) The Agent shall have received such replacement Notes, certificates, opinions, documents and/or instruments it shall reasonably request.

(f) The Borrowers and Restricted Subsidiaries may dispose of interests in Unrestricted Entities.

Upon any transfer of property complying with the terms of this Section 7.10, the Agent shall, at the request of the Borrower, direct the Collateral Agent to take appropriate steps, at the cost of the Borrower, to release Liens necessary to effect the purposes hereof.

7.11 Dealings with Affiliates. Without limitation of the provisions of Section 6.14 hereof, no Borrower shall, and no Borrower shall permit any of its Restricted Subsidiaries to, enter into or carry out any transaction with (including purchase or lease property or services from, sell or lease property or services to, loan or advance to, or enter into, suffer to remain in existence or amend any contract, agreement or arrangement with) any Affiliate of such Borrower, directly or indirectly, or agree, become or remain liable (contingently or otherwise) to do any of the foregoing, except:

(a) Existence and performance of contracts, agreements and arrangements in existence as of the Effective Date and set forth on part A of Schedule 7.11 hereto or the Tax Sharing Agreement; and

(b) Other transactions with Affiliates in good faith and on terms no less favorable to such Borrower or such Restricted Subsidiary than those that could have been obtained in a comparable transaction on an arm's-length basis from an unrelated Person.

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7.12 Consolidated Tax Return. No Borrower shall, and no Borrower shall suffer any of its Restricted Subsidiaries to, file or consent to the filing of any consolidated income tax return with any Person other than the Borrowers and consolidated Subsidiaries of Genesis. From and after the effective date of the Tax Sharing Agreement (which shall be no later than 30 days after

the Effective Date), each of the Borrowers shall cause the Tax Sharing Agreement to remain in full force and effect, subject to no amendments or modifications other than the Joinder of additional Subsidiaries of Genesis, from time to time, such that at all times all Subsidiaries of Genesis shall be parties thereto.

7.13 Limitation on Payments, Prepayments and Other Action with Respect to Certain Obligations. No Borrower shall, or shall permit any of its Subsidiaries to, directly or indirectly, pay, prepay, purchase, redeem, retire, defease or acquire, or otherwise make any payment (on account of principal, interest, premium or otherwise) of, any obligation under or evidenced by any Subordinated Affiliate Note, any of the First Mortgage Bond Documents, the 1993 Subordinated Debenture Indenture, the 1995 Subordinated Note Indenture and the 1996 Subordinated Note Indenture except a Borrower may make payments on the aforesaid Indebtedness, as and when required to do so by the mandatory terms thereof, all to the extent consistent with the subordination provisions, if any, applicable thereto. Genesis shall not amend, modify or supplement the terms or provisions contained in the aforementioned debt agreements or any agreement or instrument evidencing or applicable thereto. Without limiting the generality of the foregoing, the following specific provisions shall apply to the 1993 Subordinated Debenture Indenture, the 1995 Subordinated Note Indenture and the 1996 Subordinated Note Indenture:

(i) Genesis shall not take or omit to take any action under or in connection with the 1993 Subordinated Debenture Indenture, the 1995 Subordinated Note Indenture or the 1996 Subordinated Note Indenture which would violate or impair the subordination provisions of the 1993 Subordinated Debenture Indenture, the 1995 Subordinated Note Indenture or the 1996 Subordinated Note Indenture. Without limiting the generality of the foregoing, Genesis may, to the extent not in violation of the subordination provisions of the 1993 Subordinated Debenture Indenture, the 1995 Subordinated Note Indenture and the 1996 Subordinated Note Indenture,

(A) pay principal and interest on the 1993 Subordinated Debentures as and when expressly required to do so by the mandatory terms of the 1993 Subordinated Debentures (including without limitation any accrued interest required to be paid to any holder of a 1993 Subordinated Debenture under Section 5.2 of

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the 1993 Subordinated Debenture Indenture in the event that such 1993 Subordinated Debenture is called for redemption on November 30, 1996 and such holder surrenders such 1993 Subordinated Debenture for conversion into common stock of Genesis within the ten business days prior to such redemption date, as described in such Section 5.2 of the 1993

Subordinated Debenture Indenture),

(B) purchase 1993 Subordinated Debentures as and when expressly required to do so by the mandatory terms of Section 4.5 of the 1993 Subordinated Debenture Indenture (it being understood that the foregoing may nevertheless give rise to an Event of Default),

(C) so long as no Event of Default or Potential Default then exists or has occurred and is then continuing or would result from such redemption, redeem the 1993 Subordinated Debentures in whole, but only if there is delivered to the Agent, on the date notice of such redemption is given to the holders of the 1993 Subordinated Debentures, a certificate signed by a Responsible Officer of Genesis, dated such date and demonstrating and concluding that (1) the average of the last reported sales prices on the New York Stock Exchange of the common stock of Genesis into which the 1993 Subordinated Debentures are convertible, for the 30 consecutive days immediately prior to the date of such certificate on which the New York Stock Exchange is open for business, is not less than \$27.1872 per share, and (2) that the Senior Funded Debt/Cash Flow Ratio as of the last date of the fiscal quarter ending on, or most recently prior to, such date notice is given, as recalculated on a pro forma basis as if such redemption of the 1993 Subordinated Debentures and any anticipated borrowing under this Agreement in connection therewith had been effected on the first day of the fiscal quarter beginning one year before the first day of the fiscal quarter in which such notice is given, is not greater than 2.50 to 1,

(D) pay principal and interest on the 1995 Subordinated Notes and 1996 Subordinated Notes as and when expressly required to do so by the mandatory terms thereof, and

(E) not later than November 30, 1996, pay an aggregate amount not to exceed \$6,000,000 to any holders of 1993 Subordinated Debentures in order to induce such holders to exercise their right to convert 1993 Subordinated Debentures into common stock of

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Genesis pursuant to the 1993 Subordinated Debenture Indenture.

(ii) Without limiting the generality of the foregoing, Genesis



shall not make or provide for the making of any deposit or other payment which would result in the defeasance of, or have the effect of defeasing, the 1995 Subordinated Notes or the 1996 Subordinated Notes.

#### 7.14 Limitations on Modification of Certain Documents.

(a) No Borrower shall, or shall permit any of its Subsidiaries to, amend, modify or supplement its articles of incorporation or similar constituent documents if a Material Adverse Effect could result from such amendment, modification or supplement.

(b) No Borrower shall, or shall permit any Restricted Subsidiary to, amend, modify or supplement the AGE Florida Documents except (i) immaterial amendments, (ii) amendments which permit additional advances to be made under the AGE Florida Financing Facility so long as such advances are made in accordance with the provisions of clause (f) of Section 7.5 hereof.

7.15 Limitation on Other Restrictions on Dividends by Subsidiaries, Etc. No Borrower shall permit any of its Restricted Subsidiaries to be or become subject to any restriction of any nature (whether arising by operation of Law, by agreement, by the articles of incorporation, bylaws or other constituent documents of such Subsidiary, or otherwise) on the right of such Restricted Subsidiary from time to time to (x) declare and pay Stock Payments with respect to capital stock owned by a Borrower or a Restricted Subsidiary of a Borrower or (y) pay any indebtedness, obligations or liabilities from time to time owed to a Borrower or a Restricted Subsidiary of a Borrower, except:

(a) Restrictions pursuant to the Loan Documents or pursuant to the Synthetic Lease Facility;

(b) Legal restrictions of general applicability; and

(c) Restrictions pursuant to the 1995 Subordinated Note Indenture or the 1995 Subordinated Notes.

7.16 Limitation on Other Restrictions on Liens. No Borrower shall, or shall permit any of its Restricted Subsidiaries to, enter into or become subject to any agreement or instrument to which such Borrower or such Restricted Subsidiary is a party or by which any of them or any of their respective properties (now owned or hereafter acquired) may be subject or

bound that would prohibit the grant of any Lien upon any of its properties (now owned or hereafter acquired) to secure any Senior Funded Indebtedness, except: (a) restrictions set forth in the Loan Documents or the Synthetic Lease Facility Documents; (b) restrictions pursuant to non-assignment provisions of any

executory contract or lease by any Borrower or any Restricted Subsidiary in each case as lessee; (c) restrictions on granting Liens on property subject to a Permitted Lien described in clause (b) of Section 7.2 in existence on the Effective Date which restrictions are described in Schedule 7.2 hereto; and (d) restrictions on granting Liens on property subject to a Permitted Lien securing the Geri-Med Debt which restrictions are disclosed on Schedule 1.1 hereto and which do not prohibit the Liens contemplated under the Security Documents or the rights of the Lenders in connection therewith.

7.17 Limitation on Other Restrictions in Agreements. No Borrower shall, and no Borrower shall permit any of its Restricted Subsidiaries to, enter into, become or remain subject to any agreement or instrument to which such Borrower or such Restricted Subsidiary is a party or by which any of them or any of their respective properties (now owned or hereafter acquired) may be subject or bound that (a) would prohibit, or require the consent of any Person to, any amendment, modification or supplement to any of the Loan Documents (except for provisions currently contained in the Synthetic Lease Facility Documents), or (b) (except financial covenants in agreements respecting Assumed Indebtedness otherwise permitted hereunder) contains financial covenants which, taken as a whole, are more restrictive on such Borrower or Restricted Subsidiary than the financial covenants contained in Section 7.1 hereof taken as a whole.

7.18 Amendments to Synthetic Lease Facility Documents. No Borrower shall, or shall permit any Restricted Subsidiary to, amend, modify or supplement any Synthetic Lease Facility Document as in effect on the date hereof if the effect of such amendment, modification or supplement is (1) to cause or permit any Synthetic Lease Participant to be a Person that is not a Lender hereunder or cause or permit a Lender hereunder to be a Person that is not a Synthetic Lease Participant or (2) to cause the Synthetic Lease Participant's pro rata share of its rights and obligations under the Synthetic Lease Facility Documents to be a different percentage than such Person's pro rata share of its rights and obligations hereunder and under the other Loan Documents.

7.19 Mergers, Etc. No Borrower shall, or shall permit any Restricted Subsidiary to, merge or consolidate with or into any Person, except as permitted under Section 7.9 (Acquisitions, Etc.) above or as permitted under Section 7.10 (Dispositions of Properties) above.

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## ARTICLE 8 - DEFAULTS

8.1 Events of Default. An Event of Default shall mean the occurrence or existence of one or more of the following events or conditions (for any reason, whether voluntary, involuntary or effected or required by Law):

(a) Primary Loan Obligations. Any Borrower shall

fail to pay when due any Reimbursement Obligation, the principal of any Loan, interest on any Loan Obligations, or any required cash collateralization of Letters of Credit.

(b) Other Loan Obligations. Any Borrower or any other Loan Party shall fail to pay when due any fees, indemnity or expenses, or any other amount due hereunder or under any other Loan Document (other than as referred to in Section 8.1(a) hereof) and such failure shall have continued for a period of five Business Days.

(c) Misrepresentation. Any representation or warranty made or deemed made by any Loan Party in or pursuant to or in connection with any Loan Document, or any statement made by any Loan Party in any financial statement, certificate, report, exhibit or document furnished by any Loan Party to any Lender Party pursuant to or in connection with any Loan Document, shall prove to have been false or misleading in any material respect as of the time when made or deemed made (including by omission of material information necessary to make such representation, warranty or statement not misleading).

(d) Covenant Default. Any Borrower shall default in the performance or observance of any covenant contained in Article 7 hereof or any of the covenants contained in Section 6.1(j), 6.2, 6.10 or 6.14 hereof; or any Loan Party shall default in the performance or observance of any other covenant, agreement or duty under this Agreement or any other Loan Document and (i) in the case of a default under Section 6.1 hereof (other than as referred to in subsection (j)(i) thereof) such default shall have continued for a period of ten days and (ii) in the case of any other default such default shall have continued for a period of 30 days.

(e) Synthetic Lease Default. There shall have occurred and be continuing any "Lease Event of Default" (as defined in the Synthetic Lease Facility) or any successor definitions therein or successor provisions thereto.

(f) Subordinated Debentures. Any "Event of Default" (or similar term) as defined in the 1993 Subordinated Debenture Indenture, in the 1995 Subordinated Note Indenture, in the 1996 Subordinated Note Indenture or in any

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of the First Mortgage Bond Documents shall have occurred and be continuing; or, any term or provision of the subordination provisions contained in the 1993 Subordinated Debenture Indenture, the 1995 Subordinated Note Indenture or the 1996 Subordinated Note Indenture shall cease to be in full force and effect in accordance with its

respective terms, or any Loan Party or any holder of any 1993 Subordinated Debenture or of any 1995 Subordinated Note or of any 1996 Subordinated Note (or any trustee or agent on behalf of such holder) shall, or shall purport to, terminate, repudiate, declare voidable or void or otherwise contest any term or provision of such subordination provisions; or, Genesis shall make, or shall be required by the terms of the 1993 Subordinated Debenture Indenture to make or to offer to make, any purchase of 1993 Subordinated Debentures under Section 4.5 of the 1993 Subordinated Debenture Indenture, or Genesis shall make, or shall be required by the terms of the 1995 Subordinated Note Indenture to make or to offer to make, any purchase of 1995 Subordinated Notes under Section 4.5 of the 1995 Subordinated Note Indenture or Genesis shall make or shall be required by the terms of the 1996 Subordinated Note Indenture to make or to offer to make, any purchase of 1996 Subordinated Notes under provisions of the 1996 Subordinated Note Indenture similar to those described above.

(g) Other Cross-Default. (i) Any Loan Party or any Restricted Subsidiary shall fail to pay, in accordance with its terms and when due and payable, any Indebtedness (other than the Loans or any other Indebtedness referred in the preceding clauses (a), (b), (e) or (f)) having then outstanding principal amount in excess of Two Million Dollars (\$2,000,000), (ii) the maturity of any such Indebtedness shall, in whole or in part, have been accelerated, or any such Indebtedness shall, in whole or in part, have been required to be prepaid or purchased prior to the stated maturity thereof, in accordance with the provisions of any instrument evidencing or providing for the creation of or concerning such Indebtedness or (iii) any event shall have occurred and be continuing that permits any holder or holders of such Indebtedness, any Trustee or Agent acting on behalf of such holder or holders or any other Person to accelerate the maturity thereof or require any prepayment or repurchase thereof; or, a default by any Loan Party shall be continuing under any other instrument or agreement binding upon such Person, except a default that, together with all other such defaults, could not have a Material Adverse Effect.

(h) Judgments. One or more judgments for the payment of money shall have been entered against any Loan Party or any Restricted Subsidiary, which judgment or judgments, to

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the extent not paid or fully covered by insurance, exceed \$500,000 in the aggregate, and such judgment or judgments shall have remained undischarged and unstayed for a period of 30 consecutive days.

(i) Execution. One or more writs or warrants of attachment, garnishment, execution, distraint or similar process exceeding in value

the aggregate amount of \$500,000 shall have been issued against any Loan Party or any Restricted Subsidiary or any of its respective properties and shall have remained undischarged and unstayed for a period of 30 consecutive days.

(j) Security Documents. Any Security Document shall cease to be in full force and effect in accordance with its terms; or any Lien created or purported to be created in any Security Document shall fail to be a valid, enforceable and perfected Lien in favor of the Collateral Agent for the benefit of the Secured Parties prior to all other Liens except Permitted Liens; or any Borrower or Governmental Authority shall assert any of the foregoing.

(k) Loan Documents Generally. Any Loan Document or term or provision thereof shall cease to be in full force and effect in accordance with its terms, or any Loan Party shall, or shall purport to, terminate, revoke, repudiate, declare voidable or void or otherwise contest, any Loan Document or term or provision thereof or any obligation or liability of any Loan Party thereunder; or, any Governmental Action required in connection with any Loan Document is not obtained or shall have ceased to be in full force and effect or shall have been modified or amended in any manner which could have a Material Adverse Effect.

(l) Material Adverse Effect. The Required Lenders shall have determined in good faith (which determination shall be conclusive) that an event or condition has occurred which could have a Material Adverse Effect.

(m) ERISA. Any one or more Pension-Related Events referred to in subsection (a)(ii), (b) or (e) of the definition of "Pension-Related Event" shall have occurred; or any one or more other Pension-Related Events shall have occurred and the Required Lenders shall determine in good faith (which determination shall be conclusive) that such other Pension-Related Events, individually or in the aggregate, could have a Material Adverse Effect.

(n) Environmental. Any one or more of the events or conditions set forth in the following clauses (i) or (ii) shall have occurred with respect to any Restricted Subsidiary or any Loan Party or any of their respective

Environmental Affiliates, and the Required Lenders shall determine in good faith (which determination shall be conclusive) that such events or conditions, individually or in the aggregate, could have a Material Adverse Effect: (i) any past or present violation of any Environmental

Law by such Person which has not been cured to the satisfaction of the Required Lenders, or (ii) existence of any pending or threatened Environmental Claim against any such Person, or existence of any past or present acts, omissions, events or circumstances that could form the basis of any Environmental Claim against any such Person.

(o) Change of Control. A Change of Control shall have occurred; or a "Change in Control" (as defined in the 1993 Subordinated Debenture Indenture) shall have occurred; or a "Change in Control" (as defined in the 1995 Subordinated Note Indenture) shall have occurred; or a "Change of Control" (or similar term used and as defined in the 1996 Subordinated Note Indenture) shall have occurred.

(p) Subsidiaries. Except as permitted under Section 7.10 hereof, any Borrower other than Genesis shall fail to be a Subsidiary of Genesis, or any Material Restricted Subsidiary shall cease to be, or fail to become, a Borrower hereunder or the equity of such Person shall cease to be, or fail to be, pledged under the Security Documents.

(q) Bankruptcy, Etc. A proceeding shall have been instituted with respect to any Loan Party or any Restricted Subsidiary of a Loan Party,

(i) seeking to have an order for relief entered in respect of such Person, or seeking a declaration or entailing a finding that such Person is insolvent or a similar declaration or finding, or seeking dissolution, winding-up, charter revocation or forfeiture, liquidation, reorganization, arrangement, adjustment, composition or other similar relief with respect to such Person, its assets or its debts under any Law relating to bankruptcy, insolvency, relief of debtors or protection of creditors, termination of legal entities or any other similar Law now or hereafter in effect, or

(ii) seeking appointment of a receiver, trustee, liquidator, assignee, sequestrator or other custodian for such Person or for all or any substantial part of its property

and such proceeding shall result in the entry, making or grant of any such order for relief, declaration, finding, relief or appointment, or such proceeding shall remain

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undismissed and unstayed for a period of 30 consecutive days. Or, any Loan Party or Restricted Subsidiary of a Loan Party shall become insolvent; shall fail to pay, become unable to pay, or state that it is or will be unable to pay, its debts as they become due; shall

voluntarily suspend transaction of its business; shall make a general assignment for the benefit of creditors; shall institute (or fail to controvert in a timely and appropriate manner) a proceeding described in clause (i) above, or (whether or not any such proceeding has been instituted) shall consent to or acquiesce in any such order for relief, declaration, finding or relief described therein; shall institute (or fail to controvert in a timely and appropriate manner) a proceeding described in clause (ii) above, or (whether or not any such proceeding has been instituted) shall consent to or acquiesce in any such appointment or to the taking of possession by any such custodian of all or any substantial part of its property; shall dissolve, wind-up, revoke or forfeit its charter (or other constituent documents) or liquidate itself or any substantial part of its property; or shall take any action in furtherance of any of the foregoing.

(r) Interest Rate Hedging Cross-Default Any Borrower or any Restricted Subsidiary shall default in the payment when due of any amount under any Interest Rate Hedging Agreement providing for termination or liquidation payments of at least \$2,000,000; or any event specified in any such Interest Rate Hedging Agreement shall occur if the effect of such event is to cause such Interest Rate Hedging Agreement to be terminated or to permit the non-defaulting party thereunder to terminate such Interest Rate Hedging Agreement.

## 8.2 Consequences of an Event of Default.

(a) If an Event of Default (other than that specified in subsection (q) of Section 8.1 hereof) shall occur and be continuing or shall exist, then, in addition to all other rights and remedies which the Collateral Agent or any Lender Party may have hereunder or under any other Loan Document, at law, in equity or otherwise, the Lenders shall be under no further obligation to make Loans, the Issuer shall be under no further obligation to issue Letters of Credit hereunder, and the Agent may, and upon the written request of the Required Lenders, shall, by notice to Genesis on behalf of the Borrowers, from time to time do any or all of the following:

(i) Declare the Commitments terminated, whereupon the Commitments will terminate and any fees hereunder shall be immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are

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hereby waived, and an action therefor shall immediately accrue.

(ii) Declare the unpaid principal amount of the Loans, interest accrued thereon and all other Loan Obligations to be



immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby waived, and an action therefor shall immediately accrue.

(iii) Direct the Borrowers to pay (and the Borrowers jointly and severally agree that upon receipt of such notice they will pay) to the Agent cash for deposit to the credit of the Letter of Credit Collateral Account in accordance with Section 3.7(a) hereof.

(iv) Take any and all actions permitted under the Security Documents.

(v) Exercise such other remedies as may be available to the Lender Parties under applicable Law.

(b) If an Event of Default specified in subsection (q) of Section 8.1 hereof shall occur or exist, then, in addition to all other rights and remedies which the Agent or any Lender may have hereunder or under any other Loan Document, at law, in equity or otherwise, the Commitments shall automatically terminate and the Lenders shall be under no further obligation to make Loans and the Issuer shall be under no further obligation to issue Letters of Credit hereunder, and the unpaid principal amount of the Loans, interest accrued thereon and all other Loan Obligations, including without limitation those referred to in clause (iii) in Section 8.2(a) hereof, shall become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby waived, and an action therefor shall immediately accrue, and in addition, the Agent may, and upon the written request of the Required Lenders, shall, by notice to Genesis on behalf of the Borrowers, do one or more of the following: (i) take any and all actions permitted under the Security Documents or (ii) exercise such other remedies as may be available to the Lender Parties under applicable Law.

8.3 Application of Proceeds. Subject to Section 3.7 hereof, after the occurrence of an Event of Default and acceleration of the Loans, any amounts received on account of Loan Obligations (whether received under Section 4.4 of the Collateral Agency Agreement or otherwise) shall be applied by the Agent in the following order:

First, to payment of that portion of the Loan Obligations constituting fees, indemnities and other amounts due to the Agent in its capacity as such;

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Second, to payment of that portion of the Loan Obligations constituting fees, indemnities and other amounts due to the Issuer in its capacity as such, other than principal and interest on



Reimbursement Obligations and accrued and unpaid Letter of Credit Commission;

Third, to payment of that portion of the Loan Obligations constituting accrued and unpaid interest on Loans, accrued and unpaid interest on Reimbursement Obligations, and accrued and unpaid Letter of Credit Commission and Commitment Fees, ratably amongst the Lenders and the Issuer in proportion to the respective amounts described in this clause "Third" due to them;

Fourth, to payment of that portion of the Loan Obligations constituting unpaid principal of the Loans ratably amongst the Lenders in proportion to the respective amounts described in this clause "Fourth" due to them;

Fifth, to payment of all other Loan Obligations, ratably amongst the Lenders and the Issuer in proportion to the respective amounts described in this clause "Sixth" due to them; and

Finally, the balance, if any, after all of the Loan Obligations have been satisfied and all Letters of Credit shall have terminated, to Genesis on behalf of the Borrowers or as otherwise required by Law.

#### ARTICLE 9 - THE AGENT

9.1 Appointment. Each Lender Party hereby irrevocably appoints Mellon to act as Agent for such Lender Party under this Agreement and the other Loan Documents. Each Lender Party hereby irrevocably authorizes the Agent to take such action on behalf of such Lender Party under the provisions of this Agreement and the other Loan Documents, and to exercise such powers and to perform such duties, as are expressly delegated to or required of the Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto. Mellon hereby agrees to act as Agent on behalf of the Lender Parties on the terms and conditions set forth in this Agreement and the other Loan Documents, subject to its right to resign as provided in Section 9.10 hereof. Each Lender Party hereby irrevocably authorizes the Agent to execute and deliver each of the Loan Documents and to accept delivery of such of the other Loan Documents as may not require execution by the Agent. Each Lender Party agrees that the rights and remedies granted to the Agent under the Loan Documents shall be exercised exclusively by the Agent, and that no Lender shall have any right individually to

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exercise any such right or remedy, except to the extent, if any, expressly provided herein or therein.

## 9.2 General Nature of Agent's Duties.

Notwithstanding anything to the contrary elsewhere in this Agreement or in any other Loan Document:

(a) The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the other Loan Documents, and no implied duties or responsibilities on the part of the Agent shall be read into this Agreement or any other Loan Document or shall otherwise exist.

(b) The duties and responsibilities of the Agent under this Agreement and the other Loan Documents shall be mechanical and administrative in nature, and the Agent shall not have a fiduciary relationship with respect to any Lender Party.

(c) The Agent is and shall be solely the agent of the Lender Parties. The Agent does not assume, and shall not at any time be deemed to have, any relationship of agency or trust with or for, or any other duty or responsibility to, any Loan Party or any other Person (except only for its relationship as agent for, and its express duties and responsibilities to, the Lender Parties as provided in this Agreement and the other Loan Documents).

(d) The Agent shall be under no obligation to take any action hereunder or under any other Loan Document if the Agent believes in good faith that taking such action may conflict with any Law or any provision of this Agreement or any other Loan Document, or may require the Agent to qualify to do business in any jurisdiction where it is not then so qualified.

(e) The authority of the Agent to request information from the Borrowers hereunder shall impose no duty of any kind on the Agent to make such request.

9.3 Exercise of Powers. The Agent shall take any action of the type specified in this Agreement or any other Loan Document as being within the Agent's rights, powers or discretion in accordance with directions from the Required Lenders (or as otherwise provided in the Loan Documents). In the absence of such directions, the Agent shall have the authority (but under no circumstances shall be obligated), in its sole discretion, to take any such action, except to the extent this Agreement or such other Loan Document expressly requires the direction or consent of the Required Lenders (or all of the Lenders, or some other Person or group of Persons), in which case the Agent shall not

take such action absent such direction or consent. Any action or inaction

pursuant to such direction, discretion or consent shall be binding on all of the Lender Parties. The Agent shall not have any liability to any Person as a result of (x) the Agent acting or refraining from acting in accordance with the directions of the Required Lenders (or all of the Lenders, or other specified Person or group of Persons, if applicable), (y) the Agent refraining from acting in the absence of instructions to act from the Required Lenders (or all of the Lenders, or other specified Person or group of Persons, if applicable), whether or not the Agent has discretionary power to take such action, or (z) the Agent taking discretionary action it is authorized to take under this Section 9.3 (subject, in the case of this clause (z), to the provisions of Section 9.4(a) hereof).

9.4 General Exculpatory Provisions. Notwithstanding anything to the contrary elsewhere in this Agreement or any other Loan Document:

(a) The Agent shall not be liable for any action taken or omitted to be taken by it under or in connection with this Agreement or any other Loan Document, except only for direct, as opposed to consequential, damages suffered by a Person to the extent that such Person proves such damages were caused by the Agent's own gross negligence or willful misconduct.

(b) The Agent shall not be responsible for (i) the execution, delivery, effectiveness, enforceability, genuineness, validity or adequacy of this Agreement or any other Loan Document, (ii) any recital, representation, warranty, document, certificate, report or statement in, provided for in, or received under or in connection with, this Agreement or any other Loan Document, (iii) any failure of any Loan Party, any Lender or the Issuer to perform any of their respective obligations under this Agreement or any other Loan Document, (iv) the existence, validity, enforceability, perfection, recordation, priority, adequacy or value, now or hereafter, of any Lien or other direct or indirect security afforded or purported to be afforded by any of the Loan Documents or otherwise from time to time, or (v) caring for, protecting, insuring, or paying any taxes, charges or assessments with respect to any Collateral.

(c) The Agent shall not be under any obligation to ascertain, inquire or give any notice relating to (i) the performance or observance of any of the terms or conditions of this Agreement, any other Loan Document on the part of any Loan Party, (ii) the business, operations, condition (financial or otherwise) or prospects of any Loan Party or any other Person, or (iii) except to the extent set forth in

(d) The Agent shall not be under any obligation, either initially or on a continuing basis, to provide any Lender Party with any notices, reports or information of any nature, whether in its possession presently or hereafter, except for such notices, reports and other information expressly required by this Agreement or any other Loan Document to be furnished by the Agent to such Lender Party.

#### 9.5 Administration by the Agent.

(a) The Agent may rely upon any notice or other communication of any nature (written or oral, including but not limited to telephone conversations, whether or not such notice or other communication is made in a manner permitted or required by this Agreement or any other Loan Document) purportedly made by or on behalf of the proper party or parties, and the Agent shall not have any duty to verify the identity or authority of any Person giving such notice or other communication.

(b) The Agent may consult with legal counsel (including in-house counsel for the Agent or in-house or other counsel for any Loan Party), independent public accountants and any other experts selected by it from time to time, and the Agent shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts.

(c) The Agent may conclusively rely upon the truth of the statements and the correctness of the opinions expressed in any certificates or opinions furnished to the Agent in accordance with the requirements of this Agreement or any other Loan Document. Whenever the Agent shall deem it necessary or desirable that a matter be proved or established with respect to any Loan Party or Lender Party, such matter may be established by a certificate of such Loan Party or Lender Party, as the case may be, and the Agent may conclusively rely upon such certificate (unless other evidence with respect to such matter is specifically prescribed in this Agreement or another Loan Document).

(d) The Agent may fail or refuse to take any action unless it shall be directed by the Required Lenders (or all of the Lenders, or some other Person or group of Persons, if this Agreement or another Loan Document so expressly requires) to take such action and it shall be indemnified to its satisfaction from time to time against any and all amounts, liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature

which may be imposed on, incurred by or asserted against the Agent by reason of taking or continuing to take any such action.

(e) The Agent may perform any of its duties under this Agreement or any other Loan Document by or through agents or attorneys-in-fact. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

(f) The Agent shall not be deemed to have any knowledge or notice of the occurrence of any Event of Default or Potential Default unless the Agent has received notice from a Lender Party or a Borrower referring to this Agreement, describing such Event of Default or Potential Default, and stating that such notice is a "notice of default." If the Agent receives such a notice, the Agent shall give prompt notice thereof to each Lender Party.

9.6 Lender Parties Not Relying on Agent or Other Lenders. Each Lender Party acknowledges as follows: (a) neither the Agent nor any other Lender Party has made any representations or warranties to it, and no act taken hereafter by the Agent or any other Lender Party shall be deemed to constitute any representation or warranty by the Agent or such other Lender Party to it; (b) it has, independently and without reliance upon the Agent or any other Lender Party, and based upon such documents and information as it has deemed appropriate, made its own credit and legal analysis and decision to enter into this Agreement and the other Loan Documents; and (c) it will, independently and without reliance upon the Agent or any other Lender Party, and based upon such documents and information as it shall deem appropriate at the time, make its own decisions to take or not take action under or in connection with this Agreement and the other Loan Documents.

9.7 Indemnification. Each Lender agrees to reimburse and indemnify the Agent and its directors, officers, employees and agents (to the extent not reimbursed by a Loan Party and without limitation of the obligations of the Loan Parties to do so), in proportion to the Lenders' respective Pro Rata Shares, from and against any and all amounts, losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements of any kind or nature (including the fees and disbursements of counsel for the Agent or such other Person in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not the Agent or such other Person shall be designated a party thereto) that may at any time be imposed on, incurred by or asserted against the Agent or such other Person as a result of, or arising out of, or in any way related to or by reason of, this Agreement, any other Loan Document, the Original Credit Agreement or any other "Loan Document" referred to therein, any

Acquisition or any other transaction from time to time contemplated hereby or thereby, or any transaction actually or proposed to be financed in whole or in part, directly or indirectly, with the proceeds of any Loan or Letter of Credit or any loan or letter of credit under the Original Credit Agreement, provided

that no Lender shall be liable for any portion of such amounts, losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements resulting solely from the gross negligence or willful misconduct of the Agent or such other Person, as finally determined by a court of competent jurisdiction and, provided, further that no Lender that was not a party to the Original Credit Agreement shall be obligated to indemnify the Agent or its directors, officers, employees or agents from losses and other liabilities referred to above to the extent that such liabilities were solely the result of, arose solely out of, or were related solely to the Original Credit Agreement or other "Loan Documents" referred to therein and as to those liabilities which are not subject to indemnification by the new Lenders by reason of this proviso, the Pro Rata Shares of the other Lenders shall be adjusted accordingly to fully indemnify the Agent. Payments under this Section 9.7 shall be due and payable on demand.

