

SUBLEASE

between

**HOSPITAL AUTHORITY OF THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON COUNTY**

AS LANDLORD

and

KINDRED HOSPITALS LIMITED PARTNERSHIP

AS TENANT

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SUBLEASE

THIS SUBLEASE (the "Sublease") is made as of August 12, 2003, between Hospital Authority of the Metropolitan Government of Nashville and Davidson County, a public and governmental body acting as an agency and instrumentality of the Metropolitan Government of Nashville and Davidson County, as lessor ("Landlord"), and Kindred Hospitals Limited Partnership, a Delaware limited partnership, as lessee ("Tenant"). In addition to this Sublease, Landlord and Tenant have entered into an Ancillary and Support Services Agreement of even date herewith (the "Ancillary and Support Services Agreement"). Landlord is a lessee under that certain lease agreement ("Lease") dated the 25th day of March, 1999 with the Metropolitan Government of Nashville and Davidson County ("Metropolitan Government"). The parties agree that this Sublease is not an assignment of the Lease to Tenant. Vanderbilt University, a Tennessee nonprofit corporation ("Vanderbilt"), by and through its Vanderbilt University Medical Center ("VUMC"), provides certain Key Personnel to provide specified administrative services to the Hospital pursuant to that certain Amended and Restated Management Services Agreement with Landlord, as amended (the "Vanderbilt Management Agreement").

SUBLEASE OF PREMISES

On all the terms and conditions of this Sublease, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, certain space (the "Premises") as described in Exhibit A in Landlord's hospital located at 1414 County Hospital Road, Nashville, Tennessee 37218, commonly known as Nashville Metropolitan Bordeaux Hospital (the "Hospital"). Tenant has determined that the Premises shall be sufficient to accommodate at least a sixty (60) bed long-term acute care hospital, including an intensive care unit, a procedure room, respiratory services, a central supply storage room, and health professional and administrative offices (the "LTAC"). Tenant shall be permitted to add intensive care unit beds at its discretion, which may reduce the licensed bed capacity of the LTAC. In addition, on all the terms and conditions of this Sublease, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the equipment listed on Exhibit B (the "Equipment").

CONTENTS OF SUBLEASE

This Sublease consists of the Basic Sublease Provisions and the General Sublease Provisions.

All references in this sublease to "Section" are to the alphabetically designated sections of the Basic Sublease Provisions and the numbered sections of the General Sublease Provisions, respectively. If there is any conflict between any Basic Sublease Provision and a General Sublease Provision, the latter shall control.

BASIC SUBLEASE PROVISIONS

Section

- A. Landlord: Hospital Authority of the Metropolitan Government of Nashville and Davidson County, a public and governmental body acting as an agency and instrumentality of the Metropolitan Government of Nashville and Davidson County
- B. Tenant: Kindred Hospitals Limited Partnership, a Delaware limited partnership
- C. Name of Landlord Facility: Nashville Metropolitan Bordeaux Hospital
Address: 1414 County Hospital Road, Nashville, Tennessee 37218
- D. Premises:
1. Approximately 18,699 square feet of space, having a separate entrance, in the first floor of the Birmingham Building ("Building"), shown as Area 1 on Exhibit A.
 2. Approximately 1920 square feet of space in the basement of the Birmingham Building, shown as Area 2 on Exhibit A.
- E. Additional Space: None
- F. Permitted Uses: Long-term acute care hospital which is Medicare certified and where the average inpatient length of stay is greater than 25 days (or such other criteria as the Medicare Program may establish from time to time for such hospitals), which may include an intensive care unit, a procedure room, respiratory services, a central supply storage room, and health professional and administrative offices.
- G. Initial Term: 15 years.
- H. Renewal Options: Renewed, at Tenant's option, for two (2) consecutive five (5) year renewal periods after the Initial Term (not to exceed January 1, 2028 unless the Lease is extended beyond such date) upon notice of renewal provided by Tenant not less than one hundred eighty (180)

days and not more than two hundred seventy (270) days prior to the last day of the Initial Term or the applicable Renewal Period.

