

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE CITY OF STAMFORD
AND
CENTER MANAGEMENT GROUP**

AGREEMENT made this *6th* day of November, 2015, between THE CITY OF STAMFORD (the "City"), a municipal corporation organized and existing under the laws of the State of Connecticut, acting by David R. Martin, its Mayor, or his designee and the CENTER MANAGEMENT GROUP, LLC ("CMG"), a limited liability company organized and existing under the laws of the State of New York, acting by Charles-Edouard Gros, its Chief Executive Officer.

WITNESSETH

WHEREAS, the City owns and operates a Skilled Nursing Facility (a "SNF") known as The Smith House which is located at 88 Rock Rimmon Road in the City of Stamford, State of Connecticut and is licensed in Connecticut as a chronic and convalescent nursing home ("CCNH").

WHEREAS, the City filed a Letter of Intent ("LOI") on October 20, 2015 with the Department of Social Services of the State of Connecticut ("DSS") requesting an application for a Certificate of Need ("CON") in order to obtain permission from the State of Connecticut to close The Smith House.

WHEREAS, CMG owns and operates SNFs and, upon learning that the City had filed a LOI with DSS, contacted the City and, on October 28, 2015, sent the City a letter of intent for the acquisition of The Smith House (the "Transaction").

WHEREAS, the City believes that, so long as it has no further financial responsibility for the continued operation of The Smith House, it is in the best interests of the residents of the City for The Smith House to continue to operate as a CCNH under the auspices of another licensed operator subject to terms and conditions acceptable to the City.

WHEREAS, CMG is prepared to continue the operation of The Smith House as a CCNH subject to terms and conditions acceptable to the City and to relieve the City of all

financial responsibility for the continued operation of The Smith House.

NOW THEREFORE, the City and the CMG agree:

1. The City will enter into a long term (99 year) triple net lease agreement with CMG for occupancy and operation of The Smith House as a SNF. See Exhibit A (draft lease agreement, which the parties agree to continue to negotiate in good faith to reach mutually agreeable terms). The parties also agree to negotiate in good faith to reach mutually agreeable terms for an asset purchase agreement with respect to the Transaction. The lease agreement and asset purchase agreement shall include provisions regarding purchased assets and excluding assets, assignment and assumption of contracts (including Medicare and Medicaid provider numbers and bank accounts, representations relating to the property and operations, and indemnification for pre-closing liabilities, and other customary representations, covenants, and warranties for a transaction of this nature).
2. CMG will pay \$2,000 per month in rent.
3. The lease will be contingent upon CMG's continuing to operate The Smith House as a licensed CCNH with a minimum of 90 beds and no less than 80% occupancy for a term of at least 15 years.
4. CMG will not be permitted to sublease or license occupancy of the premises or substitute another operator of The Smith House without the prior approval of the City, other than to a an entity no less than 51% controlled by Charles Edouard Gros (Permitted Designee.)
5. CMG shall offer equivalent – *i.e.*, full-time, part-time, seasonal or per diem – employment to all current Smith House employees that satisfy CMG's standard qualification criteria generally applied at other CMG affiliated SNFs. The employment offers shall be on terms set by CMG in its sole discretion that are equivalent to the terms offered to equivalent new employees concurrently offered positions by CMG at the Smith House.

6. CMG will not in any way favor or discriminate against the applicants for residency at, the residents of, the families of residents or prospective residents, or the employees of The Smith House because of their status in any "protected class," including race, color, religious creed, age, sex, marital status, sexual orientation, gender identity or expression, national origin, ancestry, or physical disability, as recognized by Federal and/or State of Connecticut anti-discrimination statutes now existing, or as amended in the future.

7. CMG shall continue to operate/maintain the shared septic system in accordance with applicable regulatory and grant the City access to inspect the septic system.

8. Upon execution of this MOU, CMG shall immediately make a non-refundable deposit, by electronic funds transfer, of fifty thousand dollars (\$50,000.00) to an account designated by the City.

9. Upon deposit of the fifty thousand dollars (\$50,000.00), the City will negotiate exclusively with CMG for a period of 30 days, until CMG notifies the City that it does not wish to proceed based on its due diligence pursuant to this Agreement or until the lease is executed, whichever first occurs.