9.8 Agent in its Individual Capacity. With respect to its Commitments and the Obligations owing to it, the Agent shall have the same rights and powers under this Agreement and each other Loan Document as any other Lender and may exercise the same as though it were not the Agent, and the terms "Lender," "Issuer," "holders of Notes" and like terms shall include the Agent in its individual capacity as such. The Agent and its affiliates may, without liability to account, make loans to, accept deposits from, acquire debt or equity interests in, act as trustee under indentures of, enter into Interest Rate Hedging Agreements with, serve as "Agent" for other financing vehicles, issue letters of credit on behalf of, and engage in any other business with, any Loan Party and any stockholder, subsidiary or affiliate of any Loan Party, as though the Agent were not the Agent hereunder.

9.9 Holders of Notes. The Agent may deem and treat the Lender which is payee of a Note as the owner and holder of such Note for all purposes hereof unless and until a Transfer Supplement with respect to the assignment or transfer thereof shall have been filed with the Agent in accordance with Section 10.15 hereof.

9.10 Successor Agent. The Agent may resign at any time by giving 30 days' prior written notice thereof to the other Lender Parties and Genesis on behalf of the Borrowers. The Agent may be removed by the Required Lenders at any time for cause by giving 30 days' prior written notice thereof to the Agent, the other Lender Parties and Genesis on behalf of the Borrowers.

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Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed and consented to, and shall have accepted such appointment, within 30 days after such notice of resignation or removal, then the retiring Agent may (but shall not be required to) appoint a successor Agent. Each successor Agent shall be a Lender if any Lender shall at the time be willing to become the successor Agent,

and if no Lender shall then be so willing, then such successor Agent shall be a commercial bank or trust company organized under the laws of the United States of America or any state thereof and having a combined capital and surplus of at least \$1,000,000,000. Upon the acceptance by a successor Agent of its appointment as Agent hereunder, such successor Agent shall thereupon succeed to and become vested with all the properties, rights, powers, privileges and duties of the former Agent in its capacity as such, without further act, deed or conveyance. Upon the effective date of resignation or removal of a retiring Agent, such Agent shall be discharged from its duties under this Agreement and the other Loan Documents, but the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted by it while it was Agent under this Agreement. If and so long as no successor Agent shall have been appointed, then any notice or other communication required or permitted to be given by the Agent shall be sufficiently given if given by the Required Lenders, all notices or other communications required or permitted to be given to the Agent shall be given to each Lender, and all payments to be made to the Agent shall be made directly to the Loan Party or Lender Party for whose account such payment is made.

9.11 Additional Agents. If the Agent shall from time to time deem it necessary or advisable, for its own protection in the performance of its duties hereunder or in the interest of the Lender Parties, the Agent and the Borrowers shall (and the Borrowers shall cause the other Loan Parties to) execute and deliver a supplemental agreement and all other instruments and agreements necessary or advisable, in the opinion of the Agent, to constitute another commercial bank or trust company, or one or more other Persons approved by the Agent, to act as co-Agent or agent with respect to any part of the Collateral, with such powers of the Agent as may be provided in such supplemental agreement, and to vest in such bank, trust company or other Person as such co-Agent or separate agent, as the case may be, any properties, rights, powers, privileges and duties of the Agent under this Agreement or any other Loan Document.

9.12 Calculations. The Agent shall not be liable for any calculation, apportionment or distribution of payments made by it in good faith and without gross negligence or willful misconduct. If such calculation, apportionment or distribution is subsequently determined to have been made in error, the sole recourse of any Lender Party to whom payment was due but not made

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shall be to recover from the other Lender Parties any payment in excess of the amount to which they are determined to be entitled or, if the amount due was not paid by the appropriate Loan Party, to recover such amount from the appropriate Loan Party.

9.13 Agent's Fee. The Borrowers jointly and severally



agree to pay to the Agent, for its individual account, a nonrefundable Agent's fee in an amount and at such time or times as are agreed to by Genesis (on behalf of the Borrowers) and the Agent.

9.14 Funding by Agent. Unless the Agent shall have been notified in writing by any Lender not later than the close of business on the Business Day before the Business Day on which Loans are requested by one or more Borrowers to be made (and provided that such Lender shall have received notice from the Agent of such Loan request not later than such close of business) that such Lender will not make its Pro Rata Share of such Loans, the Agent may assume that such Lender will make its Pro Rata Share of the Loans, and in reliance upon such assumption the Agent may (but under no circumstances shall be required to) make available to such Borrowers a corresponding amount. If and to the extent that any Lender fails to make such payment to the Agent on such date, such Lender shall pay such amount on demand (or, if such Lender fails to pay such amount on demand, the Borrowers, jointly and severally, shall pay such amount on demand), together with interest, for the Agent's own account, for each day from and including the date of the Agent's payment to and including the date of repayment to the Agent (before and after judgment) at the rate or rates per annum applicable to such Loans. All payments to the Agent under this Section 9.14 shall be made to the Agent at its Office in Dollars in funds immediately available at such Office, without set-off, withholding, counterclaim or other deduction of any nature.

9.15 Co-Agent. The title Co-Agent given to Citibank, N.A. in this Agreement is solely for identification purposes and implies no responsibility of Citibank, N.A., as such Co-Agent, to any other Lender Party or any other Person.

#### ARTICLE 10 - MISCELLANEOUS

10.1 Holidays. Whenever any payment or action to be made or taken hereunder or under any other Loan Document shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

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10.2 Records. The amount of the Commitments and all Loan Obligations shall at all times be ascertained from the records of the Agent, which shall be conclusive absent manifest error except that the outstanding face amounts of Letters of Credit, the unpaid Reimbursement Obligations, the unpaid interest accrued thereon, and the interest rate or rates applicable thereto shall at all times be ascertained from the records of the Issuer, which shall be conclusive absent manifest error.



10.3 Amendments and Waivers. Neither this Agreement nor any other Loan Document may be amended, modified or supplemented except in accordance with the provisions of this Section. Subject to the terms of this Section, the Agent (and the Collateral Agent acting at the direction of the Agent) and each applicable Loan Party may from time to time amend, modify or supplement the provisions of this Agreement or any other Loan Document for the purpose of amending, adding to, or waiving any provisions, releasing any Collateral, or changing in any manner the rights and duties of any Loan Party or any Secured Party. The Agent shall (and shall direct the Collateral Agent to) enter into such amendments, modifications, supplements or waivers from time to time as directed by the Required Lenders, and only as so directed, provided that no such amendment, modification, supplement or waiver may be made which will:

(a) Increase the amount of the Commitment of any Lender or extend the Maturity Date, without the written consent of each Lender affected thereby;

(b) Reduce the amount of principal or extend the time for any scheduled payment of principal (including final maturity) of any Loan or reduce the amount or rate of interest or extend the time for payment of interest borne by any Loan or Reimbursement Obligation, or extend the time for payment of or reduce the amount or rate of any Commitment Fee or Letter of Credit Commission, without the written consent of each Lender affected thereby;

(c) Change the definition of "Required Lenders" or amend this Section 10.3 without the written consent of all of the Lenders;

(d) Amend or waive any of the provisions of Article 9 hereof, or impose additional duties upon the Agent or otherwise adversely affect the rights, interests or obligations of the Agent, without the written consent of the Agent;

(e) Amend or waive any of the provisions of Article 3 hereof, or impose additional duties upon the Issuer or otherwise adversely affect the rights, interests or

obligations of the Issuer, without the written consent of the Issuer;

(f) Alter the priority of distributions set forth in Section 8.3 hereof or Section 4.4 of the Collateral Agency Agreement without the written consent of the Agent and all Lender Parties affected thereby; or

(g) Release all or any portion of the Collateral, or subordinate the priority of the Liens in favor of the Collateral Agent in favor of another Person with respect to all or any portion of the Collateral, other than as specified in the applicable Security Document (it being understood that any direction by the Agent as to a release of collateral provided for in any Security Document shall be consistent with the provisions of this paragraph (g)), without the written consent of all of the Lenders, provided, however, that the direction of the Required Lenders shall be sufficient for such a release or subordination if the fair market value of the Collateral being released or as to which the priority of the Lien thereon is being subordinated, when added to the fair market value of all Collateral previously released or as to which the priority of the Lien thereon was previously subordinated pursuant to this proviso since the Effective Date (measured in each case as of the time of the respective release or subordination), does not exceed \$20,000,000 (for purposes of the foregoing proviso, fair market value shall be as determined by the Agent, and the Agent, for this purpose, may choose to rely upon a certificate from Genesis (in form and substance satisfactory to the Agent) or may otherwise determine such value in good faith using any reasonable valuation method selected by it); and provided, further, the consent of neither any Lenders nor the Issuer shall be required for a release of Collateral in connection with a disposition permitted under clause (e) of Section 7.10.

and provided further that Transfer Supplements and Joinder Supplements may be entered into in the manner provided in this Agreement; and provided further that certain schedules hereto or to the other Loan Documents may be amended as provided in Section 6.1 or 10.16 hereof; and provided further that the direction of the Required Lenders shall not be necessary to permit the Agent to enter into such amendments, modifications or supplements in order to cure any ambiguity or to cure, correct or supplement any defective provision of this Agreement or the other Loan Documents.

Any such amendment, modification or supplement must be in writing and shall be effective only to the extent set forth in such writing.

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10.4 No Implied Waiver; Cumulative Remedies. No course of dealing and no delay or failure of the Agent or any Lender in exercising any right, power or privilege under this Agreement or any other Loan Document shall affect any other or future exercise thereof or exercise of any other right, power or privilege; nor shall any single or partial exercise of any such right, power or privilege or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any

further exercise thereof or of any other right, power or privilege. The rights and remedies of the Agent and the other Lender Parties under this Agreement and any other Loan Document are cumulative and not exclusive of any rights or remedies which the Agent or any other Lender Party would otherwise have hereunder or thereunder, at law, in equity or otherwise. Any waiver of a specific default made in accordance with Section 10.3 above shall be effective only as to such specific default and shall not apply to any subsequent default.

#### 10.5 Notices.

(a) Except to the extent otherwise expressly permitted hereunder or thereunder, all notices, requests, demands, directions and other communications (collectively "notices") under this Agreement or any other Loan Document shall be in writing (including facsimile communication) and shall be sent by first-class mail, return receipt requested, or by nationally-recognized overnight courier, or by facsimile transmission (with confirmation in writing mailed first-class or sent by such an overnight courier), or by personal delivery. All notices shall be sent to the applicable party at its respective address or facsimile number (or telephone number to the extent telephonic notice is expressly provided hereunder) indicated on the signature pages hereof (or, in the case of a Borrower other than Genesis, to Genesis at the address or telephone or facsimile number (or telephone number to the extent telephonic notice is expressly provided hereunder) for Genesis indicated on the signature pages hereof) or in accordance with the last unrevoked written direction from such party to the other parties hereto, in all cases with postage or other charges prepaid. Any such properly given notice to the Agent or any other Lender Party shall be effective when received. Any such properly given notice to any Borrower shall be effective on the earliest to occur of receipt, facsimile confirmation, one Business Day after delivery to a nationally-recognized overnight courier, or three Business Days after deposit in the mail.

(b) Any Lender Party giving any notice to a Borrower or any other party to a Loan Document shall simultaneously send a copy thereof to the Agent, and the Agent shall promptly notify the other Lender Parties of the receipt by it of any such notice.

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(c) Each Lender Party may rely on any notice (whether or not such notice is made in a manner permitted or required by this Agreement or any other Loan Document) purportedly made by or on behalf of any Loan Party, and no Lender Party shall have any duty to verify the identity or authority of any Person giving such notice.

#### 10.6 Expenses; Taxes; Indemnity.

(a) The Borrowers agree, jointly and severally, to pay promptly or cause to be paid promptly and to save each Lender Party harmless against liability for the payment of all reasonable out-of-pocket costs and expenses (including but not limited to reasonable fees and expenses of counsel, including local counsel, auditors, consulting engineers, appraisers, and all other professional, accounting, evaluation and consulting costs) incurred by any Lender Party from time to time arising from or relating to (i) the negotiation, preparation, execution, delivery, administration and performance of this Agreement and the other Loan Documents and the Original Credit Agreement and the other "Loan Documents" referred to therein, (ii) any requested amendments, modifications, supplements, waivers or consents (whether or not ultimately entered into or granted) to this Agreement or any other Loan Document, and (iii) the enforcement or preservation of rights under this Agreement or any other Loan Document (including but not limited to any such costs or expenses arising from or relating to (A) the creation, perfection or protection of any Lien on any Collateral, (B) the protection, collection, lease, sale, taking possession of, preservation of, or realization on, any Collateral, including without limitation advances for storage, insurance premiums, transportation charges, taxes, filing fees and the like, (C) collection or enforcement of an outstanding Loan, Obligation, and (D) any litigation, proceeding, dispute, work-out, restructuring or rescheduling related in any way to this Agreement or the other Loan Documents or the Original Credit Agreement or the other "Loan Documents" referred to therein).

(b) The Borrowers hereby agree, jointly and severally, to pay promptly all stamp, document, transfer, recording, filing, registration, search, sales and excise fees and taxes and all similar impositions now or hereafter determined by any Lender Party to be payable in connection with this Agreement or any other Loan Documents or the Original Credit Agreement or the other "Loan Documents" referred to therein or any other documents, instruments or transactions pursuant to or in connection herewith or therewith, and the Borrowers agree, jointly and severally, to save each Lender Party harmless from and against any and all present or future claims, liabilities or losses with respect to or resulting from any omission to pay or delay in paying any such fees, taxes or impositions.

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(c) The Borrowers hereby agree, jointly and severally, to reimburse and indemnify each of the Indemnified Parties from and against any and all losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements of any kind or nature whatsoever (including the fees and disbursements of counsel for such Indemnified Party in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnified Party shall be designated a party thereto) that may at any time be imposed on, asserted against or incurred by such Indemnified Party as a result of, or arising out of, or in any way related to or by reason of, this Agreement or any other Loan

Document, the Original Credit Agreement or any "Loan Document" referred to therein, any Acquisition or transaction from time to time contemplated hereby or thereby, or any transaction actually or proposed to be financed in whole or in part or directly or indirectly with the proceeds of any Loan or Letter of Credit (and without in any way limiting the generality of the foregoing, including any violation or breach of any Environmental Law or any other Law by any Borrower or any Subsidiary of any Borrower or any Environmental Affiliate of any of them; any Environmental Claim arising out of the management, use, control, ownership or operation of property by any of such Persons, including all on-site and off-site activities involving Environmental Concern Materials; any grant of Collateral; or any exercise by the Collateral Agent or any Lender Party of any of its rights or remedies under this Agreement or any other Loan Document); but excluding any such losses, liabilities, claims, damages, expenses, obligations, penalties, actions, judgments, suits, costs or disbursements resulting solely from the gross negligence or willful misconduct of such Indemnified Party, as finally determined by a court of competent jurisdiction. If and to the extent that the foregoing obligations of the Borrowers under this subsection (c), or any other indemnification obligation of the Borrowers hereunder or under any other Loan Document, are unenforceable for any reason, the Borrowers hereby agree, jointly and severally, to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable Law.

10.7 Severability; Modification to Conform to Law;  
Maximum Amount of Joint and Several Liability.

(a) Severability; Modification to Conform to Law. It is the intention of the parties that this Agreement be enforceable to the fullest extent permissible under applicable Law, but that the unenforceability (or modification to conform to such Law) of any provision or provisions hereof shall not render unenforceable, or impair, the remainder hereof. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, this Agreement shall, as to such jurisdiction, be deemed amended to modify or delete, as

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necessary, the offending provision or provisions and to alter the bounds thereof in order to render it or them valid and enforceable to the maximum extent permitted by applicable Law, without in any manner affecting the validity or enforceability of such provision or provisions in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

(b) Maximum Amount of Joint and Several Liability. Without limiting the preceding subsection (a), to the extent that applicable Law otherwise would render the full amount of any Borrower's obligations hereunder and under the other Loan Documents invalid or unenforceable, such Borrower's obligations hereunder and under the other Loan Documents shall be limited to the

maximum amount which does not result in such invalidity or unenforceability.

(c) Limitation on Amount of Liability Presumed Not to Apply. Notwithstanding anything to the contrary in this Section 10.7 or elsewhere in this Agreement, this Agreement shall be presumptively valid and enforceable to its full extent in accordance with its terms, as if this Section 10.7 were not a part of this Agreement, and in any related litigation the burden of proof, by clear and convincing evidence, shall be on the party asserting the invalidity or unenforceability of any provision hereof or asserting any limitation on any Borrower's obligations hereunder, as to each element of such assertion.

#### 10.8 Obligations Absolute; Certain Waivers by Borrowers.

(a) Obligations Absolute. Each Borrower agrees that the Loan Obligations will be paid and performed strictly in accordance with the terms of the Loan Documents and that obligations of each Borrower under the Loan Documents are and shall be absolute, unconditional and irrevocable, irrespective of any of the following: (i) Any lack of genuineness or enforceability of any Loan Document or terms thereof; (ii) any change in the Lenders or Borrowers or any party hereto or to any Loan Document; (iii) any amendment to or waiver of any terms of any Loan Document; (iv) any taking, exchange, release or non-perfection of any collateral, or release of guaranty; or (v) subject to non-waivable provisions of applicable Law, any other circumstance (including any statute of limitations) that might otherwise constitute a defense available to, or a discharge of, any Borrower, guarantor, co-obligor or surety.

(b) Certain Waivers by Borrowers. Each Borrower hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Loan Obligations and any requirement that any Lender Party protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any other Borrower or any other

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Person or any collateral or other direct or indirect security for any of the Loan Obligations.

10.9 Prior Understandings. This Agreement and the other Loan Documents supersede all prior and contemporaneous understandings and agreements, whether written or oral, among the parties hereto relating to the transactions provided for herein and therein.

10.10 Duration; Survival. All representations and warranties of each Loan Party contained herein or in any other Loan Document or made in connection herewith or therewith shall survive the making of, and shall not be waived by the execution and delivery, of this Agreement, any other Loan Document any investigation by or knowledge of any Secured Party, the making of any Loan,

the issuance of any Letter of Credit, or any other event or condition whatsoever. All obligations of the Borrowers hereunder or under any other Loan Document to make payments to or indemnify any Indemnified Party and all obligations of each Lender hereunder or under the other Loan Documents to make payments to or indemnify the Agent or the Issuer and all obligations respecting costs and expenses pursuant to Section 10.6(a) shall survive the payment in full by the Borrowers of all other Loan Obligations, termination of the Borrowers' right to borrow or have Letters of Credit issued hereunder, and all other events or conditions whatever.

10.11 Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument. A faxed signature shall be sufficient for all purposes.

10.12 Limitation on Payments. Notwithstanding any provision contained in this Agreement or the Notes, the total liability of the Borrowers for payment of interest pursuant to this Agreement and the Notes shall not exceed the maximum amount of such interest permitted by Law to be charged, collected, or received from the Borrowers, and if any payments by the Borrowers include interest in excess of such a maximum amount, each Lender shall apply such excess to the reduction of unpaid Loan Obligations which are due, or if none is due, such excess shall be refunded to the Borrowers.

10.13 Set-Off. The Borrowers hereby agree that, to the fullest extent permitted by law, if any Loan Obligation of a Borrower shall be due and payable (by acceleration or otherwise), each Lender Party shall have the right, without notice to any Borrower, to set-off against and to appropriate and apply to such Loan Obligation any indebtedness, liability or obligation of any nature owing to any Borrower by such Lender Party, including but

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not limited to all deposits now or hereafter maintained by any Borrower with such Lender Party. Such right shall exist whether or not such Lender Party or any other Person shall have given notice or made any demand to any Borrower or any other Person. The Borrowers hereby agree that, to the fullest extent permitted by Law, any Participant and any Affiliate of any Lender Party or any Participant shall have the same rights of set-off as a Lender Party as provided in this Section 10.13. The rights provided by this Section 10.13 are in addition to all other rights of set-off and banker's lien and all other rights and remedies which any Lender Party (or any such Participant, or Affiliate) may otherwise have under this Agreement, any other Loan Document, at law or in equity, or otherwise.

10.14 Sharing of Collections. The Lenders hereby agree among themselves that if any Lender shall receive (by voluntary payment, realization



upon security, set-off or from any other source) any amount on account of the Loans, interest thereon, or any other Loan Obligation contemplated by this Agreement or the other Loan Documents to be made by any Loan Party ratably to all Lenders in greater proportion than any such amount received by any other Lender, then the Lender receiving such proportionately greater payment shall notify each other Lender and the Agent of such receipt, and equitable adjustment will be made in the manner stated in this Section 10.14 so that, in effect, all such excess amounts will be shared ratably among all of the Lenders. The Lender receiving such excess amount shall purchase (which it shall be deemed to have done simultaneously upon the receipt of such excess amount) for cash from the other Lenders a participation in the applicable Loan Obligations owed to such other Lenders in such amount as shall result in a ratable sharing by all Lenders of such excess amount (and to such extent the receiving Lender shall be a Participant). If all or any portion of such excess amount is thereafter recovered from the Lender making such purchase, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, together with interest or other amounts, if any, required by Law to be paid by the Lender making such purchase. The Borrowers hereby consent to and confirm the foregoing arrangements. Each Participant shall be bound by this Section 10.14 as fully as if it were a Lender hereunder.

10.15 Successors and Assigns; Participations;  
Assignments; Etc.

(a) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrowers, the Lender Parties, all future holders of the Notes, and their respective successors and assigns, except that no Borrower may assign or transfer (except for a transfer resulting from a merger or consolidation permitted pursuant to Section 7.9 and the other terms hereof) any of its rights hereunder or interests herein,

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without the prior written consent of all of the Lender Parties, and any purported assignment without such consent shall be void, and except that, to the fullest extent permitted by Law, a Lender may not voluntarily assign or transfer any of its rights hereunder except in accordance with the other provisions of this Section 10.15, and any other purported voluntary assignment or transfer shall be void; provided, that this Agreement shall inure to the benefit of successors of Lenders by operation of Law.

(b) Participations. Any Lender may, at any time sell participations to one or more commercial banks or other Persons (each a "Revolver Participant") in all or a portion of its rights and obligations under this Agreement and the other Loan Documents provided that

(i) any such Lender's obligations under this Agreement and the other Loan Documents shall remain



unchanged,

(ii) any such Lender shall also sell a proportional participation in its corresponding rights and obligations under the Synthetic Lease Facility and other Synthetic Lease Facility Documents (if then in effect) to such Participant on comparable terms,

(iii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations,

(iv) the parties hereto shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and each of the other Loan Documents,

(v) such Revolver Participant shall, by accepting such participation, be bound by the provisions of Section 10.14 hereof, and

(vi) no Revolver Participant (unless such Revolver Participant is an affiliate of such Lender, or is itself a Lender) shall be entitled to require such Lender to take or refrain from taking action under this Agreement or under any other Loan Document, except that such Lender may agree with such Revolver Participant that such Lender will not, without such Revolver Participant's consent, take action of the type described in subsections (a) and (b) of Section 10.3 hereof.

The Borrowers agree that any such Revolver Participant shall be entitled to the benefits of Sections 2.12, 2.13, 10.6 and 10.13 with respect to its participation.

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(c) Assignments. Any Lender may, at any time assign all or a portion of its rights and obligations under this Agreement and the other Loan Documents to any Lender, any Affiliate of a Lender or to one or more additional commercial banks or other Persons (each a "Purchasing Lender"); provided, that

(i) any such assignment to a Purchasing Lender which is not already a Lender or an Affiliate of a Lender shall be made only with the consent of Genesis (which shall not be unreasonably withheld), the Agent and the Issuer (each of which may be granted or withheld in its absolute discretion) provided, however, if an Event of Default or Potential Default shall have occurred and be continuing, the consent of Genesis shall not be required;

(ii) any such Lender shall also make a proportional assignment of its corresponding rights and obligations under the Synthetic Lease

Facility and Synthetic Lease Facility Documents (if then in effect) to such Purchasing Lender on comparable terms;

(iii) each such assignment (which shall be in a minimum amount of \$10,000,000 except to a Purchasing Lender which is already a Lender or to a Purchasing Lender which is an Affiliate of the assigning Lender) shall be of a constant, and not a varying, percentage of the Commitments, of the transferor Lender, and of all of the transferor Lender's related rights and obligations under this Agreement and the Synthetic Lease Documents and the other Loan Documents;

(iv) except with respect to an assignment to an Affiliate or except with the consent of the Agent, after giving effect to such assignment, the sum of the amount of the assigning Lender's remaining Commitment hereunder plus the amount of the assigning Lender's face amount of the "Notes" as such term is defined in the Synthetic Lease Facility Documents shall be either (a) greater than or equal to \$10,000,000 or (b) zero; and

(v) each such assignment shall be made pursuant to a Transfer Supplement in substantially the form attached hereto as Exhibit D, duly completed (a "Transfer Supplement").

In order to effect any such assignment, the transferor Lender and the Purchasing Lender shall execute and deliver to the Agent a duly completed Transfer Supplement (including any consents required by clause (i) of the preceding sentence) with respect to such assignment, together with any Note or Notes or Allonges subject to such assignment, evidence of the completion of the assignments contemplated by clause (c) (ii) above and a processing

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and recording fee of \$3,000; and, upon receipt thereof, the Agent shall accept such Transfer Supplement.

Thereafter (x) the Purchasing Lender shall be a "Lender" hereunder, to the extent provided in such Transfer Supplement and (y) the transferor Lender thereunder shall be released from its obligations under this Agreement to the extent so transferred.

(d) Register. The Agent shall maintain at its office a copy of each Transfer Supplement delivered to it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the register shall be conclusive absent manifest error and the Borrowers and each Lender Party may treat each person whose name is recorded in the register as a Lender hereunder for all purposes of the Agreement. The register shall be available for inspection by the Borrowers or any Lender at any reasonable time

and from time to time upon reasonable prior notice.

(e) Financial and Other Information. Subject to Section 10.15(f) hereof, each Borrower authorizes the Agent and each Lender to disclose to any Participant or Purchasing Lender, or prospective Participant or Purchasing Lender, any and all financial and other information in such Person's possession concerning any Loan Party and their respective Subsidiaries and affiliates which has been or may be delivered to such Person by or on behalf of any Loan Party in connection with this Agreement, any other Loan Document.

(f) Confidentiality. Each Lender Party agrees to take reasonable precautions to maintain the confidentiality of information designated in writing as confidential and provided to it by any Borrower or any Subsidiary in connection with this Agreement; provided, however, that any Lender Party may disclose such information (i) at the request of any bank regulatory authority or other Governmental Authority or in connection with an examination of such Lender Party by any such Governmental Authority, (ii) pursuant to subpoena or other court process, (iii) to the extent such Lender Party is required (or believes in good faith that it is required) to do so in accordance with any applicable Law, (iv) to such Lender Party's independent auditors and other professional advisors, (v) in connection with the enforcement of any of its rights under or in connection with any Loan Document, and (vi) to any actual or potential Participant or Purchasing Lender, so long as, in the case of this clause (vi), such actual or potential Participant or Purchasing Lender agrees to comply with the provisions of this Section 10.15(f).

(g) Assignments to Federal Reserve Bank. Any Lender may at any time assign all or any portion of its rights under this Agreement, including without limitation any Loans and

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Reimbursement Obligations owing to it and any Note held by it, to a Federal Reserve Bank, provided that (to the extent possible) it also assigns its corresponding rights under the Synthetic Lease Facility (if then in effect) to the same Federal Reserve Bank. No such assignment shall relieve the transferor Lender from any of its obligations hereunder.

10.16 Addition of Subsidiary Borrowers. When the Borrowers are required, in connection with an Acquisition or otherwise, to cause one or more (direct or indirect) Subsidiaries of Genesis (each, a "Joining Subsidiary") to become Borrowers hereunder, then the Borrowers and each such Joining Subsidiary shall take the following steps no later than the date of the consummation of the relevant Acquisition:

(a) Joinder Supplement. Genesis and each Joining Subsidiary shall execute and deliver to the Agent, with an executed counterpart for each Lender Party, an agreement in the form attached hereto as

Exhibit E (a "Joinder Supplement") as to becoming a party hereto and to the relevant Loan Documents.

(b) Notes. Each Joining Subsidiary and each Borrower shall execute and deliver to the Agent a replacement Note or Allonges for each Lender as necessary.

(c) Collateral. Each applicable Borrower and each applicable Joining Subsidiary shall deliver to the Agent (1) certificates and instruments representing the stock certificates and other instruments to be pledged pursuant to the Security Documents accompanied by duly executed instruments of transfer or assignment in blank to the extent required by the Security Documents and (2) evidence of the completion of all recordings and filings (including Uniform Commercial Code financing statements) as may be necessary or, in the opinion of the Agent or the Collateral Agent, desirable to create or perfect the Liens granted and created or purported to be granted and created by each Joining Subsidiary under and pursuant to the Security Documents.

(d) Lien Searches. The Borrowers and each Joining Subsidiary collectively shall deliver to the Agent such evidence of contemporaneous searches of Uniform Commercial Code, tax, judgment and litigation dockets and records and other appropriate registers as the Agent shall request.

(e) Joinder Under Synthetic Lease Facility Documents. The Borrowers and each Joining Subsidiary shall take all action required to make each Joining Subsidiary a "Guarantor" or similar obligor under the Synthetic Lease Facility and Synthetic Lease Facility Documents.

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(f) Corporate or Partnership Proceedings. Each Joining Subsidiary shall deliver to the Agent, with an executed counterpart for each Lender Party, certificates by the Secretary or Assistant Secretary of each Joining Subsidiary dated as of the Joinder Effective Date for such Joining Subsidiary as to (i) true copies of the articles of incorporation and bylaws or partnership agreement (or other constituent documents) of such Joining Subsidiary in effect on such date, (ii) true copies of all corporate or partnership action taken by such Joining Subsidiary relative to this Agreement, the Joinder Supplement and the other Loan Documents and (iii) the incumbency and signature of the respective officers of such Joining Subsidiary executing such Joinder Supplement and the other Loan Documents, together with satisfactory evidence of the incumbency of such Secretary or Assistant Secretary. Each Joining Subsidiary shall also deliver certificates from the appropriate Secretaries of State or other applicable Governmental Authorities dated not more than 30 days before the relevant Joinder

Effective Date showing the good standing of such Joining Subsidiary in its state of incorporation or organization and each state in which such Joining Subsidiary does business.

(g) Legal Opinion of Counsel. The Borrowers and each Joining Subsidiary collectively shall cause to be delivered to the Agent, with an executed counterpart for each Lender Party, an opinion addressed to each Lender Party, dated the relevant Joinder Effective Date, of counsel to such Joining Subsidiary, Genesis and each of the other Borrowers as to matters comparable to those addressed by the opinion delivered pursuant to Section 5.1 hereof and such other matters (including compliance with Regulations U and G of the Board of Governors of the Federal Reserve System, as amended) as may be requested by the Agent, all in form and substance satisfactory to the Agent.

(h) Fees, Expenses, Etc. The Borrowers and each Joining Subsidiary shall pay or cause to be paid all fees and other compensation required to be paid to the Lender Parties pursuant hereto or pursuant to any other written agreement on or prior to the Joinder Effective Date.

(i) Additional Matters. The Borrowers and each Joining Subsidiary shall deliver, or cause to be delivered, to the Agent such other certificates, opinions, documents (including those relating to licensing) and instruments as may be requested by the Agent. All corporate and other proceedings, and all documents, instruments and other matters in connection with such Joining Subsidiary's becoming a Subsidiary Borrower shall be satisfactory in form and substance to the Agent.

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Once all of the steps described in this Section 10.16 have been completed each of the relevant Joining Subsidiaries shall become a party to this Agreement and the other Loan Documents and shall constitute a Borrower hereunder and a grantor under the Security Documents. The date on which a Joining Subsidiary so becomes a Subsidiary Borrower hereunder shall be the "Joinder Effective Date" for such Joining Subsidiary. Prior to the Joinder Effective Date, Genesis, on behalf of the Borrowers, shall deliver such revised schedules to this Agreement and other Loan Documents as shall be necessary to make them accurate in light of the transactions contemplated by this Section 10.16 which transactions shall be consistent with the transactions explicitly permitted hereunder and under the other Loan Documents.