I. Commencement Date: Ten (10) days after Tenant shall have obtained all appropriate licenses and certifications to permit operation of the LTAC. Tenant shall apply for a hospital license for the LTAC within ten (10) business days after execution and approval of this Sublease by both parties.

J. Occupancy Date: The day after execution and approval of this Sublease by both parties. On this date Tenant shall have the right to begin installation and construction of the improvements and alterations reasonably necessary for its use of the Premises, as per Section 8.1.1 of the General Sublease Provisions.

K. Base Rent: The Base Rent shall be Three Hundred Ninety Thousand dollars (\$390,000) per annum, subject to adjustment as per Section L and payable in monthly installments as per Section 4.3 of the General Sublease Provisions.

L. Adjustments to Rent: Base Rent shall be adjusted in accordance with Section 4.2.1 of the General Sublease Provisions

M. Addresses for Payment and Notices:

Landlord:

Nashville Metropolitan Bordeaux Hospital
1414 County Hospital Road
Nashville, TN 37218
Attention: May Bennett, COO
Fax: (615) 862-6950
Phone: (615) 862-7005

With a copy of notices only to:

Metropolitan Department of Law
Metropolitan Courthouse
Nashville, TN 37207
Attention: Director of Law
Phone: (615) 862-6341
Fax: (615) 862-6352

Tenant:

Kindred Hospitals Limited Partnership

c/o Kindred Healthcare, Inc.
680 S. Fourth Avenue
Louisville, Kentucky 40202
Attention: President-Hospital Division
Fax: (502) 596-4026
Phone: (502) 596-7701

And

Kindred Healthcare, Inc.
680 S. Fourth Avenue
Louisville, Kentucky 40202
Attention: Leased Property Manager
Phone: (502) 596-7234
Fax: (502) 596-4075

And

Kindred Healthcare, Inc.
680 S. Fourth Avenue
Louisville, Kentucky 40202
Attention: General Counsel
Phone: (502) 596-7234
Fax: (502) 596-4075

N. Equipment:

As listed on Exhibit B.

GENERAL SUBLEASE PROVISIONS

1. Term of Sublease. The initial term of this Sublease (the "Initial Term") is shown in Section G of the Basic Sublease Provisions. For all purposes of this Sublease, the first "Sublease Year" shall commence on the Commencement Date and continue for a period of twelve consecutive calendar months thereafter (including partial months at the beginning and end of the Sublease Year, if applicable). A new Sublease Year shall commence on each anniversary of the Commencement Date. Each "Term" is defined as the then-current Initial Term or renewal period, as applicable.

2. Commencement Date. The Initial Term shall begin on the Commencement Date. Tenant's obligation to pay Rent hereunder shall begin four (4) months after the Commencement Date. Tenant shall notify Landlord of the Commencement Date in writing as soon as such date is determined.

2.1. Transfer of Operations.

(a) Landlord agrees to take all necessary actions (including the filing of a Medicare terminating cost report) and to otherwise cooperate with Tenant, as time is of the essence, to ensure that Tenant obtains all necessary licenses, permits and certifications to begin operating the LTAC on the Commencement Date, which the parties intend to occur as soon as possible after the date the parties execute this Sublease. Tenant shall apply for a hospital license for the LTAC within ten (10) business days after execution and approval of this Sublease by both parties. Tenant agrees to pay all applicable fees (including legal fees) to obtain a hospital license for the LTAC and all other necessary licenses, permits and certifications for the LTAC. Landlord and Tenant shall each pay for their own legal fees in connection with the actions described in this Section 2.1.

(b) Tenant will accept patient care responsibility for the patients remaining in the LTAC on the date the hospital license is transferred from Landlord to Tenant.

(c) The parties agree to work cooperatively to appropriately staff the LTAC during the first Sublease Year.