10. On or before 5:00 pm on November 10, 2015, CMG shall deposit one million dollars (\$1,000,000.00) as earnest money ("Earnest Money") by electronic funds transfer into an interest bearing escrow account, of the City's choosing, in which the funds will be held under CMG's tax ID number (the "Escrow Account"), pursuant to the Escrow Agreement attached as Exhibit C (To be provided on or before the deposit of the Earnest Money.)

11. The Earnest Money shall be refunded to CMG within three (3) business days if CMG notifies the City in writing by 5:00 pm EST on November 11, 2015 that it does not wish to proceed with the acquisition of The Smith House based on the results of its due diligence investigation.

12. The City will cooperate with CMG with respect to the due diligence requests made by CMG or its representatives.

13. CMG shall conduct its due diligence investigation in conformity with all local, state and federal laws and regulations including, in particular, its obligation to appropriately safeguard protected health information under HIPAA.

14. If CMG has made the payments/deposits required by this Agreement and has not notified the City that it does not wish to proceed with the acquisition of The Smith House by 5:00 pm on November 11, 2015 pursuant to Paragraph 10 above, the City will withdraw its LOI, application for a CON, and/or, as appropriate, request the State to discontinue processing the City's request to close The Smith House and/or to cancel the Public Hearing scheduled for November 13, 2015.

15. If CMG has made the payments/deposits required by this Agreement and has not notified the City that it does not wish to proceed with the acquisition of The Smith House by 5:00 pm on November 11, 2015 pursuant to Paragraph 10 above, the City will inform DSS and the Department of Health about this agreement and its intent to transfer the operation and management of The Smith House to CMG.

16. If CMG has made the payments/deposits required by this Agreement and has not notified the City that it does not wish to proceed with the acquisition of The Smith House by 5:00 pm on November 11, 2015 pursuant to Paragraph 10 above, CMG will immediately seek approval(s) from the appropriate State agency(ies) to operate The Smith House under an interim management agreement.

17. Immediately upon CMG's obtaining approval to operate The Smith House under an interim management agreement, the City will turn over operation of The Smith House to CMG pursuant to the interim management agreement. *See Exhibit B (draft interim management agreement (To be provided on or before the deposit of the Earnest Money)).*

18. If the City obtains the required approvals for the lease and CMG fails to

execute the lease or fails to obtain a license or any other required local, state or federal authorization to operate The Smith House, the Earnest Money shall be forfeited to the City, unless (i) if the City has defaulted or breached any of its requirements or covenants with respect to the Transaction, or (ii) CMG uses commercially reasonable efforts to obtain all required licenses and approvals and through no fault of CMG a required license or approval is not provided.

19. If the City fails to obtain the required Board approvals for the lease, as provided in Paragraph 22 below, the Earnest Money shall be refunded to CMG.

20. If the lease is executed and CMG obtains a license to operate The Smith House, the City will refund to CMG up to the total amount of the funds then held in the Earnest Money Escrow Account (which shall be the initial \$1,000,000 plus any accrued interest) to cover the costs CMG incurs to renovate the Facility within three (3) business days of presentation to the City of invoices for costs incurred to renovate or improve the Facility.

21. CMG shall have the right prior to 5:00 pm on November 10, 2015, to conduct reasonable inspections and investigations of the Facility, including all due diligence items described in paragraph 23 below, at any time. Upon delivery of the Earnest Money, CMG shall have the right to continue to conduct reasonable inspections and investigations of the Facility, including all due diligence items described in paragraph 23 below, after 5:00 pm on November 10, 2015 if delivery of the Earnest Money is made pursuant to paragraph 10.

22. CMG may employ agents to conduct due diligence activities on its behalf.

23. CMG's due diligence may include, but will not be limited to: a) inspection of books and records of the Facility; b) inspection of the physical structure of the Facility; c) review of contracts and leases to which the Facility or the City is a party; d) such other reasonable inspections or investigations as CMG may deem necessary.

24. During the due diligence period and prior to the deposit of the Earnest

Money, CMG and its agents may not represent to residents, families, or employees or to the public that it intends to acquire The Smith House or that it plans or expects to become the operator of The Smith House.