10.17 Governing Law; Submission to Jurisdiction; Waiver of Jury Trial; Limitation of Liability.

(a) Governing Law. This Agreement and all other Loan Documents (except to the extent, if any, otherwise expressly stated in such other Loan Documents) shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without regard to choice of law principles.

(b) Certain Borrower Waivers. EACH OF THE BORROWERS HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(i) AGREES THAT ANY ACTION, SUIT OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY STATEMENT, COURSE OF CONDUCT, ACT, OMISSION OR EVENT OCCURRING IN CONNECTION HERewith OR THEREWITH (COLLECTIVELY, "RELATED LITIGATION") MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN ALLEGHENY COUNTY OR PHILADELPHIA COUNTY, PENNSYLVANIA, SUBMITS TO THE JURISDICTION OF SUCH COURTS, AND TO THE FULLEST EXTENT PERMITTED BY LAW AGREES THAT, TO THE EXTENT THAT ANY SUCH COURT HAS OR IS ABLE TO OBTAIN PERSONAL JURISDICTION OVER THE PARTY AGAINST WHICH SUCH BORROWER IS SEEKING TO BRING RELATED LITIGATION, IT WILL NOT BRING ANY RELATED LITIGATION IN ANY OTHER FORUM (BUT NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY LENDER PARTY TO BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM);

(ii) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY RELATED LITIGATION BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY SUCH RELATED LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, AND WAIVES ANY RIGHT TO OBJECT, WITH RESPECT TO ANY RELATED LITIGATION BROUGHT IN ANY SUCH COURT, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH BORROWER;

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(iii) CONSENTS AND AGREES TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY RELATED LITIGATION BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE PREPAID, TO SUCH BORROWER AT THE ADDRESS FOR NOTICES DESCRIBED IN SECTION 10.5 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); AND

(iv) WAIVES THE RIGHT TO TRIAL BY JURY IN ANY RELATED LITIGATION.

(c) Certain Lender Party Waivers. EACH OF THE LENDER PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY RELATED LITIGATION.

(d) Limitation of Liability. TO THE FULLEST EXTENT PERMITTED BY LAW, NO CLAIM MAY BE MADE BY ANY BORROWER AGAINST ANY LENDER PARTY OR ANY AFFILIATE, DIRECTOR, OFFICER, EMPLOYEE, ATTORNEY OR AGENT OF ANY OF THEM FOR ANY SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES IN RESPECT OF ANY CLAIM ARISING FROM OR RELATING TO ANY ACQUISITION OR TRANSACTION, THIS AGREEMENT, ANY OTHER LOAN DOCUMENT, THE ORIGINAL CREDIT AGREEMENT OR ANY "LOAN DOCUMENT" REFERRED TO THEREIN OR ANY STATEMENT, COURSE OF CONDUCT, ACT, OMISSION OR EVENT OCCURRING IN CONNECTION HERewith OR THEREWITH (WHETHER FOR BREACH OF CONTRACT, TORT OR ANY OTHER THEORY OF LIABILITY). EACH OF THE BORROWERS HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM FOR ANY SUCH DAMAGES, WHETHER SUCH CLAIM PRESENTLY EXISTS OR ARISES

HEREAFTER AND WHETHER OR NOT SUCH CLAIM IS KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Agreement as of the date first above written.

GENESIS HEALTH VENTURES, INC., a  
Pennsylvania corporation

By \_\_\_\_\_  
Title: Associate General  
Counsel and Secretary

Address for notices:

Suite 100  
148 West State Street  
Kennett Square, PA 19348

Attention: Senior Vice  
President and Chief Financial  
Officer

Telephone: 610-444-6350  
Facsimile: 610-444-3365

BREVARD MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc., a  
Pennsylvania corporation,  
its sole general partners

CATONSVILLE MERIDIAN LIMITED

PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc.,  
a Pennsylvania corporation,  
one of its general partners

EASTON MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc.,  
a Pennsylvania corporation,  
its sole general partner

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EDELLA STREET ASSOCIATES, a  
Pennsylvania limited partnership

By: Genesis Health Ventures of  
Clarks Summit, Inc., its sole  
general partner

GENESIS PROPERTIES LIMITED  
PARTNERSHIP, a  
Pennsylvania limited partnership  
By: Genesis Health Ventures  
of Arlington, Inc., its sole  
general partner

GREENSPRING MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation,  
its sole general partner

HAMMONDS LANE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation,  
one of its general partners

MERIDIAN/CONSTELLATION LIMITED



PARTNERSHIP

By: Meridian Healthcare, Inc.,  
general partner

MERIDIAN EDGEWOOD LIMITED  
PARTNERSHIP

By: Meridian Healthcare, Inc.,  
a general partner

MERIDIAN PERRING LIMITED  
PARTNERSHIP

By: Meridian Healthcare, Inc.,  
a general partner

MERIDIAN VALLEY LIMITED PARTNERSHIP

By: Meridian Healthcare, Inc.,  
a general partner

MERIDIAN VALLEY VIEW LIMITED  
PARTNERSHIP

By: Meridian Healthcare, Inc.,  
a general partner

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MILLVILLE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation,  
its sole general partner

PHILADELPHIA AVENUE ASSOCIATES,  
a Pennsylvania limited partnership

By: Philadelphia Avenue Corp.,  
its sole general partner

RIVER STREET ASSOCIATES,  
a Pennsylvania limited partnership

By: Genesis Health Ventures of

Wilkes-Barre, Inc.,  
its sole general partner

SEMINOLE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc.,  
a Pennsylvania corporation, its  
sole general partner

STATE STREET ASSOCIATES, L.P.,  
a Pennsylvania limited partnership

By: State Street Associates, Inc.  
its sole general partner

THERAPY CARE SYSTEMS, L.P.  
a Pennsylvania limited partnership

By: Genesis Eldercare  
Rehabilitation Services, Inc.  
its sole general partner

VOLUSIA MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc.,  
a Pennsylvania corporation,  
its sole general partner

GENESIS PROPERTIES OF DELAWARE  
LTD PARTNERSHIP, L.P.,  
a Delaware limited partnership

By: Genesis Properties of Delaware Corporation,  
a general partner

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McKERLEY HEALTH FACILITIES,  
a New Hampshire general partnership

By: Meridian Health, Inc.,  
a Pennsylvania corporation,  
and Meridian Healthcare, Inc.,  
a Pennsylvania corporation,

its general partners

By:

-----  
On behalf of each of the foregoing  
as Associate General Counsel and  
Secretary of the general partner

GENESIS HEALTH VENTURES OF  
ARLINGTON, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
BLOOMFIELD, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
CLARKS SUMMIT, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
MASSACHUSETTS, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
NAUGATUCK, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
SALISBURY, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
WAYNE, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
WEST VIRGINIA, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
WINDSOR, INC.,  
a Pennsylvania corporation

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GENESIS IMMEDIATE MED  
CENTER, INC.,

a Pennsylvania corporation

GENESIS ELDERCARE HOME CARE  
SERVICES, INC.

a Pennsylvania corporation

GENESIS ELDERCARE PHYSICIAN  
SERVICES, INC.,

a Pennsylvania corporation

HEALTHCARE RESOURCES CORP.,  
a Pennsylvania corporation

KNOLLWOOD MANOR, INC.,  
a Pennsylvania corporation

MERIDIAN HEALTH, INC.,  
a Pennsylvania corporation

MERIDIAN HEALTHCARE, INC.,  
a Pennsylvania corporation

PHILADELPHIA AVENUE CORPORATION,  
a Pennsylvania corporation

GENESIS ELDERCARE STAFFING SERVICES  
INC.

a Pennsylvania corporation

STATE STREET ASSOCIATES, INC.,  
a Pennsylvania corporation

SUBURBAN MEDICAL SERVICES, INC.  
a Pennsylvania corporation

GENESIS ELDERCARE REHABILITATION  
SERVICES, INC.,  
a Pennsylvania corporation

THERAPY CARE INC.,  
a Pennsylvania corporation

THE TIDEWATER HEALTHCARE SHARED  
SERVICES GROUP, INC.,  
a Pennsylvania corporation

WYNCOTE HEALTHCARE CORP.  
a Pennsylvania corporation

ASCO HEALTHCARE, INC.,  
a Maryland corporation

BRINTON MANOR, INC.,  
a Delaware corporation

CONCORD HEALTHCARE CORPORATION,  
a Delaware corporation

CRYSTAL CITY NURSING CENTER, INC.,  
a Maryland corporation

EASTERN MEDICAL SUPPLIES, INC.,  
a Maryland corporation

GENESIS HEALTH SERVICES  
CORPORATION,  
a Delaware corporation

GENESIS HEALTHCARE CENTERS  
HOLDINGS, INC.,  
a Delaware corporation

GENESIS HOLDINGS, INC.,  
a Delaware corporation

GENESIS PROPERTIES OF DELAWARE  
CORPORATION,  
a Delaware corporation

HILLTOP HEALTH CARE CENTER, INC.,  
a Delaware corporation

KEYSTONE NURSING HOME, INC.,  
a Delaware corporation

LINCOLN NURSING HOME, INC.,  
a Delaware corporation

McKERLEY HEALTH CARE CENTERS, INC.,  
a New Hampshire corporation

WAYSIDE NURSING HOME, INC.,  
a Delaware corporation

PROFESSIONAL PHARMACY SERVICES,  
INC.,  
a Maryland Corporation

MEDICAL SERVICES GROUP, INC.,  
a Maryland Corporation

NEIGHBORCARE PHARMACIES, INC.,  
a Maryland Corporation

DERBY NURSING CENTER CORPORATION,  
a Connecticut Corporation

GENESIS ELDERCARE NATIONAL CENTERS,  
INC.,  
a Florida Corporation

GENESIS ELDERCARE NETWORK SERVICES,  
INC.,  
a Pennsylvania Corporation

GENESIS ELDERCARE PROPERTIES, INC.,  
a Pennsylvania Corporation

OAK HILL HEALTH CARE CENTER, INC.,  
a Virginia Corporation

VERSALINK, INC.,  
a Delaware Corporation

By:

-----  
On behalf of each of the foregoing  
as Associate General Counsel and  
Secretary

Agents and Lenders:

-----

MELLON BANK, N.A., as a Lender,  
as Issuer, as Agent and as Co-Syndication  
Agent

By \_\_\_\_\_

Title: Vice President

Initial Commitment: \$26,767,676.77

Address for notices:

street address:

AIM 199-5220  
Mellon Independence Center  
701 Market Street  
Philadelphia, PA 19106

mailing address:

AIM 199-5220  
P.O. Box 7899  
Philadelphia, PA 19101-7899

Attention: Linda Sigler,  
Loan Administration

Telephone: 215-553-4583  
Facsimile: 215-553-4789

With a copy to

Plymouth Meeting Executive Campus  
610 W. Germantown Pike, Suite 200  
Plymouth Meeting, PA 19462

Attention: Carol Paige

Telephone: 610-941-8409  
Facsimile: 610-941-4136

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CITIBANK, N.A., as a Lender and as  
Co-Syndication Agent

By \_\_\_\_\_  
Title:

Initial Commitment: \$26,767,676.77

Address for notices:

399 Park Avenue  
8th Floor  
New York, NY 10043

Attention: Margaret A. Brown

Telephone: 212-559-0501  
Facsimile: 212-793-3053

FIRST UNION NATIONAL BANK OF NORTH  
CAROLINA,  
as a Lender and as a Co-Agent

By \_\_\_\_\_  
Title:

Initial Commitment: \$22,222,222.22

Address for notices:

One First Union Center TW-5  
Charlotte, NC 28288-0735

Attention: Mr. Joseph H. Towell

Telephone: 704-383-3844  
Facsimile: 704-374-4092

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NATIONSBANK, N.A., as a Lender and as a  
Co-Agent

By \_\_\_\_\_  
Title:

Initial Commitment: \$22,222,222.22

Address for notices:

1 Nationsbank Plaza  
5th Floor  
Nashville, TN 37239

Attention: S. Walker Choppin

Telephone: 615-749-3023  
Facsimile: 615-749-4640



FLEET NATIONAL BANK

By \_\_\_\_\_

Title:

Initial Commitment: \$19,528,619.53

Address for notices:

75 State Street

Mail Stop: MA-BO-F04A

Boston, MA 02109-1810

Attention: Ginger Stolzenhaler

Telephone: 617-346-1647

Facsimile: 617-346-1634

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CORESTATES BANK, N.A.

By \_\_\_\_\_

Title:

Initial Commitment: \$19,528,619.53

Address for notices:

1339 Chestnut Street

FC 1-8-3-22

P.O. Box 7618

Philadelphia, PA 19101-7816

Attention: Lawrence W. Dessen

Telephone: 215-786-2166

Facsimile: 215-973-2738

PNC BANK, NATIONAL ASSOCIATION

By \_\_\_\_\_

Title:

Initial Commitment: \$19,528,619.53

Address for notices:

1600 Market Street  
Philadelphia, PA 19103

Attention: Mark D. Lavelle

Telephone: 215-585-6506

Facsimile: 215-585-6987

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BANK OF AMERICA NATIONAL TRUST AND  
SAVINGS ASSOCIATION

By \_\_\_\_\_  
Title:

Initial Commitment: \$19,528,619.53

Address for notices:

555 South Flower Street  
Los Angeles, CA 90071

Attention: Wyatt Ritchie

Telephone: 213-228-9734

Facsimile: 213-228-2756

CREDIT LYONNAIS NEW YORK BRANCH

By \_\_\_\_\_  
Title:

Initial Commitment: \$19,528,619.53

Address for notices:

1301 Avenue of the Americas  
New York, NY 10019

Attention: Evan S. Wasser

Telephone: 212-261-7685

Facsimile: 212-261-3440

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CREDIT SUISSE

By \_\_\_\_\_  
Title:

By \_\_\_\_\_  
Title:

Initial Commitment: \$16,835,016.84

Address for notices:

Tower 49  
12 East 49th Street, 44th Floor  
New York, NY 10017

Attention: Chris Horgan

Telephone: 212-238-5448

Facsimile: 212-238-5439

AMSOUTH BANK OF ALABAMA

By \_\_\_\_\_  
Title:

Initial Commitment: \$16,835,016.84

Address for notices:

1900 Fifth Avenue North  
AST-7th Floor  
Birmingham, AL 35203

Attention: Laine Little

Telephone: 205-801-0103

Facsimile: 205-326-4790

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BANQUE PARIBAS

By \_\_\_\_\_  
Title:

By \_\_\_\_\_  
Title:

Initial Commitment: \$16,835,016.84

Address for notices:

The Equitable Tower  
787 Seventh Avenue  
New York, NY 10019

Attention: David Laffey

Telephone: 214-969-0380

Facsimile: 214-969-0260

CREDITANSTALT CORPORATE FINANCE, INC.

By \_\_\_\_\_  
Title:

By \_\_\_\_\_  
Title:

Initial Commitment: \$13,468,013.47

Address for notices:

2 Greenwich Plaza  
Greenwich, CT 06830

Attention: Stacy Harmon  
Gregory F. Mathis

Telephone: 203-861-6581

Facsimile: 203-861-6594

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SIGNET BANK

By \_\_\_\_\_  
Title:

Initial Commitment: \$13,468,013.47

Address for notices:

7799 Leesburg Pike  
Falls Church, VA 22043

Attention: Thomas M. Gilmore

Telephone: 703-714-5030

Facsimile: 703-506-9712

THE SUMITOMO BANK, LIMITED

By \_\_\_\_\_  
Title:

By \_\_\_\_\_  
Title:

Initial Commitment: \$13,468,013.47

Address for notices:

One Liberty Place  
1650 Market Street, Suite 2860  
Philadelphia, PA 19103

Attention: J. Wade Bell  
Michael J. Fox

Telephone: 215-636-4440

Facsimile: 215-636-4446

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THE FIRST NATIONAL BANK OF MARYLAND

By \_\_\_\_\_  
Title:

Initial Commitment: \$13,468,013.47

Address for notices:

25 South Charles Street  
Mail Code: 101-570  
Baltimore, MD 21201

Attention: Robert H. Hauver

Telephone: 410-244-4246

Facsimile: 410-244-4746

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DRAFT 9/27/96

EXHIBIT A

GENESIS HEALTH VENTURES, INC.  
and certain Subsidiaries thereof named below

Revolving Credit Note

\$ \_\_\_\_\_  
Pennsylvania

Philadelphia,

[Date of Issuance]

FOR VALUE RECEIVED, the undersigned (collectively, the "Borrowers"), jointly and severally, subject to the terms of Section \_\_\_\_\_ of the Agreement (as defined below), promise to pay to the order of [NAME OF LENDER] (the "Payee"), on or before the Maturity Date (as such term is defined in the Agreement), and at such earlier dates as may be required by the Agreement, the lesser of (i) the principal sum of \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) or (ii) the aggregate unpaid principal amount of all Revolving Credit Loans made by the Payee to any of the Borrowers from time to time pursuant to the Agreement. The Borrowers, jointly and severally, subject to the terms of Section 10.07 of the Agreement, further promise to pay to the order of the Payee interest on the unpaid principal amount hereof from time to time outstanding at the rate or rates per annum determined pursuant to the Agreement, payable on the dates set forth in the Agreement.

This Revolving Credit Note is one of the "Notes" as referred to in, and is entitled to the benefits of, the Second Amended and Restated Credit Agreement, dated as of \_\_\_\_\_, by and among the Borrowers parties thereto from time to time, the Lenders parties thereto from time to time, Mellon Bank, N.A., a national banking association, as Issuer of Letters of Credit thereunder, Mellon Bank, N.A., a national banking association, as Agent for such Lenders and Issuer, and Citibank, N.A. as Co-Syndication Agent and the other Co-Agents named therein (as the same may be amended, modified or supplemented from time to time, the "Agreement"), which among other things provides for the acceleration of the maturity hereof upon the occurrence of certain events and for prepayments in certain circumstances and upon certain terms and conditions. Terms defined in the Agreement have the same meanings herein.

This Revolving Credit Note is secured by and is entitled to the benefits of the Liens granted pursuant to the Security Documents and the other Loan Documents.

Each of the Borrowers hereby expressly waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Revolving Credit Note and the Agreement, and an action for amounts due hereunder or thereunder shall immediately accrue.

This Revolving Credit Note shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without regard to principles of choice of law.

ATTEST:

GENESIS HEALTH VENTURES, INC., a  
Pennsylvania corporation

By: \_\_\_\_\_  
Title: Secretary

By: \_\_\_\_\_  
Title: Senior Vice President  
and Chief Financial Officer

[Corporate Seal]

Address for notices:

Suite 100  
148 West State Street  
Kennett Square, PA 19348

Attention: Senior Vice  
President and Chief Financial  
Officer

Telephone: 610-444-6350  
Facsimile: 610-444-3365

BREVARD MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership  
By: Meridian Healthcare, Inc., a  
Pennsylvania corporation,  
its sole general partners

CATONSVILLE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership  
By: Meridian Health, Inc.,  
a Pennsylvania corporation,

one of its general partners

EASTON MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

[signatures continued on the following pages]

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Form of Revolving Credit Note

By: Meridian Health, Inc.,  
a Pennsylvania corporation,  
its sole general partner

EDELLA STREET ASSOCIATES,  
a Pennsylvania limited partnership  
By: Genesis Health Ventures of  
Clarks Summit, Inc., its sole  
general partner

GENESIS PROPERTIES LIMITED  
PARTNERSHIP,  
a Pennsylvania limited partnership  
By: Genesis Health Ventures  
of Arlington, Inc., its sole  
general partner

GREENSPRING MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation,  
its sole general partner

HAMMONDS LANE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation,  
one of its general partners

MERIDIAN/CONSTELLATION LIMITED  
PARTNERSHIP  
By: Meridian Healthcare, Inc.,



a general partner

MERIDIAN EDGEWOOD LIMITED PARTNERSHIP

By: Meridian Healthcare, Inc.,  
a general partner

MERIDIAN PERRING LIMITED  
PARTNERSHIP

By: Meridian Healthcare, Inc.,  
a general partner

MERIDIAN VALLEY LIMITED PARTNERSHIP

By: Meridian Healthcare, Inc.,

[signatures continued on the following pages]

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Form of Revolving Credit Note

a general partner

MERIDIAN VALLEY VIEW LIMITED  
PARTNERSHIP

By: Meridian Healthcare, Inc.,  
a general partner

MILLVILLE MERIDIAN LIMITED  
PARTNERSHIP,

a Maryland limited partnership  
By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation, its  
sole general partner

PHILADELPHIA AVENUE ASSOCIATES,  
a Pennsylvania limited partnership  
By: Philadelphia Avenue Corp.,  
its sole general partner

RIVER STREET ASSOCIATES,  
a Pennsylvania limited partnership  
By: Genesis Health Ventures of  
Wilkes-Barre, Inc., its sole general  
partner

SEMINOLE MERIDIAN LIMITED  
PARTNERSHIP,

a Maryland limited partnership

By: Meridian Health, Inc.,  
a Pennsylvania corporation, its  
sole general partner

STATE STREET ASSOCIATES, L.P.,  
a Pennsylvania limited partnership  
By: State Street Associates, Inc. its  
sole general partner

THERAPY CARE SYSTEMS, L.P.  
a Pennsylvania limited partnership

By: Genesis Eldercare Rehabilitation  
Services, Inc. its sole general partner

VOLUSIA MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership  
By: Meridian Health, Inc., a Pennsylvania  
corporation, its sole

[signatures continued on the following pages]

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Form of Revolving Credit Note

general partner

GENESIS PROPERTIES OF DELAWARE  
LTD PARTNERSHIP, L.P.,  
a Delaware limited partnership  
By: Genesis Properties of Delaware  
Corporation, a general partner

McKERLEY HEALTH FACILITIES,  
a New Hampshire general partnership  
By: Meridian Health, Inc., a  
Pennsylvania corporation, and  
Meridian Healthcare, Inc., a  
Pennsylvania corporation, its  
general partners

ATTEST:

By: \_\_\_\_\_  
On behalf of each of the foregoing  
as Senior Vice President and Chief

Financial Officer of the general partner

GENESIS HEALTH VENTURES OF  
ARLINGTON, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
BLOOMFIELD, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
CLARKS SUMMIT, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
MASSACHUSETTS, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
NAUGATUCK, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
SALISBURY, INC.,  
a Pennsylvania corporation

[signatures continued on the following pages]

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# Form of Revolving Credit Note

GENESIS HEALTH VENTURES OF  
WAYNE, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
WEST VIRGINIA, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
WINDSOR, INC.,  
a Pennsylvania corporation

GENESIS IMMEDIATE MED  
CENTER, INC.,  
a Pennsylvania corporation

GENESIS ELDERCARE HOME CARE  
SERVICES, INC.

a Pennsylvania corporation

GENESIS ELDERCARE PHYSICIAN  
SERVICES, INC.,  
a Pennsylvania corporation

HEALTHCARE RESOURCES CORP.,  
a Pennsylvania corporation

KNOLLWOOD MANOR, INC.,  
a Pennsylvania corporation

MERIDIAN HEALTH, INC.,  
a Pennsylvania corporation

MERIDIAN HEALTHCARE, INC.,  
a Pennsylvania corporation

PHILADELPHIA AVENUE CORPORATION,  
a Pennsylvania corporation

GENESIS ELDERCARE STAFFING SERVICES  
INC.  
a Pennsylvania corporation

STATE STREET ASSOCIATES, INC.,  
a Pennsylvania corporation

SUBURBAN MEDICAL SERVICES, INC.  
a Pennsylvania corporation

[signatures continued on the following pages]

Form of Revolving Credit Note

GENESIS ELDERCARE REHABILITATION  
SERVICES, INC.,  
a Pennsylvania corporation

THERAPY CARE INC.,  
a Pennsylvania corporation

THE TIDEWATER HEALTHCARE SHARED  
SERVICES GROUP, INC.,  
a Pennsylvania corporation

WYNCOTE HEALTHCARE CORP.  
a Pennsylvania corporation

ASCO HEALTHCARE, INC.,  
a Maryland corporation

BRINTON MANOR, INC.,  
a Delaware corporation

CONCORD HEALTHCARE CORPORATION,  
a Delaware corporation

CRYSTAL CITY NURSING CENTER, INC.,  
a Maryland corporation

EASTERN MEDICAL SUPPLIES, INC.,  
a Maryland corporation

GENESIS HEALTH SERVICES  
CORPORATION,  
a Delaware corporation

GENESIS HEALTHCARE CENTERS  
HOLDINGS, INC.,  
a Delaware corporation

GENESIS HOLDINGS, INC.,  
a Delaware corporation

GENESIS PROPERTIES OF DELAWARE  
CORPORATION,  
a Delaware corporation

HILLTOP HEALTH CARE CENTER, INC.,  
a Delaware corporation

[signatures continued on the following pages]

Form of Revolving Credit Note

KEYSTONE NURSING HOME, INC.,  
a Delaware corporation

LINCOLN NURSING HOME, INC.,  
a Delaware corporation

McKERLEY HEALTH CARE CENTERS, INC.,  
a New Hampshire corporation

WAYSIDE NURSING HOME, INC.,  
a Delaware corporation

PROFESSIONAL PHARMACY SERVICES,  
INC.,  
a Maryland Corporation

MEDICAL SERVICES GROUP, INC.,  
a Maryland Corporation

NEIGHBORCARE PHARMACIES, INC.,  
a Maryland Corporation

DERBY NURSING CENTER CORPORATION,  
a Connecticut Corporation

GENESIS ELDERCARE NATIONAL CENTERS,  
INC.,  
a Florida Corporation

GENESIS ELDERCARE NETWORK SERVICES,  
INC.,  
a Pennsylvania Corporation

GENESIS ELDERCARE PROPERTIES, INC.,  
a Pennsylvania Corporation

OAK HILL HEALTH CARE CENTER, INC.,  
a Virginia Corporation

VERSALINK, INC.,  
a Delaware Corporation

ATTEST:

\_\_\_\_\_

By: \_\_\_\_\_

On behalf of each of the foregoing  
as Senior Vice President and Chief  
Financial Officer

[signatures continued on the following pages]

Exhibit B

SECOND AMENDED AND  
RESTATED COLLATERAL AGENCY AGREEMENT

THIS SECOND AMENDED AND RESTATED COLLATERAL AGENCY AGREEMENT,  
dated as of October 7, 1996 by and among

GENESIS HEALTH VENTURES, INC., a Pennsylvania corporation ("Genesis") and the SUBSIDIARIES OF GENESIS listed on the signature pages hereof, in each of the following capacities: (i) as a Borrower under the Credit Agreement referred to below, (ii) as a Lease Guarantor or Lessee (as each such term is defined below), and (iii) as a "Grantor" (or similar term) under the Security Documents (defined below) (together with each other Person which may hereafter become a "Grantor" in accordance with Section 1.3(b) hereof, the "Grantors"),

MELLON BANK, N.A., as "Administrative Agent and Co-Syndication Agent" under the Credit Agreement referred to below (in such capacity, together with its successors in such capacity, the "Revolver Agent" as further defined below), for itself and on behalf of the "Lenders" from time to time parties to such Credit Agreement (the "RCA Lenders") and the "Issuer" under such Credit Agreement (the "Issuer") (the RCA Lenders, the Issuer and the Revolver Agent being referred to collectively as the "RCA Lender Parties"),

MELLON BANK, N.A., as "Agent" under the SLF Loan Agreement and SLF Participation Agreement referred to below (in such capacity, together with its successors in such capacity, the "Synthetic Lease Facility Agent") for itself and on behalf of the Synthetic Lease Participants (as defined below) (the Synthetic Lease Participants and the Synthetic Lease Facility Agent being referred to collectively as the "SLF Parties"),

Each Person which may hereafter become a party hereto as a SWAP PARTY in accordance with Section 2.3 hereof (each, a "Swap Party"), it being understood that as of the date hereof, there are no Swap Parties, and

MELLON BANK, N.A., as agent for the Secured Parties (as hereinafter defined) (in such capacity, together with its successors, the "Collateral Agent").

Recitals:

A. Genesis, certain of its Subsidiaries, certain of the RCA Lender Parties and Citibank, N.A. as Co-Agent entered into a certain Amended and Restated Credit Agreement dated as of September 29, 1995 (as heretofore amended, the "Original Credit Agreement").

The Original Credit Agreement is being amended and restated in its entirety pursuant to a Second Amended and Restated Credit Agreement dated as of even date herewith among Genesis, the other Grantors, the RCA Lender Parties, Citibank, N.A. as Co-Syndication Agent and certain other Co-Agents referred to therein (the Original Credit Agreement, as amended and restated by said Second Amended and Restated Credit Agreement and as it may be further amended, supplemented or otherwise modified from time to time, being referred to herein as the "Credit Agreement"). Pursuant to the Credit Agreement, Genesis and the other Grantors are required to pledge all stock and other equity interests, together with all proceeds thereof, in the Lessee, any Borrower or Lease Guarantor owned by them from time to time to secure their respective obligations from time to time to the RCA Lender Parties in connection with the Credit Agreement and the other RCA Loan Documents (as such term is defined below).

B. In connection with the Synthetic Lease Facility, Genesis, the other Grantors and the SLF Parties have entered into the SLF Documents (as defined below). Pursuant to the SLF Documents and as more fully set forth therein, Genesis and the other Grantors are required to pledge all stock and other equity interests, together with all proceeds thereof, in the Lessee, any Borrower or Lease Guarantor owned by them from time to time to secure the SLF Obligations (as defined below).

C. In connection with the Original Credit Agreement, Genesis, certain of the Grantors, the Revolver Agent and the Collateral Agent entered into a certain Collateral Agency Agreement dated as of September 29, 1995 (as heretofore amended, the "Original Collateral Agency Agreement"). In connection with the Credit Agreement and the Synthetic Lease Facility, the parties hereto desire to amend and restate the Original Collateral Agency Agreement in its entirety.

D. Pursuant to the Credit Agreement, Genesis in certain circumstances may be required or permitted to enter into one or more Qualifying Interest Rate Hedging Agreements (as such term is defined in the Credit Agreement) on or after the date hereof.

E. Pursuant to the Credit Agreement, the RCA Lender Parties in certain circumstances may permit the Liens granted and made by Genesis and the other Grantors under the Security Documents to be spread to secure the obligations of Genesis to the counterparty under such Qualifying Interest Rate Hedging Agreement in accordance with the terms and conditions hereof. Any Qualifying Interest Rate Hedging Agreement so entitled to the benefits of such Liens in accordance with the terms and conditions hereof is referred to herein as a "Swap Agreement," and the counterparty to such Swap Agreement is referred to herein as a "Swap Party," as such terms are further defined below.

F. The Grantors, the RCA Lender Parties, the SLF Parties and the Swap Parties hereby agree that the Collateral Agent will serve as agent for the RCA Lender Parties, the Swap Parties and the SLF Parties with respect to the Joint Stock Collateral, and



the Collateral Agent is willing to serve as the Collateral Agent, all on the terms and conditions stated herein.

G. It is a condition precedent to the extension of credit under the Credit Agreement and the SLF Documents that the Grantors execute and deliver this Agreement. This Agreement is made by each Grantor, among other things, to induce the RCA Lender Parties to enter into the Credit Agreement and the other RCA Loan Documents, and to induce the RCA Lenders to make "Loans" and to induce the Issuer to issue "Letters of Credit" pursuant to the Credit Agreement. This Agreement is also made to induce the Synthetic Lease Participants to make advances under the SLF Participation Agreement and the Lessor to enter into the Synthetic Lease Facility.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows, with the intent that effective on the Effective Date, the Original Collateral Agency Agreement, including all recitals, exhibits or schedules thereto, shall, without further action or notice, be amended and restated in its entirety to read in the form of this Agreement, including all recitals, exhibits and schedules hereto.

#### ARTICLE 1 - DEFINITIONS; CONSTRUCTION

1.1 Certain Definitions. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Credit Agreement. In addition to other words and terms defined elsewhere in this Agreement, as used herein, the following words and terms shall have the following meanings, respectively, unless the context hereof otherwise clearly requires:

"Agreement" shall mean this Amended and Restated Collateral Agency Agreement, as amended, modified or supplemented from time to time.