3. Renewal. This Sublease shall renew, at Tenant's option, for two (2) consecutive five (5) year renewal periods after the Initial Term (each such period is herein referred to as a "Renewal Period") (not to exceed January 1, 2028 unless the Lease is extended beyond such date) upon notice of renewal provided by Tenant to Landlord not less than one hundred eighty (180) days and not more than two hundred seventy (270) days prior to the last day of the Initial Term or the applicable Renewal Period. This Sublease will not be renewed for less than all of the Premises. The Base Rent during any Renewal Period shall be that payable in the last Sublease Year of the Term, adjusted pursuant to Section 4.2. During each Renewal Period, all of the terms, covenants and conditions of this Sublease pertaining to the prior Term (including, without limitation, obligations for Additional Rent), shall pertain in all respects to such Renewal Period, except the amount of the Base Rent.

4. Rent. Tenant shall pay the rent (the "Rent") to Landlord described in Sections 4.1 and 4.2 in exchange for Tenant's use of the Premises as described in Section 6, the items described in Section 7 and all other obligations of Landlord under this Sublease.

4.1. Base Rent. The base rent, hereinafter referred to as the "Base Rent," shall be in the amount specified in Section K of the Basic Sublease Provisions, and shall be payable in accordance with Section 4.3. If the Commencement Date occurs on a day other than the first day of a calendar month, the monthly Base Rent for the fraction of the month that is four (4) months from the Commencement Date shall be prorated on the basis of the actual number of days in that month. If the Term ends on a day other than the last day of a calendar month, the monthly Base Rent for the calendar month during which the Term ends shall be prorated on the basis of the actual number of days in that month. The Base Rent shall cover not only the Premises, but also the Equipment to be leased to Tenant hereunder, Tenant's share of the costs for property and casualty insurance, utilities (as specified in Section 7.1), use of common areas (as specified in Section 7.2), designated parking areas (as specified in Section 7.3), security (as specified in Section 7.4), pest control services (as specified in Section 7.5), shipping and receiving services (as specified in Section 7.6), and the routine maintenance of the Premises (as specified in Section 11.1). The parties agree that the Base Rent allocable to maintenance, security, utilities, hazardous waste removal and disposal, pest control, and shipping and receiving shall be determined by multiplying (i) Landlord's allowable cost per square foot for such services, determined using Landlord's most recently filed Medicare cost report, by (ii) the number of square feet included in the Premises. The Parties agree that the Rent is not based on the value or volume of referrals.

4.2. Adjusted Rent. The Base Rent shall be adjusted at and as of the first day of the second Sublease Year and each succeeding Sublease Year during the Term, as described in Sections 4.2.1 through 4.2.3.

4.2.1. Adjustments. The annual Base Rent for the second Sublease Year shall be Four Hundred Fifty Thousand dollars (\$450,000.00). The annual Base Rent for the third Sublease Year shall be Four Hundred Eighty Thousand dollars (\$480,000.00). The annual Base Rent for every succeeding Sublease Year shall be Four Hundred Eighty Thousand dollars (\$480,000.00), as adjusted at and as of the first day of such succeeding Sublease Year (each such day is hereinafter called the "Adjustment Date"), according to Section 4.2.2.

4.2.2. Index.

(a) The base for computing the adjustments of the Base Rent starting in the fourth Sublease Year shall be the then most recently published United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners and Clerical Workers (U.S. All Items) 1982-1984 = 100 ("Index"), for the period in which the first day of the third Sublease Year falls, hereinafter called the "Beginning Index." The then most recently published Index for the month prior to the month in which the Adjustment Date falls ("Extension Index") is to be used in

determining the amount of the adjustment. If the Extension Index has increased over the Beginning Index, the Base Rent for the following Sublease Year shall be calculated by multiplying the Base Rent in effect on the first day of the third Sublease Year by a fraction, the numerator of which is the Extension Index and the denominator of which is the Beginning Index. No annual adjustment of the Base Rent shall be greater than three percent (3%).