25. No party may, without the other party's (the "Other Party") prior written consent, publish or disclose or otherwise authorize or permit any of its officers, employees, directors, agents or representatives or any third party to publish or disclose any information regarding the Transaction or any other trade secrets, confidential or proprietary data or information or financial books, records or other similar information (collectively, the "Confidential Information") of or pertaining to the Other Party, provided, however, that the foregoing shall not apply to information which: (i) prior to or after the time of disclosure becomes publicly known and made generally available; or (ii) is required to be disclosed by applicable law or proper legal, governmental or other competent authority, provided that the Other Party shall be notified sufficiently to the extent possible in advance of such requirement so that the Other Party can seek an appropriate protective order with respect to such disclosure, with which the disclosing Party shall fully comply; (iii) is otherwise disclosed to agents, representatives (including attorneys, accountants and financial advisors), employees, vendors, or consultants whose knowledge of the information is needed for evaluation purposes and/or in connection with the consummation of the transactions contemplated by this Agreement and who recognize the confidential nature of such information and agree to be legally bound to the same burdens of confidentiality contained in this Agreement (or (iv) any disclosure that the City is obligated to make pursuant to its rules and regulations, including obligations to present financial information as it pertains to the City to various Boards and Commissions, which may or may not be subject to FOIA requests, or other public

communication responsibilities that the City may have as a municipal government, but in all cases the City will maintain confidentiality with respect to all of CMG's proprietary trade secrets, to the extent that it has access to any.

26. CMG shall be required to pay all applicable taxes, including personal property tax and provider taxes, attributable to the continued operation of The Smith House.

27. CMG shall become the licensed operator of The Smith House.

28. The City's agreement to lease The Smith House to CMG pursuant to Paragraph 1 above is contingent upon approval by the Planning Board, the Board of Finance and Board of Representatives.

29. This Agreement contains the entire agreement between the parties hereto, and no oral statements or promises and no understanding not embodied in this writing shall be valid or binding upon either CMG or the City. Any modification of this Agreement shall be in writing and executed with the same formality as this Agreement.

30. Any notice or request required to be given or otherwise given pursuant to this Agreement to CMG shall be in e-mail to Charles-Edouard Gros at cgros@centermgt.com and Shlomo Boehm at sboehm@centermgt.com, or at such other e-mail address as may hereafter be specified in a notice designated as a notice of change of address under this paragraph.

31. Any notice or request required to be given or otherwise given pursuant to this Agreement to the City shall be in e-mail to Michael Handler at mhandler@stamfordct.gov AND Kathryn Emmett at kemmett@stamfordct.gov or at such other e-mail address as may hereafter be specified in a notice designated as a notice of change of address under this paragraph.

32. The Parties acknowledge that they each participated in drafting this Agreement, and there shall be no presumption against any party on the ground that such party was responsible for preparing or reviewing this Agreement or any part of it.

33. Each party (to the extent obligated to do so) shall execute and deliver such instruments and take such other actions as the other party or parties may reasonably request in order to carry out the intent of this Agreement.

34. Subject to applicable law, this Agreement may be modified, amended, and supplemented only by written agreement of the Parties. No term or condition hereof may be waived, except in a writing signed by the party sought to be charged therewith. Failure by any party to insist in any one or more instances on strict compliance with the terms, conditions, covenants, representations and warranties contained herein shall not be deemed a waiver or act as an estoppel.

35. If any one or more provisions of this Agreement shall be deemed to be illegal or unenforceable, such illegality or unenforceability shall not affect any of the remaining legal and enforceable provisions hereof, which shall be construed as if such illegal or unenforceable provision or provisions had not been inserted.

36. This Agreement and all rights and liabilities of the Parties shall be governed by and construed in accordance with the laws of the State of Connecticut without regard to conflict of law principles.

37. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. An electronic facsimile or photocopy of this Agreement or any signature hereon shall be deemed an original and may be filed or received in evidence in any matter and for any purpose.

38. This Agreement and the Lease are assignable, in whole or in part, to any "Permitted Designee".

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CITY OF STAMFORD

By 
Mayor David R. Martin

Date: 11/6/15

CENTER MANAGEMENT GROUP,
LLC

By 
Charles-Edouard Gros

Date: 11-6-15.