"Collateral Agent Indemnified Parties" shall have the meaning set forth in Section 5.14 hereof.

"Collateral Agent Obligations" shall mean all obligations, from time to time, of any Grantor to the Collateral Agent in its capacity as such (whether or not referred to herein or in any Security Document as constituting Collateral Agent Obligations), including but not limited to amounts payable pursuant to Sections 3.9, 5.12, 5.13 and 5.14 hereof, in each case whether such obligations are direct or indirect, otherwise secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising (specifically including but not limited to obligations arising or accruing after the commencement of any bankruptcy, insolvency or similar proceedings with respect to any Grantor, or which would have arisen or accrued but for the commencement of such proceeding,

even if the claim for such obligation is not allowed in such proceeding under applicable Law).

"Directing Party" shall mean the Revolver Agent, provided that "Directing Party" shall mean the Synthetic Lease Facility Agent if all RCA Loan Obligations have been paid in full, all commitments to extend credit under the Credit Agreement have terminated, and all Letters of Credit have expired, and provided further that "Directing Party" shall mean the Swap Parties if all RCA Loan Obligations have been paid in full, all commitments to extend credit under the Credit Agreement have terminated, all Letters of Credit have expired, the SLF Obligations have been paid in full, and any remaining commitments to extend credit (whether denominated as debt or equity) under the Synthetic Lease Facility, the SLF Loan Agreement and the SLF Participation Agreement have terminated.

"Financing Documents" shall mean all RCA Loan Documents and all SLF Documents.

"Joint Stock Collateral" shall mean all "Collateral" under the Pledge Agreement.

"Lease Guarantor" shall mean each guarantor party to the SLF Guaranty from time to time.

"Lessee" shall mean, collectively, the lessee under the Synthetic Lease Facility and any sublessees of such lessee, together with their respective successors and assigns.

"Lessor" shall mean Mellon Financial Services Corporation #4 as lessor under the Synthetic Lease Facility, together with its successors and assigns.

"Obligations" shall mean all RCA Loan Obligations, all Swap Obligations, all Collateral Agent Obligations and all SLF Obligations.

"Office" of the Collateral Agent shall mean its office located at One Mellon Bank Center, Pittsburgh, Pennsylvania, or at such other domestic office or offices of the Collateral Agent as may be designated in writing from time to time by the Collateral Agent to Genesis and the Responsible Parties.

"Pledge Agreement" shall mean that certain Pledge Agreement, dated as of even date herewith, among the Collateral Agent, Genesis and the other Grantors, as the same may be amended, modified and supplemented from time to time.

"Pro Rata Share" of an RCA Lender, an Issuer, a Swap Party or a Synthetic Lease Participant at any time shall mean the proportion by

which the sum of the

outstanding loans, other outstanding extensions of credit and remaining commitments to extend credit of such Person under the Credit Agreement or the outstanding extensions of credit (whether denominated as debt or equity) and remaining commitments to extend credit of such Person under the Synthetic Lease Facility or the SLF Loan Agreement, or both, as the case may be, at such time bears to the sum, at such time, of (a) the outstanding loans, other outstanding extensions of credit (including letters of credit) and remaining commitments to extend credit of all such Persons under the Credit Agreement, and (b) the outstanding extensions of credit (whether denominated as debt or equity) and remaining commitments to extend credit of all such Persons under the Synthetic Lease Facility and the SLF Loan Agreement.

"RCA Loan Documents" shall mean all "Loan Documents" as such term is defined in the Credit Agreement.

"RCA Loan Obligations" shall mean all "Loan Obligations" as such term is defined in the Credit Agreement (specifically including but not limited to obligations arising or accruing after the commencement of any bankruptcy, insolvency or similar proceedings with respect to any obligor, or which would have arisen or accrued but for the commencement of such proceeding, even if the claim for such obligation is not allowed in such proceeding under applicable Law). RCA Loan Obligations shall remain such notwithstanding any assignment or transfer or any subsequent assignment or transfer of any of the RCA Loan Obligations or any interest therein.

"Responsible Parties" shall mean the Revolver Agent, each Swap Party and the Synthetic Lease Facility Agent.

"Revolver Agent" at any time shall mean the "Agent" under the Credit Agreement at such time. If there is no Agent under the Credit Agreement at such time, then any notice, demand, or other communication required or permitted to be given by the Revolver Agent hereunder or under any Security Document shall be sufficiently given or made if given by the Required Lenders (as defined in the Credit Agreement), and any notification, demand, consent, document, payment or other communication or item required to be given or made to the Revolver Agent shall be sufficiently given or made if given directly to each RCA Lender entitled thereto.

"Secured Parties" shall have the meaning ascribed to such term in the Pledge Agreement.

"Secured Party Documents" shall have the meaning ascribed to such term in the Pledge Agreement.

"Security Documents" shall mean this Agreement, the Pledge Agreement, the Intercreditor Agreements, any "Joinder Supplement" under and as defined in the Credit Agreement, and any other agreements or instruments from time to time

granting or purporting to grant the Collateral Agent a Lien in any property for the benefit of the Secured Parties to secure the Obligations, or subordinating any obligation to the Obligations, in each case pursuant to Section 1.3(a) hereof or otherwise.

"Senior Credit Documents" shall mean the Financing Documents and the Swap Documents.

"Shared Collateral Account" shall have the meaning set forth in Section 4.1 hereof.

"SLF Documents" shall mean the Synthetic Lease Facility, the SLF Loan Agreement, the SLF Participation Agreement, the SLF Guaranty and any other Operative Document (as defined in the SLF Participation Agreement) that evidences any SLF Obligation, as the same may be amended, modified, or supplemented from time to time.

"SLF Guaranty" shall mean the SLF Guaranty Agreements of even date herewith executed by Genesis and other Grantors to guarantee obligations under the Synthetic Lease Facility, or the SLF Loan Agreement, or both, as the same may be amended, modified, or supplemented from time to time.

"SLF Loan Agreement" means the Amended and Restated Loan Agreement of even date herewith among Lessor, the other Synthetic Lease Participants and Mellon Bank, N.A. as Agent, as such agreement may be amended, modified or supplemented from time to time.

"SLF Obligations" shall mean all obligations from time to time of a Lessee, Genesis, any other Grantor or any other Person to any Synthetic Lease Participant (including but not limited to obligations to the Collateral Agent or the Synthetic Lease Facility Agent on their behalf) or the Synthetic Lease Facility Agent, from time to time arising under or in connection with, related to, evidenced by or secured by the Synthetic Lease Facility, the SLF Loan Agreement, the SLF Guaranty, or any other SLF Document, and all extensions, renewals or refinancings thereof, whether such obligations are direct or indirect, otherwise secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising (specifically including but not limited to obligations arising or accruing after the commencement of any bankruptcy, insolvency or similar proceedings with respect to any

such Grantor, or which would have arisen or accrued but for the commencement of such proceeding, even if the claim for such obligation is not allowed in such proceeding under applicable Law), but only to the extent such obligations are required to be secured by any Joint Stock Collateral under the terms of the SLF Documents as constituted on the date hereof. Without limitation of the foregoing, such obligations include principal amounts, interest, and fees, indemnities

or expenses under or in connection with this Agreement or any other SLF Document, and all extensions, renewals and refinancings thereof.

"SLF Participation Agreement" shall mean the Amended and Restated Participation Agreement of even date herewith among the Lessee, the Lessor, the Lenders named therein and Mellon Bank, N.A. as Agent, as such agreement may be amended, modified or supplemented from time to time.

"Swap Documents" shall mean the Swap Agreements and the Security Documents.

"Swap Obligations" shall mean all obligations from time to time of Genesis to the Swap Parties under or in connection with the Swap Agreements, whether such obligations are direct or indirect, otherwise secured or unsecured, joint or several, absolute or contingent, due or to become due, whether for payment or performance, now existing or hereafter arising (specifically including but not limited to obligations arising or accruing after the commencement of any bankruptcy, insolvency or similar proceedings with respect to Genesis, or which would have arisen or accrued but for the commencement of such proceeding, even if the claim for such obligation is not allowed in such proceeding under applicable Law).

"Synthetic Lease Facility" shall mean the Amended and Restated Lease and Agreement dated of even date herewith, and any subleases thereunder, between Lessor and Lessee, as the same may be amended, modified or supplemented from time to time.

"Synthetic Lease Facility Agent" at any time shall mean the "Agent" under the SLF Participation Agreement and the SLF Loan Agreement at such time. If there is no Agent under the SLF Participation Agreement and the SLF Loan Agreement at such time, then any notice, demand, or other communication required or permitted to be given by the Synthetic Lease Facility Agent hereunder or under any Security Document shall be sufficiently given or made if given by the Required Participants (as defined in the SLF Participation Agreement), and any notification, demand, consent, document, payment or other communication or item required to be given or made to the Synthetic Lease Facility Agent shall be sufficiently given or made if given

directly to each Participant entitled thereto.

"Synthetic Lease Participants" shall mean collectively the Lessor and the Lenders under the SLF Loan Agreement from time to time.

1.2 Construction. In this Agreement and each other Security Document, unless the context otherwise clearly requires, references to the plural include the singular, the singular the plural and the part the whole; "or" has the inclusive meaning represented by the

phrase "and/or;" and the terms "property" and "assets" each include all properties and assets of any kind or nature, tangible or intangible, real, personal or mixed, now existing or hereafter acquired. The words "hereof," "herein" and "hereunder" (and similar terms) in this Agreement or any other Security Document refer to this Agreement or such other Security Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Security Document. The words "includes" and "including" (and similar terms) in this Agreement or any other Security Document mean "includes without limitation" and "including without limitation," respectively (and similarly for similar terms). References in this Agreement or any other Security Document to "determination" (and similar terms) by the Collateral Agent or by any Secured Party include good faith estimates by the Collateral Agent or such Secured Party (in the case of quantitative determinations) and good faith beliefs by the Collateral Agent or such Secured Party (in the case of qualitative determinations). No doctrine of construction of ambiguities in agreements or instruments against the interests of the party controlling the drafting thereof shall apply to this Agreement or any other Security Document. The section and other headings contained in this Agreement and in each other Security Document, and any tables of contents contained herein or therein, are for reference purposes only and shall not affect the construction or interpretation of this Agreement or such other Security Document in any respect.

### 1.3 Additional Security Documents; Additional Grantors.

(a) A Grantor, or another Person, may from time to time execute and deliver agreements, instruments or documents in form and substance satisfactory to the Collateral Agent from time to time granting or purporting to grant to the Collateral Agent a Lien in any property for the benefit of the Secured Parties to secure the Obligations, or constituting a SLF Guaranty for the Obligations, or subordinating any obligation to the Obligations. Each such agreement, instrument or document shall constitute a "Security Document" for purposes of this Agreement.

(b) With the consent of the Collateral Agent, acting at the direction of the Directing Party, any Person may at any time become an additional Grantor hereunder by executing and delivering to the Collateral Agent an instrument in form and substance satisfactory to the Collateral Agent whereby such Person agrees to be bound by the provisions of this Agreement. Upon

execution and delivery of such instrument, such Person shall be and become a "Grantor" for purposes of this Agreement.

## ARTICLE 2 - THE COLLATERAL AGENCY

2.1 Appointment. The RCA Lender Parties, the SLF Parties and the Swap Parties each hereby irrevocably appoint Mellon Bank, N.A. to act as Collateral Agent for each Secured Party under this Agreement and the other Security Documents. The RCA Lender Parties, the SLF Parties and the Swap Parties each hereby irrevocably authorize the Collateral Agent to take such action on behalf of each Secured Party under the provisions of

this Agreement and the other Security Documents, and to exercise such powers and to perform such duties, as are specifically delegated to or required of the Collateral Agent by the terms hereof or thereof, together with such powers as are reasonably incidental thereto. Mellon Bank, N.A. hereby agrees to act as the Collateral Agent on the terms and conditions set forth in this Agreement and the other Security Documents, subject to its right to resign as provided herein. Each Secured Party hereby irrevocably authorizes the Collateral Agent to execute and deliver each of the Security Documents and to accept delivery of such of the Security Documents as may not require execution by the Collateral Agent. Each Secured Party hereby agrees that the rights and remedies given to the Collateral Agent under the Security Documents shall be exercised exclusively by the Collateral Agent, and that no Secured Party shall have any right individually to exercise any such right or remedy, except to the extent, if any, otherwise expressly provided herein or therein.

2.2 Exercise of Powers. Subject to the other provisions of this Agreement, the Collateral Agent shall take any action of the type specified herein or in any other Security Documents as being within the Collateral Agent's rights, powers or discretion in accordance with directions from the Directing Party (or, to the extent this Agreement or such Security Document specifically requires the consent or direction of some other Person or set of Persons, then instead in accordance with the directions of such other Person or set of Persons). In the absence of any such instructions, the Collateral Agent shall have the authority (but under no circumstances shall be obligated), in its sole discretion, to take such action, to the extent not inconsistent with directions by the Directing Party, unless this Agreement or such Security Document specifically requires the consent or direction of the Directing Party (or some other Person or set of Persons), in which case the Collateral Agent shall not take such action absent such direction or consent. Any action or inaction pursuant to such direction, discretion or consent shall be binding on all of the Secured Parties. The Collateral Agent shall not have any liability to any Person as a result of (a) the Collateral Agent acting or refraining from acting in accordance with the directions of the Directing Party (or other applicable Person or set of Persons), (b) the Collateral Agent refraining from acting in the absence of instructions to act from the Directing Party (or other applicable Person or set of Persons), whether or not the Collateral Agent has discretionary



power to take such action, or (c) the Collateral Agent taking discretionary action it is authorized to take under this Section (subject, in the case of this clause (c) to the provisions of Section 5.2 hereof).

2.3 Swap Agreements and Swap Parties. A Qualifying Interest Rate Hedging Agreement shall constitute a "Swap Agreement" entitled to the benefit of this Agreement, and the counterparty to such agreement shall constitute a "Swap Party," if and only if: (a) such counterparty is an RCA Lender and executes a Joinder Supplement in substantially the form of Exhibit A hereto (each, a "Joinder Supplement"), pursuant to which such counterparty shall agree to become a party hereto and bound hereby as a "Swap Party," and pursuant to which a particular Qualifying Interest Rate Hedging Agreement is designated as a "Swap Agreement," (b) the Synthetic Lease Facility Agent and the Revolver Agent each consent thereto, and (c) Genesis consents thereto.

#### 2.4 Amendments to Financing Documents.

The provisions of this Agreement shall remain in full force and effect in accordance with its terms regardless of any amendment, modification or supplement to any Senior Credit Document. Without limitation of the foregoing, this Agreement shall apply in accordance with its terms notwithstanding any increase, decrease, addition or change in the amount, nature, type or purpose of any of the Obligations.

#### 2.5 Certain Intercreditor Matters.

(a) The provisions of Article 4 hereof apply solely to priorities of distributions resulting from realization on the Security Documents, and not to the priorities of the Obligations. Nothing contained in this Agreement or in any other Security Document is intended to effect a subordination of any Obligation to any other Obligation.

(b) The priority of distribution specified in Article 4 of this Agreement is based upon the assumptions that (i) the Liens in the Joint Stock Collateral in favor of the Collateral Agent on behalf of each of the Secured Parties will be equally valid, perfected and nonavoidable as to each such Secured Party and (ii) the Liens in the Joint Stock Collateral in favor of the Collateral Agent on behalf of each of the Secured Parties will be deemed of equal priority as against all Persons other than Secured Parties in their capacities as such. If and to the extent any such assumption proves to be incorrect as to a particular Secured Party or particular set of Secured Parties, any resulting loss shall be borne solely by such Secured Party or set of Secured Parties, and the distributions referred to in Article 4 hereof shall be adjusted accordingly.

(c) The Secured Parties hereby agree that, upon any realization on the Security Documents (including but not limited to realization



on any of the Joint Stock Collateral or any collection or application of funds, by set-off or otherwise, on account of any Obligations owed under any direct or indirect guaranty which is a Security Document), the Secured Parties shall share in the proceeds of such realization in the manner provided in this Agreement, and if any Secured Party shall realize any funds on the Security Documents otherwise than pursuant to this Agreement, such Secured Party shall remit the same to the Collateral Agent, which shall apply the same as provided herein.

(d) This Agreement applies to realization on the Security Documents, and nothing in this Agreement or in any other Security Document, express or implied, shall be construed to require any Secured Party to share with any other Secured Party any collections received on account of Obligations other than on account of the Security Documents. Without limitation of the foregoing: (i) each SLF Party and Swap Party acknowledges that the RCA Lender Parties may be granted cash collateral for outstanding Letters of Credit from time to time as provided in the Credit Agreement, and realization on the foregoing by the RCA Lender Parties is not subject to this Agreement (and hence need not be shared with the SLF Parties or Swap Parties), (ii) collections on account of setoff against the Grantors

(except to the extent the funds setoff constitute Joint Stock Collateral) or exercise of any right of bankers' lien against the Grantors are not subject to this Agreement, and (iii) the RCA Lender Parties' and Swap Parties' agreement that they have no rights, as RCA Lender Parties or Swap Parties, respectively, in any Collateral (as defined in the SLF Participation Agreement) other than the Joint Stock Collateral, including, without limitation, rights to share in collections from such other Collateral or rights to dictate whether, or in what order, rights and remedies are exercised against such other Collateral under any theory of marshalling of assets, or otherwise, and all such rights that might otherwise exist are hereby waived. The Swap Parties, the Grantors and the Collateral Agent hereby (x) waive all rights to demand or to have any marshalling of the Joint Stock Collateral or other guaranties, collateral security or other direct or indirect security for some or all of the Obligations, and (y) consent and agree that the RCA Lender Parties and SLF Parties may exercise their rights and remedies hereunder, under other Security Documents and under such other guaranties, collateral security or other direct or indirect security, in any order, and that the RCA Lender Parties and SLF Parties need not exercise any right or remedy under such other guaranties, collateral or other indirect security before exercising any rights or remedies hereunder or under other Security Documents.

(e) The Swap Parties shall not have any right to require or contest the taking of or failure to take any action by the Collateral Agent, or to direct the Collateral Agent to exercise any right or remedy under this Agreement or any other Security Document, unless the Swap Parties are then the Directing Party. The Swap Parties shall have no right at any time to require the RCA Lender Parties or the SLF Parties to exercise any right or remedy under this Agreement or any other Security Document, or any other right or remedy available

to any RCA Lender Party or SLF Party.

(f) Any action taken to exercise any remedy against the Joint Stock Collateral shall be taken only at the joint direction of the Directing Party and the Synthetic Lease Facility Agent (unless the Swap Parties are the then Directing Party, in which case only the direction of the Swap Parties, as Directing Party, shall be necessary).

### ARTICLE 3 - SECURITY DOCUMENTS

#### 3.1 General Relation to Security Documents.

(a) All of the powers, remedies and rights of the Collateral Agent as set forth in this Agreement may be exercised by the Collateral Agent in respect of any other Security Document as though set forth in full therein and all of the powers, remedies and rights of the Collateral Agent as set forth in any other Security Document may be exercised from time to time as herein and therein provided.

(b) This Agreement is intended to be supplemental to, and not in limitation of, the other Security Documents, and the rights and remedies of the Collateral Agent contained herein and therein are intended to be cumulative. However, in the event of actual

and irreconcilable conflict between the provisions hereof and the provisions of the other Security Documents, the provisions of this Agreement shall be controlling except as expressly set forth in the other Security Documents.

3.2 Power of Attorney. Each Grantor hereby irrevocably constitutes and appoints the Collateral Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of such Grantor or in the name of such attorney-in-fact, from time to time in the Collateral Agent's discretion, for the purpose of signing documents and taking other action as the Collateral Agent may deem necessary or appropriate to perfect and protect the Liens of the Collateral Agent in the Joint Stock Collateral or otherwise to accomplish the purposes hereof. This power of attorney is a power coupled with an interest, shall be irrevocable and shall not be subject to the limitations of Section 3.3 hereof. Without limiting the generality of the foregoing, so long as the Collateral Agent shall be entitled under this Agreement or any other Security Document to make collections in respect of the Joint Stock Collateral, the Collateral Agent shall have the right and power to receive, endorse and collect all checks made payable to the order of such Grantor representing any dividend, payment or other distribution in respect of the Joint Stock Collateral and to give full discharge for the same.

3.3 Certain Rights After Event of Default. Each Grantor hereby irrevocably constitutes and appoints the Collateral Agent and any officer or

agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority in the name of such Grantor or otherwise, from time to time in the Collateral Agent's discretion, so long as any Event of Default has occurred and is continuing, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to carry out the terms of this Agreement or any other Security Document and to accomplish the purposes hereof and thereof and, without limiting the generality of the foregoing, such Grantor hereby gives the Collateral Agent the power and right on behalf of such Grantor, without notice to or further assent by such Grantor, to do the following:

(a) to ask for, demand, sue for, collect, receive and give acquittance for any and all moneys due or to become due upon, or in connection with, the Joint Stock Collateral;

(b) to receive, take, endorse, assign and deliver any and all checks, notes, drafts, acceptances, documents and other negotiable and non-negotiable instruments taken or received by the Collateral Agent as, or in connection with, the Joint Stock Collateral;

(c) to commence, prosecute, defend, settle, compromise or adjust any claim, suit, action or proceeding respect to, or in connection with, the Joint Stock Collateral;

(d) to sell, transfer, assign or otherwise deal in or with the Joint Stock Collateral or any part thereof as fully and effectively as if the Collateral Agent were the absolute owner thereof; and

(e) to do, at its option and at the expense and for the account of such Grantor, at any time or from time to time, all acts and things which the Collateral Agent deems necessary to protect or preserve the Joint Stock Collateral and to realize upon the Joint Stock Collateral.

3.4 Right to Initiate Judicial Proceedings. If an Event of Default has occurred and is continuing, the Collateral Agent (a) shall have the right and power to institute and maintain such suits and proceedings as it may deem appropriate to protect and enforce the rights vested in it by this Agreement and each other Security Document and (b) may either after entry, or without entry, proceed by suit or suits at law or in equity to enforce such rights and to foreclose upon the Joint Stock Collateral and to sell all or, from time to time, any of the Joint Stock Collateral under the judgment or decree of a court of competent jurisdiction. This Section shall not be construed to limit any right or remedy otherwise available to the Collateral Agent under this Agreement, any other Security Document or otherwise by Law to act without judicial proceedings.

3.5 Right to Appoint a Receiver. If an Event of Default has

occurred and is continuing, upon the filing of a bill in equity or other commencement of judicial proceedings or other applicable action set forth in any Security Document to enforce the rights of the Collateral Agent under this Agreement or any other Security Document, the Collateral Agent shall, to the extent permitted by Law and except to the extent (if any) expressly forbidden by a Security Document, without notice to any Grantor or any party claiming through any Grantor, without regard to the solvency or insolvency at the time of any Grantor or any other Person then liable for the payment of any of the Obligations, without regard to the then value of the Joint Stock Collateral, and without requiring any bond from any complainant in such proceedings, be entitled as a matter of right to the appointment of a receiver or receivers (who may be the Collateral Agent) of the Joint Stock Collateral, or any part thereof, and of the rents, issues, tolls, profits, royalties, revenues and other income thereof, pending such proceedings, with such powers as the court making such appointment or as the applicable Security Document, as the case may be, shall confer, and to the entry of an order directing that the rents, issues, tolls, profits, royalties, revenues and other income of the property constituting the whole or any part of the Joint Stock Collateral be segregated, sequestered and impounded for the benefit of the Collateral Agent, and each Grantor irrevocably consents to the appointments of such receiver or receivers and to the entry of such order; provided, that notwithstanding the appointment of any receiver, the Collateral Agent shall be entitled to retain possession and control of all cash held by or deposited with it pursuant to this Agreement or any other Security Document.

### 3.6 Remedies Not Exclusive, Etc.

(a) No remedy conferred upon or reserved to the Collateral Agent or any other Secured Party herein or in any other Security Document or the Senior Credit Documents is intended to be exclusive of any other remedy or remedies, but every such remedy shall be cumulative and shall be in addition to every other remedy conferred herein or any other Security Document or any Senior Credit Document or now or hereafter existing at law or in equity or otherwise.

(b) No delay or omission by the Collateral Agent or any other Person to exercise any right, remedy or power hereunder or under any other Security Document or any other Senior Credit Document shall impair any such right, remedy or power or shall be construed to be a waiver thereof, and every right, power and remedy given by this Agreement, any other Security Document or any other Senior Credit Document to the Collateral Agent or any other Person may be exercised from time to time and as often as may be deemed expedient by the Collateral Agent or such other Person, as the case may be.

(c) If the Collateral Agent or any other Person shall have proceeded to enforce any right, remedy or power under this Agreement or any other Security Document or any other Senior Credit Document and the proceeding for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Agent, then

each Grantor, the Collateral Agent and the Secured Parties shall, subject to any determination in such proceeding, severally and respectively be restored to their former positions and rights hereunder or thereunder in all respects and, subject to any determination in such proceeding, thereafter all rights, remedies and powers of the Collateral Agent and every other Person shall continue as though no such proceeding had been taken.

(d) All rights of action and of asserting claims upon or under this Agreement and the other Security Documents may be enforced by the Collateral Agent without the possession of any original or executed instrument evidencing or governing any Obligation and without the production thereof at any trial or other proceeding relative to such claims, and any suit or proceeding instituted by the Collateral Agent shall be, subject to the provisions of this Agreement, brought in its name as Collateral Agent, and any recovery of judgment shall be held as part of the Shared Collateral Account.

3.7 Certain Waivers. Following an Event of Default under any Senior Credit Document:

(a) Each Grantor agrees, to the extent it may lawfully do so, that it will not at any time in any manner whatsoever claim or take the benefit or advantage of, any appraisalment, valuation, stay, extension, moratorium, turnover or redemption Law, or any Law permitting it to direct the order in which the Joint Stock Collateral shall be sold, now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance or enforcement of this Agreement or any other Security Document, hereby waives all benefit

or advantage of all such Laws, and covenants that it will not hinder, delay or impede under color of any such Law the execution of any power granted to the Collateral Agent in this Agreement or any other Security Document but will suffer and permit the execution of every such power as though no such Law were in force.

(b) Each Grantor, to the extent it may lawfully do so, on behalf of itself and all who may claim through or under it, including without limitation any and all subsequent creditors, vendees, assignees and lienors, waives and releases all rights to demand or to have any marshalling of the Joint Stock Collateral upon any sale, whether made under any power of sale granted herein or in any other Security Document or pursuant to judicial proceedings or upon any foreclosure or any enforcement of this Agreement or any other Security Document, and consents and agrees that all the Joint Stock Collateral may, at any such sale, be offered and sold as an entirety. Each Grantor hereby waives any and all rights it may at any time have to require the Collateral Agent or any other Secured Party to exercise or exhaust its rights and remedies under this Agreement, any other Security Document, any other Senior Credit Document, any other agreement or instrument, at law or in equity, as between different Persons or against any single Person, or as between different items of direct or

indirect security for any of the Obligations or against any single item of such security, in any particular order, method or manner.

(c) Each Grantor waives, to the extent permitted by applicable Law, presentment, demand, protest and any notice of any kind (except notices expressly required hereunder or under any other Security Document) in connection with this Agreement and the other Security Documents and any action taken by the Collateral Agent with respect to the Joint Stock Collateral.

3.8 Limitation on Collateral Agent's Duty in Respect of Joint Stock Collateral. Beyond its duties expressly provided herein or in any other Security Document and its duty to account to the applicable Grantor or Secured Parties for moneys and other property received by it hereunder or under any other Security Document, the Collateral Agent shall not have any duty to any Grantor as to any other Joint Stock Collateral in its possession or control or in the possession or control of any of its agents or nominees, or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto.

3.9 Fees, Taxes, Etc. Genesis and the other Grantors jointly and severally agree to pay any and all Lien search, stamp, document, transfer, filing, recording, registration, excise or sales fees and taxes and all similar impositions now or hereafter payable or determined in good faith by the Collateral Agent to be payable in connection with this Agreement, the other Security Documents, or any other documents, instruments or transactions pursuant to or in connection herewith or therewith and agree to hold the Collateral Agent and each other Secured Party harmless from and against any and all present or future claims or liabilities with respect to, or resulting from any delay in paying or omission to pay, any such fees, taxes or impositions. Such agreement extends, without

limitation, to any and all taxes or other state documentary stamp or intangible tax with respect to the filing or recording of any financing statements or mortgages in connection herewith or in connection with any other Security Document, regardless of whom such taxes are levied or assessed against. The obligations of Genesis and the Grantors under this Section shall survive the termination of this Agreement and the termination of any other Security Document.

3.10 Maintenance of Liens. Each Grantor at its expense will cause financing statements (and continuation statements with respect to such financing statements) and any other appropriate instruments from time to time constituting Security Documents, to be recorded, published, registered and filed in such manner, at such times and in such places, and will pay all such recording, publishing, registration, filing or other taxes, fees and charges, and will do such other acts and things as may be required from time to time to establish, perfect, maintain, preserve, and protect the Liens of the Security Documents as valid and perfected Liens on the Joint Stock Collateral covered

thereby, prior to all other Liens except Permitted Liens.

3.11 Further Assurances. At any time and from time to time, upon the request of the Collateral Agent, and at the expense of the Grantor, each Grantor will promptly execute and deliver any and all such further instruments and documents and take such further actions as are necessary or requested to establish, confirm, maintain and continue and to perfect, or to protect the perfection of, the Liens created and intended to be created hereunder and under the other Security Documents, and all assignments made or intended to be made pursuant thereto, or to obtain the full benefits of this Agreement and the other Security Documents and of the rights and powers herein and therein granted, including, without limitation, the execution and delivery of any further assignments, security agreements, pledges and further assurances and the filing of any financing or continuation statements. Each Grantor also hereby authorizes the Collateral Agent to sign and file financing statements and continuation statements at any time with respect to any Joint Stock Collateral without the signature of such Grantor (where permitted by applicable law) and appoints the Collateral Agent as its attorney-in-fact to do all other acts and things which the Collateral Agent may deem necessary or advisable to preserve, perfect and continue perfected the Collateral Agent's Liens in the Joint Stock Collateral.

#### ARTICLE 4 - DISTRIBUTIONS

4.1 Shared Collateral Account. For purposes of collecting cash proceeds of the Joint Stock Collateral, the Collateral Agent shall establish one or more deposit accounts at its Office, titled in its own name as Collateral Agent hereunder (collectively, the "Shared Collateral Account"). The Collateral Agent shall maintain the Shared Collateral Account as agent hereunder, and the assets therein shall be segregated and not commingled with other assets of the Collateral Agent. The Shared Collateral Account shall be subject to the exclusive dominion and control of the Collateral Agent and shall constitute shared collateral

hereunder. All right, title and interest in and to the Shared Collateral Account, funds on deposit therein from time to time, all proceeds of the conversion thereof into cash, instruments, securities or other property, and all other proceeds thereof, shall vest in the Collateral Agent, and each Grantor hereby grants, conveys, assigns, pledges and transfers to the Collateral Agent, and grants to and creates in favor of the Collateral Agent, a continuing Lien in the foregoing. Each Grantor hereby represents, warrants, covenants and agrees that such Lien shall at all times be valid, perfected and of first priority, subject to no other Lien whatever, and each Grantor, jointly and severally, shall take or cause to be taken such actions and shall execute and deliver such instruments and documents as may be necessary, appropriate, or in the Collateral Agent's or any other Secured Party's judgment desirable to perfect or protect the Lien and security interest intended to be created hereby. The Grantors shall not create or suffer to exist any Lien on any amounts or investment held in the



Shared Collateral Account other than the Lien in favor of the Collateral Agent granted under this Section 4.1.

4.2 Investment. The Collateral Agent shall invest and reinvest moneys on deposit in the Shared Collateral Account in Cash Equivalent Investments (or in such of them as shall be specified by the Directing Party from time to time) in its own name as agent hereunder, and all such investments and the interest and income received thereon and the net proceeds on the sale or redemption thereof shall be held in the Shared Collateral Account. The Collateral Agent may liquidate investments prior to maturity to make a distribution pursuant to Section 4.4 hereof.

4.3 Deposits. The Collateral Agent shall deposit in the Shared Collateral Account all funds required to be so deposited under any Security Document or any other Financing Document. No other funds shall be deposited in the Shared Collateral Account or commingled with funds in the Shared Collateral Account. The Collateral Agent shall establish a separate subaccount within the Shared Collateral Account for each Grantor, and the Collateral Agent shall deposit into the corresponding subaccount all funds to be deposited in the Shared Collateral Account received from or on behalf of such Grantor (including but not limited to proceeds of Joint Stock Collateral owned by such Grantor). The Collateral Agent may establish such other subaccounts as it deems appropriate from time to time.

4.4 Distributions. The Collateral Agent shall make distributions from the Shared Collateral Account from time to time when directed by the Directing Party or at such other times as may be required by Law, except that the Collateral Agent shall have the right at any time to apply moneys held by it in the Shared Collateral Account to the payment of due and unpaid Collateral Agent Obligations. All moneys held by the Collateral Agent in the Shared Collateral Account shall, to the extent available for distribution, be distributed by the Collateral Agent as follows:

First: to the Collateral Agent for any Collateral Agent Obligations due and unpaid upon such distribution date;

Second: to (a) the Revolver Agent, for the payment of all amounts due to Revolver Agent in its capacity as such under the Credit Agreement which are unpaid on such distribution date and (b) to the Synthetic Lease Facility Agent, for payment of all amounts due to the Synthetic Lease Facility Agent in its capacity as such under the SLF Participation Agreement and the SLF Loan Agreement which are unpaid on such distribution date;

Third: to (a) the Revolver Agent, for the account of the RCA Lender Parties, in an amount equal to all amounts due and payable to the RCA Lender Parties on such distribution date with respect to RCA Loan Obligations, (b) the Synthetic Lease Facility Agent, for the



account of the Synthetic Lease Participants, in an amount equal to all amounts due and payable to the Synthetic Lease Participants on such distribution date with respect to the SLF Obligations, and (c) each Swap Party, in an amount equal to all amounts due and payable to such Swap Party, on such distribution date with respect to Swap Obligations; provided, that if such moneys to be distributed by the Collateral Agent shall be insufficient to pay in full the amounts referred to in the foregoing clauses (a), (b), and (c), then such distribution shall be made ratably (without priority of any one over any other) to the Revolver Agent, the Synthetic Lease Facility Agent and the Swap Parties in proportion to the respective amounts referred to in the foregoing clauses (a), (b) and (c) on such distribution date.

Finally: if all RCA Loan Obligations, SLF Obligations and Swap Obligations shall have been paid in full in cash, all commitments to lend or issue Letters of Credit or extend credit under the Credit Agreement, the Synthetic Lease Facility and the SLF Loan Agreement shall have terminated, all outstanding Letters of Credit under the Credit Agreement shall have terminated and all Swap Agreements shall have terminated, any surplus then remaining shall be paid to the applicable Grantor or its successors or assigns or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

The Synthetic Lease Facility Agent, the Revolver Agent, the Swap Parties and the Collateral Agent may amend item "Third" above to provide for a different order of distribution among themselves in a writing signed by the Synthetic Lease Facility Agent, the Revolver Agent, the Swap Parties and the Collateral Agent and delivered to Genesis on behalf of the Grantors.

4.5 Calculations. In making the determinations and allocations required by Section 4.4 hereof, the Collateral Agent may rely upon information supplied by the Revolver Agent as to the amounts described in clause (a) of item "Second" and clause (a) of item "Third", may rely upon information supplied by the Synthetic Lease Facility Agent as to the amounts described in clause (b) of item "Second" and clause (b) of item "Third" and may rely upon information supplied by the Swap Parties as to the amounts described in clause (c) of item "Third", and the Collateral Agent shall have no liability to any Secured Party for actions taken in reliance on such information. All distributions made by the Collateral Agent

pursuant to Section 4.4 hereof shall be final as against the Collateral Agent (subject to any decree of any court of competent jurisdiction), and the Collateral Agent shall have no duty to inquire as to the application by the Synthetic Lease Facility Agent, the Revolver Agent, any Swap Party or any other Secured Parties of any amounts distributed to them.

4.6 Application of Moneys. Each Secured Party agrees to apply moneys distributed under Section 4.4 hereof to satisfaction of the corresponding obligation described therein.

## ARTICLE 5 - THE COLLATERAL AGENT

5.1 General Nature of Duties. The Collateral Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the other Security Documents, and no implied duties or responsibilities on the part of the Collateral Agent shall be read into this Agreement or any other Security Document or shall otherwise exist. The duties and responsibilities of the Collateral Agent shall be mechanical and administrative in nature, and the Collateral Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any Secured Party. The Collateral Agent is and shall be solely the agent of the Secured Parties. The Collateral Agent does not assume, and shall not at any time be deemed to have, any relationship of agency or trust with or for, or any other duty or responsibility to, any Grantor or any Person other than the Secured Parties. The Collateral Agent shall be under no obligation to take any action hereunder or under any other Security Document if the Collateral Agent believes in good faith that taking such actions may conflict with any Law or any provision of this Agreement or any other Security Document, or may require the Collateral Agent to qualify to do business in any jurisdiction where it is not then qualified.

5.2 General Exculpation. Notwithstanding any other provision hereof or of any other Security Document, but subject to Section 5.5 hereof, neither the Collateral Agent nor any of its directors, officers, agents or employees shall be liable to any Grantor or any Secured Party for any action taken or omitted to be taken by it or them hereunder or under any other Security Document or in connection herewith or therewith unless caused by its or their own gross negligence or willful misconduct.

5.3 Certain Disclaimers. The Collateral Agent shall not be responsible to any Secured Party for: (a) the execution, delivery, effectiveness, genuineness, validity, enforceability or adequacy of this Agreement or any other Security Document, (b) any recital, report, statement, document, certificate, warranty or representation made by or on behalf of any Person other than the Collateral Agent contained herein or therein or given or made in connection herewith or therewith, (c) the validity, enforceability, perfection, recordation, continued perfection or recordation, priority, adequacy or value, now or at any time in the future, of any security purported to be afforded hereby or by any of the other Security Documents or (d) insuring the Joint Stock Collateral or paying any taxes, charges or

assessments or discharging Liens on any Joint Stock Collateral. The Collateral Agent shall be under no obligation to any Secured Party to ascertain, inquire or give any notice relating to (x) the performance or observance by any Grantor or any other Person of the terms or conditions of this Agreement, any other

Security Document or any other Senior Credit Document, (y) the business, operations or condition (financial or otherwise) of any Grantor or any other Person or (z) the existence or possible existence of an Event of Default or Potential Default (as such terms are defined in the SLF Documents and in the Credit Agreement). The Collateral Agent shall not be deemed to have any knowledge or notice of the occurrence of any such Event of Default unless the Collateral Agent has received notice from the Synthetic Lease Facility Agent or the Revolver Agent referring to this Agreement, describing such Event of Default, and stating that such notice is a "notice of default."

5.4 Right to Require Indemnity. The Collateral Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Security Document, at the direction of the Directing Party or another Person or set of Persons, unless it shall first be indemnified to its satisfaction by the Lenders or by such Person or set of Persons against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

5.5 Delegation of Duties. The Collateral Agent may execute any of its duties as Collateral Agent hereunder or under any other Security Document by or through employees, agents and attorneys-in-fact and shall not be answerable for the default or misconduct of any such agents or attorneys-in-fact selected by it, except as to money or securities received by it or its authorized agents. The Collateral Agent may hold certificates, instruments and securities pledged to it under any Security Document in the name of a nominee, including without limitation in the name of any Affiliate of the Collateral Agent or any Lender.

#### 5.6 Reliance, Etc.

(a) Whenever in the administration of duties under this Agreement or the other Security Documents the Collateral Agent shall deem it necessary or desirable that a matter be proved or established with respect to any Grantor or any other Person in connection with the taking, suffering or omitting of any action hereunder or thereunder by the Collateral Agent, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be provided or established by a certificate of such Grantor or other Person delivered to the Collateral Agent, and the Collateral Agent may conclusively rely thereon.

(b) The Collateral Agent shall be entitled to rely upon any notice, consent, certificate, affidavit, letter, telegram, statement, paper, document, telephone conversation or other communication believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons (whether or not made in the manner specified herein or in the applicable Security Documents). The Collateral Agent may conclusively rely

upon the truth of the statements and the correctness of the opinions expressed

in any certificates or opinions furnished to the Collateral Agent and conforming to the requirements of this Agreement or any other Security Document.

(c) The Collateral Agent may consult with legal counsel (including in-house counsel for the Collateral Agent or in-house or other counsel for any Secured Party), independent public accountants and any other experts selected by it from time to time, and the Collateral Agent shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts.

(d) The Collateral Agent shall be under no obligation or duty to take any action hereunder or under any other Security Document if taking such action would subject the Collateral Agent to a tax in any jurisdiction where it is not then subject to a tax, unless it is first fully indemnified to its satisfaction against such tax.

5.7 Representations, Etc. Each Secured Party expressly acknowledges: (a) that the Collateral Agent has not made any representations or warranties to it, except as expressly set forth herein and that no act by the Collateral Agent taken heretofore or hereafter, including without limitation any review of the affairs of any Grantor, shall be deemed to constitute any representation or warranty by the Collateral Agent to any Secured Party; (b) that it has made and will make its own independent investigation of the financial condition and affairs (including, without limitation investigation and examination of any agreements or instruments pertaining to the transactions contemplated by the Senior Credit Documents), and its own appraisal of the creditworthiness of the Grantors; (c) that it has made its own independent investigation and evaluation of the legal matters relating to this Agreement, the other Security Documents and the Senior Credit Documents; and (d) that the Collateral Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Secured Party with any credit or other information, except for notices, reports or other information, if any, expressly required to be furnished to the Secured Parties by the Collateral Agent hereunder or under any other Security Document.

5.8 Disclosure Authorized. Each Grantor authorizes the Collateral Agent, as the Collateral Agent may elect in its sole discretion, to discuss with and furnish to any Secured Party or any Person which is an assignee of or participant in, or a prospective assignee of or participant in, any Obligation or participation therein, all financial statements, audit reports and other information pertaining to the transactions contemplated by the Senior Credit Documents, relating to any Grantor, its agents or its partners or otherwise. Neither the Collateral Agent nor any of its employees, officers, directors or agents makes any representation or warranty regarding any audit reports or other analyses of the condition of any Grantor which the Collateral Agent may elect to distribute, nor shall the Collateral Agent or any of its employees, officers, directors or agents be liable to any Person or entity receiving a copy of such reports or analyses for any inaccuracy or omission contained in or relating thereto.

5.9 Collateral Agent in Individual Capacity. The Collateral Agent may be a Lender, the Issuer, the Synthetic Lease Facility Agent, the Lessor, a Synthetic Lease Participant, the Revolver Agent or a Swap Party, and in such event the Collateral Agent, in its capacity as Lender, Issuer, Synthetic Lease Facility Agent, Lessor, Synthetic Lease Participant, Revolver Agent or Swap Party, shall have the same rights and powers as any other Lender, Issuer, Synthetic Lease Facility Agent, Lessor, Synthetic Lease Participant, Revolver Agent or Swap Party, and may exercise the same as though it were not the Collateral Agent, and the terms "Lenders", "Issuer", "Synthetic Lease Facility Agent", "Lessor", "Synthetic Lease Participant", "Revolver Agent" and "Swap Party" shall, unless the context hereof otherwise indicates, include the Collateral Agent in its individual capacity. The Collateral Agent and its affiliates may, without liability to account, make loans to, accept deposits from, act as trustee under indentures of, enter into leases with, enter into or participate in Interest Rate Hedging Agreements with, and generally engage in any kind of banking or trust business with, the Grantors and their respective stockholders, partners, subsidiaries and affiliates as though it were not acting as Collateral Agent hereunder.

5.10 Moneys to be Held As Agent. All moneys received by the Collateral Agent under or pursuant to any provision of this Agreement or any other Security Document shall be held by it as agent for the purposes for which such moneys were paid or are held. The Collateral Agent shall not, except as otherwise provided herein, be liable for any interest thereon.

5.11 Responsible Parties. The Collateral Agent may deem and treat each Responsible Party named herein as the Responsible Party hereunder and under the other Security Documents for all purposes hereof unless and until written notice of the assignment or transfer of such Responsible Party's rights hereunder and thereunder shall have been filed with the Collateral Agent. Any request, instruction, authority or consent of any Person who at the time of making such request or giving such instruction, authority or consent is a Responsible Party hereunder shall be conclusive and binding on any subsequent successor, assignee or transferee.

5.12 Compensation. Genesis and the Grantors hereby jointly and severally agree to pay to the Collateral Agent, from time to time upon demand, reasonable compensation (which shall not be limited by any provision of law in regard to compensation of fiduciaries or of a trustee of an express trust) for its services hereunder and under the other Security Documents; provided, that if and so long as the Collateral Agent is also the Revolver Agent and no Event of Default (as defined in the SLF Documents and in the Credit Agreement) has occurred and is continuing, neither the Collateral Agent nor any co-Collateral Agent shall be entitled to any compensation under this Section 5.12.

5.13 Expenses. Genesis and the Grantors hereby jointly and severally agree to pay or cause to be paid and to save the Collateral Agent harmless against liability for the payment of all out-of-pocket costs and expenses (including but not limited to reasonable fees and expenses of counsel and all other professional, accounting, evaluation and consulting

costs) incurred by the Collateral Agent from time to time arising from or relating to (i) the negotiation, preparation, execution, delivery, administration and performance of this Agreement, any Joinder Supplement or any other Security Document or other instruments or documents related hereto or thereto, (ii) any amendments, modifications, waivers or consents (whether or not ultimately entered into or granted) hereto or thereto, (iii) the enforcement or preservation of rights hereunder or thereunder (including but not limited to any such costs or expenses arising from or relating to (A) the protection, collection, lease, sale, taking possession of, preservation of, or realization on, any Joint Stock Collateral or the Collateral Agent's Lien thereon, including without limitation advances for storage, insurance premiums, transportation charges, taxes, filing fees and the like, (B) collection or enforcement of any other amount owing hereunder or thereunder by the Collateral Agent, and (C) any litigation, proceeding, dispute, workout, restructuring or rescheduling related in any way to this Agreement or any other Security Document or any other agreement or instrument related hereto or thereto). The agreements contained in this Section shall survive the termination of this Agreement and the other Security Documents.

5.14 Indemnity. Genesis and the Grantors hereby jointly and severally agree to reimburse and indemnify the Collateral Agent, its affiliates, and their respective directors, officers, employees, attorneys and agents ("Collateral Agent Indemnified Parties"), and each of them, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel for such Collateral Agent Indemnified Party in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Collateral Agent Indemnified Party shall be designated a party thereto) which may be imposed on, incurred by or asserted against any of them in any way relating to or arising out of this Agreement, any other Security Document or any other agreement or instrument in connection herewith or therewith or the matters referred to herein or therein, or the administration or enforcement hereof or thereof, or any action taken or omitted by the Collateral Agent hereunder or thereunder; provided, however, that Genesis and the Grantors shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of such Collateral Agent Indemnified Party, as finally determined by a court of competent jurisdiction. The agreements contained in this Section shall survive the termination of this Agreement and the other Security Documents.

5.15 Indemnification by Secured Parties. Each Secured Party (other than the Collateral Agent) hereby agrees to reimburse and indemnify each Collateral Agent Indemnified Party (to the extent such Collateral Agent Indemnified Party is not reimbursed by Genesis or the Grantors and without limitation of the obligation of Genesis and the Grantors to do so), ratably in accordance with each Secured Party's Pro Rata Share, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments,



suits, costs, expenses or disbursements of any kind or nature (including, without limitation, the fees and disbursements of counsel for such Collateral Agent Indemnified Party in

connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Collateral Agent Indemnified Party shall be designated a party thereto) which may be imposed on, incurred by or asserted against any of them in any way relating to or arising out of this Agreement, any other Security Document or any other agreement or instrument in connection herewith or therewith or the matters referred to herein or therein, or the administration or enforcement hereof or thereof, or any action taken or omitted by the Collateral Agent hereunder or thereunder; provided, however, that no Secured Party shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the gross negligence or willful misconduct of such Collateral Agent Indemnified Party, as finally determined by a court of competent jurisdiction. The agreements contained in this Section shall survive the termination of this Agreement and the other Security Documents.

5.16 Interest. All amounts payable by any Grantor to the Collateral Agent under this Agreement or any other Security Document shall bear interest (without duplication of any interest Obligation under any other Financing Document) from the date when due to the date of payment (before and after judgment) at a rate per annum (based on a year of 365 days and actual days elapsed) 2% above the then-current Prime Rate Option.

5.17 Collateral Agent Obligations. Notwithstanding anything to the contrary in this Agreement, the Collateral Agent shall have the right to apply any of the funds held by the Collateral Agent in the Shared Collateral Account to Collateral Agent Obligations.

5.18 Successor Collateral Agent.

(a) The Collateral Agent may resign at any time by giving prior written notice thereof to each Responsible Party and Genesis, and may be removed without cause at any time by the Directing Party by giving ten days' prior written notice thereof to each Responsible Party, Genesis and the Collateral Agent. Such resignation or removal shall be effective on the date specified in such notice and, on such date, the resigning or removed Collateral Agent shall be automatically discharged from its duties under this Agreement and the other Security Documents without requirement of any further action by such resigning or removed Collateral Agent. Upon any such resignation or removal, the Directing Party shall have the right to appoint a successor Collateral Agent, subject to the approval of Genesis as to the identity of such successor Collateral Agent (which approval shall not be unreasonably withheld or delayed) unless such successor Collateral Agent is an RCA Lender or Synthetic Lease Participant and unless an Event of Default or Potential Default (as defined in

either the SLF Documents or the Credit Agreement) shall have occurred and be continuing. If no successor Collateral Agent shall have been appointed and shall have accepted such appointment within ten days after such notice of resignation or removal, then the resigning or removed Collateral Agent, on behalf of the Secured Parties, may, but shall not be obligated to, appoint a successor Collateral Agent. If no successor Collateral Agent shall be appointed and shall have accepted such appointment within thirty days after such notice of resignation or removal, any Secured Party may apply to any court of competent jurisdiction to appoint a

successor Collateral Agent until such time, if any, as a successor Collateral Agent shall have been appointed as provided in this Section 5.18. Any successor so appointed by such court shall immediately and without further act be superseded by any successor Collateral Agent appointed by the Directing Party as provided in this Section 5.18.

(b) Any successor Collateral Agent shall be either a lender or a commercial bank or trust company organized under the laws of the United States of America or any state thereof and having a combined capital and surplus of at least \$1,000,000,000.

(c) Upon the acceptance by a successor Collateral Agent of its appointment as Collateral Agent hereunder, such successor Collateral Agent shall thereupon succeed to and become vested with all of the properties, rights, powers, duties, authority and title of the retiring Collateral Agent in its capacity as such, without any further act, deed or conveyance; but such predecessor Collateral Agent shall nevertheless, on the request of Genesis, the Synthetic Lease Facility Agent, the Revolver Agent or the successor Collateral Agent from time to time, execute and deliver instruments transferring and confirming to such successor all the properties, rights, powers, duties, authority and title of such predecessor, and shall deliver all securities and moneys held by it or them to such successor agent or agents. After any Collateral Agent's resignation or removal hereunder as Collateral Agent, such Collateral Agent shall be discharged from its duties under this Agreement and the other Security Documents in its capacity as Collateral Agent, but the provisions of this Article 5 shall continue to inure to its benefit as to any actions taken or omitted by it while it was Collateral Agent under this Agreement and the other Security Documents. If and so long as no successor Collateral Agent shall have been appointed, then any notice or other communication required or permitted to be given by the retiring Collateral Agent shall be sufficiently given, if given by the Directing Party, and all notices or other communications required or permitted to be given to the retiring Collateral Agent shall be given to the Directing Party.

(d) Notwithstanding any other provision of this Agreement or the other Security Documents to the contrary, neither the Collateral Agent nor any of its directors, officers, employees or agents shall be liable to any Secured Party for any action taken or omitted to be taken by it or them under or



in connection with this Section 5.18.

(e) Any corporation into which the Collateral Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Collateral Agent shall be a party, shall be the successor of the Collateral Agent hereunder.

5.19 Co-Collateral Agent. If the Collateral Agent shall from time to time deem it necessary or advisable, for its own protection in the performance of its duties hereunder or in the interest of the Secured Parties, the parties hereto shall execute and deliver a supplemental agreement and all other instruments and agreements necessary or advisable, in the opinion of the Collateral Agent, to constitute another commercial bank or

trust company, or one or more other Persons approved by the Collateral Agent, to act as co-Collateral Agent or agent with respect to any part of the Joint Stock Collateral, with such powers of the Collateral Agent as may be provided in such supplemental agreement, and to vest in such bank, trust company or other Person as such co-Collateral Agent or separate agent, as the case may be, any properties, rights, powers, privileges and duties of the Collateral Agent under this Agreement or any other Security Document.

5.20 Delivery of Documents. On the Closing Date, the Grantors shall deliver to the Collateral Agent true and complete copies of all material Financing Documents and, to the extent in force on the Closing Date, all Swap Documents. The Grantors shall, promptly upon the execution thereof, deliver to the Collateral Agent a true and complete copy of any and all Security Documents, Swap Documents, and all material amendments, modifications or supplements to the Loan, SLF, and Swap Documents.

## ARTICLE 6 - MISCELLANEOUS

6.1 Amendments, Supplements and Waivers. With the prior written consent of the Synthetic Lease Facility Agent and the Revolver Agent and with written notice by the Collateral Agent to the Responsible Parties and Genesis, the Collateral Agent and the applicable Grantors may from time to time amend, modify or supplement this Agreement or any other Security Document for the purpose of amending, adding to, or waiving any provisions of, this Agreement or any other Security Document, releasing (other than under Section 6.8, which requires no such consent or notice) any Joint Stock Collateral, releasing or limiting the obligations of any Grantor under any Security Document, or changing in any manner the rights of the Collateral Agent, any Secured Party or any Grantor hereunder or thereunder. In addition, the Synthetic Lease Facility Agent, the Revolver Agent, the Swap Parties and the Collateral Agent may amend this Agreement as provided in Section 4.4 hereof. The Collateral Agent shall enter into such amendments, modifications or supplements from time to time as directed by the Synthetic Lease Facility Agent and the Revolver Agent, and only

as so directed; provided, that the Collateral Agent shall not be required, without its consent, to enter into any amendment of Article 5 hereof or any amendment which would materially enlarge its duties or responsibilities (or lessen the protections afforded to it) hereunder or under the other Security Documents. Any such amendment, modification or supplement made in accordance with this Section shall be binding upon each Grantor and each Secured Party and their respective successors and assigns. No amendment, modification or supplement relating hereto or to any other Security Document shall be effective unless in writing signed by or on behalf of the party to be charged therewith (it being understood that any such amendment, modification or supplement signed by the Collateral Agent shall be binding upon each Secured Party as aforesaid). The Collateral Agent shall furnish each Responsible Party with a fully executed original of, a photocopy of a fully executed original of, or conformed copy of, any such amendment, modification, supplement or waiver promptly after the effectiveness thereof.

6.2 Notices. Except to the extent otherwise expressly permitted hereunder or thereunder, all notices, requests, demands, directions and other communications (collectively "notices") given or made under this Agreement or any other Security Document shall be given in writing (including telexed and facsimile communications) and shall be sent by first-class mail, nationally-recognized overnight courier or facsimile transmission (with confirmation in writing mailed first-class or sent by such an overnight courier) or by personal delivery. All notices shall be sent to the applicable party at the address stated on the signature pages hereof (or, in the case of any Swap Party, as set forth under its signature to the Joinder Supplement with respect thereto) or in accordance with the last unrevoked written direction from such party to the other parties hereto, in all cases with postage or other charges prepaid. Any such properly given notice to a Secured Party shall be effective when received. The address for Genesis shall be the address for all other Grantors, unless Genesis shall direct the Collateral Agent otherwise in writing. Any such properly given notice to a Grantor shall be effective upon the earliest to occur of receipt, telephone confirmation of receipt or facsimile transmission communication, one Business Day after delivery to a nationally-recognized overnight courier, three Business Days after deposit in the mail, or when telephoned (to the extent that notice is permitted by telephone).

6.3 No Implied Waiver; Cumulative Remedies. No course of dealing and no delay or failure of the Collateral Agent or any other Secured Party in exercising any right, power or privilege hereunder or under any other Security Document, any other Senior Credit Document, or any other documents or instruments pursuant to or in connection herewith or therewith shall affect any other or future exercise thereof or exercise of any other right, power or privilege; nor shall any single or partial exercise of any such right, power or privilege or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies of the Collateral Agent and each other Secured Party under this Agreement, the other Security Documents, the

other Senior Credit Documents and all other agreements and instruments pursuant to or in connection herewith or therewith are cumulative and not exclusive of any rights or remedies which any of them would otherwise have. Any waiver, permit, consent or approval of any kind or character on the part of the Collateral Agent of any breach or default under, or term or condition of, this Agreement or any other Security Document shall be in writing and shall be effective only to the extent specifically set forth in such writing.

6.4 Severability. The provisions of this Agreement and of the other Security Documents are intended to be severable. If any provision of this Agreement or any other Security Document shall be held invalid or unenforceable, in whole or in part, in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof or thereof in any jurisdiction. Where, however, such invalidity or unenforceability may be waived, it is hereby waived by each Grantor to the fullest extent permitted by law, to the end that this

Agreement and the other Security Documents shall be valid and binding agreements enforceable in accordance with their terms.

6.5 Prior Understandings. This Agreement and the other Financing Documents supersede all prior understandings and agreements, whether written or oral, among the parties hereto relating to the transactions provided for herein.

6.6 Survival. All representations and warranties of each Grantor contained herein or in any other Security Document or made in connection herewith or therewith shall be deemed to have been relied upon by the Collateral Agent and the other Secured Parties and shall survive the execution and delivery of this Agreement and the other Security Documents, any knowledge of or investigation by the Collateral Agent or any other Secured Party, and all other events and conditions whatever. All statements in any financial statement, certificate, document or instrument from time to time delivered by or on behalf of any Grantor under or in connection with this Agreement or any other Security Document shall be deemed to constitute representations and warranties by such Grantor.

6.7 Counterparts. This Agreement and any other Security Document may be executed in any number of counterparts and by the different parties hereto or thereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

6.8 Termination of Liens.

(a) Except as otherwise provided in any Security Document,

upon payment in full of all Obligations, termination of the obligations of the RCA Lenders and the Issuer to make Loans (as defined in the Credit Agreement) and issue Letters of Credit under the Credit Agreement, expiration of all Letters of Credit under the Credit Agreement, payment in full of the SLF Obligations and termination of any remaining commitments to extend credit (whether denominated as debt or equity) under the Synthetic Lease Facility, the SLF Loan Agreement and the SLF Participation Agreement, and termination of all Swap Agreements, the Liens created hereby and by the other Security Documents shall terminate. Except as otherwise provided in any Security Document, upon such termination, the Collateral Agent will, at the expense of the Grantors, redeliver and reassign to the Grantors any remaining Joint Stock Collateral in its possession and take all action necessary to terminate the Lien of the Collateral Agent in the Joint Stock Collateral.

(b) Effective upon (i) the closing of a sale of any Joint Stock Collateral in conformity with the provisions of clause (e) of Section 7.10 of the Credit Agreement (or, if the Credit Agreement is not then in effect, in accordance with such provisions or any equivalent provisions of the "Credit Agreement" as defined in the SLF Participation Agreement) and receipt by the Collateral Agent of a certification to such effect from the chief financial officer of Genesis or (ii) the designation by Genesis of a Subsidiary as a "Non-Material Restricted Subsidiary" or an "Unrestricted Entity" in accordance with the

provisions of clause (e) of Section 7.6 of the Credit Agreement (or, if the Credit Agreement is not then in effect, in accordance with such provisions or any equivalent provisions of the "Credit Agreement" as defined in the SLF Participation Agreement), then the Lien of the Collateral Agent in the Joint Stock Collateral which is the subject of the sale or the designation and all proceeds thereof (the "Released Collateral") shall terminate. The Collateral Agent shall thereupon reassign and deliver to the applicable Grantor, or to such Person as such Grantor shall designate, against receipt, the Released Collateral, together with appropriate instruments or reassignment and release, all without any recourse to, or warranty whatsoever by, the Collateral Agent, at the sole cost and expense of the Grantors. The RCA Lender Parties, the SLF Parties, and the Swap Parties agree that no separate consents from any of them shall be required as a condition to the release of any Joint Stock Collateral under this subsection.

6.9 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Collateral Agent (and the Collateral Agent Indemnified Parties), the other Secured Parties, the Grantors and their respective successors and assigns, except that a Grantor may not assign or transfer any of its rights hereunder or any interest therein, and any such purported assignment or transfer shall be void. No other Person shall have any rights hereunder or shall be entitled to rely on any provision hereof.

6.10 Governing Law; Submission to Jurisdiction; Waiver of

(a) THIS AGREEMENT AND ALL OTHER SECURITY DOCUMENTS (EXCEPT TO THE EXTENT, IF ANY, OTHERWISE EXPRESSLY STATED IN SUCH OTHER SECURITY DOCUMENTS) SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO CONFLICT OF LAW PRINCIPLES.

(b) EACH GRANTOR HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(i) AGREES THAT ANY ACTION, SUIT OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY OTHER SECURITY DOCUMENT (INCLUDING BUT NOT LIMITED TO ANY COURSE OF CONDUCT, COURSE OF DEALING, ORAL OR WRITTEN STATEMENT OR ACTIONS OF ANY SECURED PARTY) (COLLECTIVELY, "RELATED LITIGATION") MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN ALLEGHENY COUNTY OR PHILADELPHIA COUNTY, PENNSYLVANIA, AND SUBMITS TO THE JURISDICTION OF SUCH COURTS (BUT NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY SECURED PARTY TO BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM);

(ii) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY RELATED LITIGATION BROUGHT IN ANY SUCH STATE OR FEDERAL COURT, AND WAIVES ANY CLAIM THAT ANY SUCH RELATED LITIGATION BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM;

(iii) CONSENTS AND AGREES TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY RELATED LITIGATION BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE PREPAID, TO IT AT THE ADDRESS FOR NOTICES DESCRIBED IN SECTION 6.2 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); AND

(iv) WAIVES THE RIGHT TO TRIAL BY JURY IN ANY RELATED LITIGATION.

(c) EACH SECURED PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY RELATED LITIGATION.

(d) TO THE FULLEST EXTENT PERMITTED BY LAW, NO CLAIM MAY BE MADE BY ANY GRANTOR AGAINST THE COLLATERAL AGENT, ANY OTHER SECURED PARTY, OR ANY AFFILIATE, DIRECTOR, OFFICER, EMPLOYEE, ATTORNEY OR AGENT OF ANY OF THEM FOR ANY SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES IN RESPECT OF ANY CLAIM ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY OTHER SECURITY

DOCUMENT OR ANY STATEMENT, COURSE OF CONDUCT, ACT, OMISSION, OR EVENT OCCURRING IN CONNECTION HERewith OR THEREWITH (WHETHER FOR BREACH OF CONTRACT, TORT OR ANY OTHER THEORY OF LIABILITY). EACH GRANTOR HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM FOR ANY SUCH DAMAGES, WHETHER SUCH CLAIM PRESENTLY EXISTS OR ARISES HEREAFTER AND WHETHER OR NOT SUCH CLAIM IS KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Agreement as of the date first above written.

GENESIS HEALTH VENTURES, INC., a  
Pennsylvania corporation

By \_\_\_\_\_  
Title: Senior Vice President and Chief  
Financial Officer

Address for notices:

Suite 100  
148 West State Street  
Kennett Square, PA 19348

Attention: Senior Vice President and Chief  
Financial Officer

Telephone: 610-444-6350  
Facsimile: 610-444-3365

BREVARD MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc., a  
Pennsylvania corporation,  
its sole general partners

CATONSVILLE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc.,  
a Pennsylvania corporation,  
one of its general partners

EASTON MERIDIAN LIMITED  
PARTNERSHIP,

a Maryland limited partnership

By: Meridian Health, Inc.,  
a Pennsylvania corporation,

its sole general partner

EDELLA STREET ASSOCIATES, a  
Pennsylvania limited partnership  
By: Genesis Health Ventures of  
Clarks Summit, Inc., its sole  
general partner

GENESIS PROPERTIES LIMITED  
PARTNERSHIP, a  
Pennsylvania limited partnership  
By: Genesis Health Ventures  
of Arlington, Inc., its sole  
general partner

GREENSPRING MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation,  
its sole general partner

HAMMONDS LANE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation,  
one of its general partners

MERIDIAN/CONSTELLATION LIMITED  
PARTNERSHIP  
By: Meridian Healthcare, Inc.,  
general partner

MERIDIAN EDGEWOOD LIMITED  
PARTNERSHIP  
By: Meridian Healthcare, Inc.,  
a general partner

MERIDIAN PERRING LIMITED  
PARTNERSHIP

By: Meridian Healthcare, Inc.,  
a general partner

MERIDIAN VALLEY LIMITED  
PARTNERSHIP

By: Meridian Healthcare, Inc.,  
a general partner

MERIDIAN VALLEY VIEW LIMITED  
PARTNERSHIP

By: Meridian Healthcare, Inc.,  
a general partner

MILLVILLE MERIDIAN LIMITED  
PARTNERSHIP,

a Maryland limited partnership  
By: Meridian Healthcare, Inc., a  
Pennsylvania corporation, its  
sole general partner

PHILADELPHIA AVENUE ASSOCIATES,  
a Pennsylvania limited partnership  
By: Philadelphia Avenue Corp., its  
sole general partner

RIVER STREET ASSOCIATES,  
a Pennsylvania limited partnership  
By: Genesis Health Ventures of  
Wilkes-Barre, Inc., its sole general partner

SEMINOLE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership  
By: Meridian Health, Inc., a  
Pennsylvania corporation, its  
sole general partner

STATE STREET ASSOCIATES, L.P.,  
a Pennsylvania limited partnership  
By: State Street Associates, Inc.  
its sole general partner

THERAPY CARE SYSTEMS, L.P.  
a Pennsylvania limited partnership  
By: Genesis Eldercare  
Rehabilitation Services, Inc.  
its sole general partner



VOLUSIA MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership  
By: Meridian Health, Inc., a  
Pennsylvania corporation, its sole  
general partner

GENESIS PROPERTIES OF DELAWARE  
LTD PARTNERSHIP, L.P.,  
a Delaware limited partnership  
By: Genesis Properties of Delaware  
Corporation, a general partner

McKERLEY HEALTH FACILITIES,  
a New Hampshire general partnership  
By: Meridian Health, Inc.,  
a Pennsylvania corporation, and  
Meridian Healthcare, Inc., a  
Pennsylvania corporation,  
its general partners

By: \_\_\_\_\_  
On behalf of each of the foregoing  
as Senior Vice President and Chief  
Financial Officer of the general  
partner

GENESIS HEALTH VENTURES OF  
ARLINGTON, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
BLOOMFIELD, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
CLARKS SUMMIT, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
MASSACHUSETTS, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
NAUGATUCK, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
SALISBURY, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
WAYNE, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
WEST VIRGINIA, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
WINDSOR, INC.,  
a Pennsylvania corporation

GENESIS IMMEDIATE MED  
CENTER, INC.,  
a Pennsylvania corporation

GENESIS ELDERCARE HOME CARE  
SERVICES, INC.  
a Pennsylvania corporation

GENESIS ELDERCARE PHYSICIAN  
SERVICES, INC.,  
a Pennsylvania corporation

HEALTHCARE RESOURCES CORP.,  
a Pennsylvania corporation

KNOLLWOOD MANOR, INC.,  
a Pennsylvania corporation

MERIDIAN HEALTH, INC.,  
a Pennsylvania corporation

MERIDIAN HEALTHCARE, INC.,  
a Pennsylvania corporation

PHILADELPHIA AVENUE CORPORATION,  
a Pennsylvania corporation

GENESIS ELDERCARE STAFFING SERVICES  
INC.

a Pennsylvania corporation

STATE STREET ASSOCIATES, INC.,

a Pennsylvania corporation

SUBURBAN MEDICAL SERVICES, INC.

a Pennsylvania corporation

GENESIS ELDERCARE REHABILITATION  
SERVICES, INC.,

a Pennsylvania corporation

THERAPY CARE INC.,

a Pennsylvania corporation

THE TIDEWATER HEALTHCARE SHARED  
SERVICES GROUP, INC.,

a Pennsylvania corporation

WYNCOTE HEALTHCARE CORP.

a Pennsylvania corporation

ASCO HEALTHCARE, INC.,

a Maryland corporation

BRINTON MANOR, INC.,

a Delaware corporation

CONCORD HEALTHCARE CORPORATION,

a Delaware corporation

CRYSTAL CITY NURSING CENTER, INC.,

a Maryland corporation

EASTERN MEDICAL SUPPLIES, INC.,

a Maryland corporation

GENESIS HEALTH SERVICES  
CORPORATION,

a Delaware corporation

GENESIS HEALTHCARE CENTERS  
HOLDINGS, INC.,

a Delaware corporation

GENESIS HOLDINGS, INC.,

a Delaware corporation

GENESIS PROPERTIES OF DELAWARE  
CORPORATION,

a Delaware corporation

HILLTOP HEALTH CARE CENTER, INC.,

a Delaware corporation

KEYSTONE NURSING HOME, INC.,

a Delaware corporation

LINCOLN NURSING HOME, INC.,

a Delaware corporation

McKERLEY HEALTH CARE CENTERS, INC.,

a New Hampshire corporation

WAYSIDE NURSING HOME, INC.,

a Delaware corporation

PROFESSIONAL PHARMACY SERVICES,  
INC.,

a Maryland Corporation

MEDICAL SERVICES GROUP, INC.,

a Maryland Corporation

NEIGHBORCARE PHARMACIES, INC.,

a Maryland Corporation

DERBY NURSING CENTER CORPORATION,

a Connecticut Corporation

GENESIS ELDERCARE NATIONAL  
CENTERS, INC.,

a Florida Corporation

GENESIS ELDERCARE NETWORK  
SERVICES, INC.,

a Pennsylvania Corporation

GENESIS ELDERCARE PROPERTIES, INC.,

a Pennsylvania Corporation

OAK HILL HEALTH CARE CENTER, INC.,

a Virginia Corporation

VERSALINK, INC.,  
a Delaware Corporation

By: \_\_\_\_\_  
On behalf of each of the foregoing  
as Senior Vice President and Chief  
Financial Officer

MELLON BANK, N.A., as Revolver Agent, as Synthetic Lease  
Facility Agent and as Collateral Agent

By \_\_\_\_\_  
Title: Vice President

Address for notices:

street address:

AIM 199-5220  
Mellon Independence Center  
701 Market Street  
Philadelphia, PA 19106

mailing address:

AIM 199-5220  
P.O. Box 7899  
Philadelphia, PA 19101-7899

Attention: Linda Sigler,  
Loan Administration

Telephone: 215-553-4583  
Facsimile: 215-553-4789

With a copy to

Plymouth Meeting Executive Campus  
610 W. Germantown Pike, Suite 200  
Plymouth Meeting, PA 19462

Attention: Carol Paige

Exhibit A to  
Amended and Restated  
Collateral Agency Agreement

JOINDER SUPPLEMENT

THIS JOINDER SUPPLEMENT to the Second Amended and Restated Collateral Agency Agreement dated as of \_\_\_\_\_, 1996 (as amended, supplemented or otherwise modified from time to time, the "Collateral Agency Agreement") among Genesis Health Ventures, Inc., a Pennsylvania corporation ("Genesis"), the other Grantors referred to therein, Mellon Bank, N.A., as "Agent" (together with its successors, the "Synthetic Lease Facility Agent") on behalf of the SLF Parties referred to therein, Mellon Bank, N.A., as "Agent" (together with its successors, the "Revolver Agent") on behalf of the RCA Lender Parties referred to therein, each financial institution which is or which may become party thereto as "Swap Party" and Mellon Bank, N.A., as Collateral Agent (together with its successors, the "Collateral Agent").

Recitals:

A. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in, or by reference in, the Collateral Agency Agreement.

B. The Collateral Agency Agreement contemplates that in certain circumstances a financial institution which enters into a Qualifying Interest Rate Hedging Agreement with Genesis may become party to the Collateral Agency Agreement as "Swap Party," with such Qualifying Interest Rate Hedging Agreement being deemed a "Swap Agreement" as defined in the Collateral Agency Agreement, in which event, among other things, the obligations of Genesis under such Swap Agreement will be entitled to the benefit of certain Security Documents.

C. The Person executing this Joinder Supplement as Swap Party below desires to become party to the Collateral Agency Agreement as "Swap Party," with the Qualifying Interest Rate Hedging Agreement attached hereto being deemed the "Swap Agreement" referred to therein.

NOW, THEREFORE, the Swap Party, intending to be legally bound hereby, hereby represents, warrants and agrees to the Secured Parties and the Grantors as follows:

Section 1. Joinder. The Swap Party hereby becomes party to the Collateral Agency Agreement as the "Swap Party" thereunder, and shall be subject

to and bound by all of the provisions thereof and of the other Security Documents referred to therein. The attached Qualifying Interest Rate Hedging Agreement is hereby deemed the "Swap Agreement" referred to in such Collateral Agency Agreement. It is expressly understood that, to the extent the attached Qualifying Interest Rate Hedging Agreement is in the form of a master agreement, pursuant to which multiple "confirmations" or "transaction supplements" (however named) may be entered into from time to time, only the transactions evidenced by confirmations or transaction supplements attached hereto shall constitute part of such "Swap

Agreement." No other transactions have been or will be entered into pursuant to such Qualifying Interest Rate Hedging Agreement.

Section 2. Swap Agreement. The attached Qualifying Interest Rate Hedging Agreement, including all schedules, confirmations and transaction supplements thereto and attached hereto, is true, correct and complete and contains the entire agreement of the Swap Party and Genesis relating to the subject matter thereof.

Section 3. Effectiveness. This Joinder Supplement shall be effective on the date set forth under the Collateral Agent's signature below, evidencing its receipt of a copy hereof executed by the Swap Party and consented to by the Synthetic Lease Facility Agent, the Revolver Agent and Genesis.

Section 4. Governing Law. This Joinder Supplement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without regard to principles of conflicts of law.

IN WITNESS WHEREOF, the Swap Party has caused this Joinder Supplement to be executed by a duly authorized officer thereof as of the date set forth below.

-----

as Swap Party

By\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

Address

Attn:

Telephone:

CONSENTED AND AGREED TO:

MELLON BANK, N.A., as  
Synthetic Lease Facility Agent  
and as Revolver Agent

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CONSENTED AND AGREED TO:

GENESIS HEALTH VENTURES, INC.

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

RECEIPT ACKNOWLEDGED:

MELLON BANK, N.A. as Collateral Agent

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Exhibit C

PLEDGE AGREEMENT

(amending and restating the  
Amended and Restated Security Agreement referred to below)

PLEDGE AGREEMENT (this "Agreement"), dated as of October 7, 1996 is entered into by and among GENESIS HEALTH VENTURES, INC., a Pennsylvania corporation ("Genesis"), the SUBSIDIARIES AND AFFILIATES OF GENESIS listed on the signature pages hereof (collectively with Genesis and with all other Subsidiaries and Affiliates of Genesis that become parties hereto from time to time in accordance with the terms hereof, the "Grantors") and MELLON BANK, N A., a national banking association, as Collateral Agent for the Secured Parties (as hereafter defined) under the Collateral Agency Agreement referred to below (in such capacity, together with its successors and assigns in such capacity, the "Collateral Agent").



## BACKGROUND OF AGREEMENT

Genesis and certain Subsidiaries of Genesis (collectively identified as "Borrowers" in the Credit Agreement (defined below), and, together with all entities that become "Borrowers" thereunder, from time to time, hereinafter referred to as the "Borrowers"), Mellon Bank, N.A. as Agent (together with its successors and assigns in such capacity, the "Revolver Agent"), Mellon Bank, N.A. as an Issuer of letters of credit, Citibank, N.A. as the Co-Syndication Agent, certain Co-Agents named therein and certain Lenders named therein entered into a certain Second Amended and Restated Credit Agreement, dated as of the date hereof (as amended, modified, and supplemented, from time to time, the "Credit Agreement") pursuant to which the Lenders and Issuer agreed to extend credit in an aggregate principal amount not to exceed at any time Three Hundred Million Dollars (\$300,000,000) to the Borrowers upon the terms and conditions specified therein. That Credit Agreement amended and restated another credit facility referred to therein as the "Original Credit Agreement".

Concurrently, Genesis Eldercare Properties, Inc., a Pennsylvania corporation, and its permitted successors and assigns (the "Lessee") and Mellon Financial Services Corporation #4 (together with its successors and assigns in such capacity, the "Lessor") entered into a certain Amended and Restated Lease and Agreement of even date herewith (as amended, modified and supplemented from time to time, the "Synthetic Lease Facility"). Also concurrently, the Lessor and certain Participants named therein (collectively and together with any other entity that may become a Lessor or Participant thereunder from time to time, the "Synthetic Lease Participants") entered into a certain Amended and Restated Participation Agreement dated of even date herewith (as amended, modified and supplemented from time to time, the "Participation Agreement"). Pursuant to the Synthetic Lease Facility, the Participation Agreement and the various agreements, instruments and other documents entered in connection therewith, (collectively and together with each other agreement, instrument and document

entered into thereunder from time to time, and as the same may be amended, modified and supplemented, from time to time, the "Synthetic Lease Facility Documents"), the Synthetic Lease Participants agreed to make certain loans in an aggregate principal amount not to exceed One Hundred and Forty Five Million Five Hundred Thousand Dollars (\$145,500,000) to the Lessor, the proceeds of which are to be used, to finance certain of the acquisition, construction and other costs and expenses of the Lessor under the Synthetic Lease Facility. The obligations of the Lessee under the Synthetic Lease Facility and obligations of the Lessor under the Participation Agreement are guaranteed by the material subsidiaries of Genesis (collectively with any other subsidiary of Genesis that may become a guarantor of such obligations, from time to time, the "Lease Guarantors") pursuant to those certain "Guaranties" as such term is defined in the Participation Agreement (as amended, modified and supplemented from time to time, the "Lease Guarantees"). The Synthetic Lease Facility amends and restates that certain Lease and Agreement, dated as of July 24, 1996 between the Lessor

and the Lessee.

The Synthetic Lease Participants are the same entities as the Lenders. The Borrowers are the same entities as the Lease Guarantors.

One of the prerequisites to the making of advances by the Lenders under the Credit Agreement, the making of new advances by the Synthetic Lease Participants under the Participation Agreement and the modification of the lease by the Lessor under the Synthetic Lease Facility is that the Grantors shall have entered into this Agreement and shall have granted to the Collateral Agent for the benefit of the Secured Parties a security interest in and to all of the capital stock, partnership interests, and other equity of the Borrowers, the Lessee and Lease Guarantors to secure the Secured Obligations (as defined below). This Agreement amends and restates that certain Amended and Restated Security Agreement, dated as of September 29, 1995, as previously amended, by and among Genesis, certain Subsidiaries of Genesis and the Collateral Agent (the "Amended and Restated Security Agreement"); the Liens in the Collateral hereunder are a continuation of certain of the Liens created under said Amended and Restated Security Agreement.

The rights and obligations of the Secured Parties among themselves are set forth in a certain Second Amended and Restated Collateral Agency Agreement of even date herewith among the Lenders, the Issuer, the Lease Participants, the Collateral Agent and certain other parties named therein (as amended, modified and supplemented from time to time, the "Collateral Agency Agreement").

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, and in consideration of the mutual covenants herein contained and other good and valuable consideration, agree as follows:

## SECTION 1. DEFINITIONS

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in, or by reference (e.g., to the Credit Agreement) in, the Collateral Agency Agreement. The following terms shall have the following meanings:

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"Business Day" shall mean a day other than a Saturday, Sunday or day on which commercial banks are required or permitted to open in Philadelphia, Pennsylvania or New York, New York.

"Collateral" shall mean collectively:

(i) the shares of capital stock listed on Schedule I hereto and (without duplication) any other shares of capital stock (whether now or hereafter existing) of any

Pledged Subsidiary, now owned or hereafter acquired by any Grantor, and, in each case, all certificates representing such shares and all rights, options and warrants relating to such shares and all stock or other securities receivable or distributed in respect of, or exchanged for, any of the foregoing (including, without limitation, all stock dividends, liquidation dividends, shares of stock resulting from stock splits, or reclassifications), (all of the foregoing being referred to herein as the "Pledged Securities");

(ii) all of the partnership and other equity interests listed on Schedule II hereto and (without duplication) any interests in partnerships (whether general, limited, limited liability or otherwise) of, or any other right, title and interest, direct or indirect, present or future, in and to, any Pledged Subsidiary (whether such entity now exists or is hereafter formed) now owned or hereafter acquired by any Grantor (except Pledged Securities referred to above), including without limitation (a) subject to Section 5.3 all right, title and interest (but none of the obligations) of each partner or other equity owner in, to and under any partnership agreement or other organizational document and in and to all other rights as a partner or owner in property and assets of any partnership or other entity, (b) all right, title and interest of any partner, or other equity owner to exercise voting and other consensual rights with respect to such partnership or other equity interests, (c) all rights and claims of any equity owner to receive any payment of money or other distribution of property due and to become due to such equity owner under or in connection with or arising out of any such entity, whether as a distribution of the income, profits or cash, as a distribution of proceeds of a liquidation or dissolution, as damages arising out of a breach of or default under a partnership or other agreement, or otherwise, and (d) all rights of any equity holder to terminate, amend, supplement or modify a partnership or similar agreement, or to consent to the same, or to perform or compel performance thereunder, or otherwise to exercise rights and remedies thereunder or in connection therewith as an equity owner (all the foregoing being hereinafter referred to as "Pledged Partnership Interests");

(iii) all other property which from time to time is required to create, perfect or render enforceable the Liens purported to be created hereunder and all other property

which may be delivered to and held by the Collateral Agent pursuant to the terms hereof of any character whatsoever into which any of the foregoing may be converted or which may be substituted for any of the foregoing; and

(iv) all Proceeds of the Pledged Securities, Pledged Partnership Interests and such other property referred to in clause (iii) above.

"Licensing Authority" shall mean any local, state or federal governmental agency or body with the power and authority to regulate and issue licenses, permits and similar authorizations to providers of healthcare services of the nature provided by Genesis and its Subsidiaries consistent with the terms of the Credit Agreement and Synthetic Lease Facility.

"Lien" shall mean, as to any Person, any mortgage, lien, pledge, adverse claim, charge, security interest or other encumbrance in or on, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or capital lease with respect to, any property or asset of such Person.

"Necessary Endorsement" shall mean undated stock powers endorsed in blank (with signatures properly guaranteed) or other proper instruments of assignment duly executed and such other instruments or documents as the Collateral Agent may reasonably request.

"Pledged Subsidiary" shall mean (without duplication) each Borrower, each Lease Guarantor, each Lessee and each other Person that is the issuer of any capital stock or other equity that constitutes Collateral hereunder, from time to time. Pledged Subsidiary shall not include any Non-Material Restricted Subsidiary or any other Unrestricted Entity.

"Proceeds" shall have the meaning assigned to such term under the Uniform Commercial Code, and, in any event, shall include (without duplication) (i) any and all dividends, distributions, interest, cash, notes, securities payments, rights and other property at any time and from time to time acquired, receivable or otherwise distributed in respect of, or in exchange for, any Collateral; (ii) any and all proceeds of any guarantee, insurance or indemnity payable to a Grantor from time to time with respect to any of the Collateral; (iii) any and all payments (in any form whatsoever) made or due and payable to a Grantor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental authority (or any person acting under color of governmental authority); and (iv) any and all other amounts from time to time paid or payable with respect to or in connection with any of the Collateral.

"Secured Obligations" shall include any and all indebtedness, obligations and liabilities of any type or nature, now existing or hereafter created, of any Borrower, any Grantor, or any other Loan Party (as defined in the Credit Agreement) or the "Lessee" or any

"Guarantor" (each as defined in the Synthetic Lease Facility, to any Secured Party, arising out of or represented by any Senior Credit Documents. Without limiting the generality of the foregoing, the term "Secured Obligations" shall include all amounts (including but not limited to post-petition interest) that constitute part of the Secured Obligations and would be owed by any Person under the Senior Credit Documents but for the fact that the obligations to pay such amounts are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding.

"Secured Parties" shall mean collectively the Collateral Agent, the Revolver Agent, the Synthetic Lease Facility Agent, the Lenders, the Issuer (as defined in the Credit Agreement) the issuer of any Qualified Interest Rate Hedge Agreement constituting a Senior Credit Document, the Synthetic Lease Participants, indemnified parties named in the Credit Agreement and Synthetic Lease Facility and any other Person designated as a "Secured Party" in a writing signed jointly by the Revolver Agent and the Synthetic Lease Facility Agent and delivered to the Collateral Agent, in each case together with their successors and assigns.

"Senior Credit Documents" shall mean collectively the Credit Agreement, each Note (as defined in the Credit Agreement), each Letter of Credit issued thereunder, this Agreement, each Qualified Interest Rate Hedge Agreement (as is defined in the Credit Agreement) which is designated as a "Senior Credit Document" pursuant to the terms of the Collateral Agency Agreement, each of the other Loan Documents (as defined in the Credit Agreement), the Synthetic Lease Facility, the Guarantees, each of the other Synthetic Lease Facility Documents and any other agreement or instrument designated as a "Senior Credit Document" in a writing signed jointly by Genesis (on behalf of each Grantor), the Synthetic Lease Facility Agent and the Revolver Agent and delivered to the Collateral Agent, in each case, as amended from time to time.

"Synthetic Lease Facility Agent" shall mean Mellon Bank, N.A. in its capacity as agent for the Synthetic Lease Participants under the Synthetic Lease Facility Documents, and any successors or assigns in such capacity.

"Uniform Commercial Code" shall mean the Uniform Commercial Code as in effect in the Commonwealth of Pennsylvania or such other state Uniform Commercial Code as applies to the Liens hereunder, in each case, as amended from time to time.

## SECTION 2. CREATION OF SECURITY INTEREST

As security for the payment and performance in full of the Secured Obligations, each Grantor hereby hypothecates, pledges, assigns, sets over and delivers unto the Collateral Agent, and grants to the Collateral Agent, for the equal (in priority) and ratable benefit of the Secured Parties, a continuing first priority security interest in all its right, title and interest in, to and under the Collateral, TO HAVE AND TO HOLD the Collateral, together

with all right, title, interest, powers, privileges and preferences pertaining or incidental thereto, unto the Collateral Agent, its successors and assigns, forever; subject, however, to the terms, covenants and conditions hereinafter set forth and to the extent that a pledge of any Collateral

was originally granted under the Amended and Restated Security Agreement, the foregoing serves as a confirmation of such pledge.

### SECTION 3. DELIVERY OF COLLATERAL

3.1 At Effective Date. Prior to the Effective Date (as defined in the Credit Agreement), each Grantor shall deliver or cause to be delivered to the Collateral Agent (i) any and all certificates and other instruments representing or evidencing the Pledged Securities or Pledged Partnership Interests, (ii) any and all other certificates and other instruments or documents representing any of the Collateral and (iii) all other property comprising part of the Collateral, in each case along with the Necessary Endorsements. Each Grantor is, contemporaneously with the execution hereof, delivering to Collateral Agent, or has previously delivered to Collateral Agent, an original counterpart of each partnership agreement governing the Pledged Partnership Interests and such UCC-1 financing statements as may be necessary to perfect any Lien created hereunder. Further, each Grantor shall, on or prior to the Effective Date, take any action that may be necessary to perfect any security interest in any "uncertificated securities" as such term is used in the relevant Uniform Commercial Code.

3.2 Subsequent Delivery of Collateral. Subject to the provisions of Section 5 below, if after the Effective Date, a Grantor shall become entitled to receive or shall receive any certificates or other instruments (including, without limitation, instruments representing Pledged Securities or Pledged Partnership Interests) in respect of the Collateral, such Grantor agrees:

(i) to accept the same as the agent of the Collateral Agent,

(ii) to segregate the same and hold it in trust on behalf of and for the benefit of the Collateral Agent, and

(iii) to deliver the same to the Collateral Agent on or before the close of business on the seventh (7th) Business Day following the receipt thereof by such Grantor, in the exact form received together with the Necessary Endorsements, to be held by the Collateral Agent subject to the terms of this Agreement, as additional Collateral.

In addition, each Grantor shall (w) deliver to the Collateral Agent such updates

to the Schedules as may be necessary from time to time to maintain the accuracy and completeness of the information on the Schedules, especially the list of Collateral, (x) deliver to the Collateral Agent an original counterpart of each additional partnership agreement governing the Pledged Partnership Interests as it may obtain the same from time to time, (y) execute and deliver such additional UCC-1 financing statements or continuation statements as may be necessary to perfect and cause to stay perfected any Lien created hereunder from time to time and (z) take any further action that may be necessary to perfect any security interest in any "uncertificated securities" as such term is used in the Uniform Commercial Code.

#### SECTION 4. REPRESENTATIONS AND WARRANTIES OF GRANTORS

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4.1 Representations and Warranties. Each Grantor represents and warrants that each representation and warranty set forth in the Senior Credit Documents that relates to or refers to a Grantor or the Collateral subject hereto (or, in either case, any other term that is used with the same or similar meaning) is incorporated herein by reference and is true and correct on and as of the date hereof. Without limiting the generality of the foregoing, each Grantor further represents and warrants that

(i) except as set forth on Schedule III hereto (which lists any consents required in connection with the execution, delivery and performance of this Agreement), the Pledged Securities and the Pledged Partnership Interests and other Collateral are not subject to any charter, bylaw, statutory, contractual or other restriction governing their issuance, transfer, ownership or control which restriction would limit the effectiveness or enforceability of the Lien created under this Agreement;

(ii) the stock listed on Schedule I hereto represents all of the stock held by each Grantor in any Borrower, Lessee or Lease Guarantor;

(iii) the partnership interests listed on Schedule II hereto represents all the partnership or other equity interests (except interests constituting Pledged Securities) held by a Grantor in any Borrower, Lessee or Lease Guarantor;

(iv) the chief executive office of each Grantor and the other offices or places of business of each Grantor and any other offices where records concerning the Collateral are kept are set forth on the signature pages hereto;

(v) each Grantor is the legal and beneficial owner of the Pledged Securities and Pledged Partnership Interests which are reflected as owned by it on the schedules hereto, free and clear of any Lien except for the



security interests created by this Agreement; and

(vi) the pledge of the Pledged Securities and Pledged Partnership Interests pursuant to this Agreement and the filing of the necessary financing statements (which filings have been duly made) create a valid and perfected first priority security interest in the Collateral securing payment of the Secured Obligations. Without limiting the generality of the foregoing, all necessary UCC-1 financing statement filing locations for each Grantor are set forth on Schedule IV hereto.

4.2 Survival of Representations and Warranties. All the foregoing representations and warranties (including, without limitation, those incorporated by reference) shall survive the execution and delivery of this Agreement and shall continue until this Agreement is terminated as provided herein and shall not be affected or waived by any inspection or examination made by or on behalf of Collateral Agent or any Security Party.

## SECTION 5. VOTING; DIVIDENDS

5.1 Rights Prior To Default. Prior to the occurrence of an Event of Default:

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(i) Each Grantor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Collateral or any part thereof for any purpose not inconsistent with the terms of the Senior Credit Documents;

(ii) Subject to and limited by the restrictions on dividends and other payments in respect of the Collateral set forth in the Senior Credit Documents, each Grantor shall be entitled to receive and retain any and all dividends and other payments paid in respect of the Collateral, provided, however, that any and all

(a) dividends or other payments paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Collateral,

(b) dividends and other distributions paid or payable in cash in respect of any Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, and

(c) except as provided in clauses (d) and



(e) of Section 7.10 of the Credit Agreement cash paid, payable or otherwise distributed in respect of principal of, or in redemption of, or exchange for, any Collateral,

shall be forthwith delivered to the Collateral Agent to hold as Collateral and shall, if received by a Grantor, be received in trust for the benefit of the Collateral Agent on behalf of the Secured Parties, be segregated from the other property or funds of such Grantor, and be forthwith delivered to the Collateral Agent as Collateral in the same form as so received (with any Necessary Endorsement); and

(iii) The Collateral Agent shall execute and deliver to each Grantor all such proxies and other instruments as such Grantor may reasonably request for the purpose of enabling such Grantor to exercise the voting and other rights which it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends or payments which it is authorized to receive and retain pursuant to paragraph (ii) above.

5.2 Rights After a Default. Upon the occurrence and during the continuation of an Event of Default and as more fully set forth in Section 10 below,

(i) Upon notice from the Collateral Agent, all rights of a Grantor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to subsection 5.1 above and to receive the dividends and other payments which it would otherwise be authorized to receive and retain pursuant to subsection 5.1 above shall cease, and all such rights shall thereupon become vested in the Collateral Agent who shall have the sole right to exercise such voting and other consensual rights and to receive and hold as Collateral such dividends and other payments.

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(ii) All dividends, interest and other payments which are received by the Grantor contrary to the provisions of paragraph (i) of this subsection 5.2 shall be received in trust for the benefit of the Collateral Agent, shall be segregated from other funds of each Grantor and shall forthwith be paid over to the Collateral Agent as Collateral in the same form as so received (with any Necessary Endorsements).

5.3 Liability of Collateral Agent and of Secured Party. Nothing in this Agreement shall be construed to subject the Collateral Agent or any Secured Party to liability as a partner in any partnership which constitutes Collateral, nor shall the Collateral Agent or any Secured Party be deemed to have assumed any obligations under any partnership agreement constituting or related to Collateral or otherwise, nor shall the Collateral Agent or any Secured Party be deemed to have assumed any obligations with respect to the businesses of any Pledged Subsidiary unless and until the Collateral Agent

exercises its right to be substituted for a Grantor as a partner thereof pursuant to the terms of this Agreement.

#### SECTION 6. COVENANTS OF GRANTORS

Each of the covenants and agreements which are set forth or incorporated in the Senior Credit Documents and which are applicable or refer to a Grantor or the Collateral subject hereto (or, in either case, any other term that is used with the same or similar meaning) are incorporated herein by reference and each Grantor agrees to perform and abide by each such covenant and agreement. Without limiting the generality of the foregoing and in furtherance thereof, each Grantor (i) shall vote the stock and securities included in the Collateral to comply with the covenants and agreements set forth in the Senior Credit Documents, (ii) shall cause each Pledged Subsidiary to restrict the issuance of additional debt except as permitted in the Credit Agreement and additional shares of stock or other ownership interests of its Subsidiaries (or rights or options therefore) except as permitted in the Credit Agreement and, to the extent required by the Credit Agreement, shall cause such stock or other ownership interests to be pledged to the Collateral Agent hereunder; and (iii) shall not sell or otherwise dispose of, or grant any option with respect to, any of the Collateral except as permitted by the Credit Agreement.

#### SECTION 7. FURTHER ASSURANCES

Each Grantor agrees that at any time and from time to time, at the expense of the Grantors, such Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Collateral Agent may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

#### SECTION 8. COLLATERAL AGENT APPOINTED ATTORNEY-IN-FACT; MAY PERFORM CERTAIN DUTIES

8.1 Appointment as Attorney-in-fact. Effective upon the occurrence of an Event of Default, so long as such Event of Default is continuing, each Grantor hereby appoints

the Collateral Agent as its true and lawful agent, proxy, and attorney-in-fact for the purpose of carrying out the terms and purposes of this Agreement and taking any action and executing any instrument which the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof including, without limitation, the execution on behalf of each Grantor of any financing or continuation statement with respect to the security interest created hereby and the endorsement of any drafts or orders which may be payable to a Grantor in

respect of, arising out of, or relating to any or all of the Collateral. This power shall be valid until the termination of the security interests created hereunder, any limitation under law as to the length or validity of a proxy to the contrary notwithstanding. This appointment is irrevocable and coupled with an interest; upon an Event of Default and notice to a Grantor, any proxies heretofore given by such Grantor to any other Person shall be immediately revoked. The designation set forth herein shall be deemed to amend and supersede any inconsistent provision in the articles of incorporation, bylaws or other documents to which any Grantor or is subject or to which any is a party.

8.2 Registration of Securities. Each Grantor shall register, or cause the registration of, the pledge of the shares included in the Collateral in the name of the Collateral Agent on the books of the Grantor and the relevant Pledged Subsidiary. Upon the occurrence and during the continuance of an Event of Default, each Grantor shall at the direction of the Collateral Agent register, or cause the registration of, the shares included in the Collateral in the name of the Collateral Agent on the books of the Grantor and the Pledged Subsidiary. After the Event of Default is cured or waived, such shares shall be re-registered in the name of the Grantor.

8.3 Performance of Grantor's Duties. In furtherance, and not by way of limitation, of the foregoing subsections 8.1 and 8.2, if (at any time either before or after the occurrence of an Event of Default) a Grantor fails to perform any agreement contained herein, the Collateral Agent may itself perform such agreement and any expenses incurred shall be payable by the Grantor provided, however, that nothing herein shall be deemed to relieve a Grantor from fulfilling any of its obligations hereunder.

8.4 Acts May Be Performed By Agents and Employees. Any act of the Collateral Agent to be performed pursuant to this Section 8 or elsewhere in this Agreement may be performed by agents or employees of the Collateral Agent.

## SECTION 9. STANDARD OF CARE.

9.1 In General. No act or omission of any Secured Party (or agent or employee thereof) shall give rise to any defense, counterclaim or offset in favor of a Grantor or any claim or action against any such Secured Party (or agent or employee thereof), in the absence of gross negligence or willful misconduct of such Secured Party as determined in a final, nonappealable judgment of a court of competent jurisdiction. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Collateral Agent accords to its own property, it being understood that it has no duty to take any action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative

to any Collateral or to preserve any rights of any parties and shall only be liable for losses which are a result of its gross negligence or willful misconduct as determined in a final, nonappealable judgment of a court of competent jurisdiction.

9.2 Reliance on Advice of Counsel. The Collateral Agent may consult with legal counsel (including in-house counsel for the Collateral Agent or in-house or other counsel for any Secured Party), independent public accountants and any other experts selected by it from time to time, and the Collateral Agent shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts.

## SECTION 10. DEFAULT

10.1 Certain Rights Upon Default. In addition to any other rights accorded to the Collateral Agent and the Secured Parties hereunder, upon the occurrence and during the continuation of an Event of Default under the Credit Agreement or the Synthetic Lease Facility:

10.1.1 The Collateral Agent shall be entitled to receive any distributions, cash dividends or other payments on or in respect of the Collateral and to exercise in the Collateral Agent's sole discretion all voting rights pertaining thereto as more fully set forth in Section 5 above. Without limiting the generality of the foregoing, the Collateral Agent shall have the right to exercise all rights with respect to the Collateral as if it were the sole and absolute owner thereof, including, without limitation, to vote and/or to exchange, at its sole discretion, any or all of the Collateral in connection with a merger, reorganization, consolidation, recapitalization or other readjustment concerning or involving the Collateral or any Grantor or any Pledged Subsidiary.

10.1.2 Each Grantor shall take, and shall cause each Pledged Subsidiary to take, any action necessary or required or requested by the Collateral Agent in order to allow it fully to enforce the security interest in the Collateral hereunder and to realize thereon to the fullest extent possible, including, but not limited to, the filing of any claims with any court, liquidator, trustee, guardian, receiver or other like person or party.

10.1.3 The Collateral Agent shall have all of the rights of a secured party under the Uniform Commercial Code and any other applicable law including the right to sell on such terms as it may deem appropriate any or all of the Collateral at one or more public or private sales upon at least ten (10) Business Days' written notice to the Grantors of the time and place of any public sale and of the date on which the Collateral will first be offered for sale in the case of any private sale. Collateral Agent shall have the right to bid thereat or purchase any part or all the Collateral in its own or a nominee's name. The Collateral Agent shall have the right to apply the proceeds of the sale, after deduction for any costs and expenses of sale (including any liabilities incurred in connection therewith including reasonable attorneys' fees and allocated costs of attorneys who are employees of the Collateral Agent), to the payment of the Secured Obligations in accordance with the Collateral Agency Agreement, to the payment of any other amount required by law (including without limitation Section 9-504(1)(c) of the Uniform Commercial

Code), and to pay any remaining proceeds to the applicable Grantor or its respective successors or assigns or to whomsoever may lawfully be entitled to receive the same

or as a court of competent jurisdiction may direct, without further notice to or consent of such Grantor and without regard to any equitable principles of marshalling or other like equitable doctrines. Each Grantor hereby acknowledges and agrees that the notice provided for above is reasonable and expressly waives any rights it may have of equity of redemption, stay or appraisal with respect to the Collateral.

10.1.4 The Collateral Agent shall have the right, with full power of substitution either in the Collateral Agent's name or the name of a Grantor, to ask for, demand, sue, collect and receive any and all moneys due or to become due under and by virtue of the Collateral and to settle, compromise, prosecute or defend any action, claim or proceeding with respect thereto, provided, however, that nothing herein shall be construed as requiring the Collateral Agent to take any action, including, without limitation, requiring or obligating the Collateral Agent to make any inquiry as to the nature or sufficiency of any payment received, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby.

10.1.5 The Collateral Agent shall be entitled to the appointment of a receiver or trustee for all or any part of the businesses of any Grantor or any or all of its Subsidiaries whose equity is pledged hereunder, which receiver shall have such powers as may be conferred by law or the appointing authority.

10.2 Collateral Agent May Exercise Less Than All Rights. Each Grantor hereby acknowledges and agrees that the Collateral Agent is not required to exercise all remedies and rights available to it equally with respect to all of the Collateral, and the Collateral Agent may select less than all of the Collateral with respect to which the remedies as determined by the Collateral Agent may be exercised.

10.3 Duties of Grantors and Subsidiaries of the Grantors With Respect to Transferee. In the event that, upon an occurrence of an Event of Default, the Collateral Agent shall sell all or any of the Collateral to another party or parties (herein called "Transferee") or shall purchase or retain all or any of the Collateral, such Grantor shall, and shall cause each Pledged Subsidiary to:

(i) Deliver to the Collateral Agent or Transferee, as the case may be, the articles of incorporation, bylaws, minute books, stock

certificate books, corporate seals, deeds, leases, indentures, agreements, evidences of indebtedness, books of account, financial records and all other documents and records of such Grantor and each Pledged Subsidiary, as applicable;

(ii) Use its best efforts to obtain resignations of the persons then serving as officers and directors of each such Grantor and Pledged Subsidiary, if so requested; and

(iii) Use its best efforts to obtain any approvals that are required by any Licensing Authority in order to permit the sale of the Collateral to the Transferee or the

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purchase or retention of the Collateral by the Collateral Agent and allow the Transferee or the Collateral Agent to continue the business of the issuer.

#### SECTION 11. ACKNOWLEDGEMENT OF REGULATORY CONSIDERATIONS; UNIQUE NATURE OF ASSETS.

11.1 Licensing Authority Approval. It is hereby acknowledged that a sale of certain Collateral may require approval of a Licensing Authority, pursuant to the rules and regulations of such Licensing Authority.

11.2 Grantor and Subsidiary of Grantor Assistance in Obtaining Approval. Without limiting the generality of the provisions of the preceding Section 11.1 or Section 7 above, if the Collateral Agent or counsel to the Collateral Agent reasonably determines that the consent of a Licensing Authority is required in connection with any of the actions hereunder or under any other Senior Credit Document, then each Grantor (at its cost and expense) agrees to use, and to cause each Pledged Subsidiary to use, its best efforts to secure such consent and to cooperate fully with the Collateral Agent in any action to secure such consent. Without limiting the generality of the foregoing each Grantor shall, and shall cause each Pledged Subsidiary to, promptly execute and file and/or cause the execution and filing of all applications, certificates, instruments, and other documents and papers that the Collateral Agent deems necessary or advisable to file in order to obtain any necessary governmental consent, approval, or authorization, and if any Grantor or any Pledged Subsidiary thereof fails or refuses to execute (or fails or refuses to cause another Person to execute) such documents, the Collateral Agent or the clerk of any court of competent jurisdiction may execute and file the same on behalf of the Grantor or such other Person.

11.3 Unique Nature of Assets. It is agreed that the licenses, permits and other authorizations granted by various Licensing Authorities and held by the Grantors and the Pledged Subsidiaries are unique assets which (or the control of which) may have to be transferred in order for the Collateral

Agent adequately to realize the value of its security interest. A violation of the covenants set forth in this Section would result in irreparable harm to the Collateral Agent for which monetary damages are not readily ascertainable. Therefore, in addition to any other remedy which may be available to the Collateral Agent at law or in equity, Collateral Agent shall have the remedy of specific performance of the provisions of this Section. To enforce the provisions of this Section, the Collateral Agent is authorized to request the consent or approval of any Licensing Authority to a voluntary or an involuntary transfer of control of any license, permit or other authorization or sale or transfer of control of any Person including a Pledged Subsidiary holding the same.

## SECTION 12. SECURITIES LAW PROVISION

Each Grantor recognizes that the Collateral Agent may be limited in its ability to effect a sale to the public of all or part of the Collateral by reason of certain prohibitions in the Securities Act of 1933, as amended, or other federal or state securities laws (collectively, the "Securities Laws"), and may be compelled to resort to one or more sales to a restricted group of purchasers who may be required to agree to acquire the Collateral for their own account, for

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investment and not with a view to the distribution or resale thereof. Each Grantor agrees that sales so made may be at prices and on terms less favorable than if the Collateral were sold to the public, and that the Collateral Agent has no obligation to delay the sale of any Collateral for the period of time necessary to register the Collateral for sale to the public under the Securities Laws. Each Grantor agrees that negotiated sales made under the foregoing circumstances, whether on cash or credit terms, shall be deemed to have been made in a commercially reasonable manner. Each Grantor and each Subsidiary thereof shall cooperate with the Collateral Agent in its attempts to satisfy any requirements under the Securities Laws (including without limitation registration thereunder if requested by Collateral Agent) applicable to the sale of the Collateral by the Collateral Agent.

## SECTION 13. SECURITY INTEREST ABSOLUTE; WAIVERS BY GRANTOR

13.1 Absolute Nature of Security Interest. All rights of the Collateral Agent hereunder, the grant of the security interest in the Collateral and all obligations of each Grantor hereunder, shall be absolute and unconditional irrespective of (without duplication) (i) any lack of validity or enforceability of any of the terms of the Senior Credit Documents or any other instrument or document relating hereto or thereto, (ii) any increase in the amount of the Secured Obligations or any other change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations (including, without limitation, any extension of any payment date),



or any other amendment or waiver of any terms related thereto, (iii) any exchange, release or nonperfection of any other collateral, or any release or amendment or waiver of any guaranty, or (iv) any change in the Persons who constitute Borrowers or Lease Guarantors, or (v) any other circumstance (besides the payment of the Secured Obligations) which might otherwise constitute a defense available to, or a discharge of, any Borrower, any Lease Guarantor, any Grantor or any other Person in respect of the Secured Obligations or in respect of this Agreement or any other Senior Credit Document or any obligations hereunder or thereunder.

13.2 No Duty To Marshal Assets. The Collateral Agent shall have no obligation to marshal any assets in favor of any Grantor or any other Person or against or in payment of any or all of the Secured Obligations.

13.3 Waiver with Right of Subrogation, Etc. Each Grantor acknowledges that until all the Secured Obligations shall have been indefeasibly paid in full, such Grantor shall have no right (or hereby waives any such right) of subrogation, reimbursement, or indemnity whatsoever, in respect of any Borrower or any Lease Guarantor or any other Person, arising out of remedies exercised by the Collateral Agent hereunder.

13.4 Waivers. Each Grantor hereby waives notice of acceptance of this Agreement. Each Grantor further waives presentment and demand for payment of any of the Secured Obligations, protest and notice of dishonor or default with respect to any of the Secured Obligations, and all other notices to which a Grantor might otherwise be entitled, except as otherwise expressly provided in this Agreement or any of the other Senior Credit Documents. Each Grantor (to the extent that it may lawfully do so) covenants that it shall not at any time insist upon or plead, or in any manner claim or take the benefit of, any stay, valuation, appraisal

or redemption now or at any time hereafter in force that, but for this waiver, might be applicable to any sale made under any judgment, order or decree based on this Agreement or any other Senior Credit Document; and each Grantor (to the extent that it may lawfully do so) hereby expressly waives and relinquishes all benefit of any and all such laws and hereby covenants that it will not hinder, delay or impede the execution of any power in this Agreement or in any other Senior Credit Document delegated to the Collateral Agent, but that it will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

#### SECTION 14. NON-WAIVER AND NON-EXCLUSIVE REMEDIES

14.1 Non-Exclusive Remedies. No remedy or right herein conferred upon, or reserved to the Collateral Agent is intended to be to the exclusion of any other remedy or right, but each and every such remedy or right



shall be cumulative and shall be in addition to every other remedy or right given hereunder or under any other Senior Credit Document or under law.

14.2 Delay and Non-Waiver. No delay or omission by the Collateral Agent to exercise any remedy or right hereunder shall impair any such remedy or right or shall be construed to be a waiver of any Event of Default, or an acquiescence therein, nor shall it affect any subsequent Event of Default of the same or of a different nature.

#### SECTION 15. CONTINUING SECURITY INTEREST; HEIRS AND ASSIGNS.

This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until terminated pursuant to Section 16 below, (ii) be binding upon each Grantor, its successors and assigns and (iii) inure to the benefit of the Collateral Agent, the other Secured Parties and their respective successors, transferees and assigns provided, however, that no Grantor shall be permitted to transfer any of its obligations hereunder.

#### SECTION 16. TERMINATION OF AGREEMENT; RELEASE OF COLLATERAL

16.1 Termination of Agreement; Complete Release of Collateral. At such time as (a) Lenders have no obligations to make further fundings to the Borrower under the terms of the Credit Agreement, the Issuer has no obligations to provide additional letters of credit under the Credit Agreement, the Synthetic Lease Participants have no obligations to make further fundings under the Synthetic Lease Facility Documents and the Lessor has no obligation to advance additional funds to Lessee under the Synthetic Lease Facility and (b) all the Secured Obligations have been indefeasibly paid and/or performed in full, then this Agreement shall terminate and the Collateral shall be released pursuant to Section 16.2.

16.2 Duties of Collateral Agent With Respect To Complete Release of Collateral. When this Agreement terminates pursuant to subsection 16.1 above, the Collateral Agent shall assign and deliver to each Grantor, or to such Person as each Grantor shall designate, against receipt, such of the Collateral (if any) as shall not have been sold or otherwise applied by the Collateral Agent pursuant to the terms hereof and shall still be held by it hereunder, together with appropriate instruments of reassignment and release, all without any

recourse to, or warranty whatsoever by, the Collateral Agent, at the sole cost and expense of the Grantors.

16.3 Partial Release of Certain Collateral; Duties of Collateral Agent With Respect Thereto. Effective upon (a) the closing of a sale

of any Collateral in conformity with the provisions of clause (e) of Section 7.10 of the Credit Agreement (or, if the Credit Agreement is not then in effect, in accordance with such provisions or any equivalent provisions of the "Credit Agreement" as defined in the Participation Agreement) and receipt by the Collateral Agent of a certification to such effect from the chief financial officer of Genesis or (b) the designation by Genesis of a Pledged Subsidiary as a "Non-Material Restricted Subsidiary" or an "Unrestricted Entity" under the provisions of clause (e) of Section 7.6 of the Credit Agreement (or, if the Credit Agreement is not then in effect, in accordance with such provisions or any equivalent provisions of the "Credit Agreement" as defined in the Participation Agreement), then the security interest in the assets which are the subject of the sale or the designation and all proceeds thereof (the "Released Collateral") shall terminate. The Collateral Agent shall thereupon reassign and deliver to the applicable Grantor, or to such Person as such Grantor shall designate, against receipt, the Released Collateral, together with appropriate instruments or reassignment and release, all without any recourse to, or warranty whatsoever by, the Collateral Agent, at the sole cost and expense of the Grantors.

16.4 No Action Inconsistent with Collateral Agency Agreement. The Collateral Agent shall not release any Collateral or take any other action under this Section 16 unless the Collateral Agent is permitted to do so under the Collateral Agency Agreement.

#### SECTION 17. PAYMENT OF COSTS AND EXPENSES; INDEMNITIES

17.1 Payment of Costs and Expenses. Upon demand, Genesis and each other Grantor shall pay to the Collateral Agent the amount of any and all reasonable expenses incurred by the Collateral Agent hereunder or in connection herewith, including, without limitation those that may be incurred in connection with (i) the administration of this Agreement (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder or (iv) the failure of a Grantor to perform or observe any of the provisions hereof.

17.2 Fees. The Grantors agree, upon demand, to pay to the Collateral Agent such reasonable fees (in addition to its expenses) for its services as the Collateral Agent as may be agreed upon from time to time between the Collateral Agent and the Grantors.

17.3 Indemnification. The Grantors agree to indemnify and hold harmless the Collateral Agent and other Secured Parties (and, in each case, its directors, officers, agents and employees) to the fullest extent permitted by law, from and against any and all claims, losses, liabilities, actions, judgments, demands, costs and expenses of whatever nature incurred by the Collateral Agent or such Secured Party hereunder or in connection herewith, unless such claim, loss, liability, action, judgment, demand, cost or expense is the result of the willful misconduct or gross negligence of said indemnified party as shall have been determined in a final, nonappealable judgment of a court of competent jurisdiction.

17.4 Taxes. The Grantors hereby jointly and severally agree to pay to the Collateral Agent, upon demand, the amount of any taxes which the Collateral Agent may have been required to pay by reason of the security interests established pursuant to this Agreement (including any applicable transfer taxes).

17.5 Interest. All monetary obligations of the Grantors under this Section 17 shall bear interest following demand at the Prime Rate (as defined in the Credit Agreement) plus two (2) percent.

17.6 Additional Obligations. Any amounts payable pursuant to this Section 17 shall be additional Secured Obligations secured hereby.

#### SECTION 18. MISCELLANEOUS PROVISIONS

18.1 Notices. All notices, requests, demands, directions and other communications (collectively "notices") under this Agreement shall be in writing (including facsimile communication) and shall be sent by first-class mail, return receipt requested, or by nationally-recognized overnight courier, or by facsimile transmission (with confirmation in writing mailed first class or sent by such an overnight courier) or by personal delivery. All notices shall be sent to the applicable party at its respective address or telephone or facsimile number indicated on the signature pages hereof or in accordance with the last unrevoked written direction from such party to the other parties hereto, in all cases with postage or other charges prepaid. Any such properly given notice to the Collateral Agent or other Secured Party shall be effective when received. Any such properly given notice to any other party shall be effective on the earliest to occur of receipt, facsimile confirmation, one Business Day after delivery to a nationally-recognized overnight courier, or three Business Days after deposit in the mail.

Any Grantor giving any notice to any Secured Party shall simultaneously send a copy thereof to the Collateral Agent, and the Collateral Agent shall promptly notify the other Secured Parties of the receipt by it of any such notice.

Each Secured Party may rely on any notice (whether or not such notice is made in a manner permitted or required by this Agreement) purportedly made by or on behalf of any party hereto and no Secured Party shall have any duty to verify the identity or authority of any Person giving such notice.

18.2 Entire Agreement. This Agreement sets forth all of the promises, covenants, agreements, conditions and understandings among the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings, inducements or conditions, express or implied, oral or written, with respect thereto, except as contained or referred to herein.

18.3 Amendments. The terms of this Agreement may be amended, terminated, modified, supplemented or waived only upon the written consent of the Collateral Agent and each Grantor.

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18.4 Joinder of Additional Grantors. Any Person that from time to time shall have an interest in any Pledged Subsidiary shall become a "Grantor" hereunder with all rights and obligations of a "Grantor" hereunder as if such Person had been an original signatory hereto by signing a Joinder in the form specified in the Credit Agreement or by signing such other joinder document as shall be acceptable to the Collateral Agent. Without limiting the generality of the foregoing, upon signing such joinder, all interests of such joining Grantor in any Pledged Subsidiary shall be Collateral hereunder securing the Secured Obligations.

18.5 Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be construed and enforced in accordance with and shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to the laws as to conflict of laws.

18.6 Jurisdiction; Waiver of Jury Trial.

18.6.1 Certain Grantor Waivers. EACH OF THE GRANTORS HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(i) AGREES THAT ANY ACTION, SUIT OR PROCEEDING BY ANY PERSON ARISING FROM OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY STATEMENT, COURSE OF CONDUCT, ACT, OMISSION OR EVENT OCCURRING IN CONNECTION HERewith OR THEREWITH (WHETHER FOR BREACH OF CONTRACT, TORT OR ANY OTHER THEORY OF LIABILITY) (COLLECTIVELY, "RELATED LITIGATION") MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION SITTING IN ALLEGHENY COUNTY OR PHILADELPHIA COUNTY, PENNSYLVANIA, SUBMITS TO THE JURISDICTION OF SUCH COURTS, AND TO THE FULLEST EXTENT PERMITTED BY LAW AGREES THAT, TO THE EXTENT THAT ANY SUCH COURT HAS OR IS ABLE TO OBTAIN PERSONAL JURISDICTION OVER THE PARTY AGAINST WHICH SUCH BORROWER IS SEEKING TO BRING RELATED LITIGATION, IT WILL NOT BRING ANY RELATED LITIGATION IN ANY OTHER FORUM (BUT NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY SECURED PARTY TO BRING ANY ACTION, SUIT OR PROCEEDING IN ANY OTHER FORUM);

(ii) WAIVES ANY OBJECTION WHICH IT MAY HAVE AT ANY TIME TO THE LAYING OF VENUE OF ANY RELATED LITIGATION BROUGHT IN ANY SUCH COURT, WAIVES ANY CLAIM THAT ANY SUCH RELATED LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM, AND WAIVES ANY RIGHT TO OBJECT, WITH RESPECT TO ANY RELATED LITIGATION BROUGHT IN ANY SUCH COURT, THAT SUCH COURT DOES NOT HAVE JURISDICTION OVER SUCH BORROWER;

(iii) CONSENTS AND AGREES TO SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER LEGAL PROCESS IN ANY RELATED LITIGATION BY REGISTERED OR CERTIFIED U.S. MAIL, POSTAGE PREPAID, TO SUCH

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GRANTOR AT THE ADDRESS FOR NOTICES DESCRIBED IN SECTION 18.1 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); AND

(iv) WAIVES THE RIGHT TO TRIAL BY JURY IN ANY RELATED LITIGATION.

18.6.2 Certain Secured Party Waivers. EACH OF THE SECURED PARTIES HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY RELATED LITIGATION.

18.6.3 Limitation of Liability. TO THE FULLEST EXTENT PERMITTED BY LAW, NO CLAIM MAY BE MADE BY ANY GRANTOR AGAINST ANY SECURED PARTY OR ANY AFFILIATE, DIRECTOR, OFFICER, EMPLOYEE, ATTORNEY OR AGENT OF ANY OF THEM FOR ANY SPECIAL, INCIDENTAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES IN RESPECT OF ANY CLAIM ARISING FROM OR RELATING TO ANY RELATED LITIGATION. EACH OF THE GRANTORS HEREBY WAIVES, RELEASES AND AGREES NOT TO SUE UPON ANY CLAIM FOR ANY SUCH DAMAGES, WHETHER SUCH CLAIM PRESENTLY EXISTS OR ARISES HEREAFTER AND WHETHER OR NOT SUCH CLAIM IS KNOWN OR SUSPECTED TO EXIST IN ITS FAVOR. NO PARTY HAS IN ANY WAY AGREED WITH OR REPRESENTED TO ANY OTHER PARTY THAT THE PROVISIONS OF THIS SECTION WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

18.7 Severability. If any of the provisions or terms of this Agreement shall for any reason be held to be invalid or unenforceable such invalidity or unenforceability shall not affect any of the other terms hereof, but this Agreement shall be construed as if such invalid or unenforceable term had never been contained herein. Any such invalidity or unenforceability in a particular jurisdiction shall not be deemed to render a provision invalid or unenforceable in any other jurisdiction.

18.8 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original agreement, but all of which together shall constitute one and the same instrument. A faxed signature shall be sufficient for all purposes.

18.9 Certain Grantor Consents. To the extent that the grant of the security interest herein created in the Collateral and the enforcement of the terms hereof require the consent, approval or action of any partner, shareholder or equity owner of any Pledged Subsidiary or compliance with any

provisions of the subject partnership, shareholder or other agreement, each Grantor (in every legal capacity) hereby grants such consent and approval and waives any such noncompliance with the terms of said partnership, shareholder or other agreement.

18.10 Collateral Agency Agreement. The Collateral Agent's performance of its duties hereunder shall in all respects be subject to and governed by the Collateral Agency Agreement. Nothing contained herein shall be construed to enlarge the degree of responsibility, discretion and duty of care to be exercised by the Collateral Agent beyond those expressly set forth in the Collateral Agency Agreement.

18.11 Joint and Several Liability. All Grantors shall jointly and severally be liable for the obligations of each Grantor to the Collateral Agent hereunder. To the extent that such obligations are coextensive with obligations of the Borrowers, the Lease Guarantors or any other Person, the Grantors shall be jointly and severally liable with the Borrowers, the Lease Guarantors and/or such other Persons.

18.12 Effectiveness of Agreement. This Agreement shall become effective on and as of the Effective Date, at which time the terms and conditions set forth in the Amended and Restated Security Agreement shall be deemed to be superseded (other than any provisions therein respecting indemnification, which terms shall survive the Effective Date) by the terms and conditions hereof. Until the Effective Date, or if there is no Effective Date prior to December 31, 1996, the Amended and Restated Security Agreement shall remain in full force and effect and is hereby ratified.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their respective authorized officers on the date first above written.

GRANTORS:

GENESIS HEALTH VENTURES, INC.,  
a Pennsylvania corporation

By \_\_\_\_\_  
Title: Associate General Counsel  
and Secretary

Address for notices:

Suite 100  
148 West State Street  
Kennett Square, PA 19348

Attention: Senior Vice President and Chief  
Financial Officer

Telephone: 610-444-6350  
Facsimile: 610-444-3365

BREVARD MERIDIAN LIMITED

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PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc., a  
Pennsylvania corporation,  
its sole general partners

CATONSVILLE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc.,  
a Pennsylvania corporation,  
one of its general partners

EASTON MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Health, Inc.,  
a Pennsylvania corporation,  
its sole general partner

EDELLA STREET ASSOCIATES,  
a Pennsylvania limited partnership

By: Genesis Health Ventures of  
Clarks Summit, Inc., its sole  
general partner

GENESIS PROPERTIES LIMITED  
PARTNERSHIP,  
a Pennsylvania limited partnership

By: Genesis Health Ventures  
of Arlington, Inc., its sole  
general partner

GREENSPRING MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation,  
its sole general partner

HAMMONDS LANE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership

By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation,  
one of its general partners

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MERIDIAN/CONSTELLATION LIMITED  
PARTNERSHIP  
By: Meridian Healthcare, Inc.,  
general partner

MERIDIAN EDGEWOOD LIMITED  
PARTNERSHIP  
By: Meridian Healthcare, Inc.,  
a general partner

MERIDIAN PERRING LIMITED  
PARTNERSHIP  
By: Meridian Healthcare, Inc.,  
a general partner

MERIDIAN VALLEY LIMITED  
PARTNERSHIP  
By: Meridian Healthcare, Inc.,  
a general partner

MERIDIAN VALLEY VIEW LIMITED  
PARTNERSHIP  
By: Meridian Healthcare, Inc.,  
a general partner

MILLVILLE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership



By: Meridian Healthcare, Inc.,  
a Pennsylvania corporation, its  
sole general partner

PHILADELPHIA AVENUE ASSOCIATES,  
a Pennsylvania limited partnership  
By: Philadelphia Avenue Corp., its  
sole general partner

RIVER STREET ASSOCIATES,  
a Pennsylvania limited partnership  
By: Genesis Health Ventures of  
Wilkes-Barre, Inc., its sole general partner

SEMINOLE MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership  
By: Meridian Health, Inc., a

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Pennsylvania corporation, its  
sole general partner

STATE STREET ASSOCIATES, L.P.,  
a Pennsylvania limited partnership  
By: State Street Associates, Inc.  
its sole general partner

THERAPY CARE SYSTEMS, L.P.  
a Pennsylvania limited partnership  
By: Genesis Eldercare  
Rehabilitation Services, Inc.  
its sole general partner

VOLUSIA MERIDIAN LIMITED  
PARTNERSHIP,  
a Maryland limited partnership  
By: Meridian Health, Inc., a  
Pennsylvania corporation, its sole  
general partner

GENESIS PROPERTIES OF DELAWARE  
LTD PARTNERSHIP, L.P.,  
a Delaware limited partnership  
By: Genesis Properties of Delaware  
Corporation, a general partner

McKERLEY HEALTH FACILITIES,  
a New Hampshire general partnership  
By: Meridian Health, Inc., a  
Pennsylvania corporation, and  
Meridian Healthcare, Inc., a  
Pennsylvania corporation, its  
general partners

By: \_\_\_\_\_  
On behalf of each of the foregoing  
as Associate General Counsel  
and Secretary of the general  
partner

GENESIS HEALTH VENTURES OF  
ARLINGTON, INC.,  
a Pennsylvania corporation

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GENESIS HEALTH VENTURES OF  
BLOOMFIELD, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
CLARKS SUMMIT, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
MASSACHUSETTS, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
NAUGATUCK, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
SALISBURY, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
WAYNE, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
WEST VIRGINIA, INC.,  
a Pennsylvania corporation

GENESIS HEALTH VENTURES OF  
WINDSOR, INC.,  
a Pennsylvania corporation

GENESIS IMMEDIATE MED  
CENTER, INC.,  
a Pennsylvania corporation

GENESIS ELDERCARE HOME CARE SERVICES, INC.  
a Pennsylvania corporation

GENESIS ELDERCARE PHYSICIAN  
SERVICES, INC.,  
a Pennsylvania corporation

HEALTHCARE RESOURCES CORP.,  
a Pennsylvania corporation

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KNOLLWOOD MANOR, INC.,  
a Pennsylvania corporation

MERIDIAN HEALTH, INC.,  
a Pennsylvania corporation

MERIDIAN HEALTHCARE, INC.,  
a Pennsylvania corporation

PHILADELPHIA AVENUE CORPORATION,  
a Pennsylvania corporation

GENESIS ELDERCARE STAFFING SERVICES  
INC.  
a Pennsylvania corporation

STATE STREET ASSOCIATES, INC.,  
a Pennsylvania corporation

SUBURBAN MEDICAL SERVICES, INC.  
a Pennsylvania corporation

GENESIS ELDERCARE REHABILITATION  
SERVICES, INC.,  
a Pennsylvania corporation

THERAPY CARE INC.,  
a Pennsylvania corporation

THE TIDEWATER HEALTHCARE SHARED  
SERVICES GROUP, INC.,  
a Pennsylvania corporation

WYNCOTE HEALTHCARE CORP.  
a Pennsylvania corporation

ASCO HEALTHCARE, INC.,  
a Maryland corporation

BRINTON MANOR, INC.,  
a Delaware corporation

CONCORD HEALTHCARE CORPORATION,  
a Delaware corporation

CRYSTAL CITY NURSING CENTER, INC.,

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a Maryland corporation

EASTERN MEDICAL SUPPLIES, INC.,  
a Maryland corporation

GENESIS HEALTH SERVICES  
CORPORATION,  
a Delaware corporation

GENESIS HEALTHCARE CENTERS  
HOLDINGS, INC.,  
a Delaware corporation

GENESIS HOLDINGS, INC.,  
a Delaware corporation

GENESIS PROPERTIES OF DELAWARE  
CORPORATION,  
a Delaware corporation

HILLTOP HEALTH CARE CENTER, INC.,  
a Delaware corporation

KEYSTONE NURSING HOME, INC.,  
a Delaware corporation

LINCOLN NURSING HOME, INC.,  
a Delaware corporation

McKERLEY HEALTH CARE CENTERS, INC.,  
a New Hampshire corporation

WAYSIDE NURSING HOME, INC.,  
a Delaware corporation

PROFESSIONAL PHARMACY SERVICES,  
INC.,  
a Maryland Corporation

MEDICAL SERVICES GROUP, INC.,  
a Maryland Corporation

NEIGHBORCARE PHARMACIES, INC.,  
a Maryland Corporation

DERBY NURSING CENTER CORPORATION,

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a Connecticut Corporation

GENESIS ELDERCARE NATIONAL  
CENTERS, INC.,  
a Florida Corporation

GENESIS ELDERCARE NETWORK SERVICES, INC.,  
a Pennsylvania Corporation

GENESIS ELDERCARE PROPERTIES, INC.,  
a Pennsylvania Corporation

OAK HILL HEALTH CARE CENTER, INC.,  
a Virginia Corporation

VERSALINK, INC.,  
a Delaware Corporation

By: \_\_\_\_\_  
On behalf of each of the foregoing  
as Associate General Counsel

and Secretary

MELLON BANK, N.A., as Collateral Agent

By \_\_\_\_\_  
Title: Vice President

Address for notices:

street address:

AIM 199-5220  
Mellon Independence Center  
701 Market Street  
Philadelphia, PA 19106

mailing address:

AIM 199-5220  
P.O. Box 7899  
Philadelphia, PA 19101-7899

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Attention: Linda Sigler,  
Loan Administration

Telephone: 215-553-4583  
Facsimile: 215-553-4789

With a copy to

Plymouth Meeting Executive Campus  
610 W. Germantown Pike, Suite 200  
Plymouth Meeting, PA 19462

Attention: Carol Paige

Telephone: 610-941-8409  
Facsimile: 610-941-4136

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Schedule I  
TO PLEDGE AGREEMENT  
Pledged Securities

Schedule II  
TO PLEDGE AGREEMENT  
Pledged Partnership Interests

Schedule III  
TO PLEDGE AGREEMENT  
Required Consents

Schedule IV  
TO PLEDGE AGREEMENT  
UCC Filing Locations

Exhibit D

Transfer Supplement

THIS TRANSFER SUPPLEMENT, dated as of the date specified in Item 1 of Schedule I hereto, among the Transferor Lender specified in Item 2 of Schedule I hereto (the "Transferor Lender"), each Purchasing Lender specified in Item 3 of Schedule I hereto (each a "Purchasing Lender") and MELLON BANK, N.A., as Agent under the Credit Agreement described below.

Recitals:

A. This Transfer Supplement is being executed and delivered in accordance with Section 10.15(c) of the Second Amended and Restated Credit Agreement, dated as of \_\_\_\_\_, 1996, by and among Genesis Health Ventures, Inc., a Pennsylvania corporation ("Genesis"), the Subsidiaries of Genesis parties thereto as Borrowers (collectively with Genesis, the "Borrowers"), the Lenders parties thereto from time to time, Mellon Bank, N.A. as the Issuer of Letters of Credit thereunder, Mellon Bank, N.A. as Agent for such Lenders and Issuer and Citibank, N.A. as Co-Syndication Agent and certain other Co-Agents referred to therein (as the same may be amended, modified or supplemented from time to time, the "Credit Agreement"). Capitalized terms used herein without definition have the meaning specified in the Credit Agreement.

B. Each Purchasing Lender (if it is not already a Lender) wishes to become a Lender party to the Credit Agreement.

C. The Transferor Lender is selling and assigning to each Purchasing Lender, and each Purchasing Lender is purchasing and assuming, a certain portion of the Transferor Lender's rights and obligations under the Credit Agreement, including, without limitation, the Transferor Lender's Commitments and Loans and Reimbursement Obligations owing to it and any Notes held by it (the "Transferor Lender's Interests").

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Transfer Effective Notice. Upon receipt by the Agent of five counterparts of this Transfer Supplement (to each of which is attached a fully completed Schedule I and Schedule II), each of which has been executed by the Transferor Lender, by each Purchasing Lender and by any other Person required by Section 10.15(c) of the Credit Agreement to execute this Transfer Supplement, the Agent will transmit to Genesis (on behalf of the Borrowers), the Transferor Lender and each Purchasing Lender a transfer effective notice, substantially in the form of Schedule III to this Transfer Supplement (a "Transfer Effective Notice"). The date specified in such Transfer Effective Notice as the



date on which the transfer effected by this Transfer Supplement shall become effective (the "Transfer Effective Date") shall be the fifth Business Day following the date of such Transfer Effective Notice or such other date as shall be agreed upon among the Transferor Lender, the applicable Purchasing Lender, the Agent and Genesis. From and after the close of business at the Agent's Office on the Transfer Effective Date each Purchasing Lender (if not already a Lender party to the Credit Agreement) shall be a Lender party to the Credit Agreement for all purposes thereof having the respective interests in the Transferor Lender's interests reflected in this Transfer Supplement.

2. Purchase Price; Sale. At or before 12:00 o'clock Noon, local time at the Transferor Lender's office specified in Schedule III, on the Transfer Effective Date, each Purchasing Lender shall pay to the Transferor Lender, in immediately available funds, an amount equal to the purchase price, as agreed between the Transferor Lender and such Purchasing Lender (the "Purchase Price"), of the portion being purchased by such Purchasing Lender (such Purchasing Lender's "Purchased Percentage") of the Transferor Lender's Interests. Effective upon receipt by the Transferor Lender of the Purchase Price from a Purchasing Lender, the Transferor Lender hereby irrevocably sells, assigns and transfers to such Purchasing Lender, without recourse, representation or warranty (express or implied) except as set forth in Section 6 hereof, and each Purchasing Lender hereby irrevocably purchases, takes and assumes from the Transferor Lender such Purchasing Lender's Purchased Percentage of the Transferor Lender's Interests. The Transferor Lender shall promptly notify the Agent of the receipt of the Purchase Price from a Purchasing Lender ("Purchase Price Receipt Notice"). Upon receipt by the Agent of such Purchase Price Receipt Notice, the Agent shall record in its register the information with respect to such sale and purchase as contemplated by Section 10.15(d) of the Credit Agreement.

3. Principal, Interest and Fees. All principal, interest, fees and other amounts that would otherwise be payable from and after the Transfer Effective Date to or for the account of the Transferor Lender in respect of the Transferor Lender's Interests shall, instead, be payable to or for the account of the Transferor Lender and the Purchasing Lenders, as the case may be, in accordance with their respective interests as reflected in this Transfer Supplement.

4. Closing Documents. Concurrently with the execution and delivery hereof, the Transferor Lender will request that Genesis provide to each Purchasing Lender (if it is not already a Lender party to the Credit Agreement) conformed copies of all documents delivered to such Transferor Lender on the Effective Date in satisfaction of conditions precedent set forth in the Credit Agreement.

5. Further Assurances. Each of the parties to this Transfer Supplement agrees that at any time and from time to time upon the written request of any other party, it will execute and deliver such further documents

and do such further acts and things as such

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## Form of Transfer Agreement

other party may reasonably request in order to effect the purposes of this Transfer Supplement.

6. Certain Representations and Agreements. By executing and delivering this Transfer Supplement, the Transferor Lender and each Purchasing Lender confirm to and agree with each other and the Agent and the other Lender Parties as follows:

(a) Other than the representation and warranty that it is the legal and beneficial owner of the interest being assigned hereby free and clear of any adverse claim, the Transferor Lender makes no representation or warranty and assumes no responsibility with respect to (i) the execution, delivery, effectiveness, enforceability, genuineness, validity or adequacy of the Credit Agreement or any other Loan Document, (ii) any recital, representation, warranty, document, certificate, report or statement in, provided for in, received under or in connection with, the Credit Agreement or any other Loan Document, or (iii) the existence, validity, enforceability, perfection, recordation, priority, adequacy or value, now or hereafter, of any Lien or other direct or indirect security afforded or purported to be afforded by any of the Loan Documents or otherwise from time to time.

(b) The Transferor Lender makes no representation or warranty and assumes no responsibility with respect to (i) the performance or observance of any of the terms or conditions of the Credit Agreement or any other Loan Document on the part of any Loan Party, (ii) the business, operations, condition (financial or otherwise) or prospects of any Loan Party or any other Person, or (iii) the existence of any Event of Default or Potential Default.

(c) Each Purchasing Lender confirms that it has received a copy of the Credit Agreement and each of the other Loan Documents, together with copies of such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Transfer Supplement. Each Purchasing Lender confirms that it has made such analysis and decision independently and without reliance upon the Agent, the Transferor Lender or any other Lender Party.

(d) Each Purchasing Lender, independently and without reliance upon the Agent, the Transferor Lender or any other Lender Party, and based on such documents and information as it shall deem appropriate at

the time, will make its own decisions to take or not take action under or in connection with the Credit Agreement or any other Loan Document.

(e) Each Purchasing Lender irrevocably appoints the Agent to act as Agent for such Purchasing Lender under the Credit Agreement and the other Loan

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#### Form of Transfer Agreement

Documents, all in accordance with Article 9 of the Credit Agreement and the other provisions of the Credit Agreement and the other Loan Documents.

(f) Each Purchasing Lender agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement and the other Loan Documents are required to be performed by it as a Lender.

(g) THE PURCHASING LENDER IS CONCURRENTLY PURCHASING AN EQUIVALENT PORTION OF TRANSFEROR'S RIGHTS AND OBLIGATIONS UNDER THE SYNTHETIC LEASE FACILITY DOCUMENTS.

(h) This transfer complies with the limitations set forth in Section 10.15 of the Credit Agreement including the minimum retention and assignment amounts and all fees (including the recordation fee) payable to the Agent have been, or on or before the Transfer Effective Date, will have been paid.

7. Schedule II. Schedule II hereto sets forth the revised Commitments of the Transferor Lender and each Purchasing Lender as well as administrative information with respect to each Purchasing Lender.

8. Governing Law. This Transfer Supplement shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to principles of choice of law.

9. Counterparts. This Transfer Supplement may be executed on any number of counterparts and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Transfer Supplement to be executed by their respective duly authorized officers on Schedule I hereto as of the date set forth in Item 1 of Schedule I hereto.

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Form of Transfer Agreement

Schedule I to Transfer Supplement

Completion of Information and

Signatures for Transfer Supplement

Re: Second Amended and Restated Credit Agreement, dated as of \_\_\_\_\_, 1996, by and among Genesis Health Ventures, Inc., a Pennsylvania corporation ("Genesis"), the Subsidiaries of Genesis parties thereto as Borrowers (collectively with Genesis, the "Borrowers"), the Lenders parties thereto from time to time, Mellon Bank, N.A. as the Issuer of Letters of Credit thereunder, Mellon Bank, N.A. as Agent for such Lenders and Issuer, Citibank, N.A. as Co-Syndication Agent and certain other Co-Agents referred to therein (as the same may be amended, modified or supplemented from time to time, the "Credit Agreement")

- Item 1 (Date of Transfer Supplement): [Insert date of Transfer Supplement]
- Item 2 (Transferor Lender): [Insert name of Transferor Lender]
- Item 3 (Purchasing Lender[s]): [Insert name[s] of Purchasing Lender[s]]
- Item 4 (Signatures of Parties to Transfer Supplement):

[Name of Transferor Lender] \_\_\_\_\_,  
as Transferor Lender

By: \_\_\_\_\_  
Title:

[Name of Purchasing Lender] \_\_\_\_\_,  
as Purchasing Lender

By: \_\_\_\_\_  
Title:

Form of Transfer Agreement

[Add signature lines for additional  
Purchasing Lenders as needed]

Form of Transfer Agreement

[The following consents are required only when the Purchasing Lender is not  
already a Lender or an Affiliate of a Lender, and then only to the extent  
specified in Section 10.15(c) of the Credit Agreement]

CONSENTED TO AND ACKNOWLEDGED:

GENESIS HEALTH VENTURES, INC.

By: \_\_\_\_\_

Title:

By:

-----

Title:

ACCEPTED FOR RECORDATION

IN THE REGISTER:

MELLON BANK, N.A., as Agent

By:

-----

Title:

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Form of Transfer Agreement

Schedule II to Transfer Supplement

List of Lending Offices, Addresses  
for Notices and Committed Amounts

[Name of Transferor  
Lender]

Revised Commitment:

\$

-----

Revised Commitment Percentage:

-----%

[Name of Purchasing  
Lender]

New\* Commitment:

\$

-----

New\* Commitment Percentage:

-----%

Administrative Information  
for Purchasing Lender:

Address:

-----  
-----  
-----

Attention:

-----

Telephone:

-----

Facsimile:

-----

[Add information for additional  
Purchasing Lenders as needed]

-----

\* or, in the case of a Purchasing Lender which is already a Lender, Revised]

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Form of Transfer Agreement

Schedule III to Transfer Supplement

Transfer Effective Notice

To: Genesis Health Ventures, Inc.

[Insert Name of Transferor  
Lender and each Purchasing Lender]

The undersigned, as Agent under the Second Amended and Restated Credit Agreement, dated as of \_\_\_\_\_, 1996, by and among Genesis Health Ventures, Inc., a Pennsylvania corporation, the Subsidiaries of Genesis parties thereto as Borrowers (collectively with Genesis, the "Borrowers"), the Lenders parties thereto from time to time, Mellon Bank, N.A. as the Issuer of Letters of Credit thereunder, Mellon Bank, N.A. as Agent for such Lenders and Issuer, Citibank, N.A. as Co-Syndication Agent and certain other Co-Agents referred to therein (as the same may be amended, modified or supplemented from time to time, the "Credit Agreement"), acknowledges receipt of five executed counterparts of a completed Transfer Supplement, dated \_\_\_\_\_, \_\_\_\_\_, from [name of Transferor Lender] to [name of each Purchasing Lender]

(the "Transfer Supplement"). Terms defined in the Transfer Supplement are used herein as therein defined.

1. Pursuant to the Transfer Supplement, you are advised that the Transfer Effective Date will be\_\_\_\_\_, [Insert fifth Business Day following date of Transfer Effective Notice or other date agreed to among the Transferor Lender, the applicable Purchasing Lender, the Agent and Genesis.]

2. Pursuant to Section 10.15(c) of the Credit Agreement, the Transferor Lender has delivered to the Agent the Transferor Lender Notes.

3. Section 10.15(c) of the Credit Agreement provides that each Borrower is to deliver to the Agent on or before the Transfer Effective Date the following Notes, each dated the date of the Note it replaces: [Describe each new Note for Transferor Lender and Purchasing Lender as to date (as required by the Credit Agreement), principal amount and payee.]

4. The Transfer Supplement provides that each Purchasing Lender is to pay its Purchase Price to the Transferor Lender at or before 12:00 o'clock Noon, local time at the Transferor Lender's lending office specified in Schedule II to the Transfer Supplement, on the Transfer Effective Date in immediately available funds.

Very truly yours,

MELLON BANK, N.A., as Agent

By:

-----

Title:

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Form of Transfer Agreement

Exhibit E

Additional Borrower/Grantor Joinder Supplement

\_\_\_\_\_, 199\_\_

To: Each of the Lender Parties Under the  
Credit Agreement Referred to Below

Reference is hereby made to the Second Amended and Restated Credit Agreement dated as of \_\_\_\_\_, 1996 by and among Genesis Health



Ventures, Inc., a Pennsylvania corporation ("Genesis") and certain of the subsidiaries of Genesis jointly and severally as Borrowers, the Lenders party thereto from time to time, Mellon Bank, N.A. as the Issuer of Letters Credit thereunder, Mellon Bank, N.A. as Agent for such Lenders and such Issuer and Citibank, N.A. as Co-Syndication Agent and the other Co-Agents named therein (as it may be amended, modified or supplemented from time to time, the "Credit Agreement"). Capitalized terms used in this Additional Borrower/Grantor Joinder Supplement (this "Joinder Supplement") and not otherwise defined shall have the meanings given to them in the Credit Agreement.

The undersigned [entity (the "Joining Subsidiary") hereby acknowledge, confirms and agrees] [entities (each, a "Joining Subsidiary") hereby jointly and severally acknowledge, confirm and agree] that on and as of the date of this Joinder Supplement, [such Joining Subsidiary] [each of such Joining Subsidiaries] has become, and is, a "Borrower" under the Credit Agreement, a "Grantor" under the Collateral Agency Agreement and the Pledge Agreement, and a comparable party to each other applicable Loan Document for all purposes, and as such shall be jointly and severally liable, as provided in the Loan Documents, for all Loan Obligations thereunder and all Collateral Agent Obligations under and as defined in the Collateral Agency Agreement (in each case whether incurred or arising prior to, on, or subsequent to, the date hereof) and all "Secured Obligations" under the Pledge Agreement and otherwise bound by all of the terms, provisions and conditions of each of the foregoing.

Without limiting the generality of the foregoing, [the] [each] Joining Subsidiary, as security for the full and timely payment and performance of each of the Secured Obligations, assigns, pledges, transfers and sets over unto the Collateral Agent for the benefit of the Secured Parties, and hereby grants and creates in favor of the Collateral Agent for the benefit of the Secured Parties a Lien on and security interest in, all of such Joining Subsidiary's right, title and interest in, to and under the Collateral (as defined in the Pledge Agreement), in

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#### Form of Additional Borrower Joinder Supplement

each case whether now existing or hereafter arising or now owned or hereafter acquired.

Attached hereto and made a part hereof are schedules setting forth all of the information regarding [the] [each] Joining Subsidiary which must be added to the schedules to the Credit Agreement in order to maintain the accuracy of such schedules; on the Joinder Effective Date with respect to this Joinder Supplement, the Credit Agreement shall be deemed supplemented by the addition of such information to such schedules, as applicable. Also attached hereto and made a part hereof are schedules setting forth all of the information regarding [the] [each] Joining Subsidiary which must be added to the schedules

to the Pledge Agreement in order to maintain the accuracy of such schedules; on the Joinder Effective Date with respect to this Joinder Supplement, the Pledge Agreement shall be deemed supplemented by the addition of such information to such schedules, as applicable. Notwithstanding the immediately preceding two sentences, however, no such supplementation shall relieve any Joining Subsidiary, Genesis or any other Borrower of its obligations under Section 3.10 of the Collateral Agency Agreement or any other obligation under that or any other Loan Document.

Genesis and [the] [each] Joining Subsidiary hereby represent and warrant that all of the representations and warranties contained in the Loan Documents are true and correct on and as of the date hereof as if made on and as of such date, both before and after giving effect to this Joinder Supplement, and that no Event of Default or Potential Default has occurred and is continuing or exists or would occur or exist after giving effect to this Joinder Supplement.

[The] [Each] Joining Subsidiary, Genesis and the other Borrowers have taken all of the steps required of them under Section 10.16 of the Credit Agreement or otherwise required under that or any other Loan Document in connection with [the] [each] Joining Subsidiary's becoming a "Borrower" under the Credit Agreement, a "Grantor" under the Collateral Agency Agreement and the Pledge Agreement, and a comparable party to each of the other Loan Documents.

This Joinder Supplement shall be governed by and construed and enforced in accordance with the laws of the

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Form of Additional Borrower Joinder Supplement

Commonwealth of Pennsylvania, without regard to principles of choice of law.

WITNESS the due execution hereof as of the day and year first above written.

Genesis:

GENESIS HEALTH VENTURES, INC., a  
Pennsylvania corporation

By

-----

Title:

Form of Additional Borrower Joinder Supplement

Joining Subsidiary[ies]:

[\_\_\_\_\_, a  
\_\_\_\_\_ corporation

By \_\_\_\_\_  
Title: \_\_\_\_\_]

[\_\_\_\_\_, a  
\_\_\_\_\_ limited  
partnership

By \_\_\_\_\_, a  
\_\_\_\_\_ corporation,  
its general partner

By \_\_\_\_\_  
Title: \_\_\_\_\_]

[add additional signature lines as needed]

Form of Additional Borrower Joinder Supplement

GENESIS HEALTH VENTURES  
COMPARATIVE EARNINGS PER SHARE CALCULATION  
YEARS ENDED SEPTEMBER 30, 1996 AND 1995  
(in thousands, except share and per share data)

	9/30/96	9/30/95
<S>	<C>	<C>
Primary Earnings Per Share:		
Reported earnings before debenture conversion expense	\$37,966	\$25,531
Debenture conversion expense, net of tax	(797)	
Extraordinary item, net of tax		(1,923)
Reported net income	\$37,169	\$23,608
Weighted average shares & CSE's:	27,491,765	22,587,038
Primary EPS before debenture conversion expense	\$1.38	\$1.13
Primary EPS - Debenture conversion expense	(\$0.03)	
Primary EPS - Extraordinary item, net of tax change in accounting principle		(\$0.08)
Primary EPS - Net income	\$1.35	\$1.05
Fully Diluted Earnings Per Share:		
Reported earnings before debenture conversion expense	\$37,966	\$25,531
Debenture conversion expense, net of tax	(797)	
Extraordinary item, net of tax		(1,923)
Reported net income	37,169	23,608
Adjustments to net income:		
Interest expense, amortization and other costs related to the assumed conversion of the Convertible Debentures, net of tax	2,812	3,793
Adjusted net income	\$39,980	\$27,401
Weighted average shares & CSE's:		
Common shares	27,491,765	22,587,038
Additional option shares	6,374	154,992
Convertible Debenture shares	3,631,906	5,710,407
Total	31,130,045	28,452,437
Fully diluted EPS before debenture conversion expense	\$1.31	\$1.03
Fully diluted EPS - Debenture conversion expense	(\$0.02)	
Fully diluted EPS - Extraordinary item, net of tax		(0.06)
Fully diluted EPS - Net income	\$1.29	\$0.97

&lt;/TABLE&gt;

# Genesis Subsidiaries

<TABLE>

Name -----	State of Organization -----	Type of Entity -----
<S>	<C>	<C>
ASCO Healthcare of New England, Inc.	Maryland	Corporation
ASCO Healthcare of New England, Limited Partnership	Maryland	Corporation
ASCO Healthcare, Inc.	Maryland	Corporation
Brevard Meridian Limited Partnership	Maryland	Limited Partnership
Brinton Manor, Inc.	Delaware	Corporation
CareCard, Inc.	Maryland	Corporation
Carefleet, Inc.	Pennsylvania	Corporation
Catonsville Limited Partnership	Maryland	Limited Partnership
Cheltenham LTC Management, Inc.	Pennsylvania	Corporation
CompuAims, Inc.	Tennessee	Corporation
Concord Healthcare Corporation	Delaware	Corporation
Crestview Convalescent Home, Inc.	Pennsylvania	Corporation
Crestview North, Inc.	Pennsylvania	Corporation
Crystal City Nursing Center, Inc.	Maryland	Corporation
Derby Nursing Center Corporation	Connecticut	Corporation
Diversified Diagnostics, Inc.	Pennsylvania	Corporation
Dover Healthcare Associates, Inc.	Delaware	Corporation
Eastern Medical Supplies, Inc.	Maryland	Corporation
Eastern Rehab Services, Inc.	Maryland	Corporation
Easton Meridian Limited Partnership	Maryland	Limited Partnership
Edella Street Associates	Pennsylvania	Limited Partnership
EIDOS, Inc.	Florida	Corporation
Genesis Eldercare Home Care Services, Inc. f/k/a Healthcare Services Network, Inc.	Pennsylvania	Corporation
Genesis Eldercare Management Services, Inc. f/k/a Bluefield Manor, Inc.	Delaware	Corporation

Genesis Eldercare National Centers, Inc. f/k/a National Health Care Affiliates, Inc.	Florida	Corporation
Genesis Eldercare Network Services, Inc. f/k/a/ Genesis Management Resources, Inc. f/k/a Total Care Systems, Inc.	Pennsylvania	Corporation

</TABLE>

#### Genesis Subsidiaries

<TABLE>

Name -----	State of Organization -----	Type of Entity -----
<S>	<C>	<C>
Genesis Eldercare Physician Services, Inc. f/k/a Genesis Physician Services, Inc.	Pennsylvania	Corporation
Genesis Eldercare Properties, Inc.	Pennsylvania	Corporation
Genesis Eldercare Rehabilitation Management Services, Inc. f/k/a Robindale Medical Services, Inc.	Pennsylvania	Corporation
Genesis Eldercare Rehabilitation Services, Inc. f/k/a Team Rehabilitation, Inc.	Pennsylvania	Corporation
Genesis Eldercare Staffing Services, Inc. f/k/a Staff Replacement Services, Inc.	Pennsylvania	Corporation
Genesis Health Services Corporation	Delaware	Corporation
Genesis Health Ventures of Arlington, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of Bloomfield, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of Clarks Summit, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of Indiana, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of Lanham, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of Massachusetts, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of Naugatuck, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of New Garden, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of Point Pleasant, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of Salisbury, Inc.	Pennsylvania	Corporation

Genesis Health Ventures of Wayne, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of West Virginia, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of West Virginia, L. P.	Pennsylvania	Limited Partnership
Genesis Health Ventures of Wilkes-Barre, Inc.	Pennsylvania	Corporation
Genesis Health Ventures of Windsor, Inc.	Pennsylvania	Corporation

</TABLE>

#### Genesis Subsidiaries

<TABLE>

Name ----	State of Organization -----	Type of Entity -----
<S>	<C>	<C>
Genesis Health Ventures, Inc.	Pennsylvania	Corporation
Genesis Healthcare Centers Holdings, Inc.	Delaware	Corporation
Genesis Holdings, Inc.	Delaware	Corporation
Genesis Immediate Med Center, Inc.	Pennsylvania	Corporation
Genesis Properties Limited Partnership	Pennsylvania	Limited Partnership
Genesis Properties of Delaware Corporation	Delaware	Corporation
Genesis Properties of Delaware Ltd. Partnership, L. P.	Delaware	Limited Partnership
Geriatric & Medical Companies, Inc.	Delaware	Corporation
Geriatric & Medical Investments Corp.	Delaware	Corporation
Geriatric & Medical Services, Inc.	New Jersey	Corporation
Gerimed Corp.	Pennsylvania	Corporation
GMC Leasing Corporation	Delaware	Corporation
GMC Management, Inc.	Pennsylvania	Corporation
GMC Medical Consulting Services, Inc.	Pennsylvania	Corporation
GMC-LTC & Management, Inc.	Pennsylvania	Corporation
GMS Insurance Services, Inc.	Pennsylvania	Corporation
GMS Management - Tucker, Inc.	Pennsylvania	Corporation
Governor's House Nursing Home, Inc.	Delaware	Corporation
Greenspring Meridian Limited Partnership	Maryland	Limited Partnership
Hallmark Healthcare Limited Partnership	Maryland	Corporation

Hammonds Lane Meridian Limited Partnership	Maryland	Limited Partnership
HCHS, Inc.	Pennsylvania	Corporation
Health Concepts and Services, Inc.	Maryland	Corporation
Healthcare Resources Corp.	Pennsylvania	Corporation
Hilltop Health Care Center, Inc.	Delaware	Corporation
HSS-Para Transit, Inc.	Pennsylvania	Corporation
Innovative Health Care Marketing, Inc.	Pennsylvania	Corporation
Innovative Pharmacy Services, Inc.	New Jersey	Corporation
Keystone Nursing Home, Inc.	Delaware	Corporation
Knollwood Manor, Inc.	Pennsylvania	Corporation

</TABLE>

#### Genesis Subsidiaries

<TABLE>

Name -----	State of Organization -----	Type of Entity -----
<S>	<C>	<C>
Knollwood Nursing Home, Inc.	Delaware	Corporation
Life Support Ambulance, Inc.	Pennsylvania	Corporation
Life Support Medical Equipment, Inc.	Pennsylvania	Corporation
Life Support Medical, Inc.	Pennsylvania	Corporation
LIH Chestnut Associates L. P.	Pennsylvania	Limited Partnership
Lincoln Nursing Home, Inc.	Delaware	Corporation
Manor Management Corporation of Georgian Manor, Inc.	Pennsylvania	Corporation
McKerley Health Care Center - Concord Limited Partnership	New Hampshire	Limited Partnership
McKerley Health Care Center - Concord Inc.	New Hampshire	Corporation
McKerley Health Care Centers, Inc.	New Hampshire	Corporation
McKerley Health Facilities	New Hampshire	General Partnership
Medical Services Group, Inc.	Maryland	Corporation
Meridian Edgewood Limited Partnership	Maryland	Limited Partnership



Meridian Health, Inc.	Pennsylvania	Corporation
Meridian Healthcare Investments, Inc.	Maryland	Corporation
Meridian Healthcare, Inc.	Pennsylvania	Corporation
Meridian Perring Limited Partnership	Maryland	Limited Partnership
Meridian Valley Limited Partnership	Maryland	Limited Partnership
Meridian Valley View Limited Partnership	Maryland	Limited Partnership
Meridian/Constellation Limited Partnership	Maryland	Limited Partnership
Metro Pharmaceuticals, Inc.	Pennsylvania	Corporation
Millville Meridian Limited Partnership	Maryland	Limited Partnership
Neighborcare Pharmacies, Inc.	Maryland	Corporation
Norristown Nursing & Rehabilitation Center Associates, L. P.	Pennsylvania	Limited Partnership
North Cape Convalescent Center Associates, L. P.	Pennsylvania	Limited Partnership

</TABLE>

#### Genesis Subsidiaries

<TABLE>

Name	State of Organization	Type of Entity
----	-----	-----
<S>	<C>	<C>
Northweat Total Care Centers Associates, L. P.	New Jersey	Limited Partnership
Oak Hill Health Care Center, Inc.	Virginia	Corporation
Pharmacy Equities, Inc.	Pennsylvania	Corporation
Philadelphia Avenue Associates	Pennsylvania	Limited Partnership
Philadelphia Avenue Corporation	Pennsylvania	Corporation
Professional Pharmacy Services, Inc.	Maryland	Corporation
Prospect Park LTC Management, Inc.	Pennsylvania	Corporation
Quakertown Manor Convalescent and Rehabilitation, Inc.	Delaware	Corporation
River Ridge Partnership	Pennsylvania	General Partnership
River Street Associates	Pennsylvania	Limited Partnership

Seminole Meridian Limited Partnership	Maryland	Limited Partnership
State Street Associates Limited Parthershhip	Pennsylvania	Limited Partnership
State Street Associates, Inc.	Pennsylvania	Corporation
Suburban Medical Services, Inc.	Pennsylvania	Corporation
The Tidewater Healthcare Shared Services Group, Inc.	Pennsylvania	Corporation
Therapy Care Systems, L. P.	Pennsylvania	Limited Partnership
Therapy Care, Inc.	Pennsylvania	Corporation
Transport Services, Inc.	Maryland	Corporation
United Health Care Services, Inc.	Pennsylvania	Corporation
Valley Medical Services, Inc.	Pennsylvania	Corporation
Valley Transport Ambulance Service, Inc.	Pennsylvania	Corporation
Versalink, Inc.	Delaware	Corporation
Villas Realty & Investment, Inc.	Pennsylvania	Corporation
Volusia Meridian Limited Partnership	Maryland	Limited Partnership
Walnut LTC Management, Inc.	Pennsylvania	Corporation
Walnut Park Plaza Associates	Pennsylvania	Limited Partnership

</TABLE>

#### Genesis Subsidiaries

<TABLE>

Name ----	State of Organization -----	Type of Entity -----
<S>	<C>	<C>
Wayside Nursing Home, Inc.	Delaware	Corporation
Weisenfluh Ambulance Service, Inc.	Pennsylvania	Corporation
West Philadelphia LTC Managemet, Inc.	Pennsylvania	Corporation
Wyncote Healthcare Corp.	Pennsylvania	Corporation
York LTC Management, Inc.	Pennsylvania	Corporation

</TABLE>

Consent of Independent Auditors

The Board of Directors  
Genesis Health Ventures, Inc.:

We consent to incorporation by reference in the registration statement dated September 12, 1996 on Form S-8 (No. 333-11845) for the 1985 Amended and Restated Employee Stock Option Plan and the 1992 Stock Option Plan for Non-Employee Directors of Genesis Health Ventures, Inc., and the registration statement dated September 12, 1996 on Form S-3 (No. 333-11847) for the registration of common shares, of our reports dated November 20, 1996 relating to the consolidated balance sheets of Genesis Health Ventures, Inc. and subsidiaries as of September 30, 1996 and 1995 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the years in the three-year period ended September 30, 1996 and the related schedule, which reports appear in the September 30, 1996 annual report on Form 10-K of Genesis Health Ventures, Inc.

KPMG Peat Marwick LLP

Philadelphia, Pennsylvania  
December 27, 1996

<TABLE> <S> <C>

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<EPS-DILUTED>	1.29

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