(b) Change in Index. If the manner in which the Index is determined shall be substantially changed, or if 1982-1984 shall no longer be used as the base period, such adjustment shall be made in such revised index as may be specified by the issuing agency for the purpose of compensating for the change, or in the absence of such specification, there shall be made such adjustment as Landlord and Tenant reasonably determine to be appropriate. If the Index shall become unavailable, Landlord and Tenant will mutually agree on a substitute index based upon changes in the cost of living or purchasing power of the consumer dollar published by any other governmental agency or, if no such index shall then be available, an index mutually determined by the parties to be comparable.

4.2.3. Exhibit. Upon adjustment of the Base Rent as provided in this Sublease, the parties shall immediately reflect such adjustment in this Sublease using Exhibit E.

4.3. Payment of Rent. The Rent shall be payable to Landlord in lawful money of the United States of America at the address for Landlord as shown in Section M of the Basic Sublease Provisions, or to such other person or at such other place as Landlord may from time to time designate by prior written notice. The Rent shall be payable in twelve (12) equal monthly installments of Thirty Two Thousand Five Hundred dollars (\$32,500.00), starting on the first (1st) day of the calendar month four (4) months after the month in which the Commencement Date occurs, and on the first (1st) day of each succeeding calendar month. Rent not received by the tenth (10th) day of any month shall thereafter bear interest at the rate announced from time to time by Citibank as its prime rate, plus two (2) percent per annum.

5. Changes in Law.

5.1. Legal Event; Consequences. Notwithstanding any other provision of this Sublease, if the governmental agencies that administer the Medicare, Medicaid, or other federal health care programs (or their representatives, agents or instrumentalities), or any other federal, state or local governmental or nongovernmental agency, or any court or administrative tribunal passes, issues or promulgates any law, rule, regulation, standard, interpretation, order, decision or judgment after the date the parties execute this Sublease, including but not limited to those relating to any regulations pursuant to state or federal anti-kickback or self-referral statutes (collectively or individually, "Legal Event"), which (a) reduces, limits or otherwise adversely affects the then-current basis for reimbursement for long-term acute care hospitals, (b) renders Tenant's use of the Premises to not qualify as a long-term acute care hospital pursuant to 42 C.F.R. § 412.23(e), as from time to time amended or superseded, or (c) otherwise materially and adversely affects a party (the "Noticing Party"), then such party may give the other party notice in accordance with Section 5.2.

5.2. Notice Requirements. The Noticing Party shall give notice to the other party setting forth the following information:

- (a) The Legal Event(s) giving rise to the notice;
- (b) The potential consequences of the Legal Event(s) as to the Noticing Party;
- (c) The Noticing Party's intention to amend this Sublease, together with a statement of the purpose thereof;
- (d) The Noticing Party's proposed amendment(s); and
- (e) The Noticing Party's request for commencement of the Renegotiation Period (as defined below).

5.3. Renegotiation Period; Termination. In the event of a notice under Section 5.2, the parties shall have thirty (30) days from the giving of such notice ("Renegotiation Period") to negotiate amendments to this Sublease in accordance with the Noticing Party's proposal (if any) or otherwise as the parties may agree, provided that if the Sublease can be amended so as to comply with any Legal Event and such amendment will not materially adversely affect a party's interest under the Sublease, the parties shall so amend the Sublease. If this Sublease is not so amended within the Renegotiation Period, at either party's sole option, this Sublease shall terminate as of midnight on the thirtieth (30th) day after said notice was given. Except as otherwise required by applicable law, any amounts owing to either party hereunder shall be paid, on a pro rata basis, up to the date of termination, and any obligation hereunder that is to continue beyond expiration or termination shall so continue pursuant to its terms. Further, if Landlord is the Noticing Party and Landlord terminates this Sublease pursuant to this Section 5.3, Landlord shall pay Tenant within sixty (60) days thereafter the historical costs of all Pre-operation Improvements made by Tenant, less the amortized costs based on the useful life according to the schedule attached hereto as Exhibit G, which shall not exceed Five Hundred Thousand dollars (\$500,000.00).

6. Use of Premises. Tenant shall use the Premises only for the purposes specified in Section F of the Basic Sublease Provisions and for no other purpose unless otherwise mutually agreed to in writing by the parties.

6.1. Violation of Law. Tenant shall not use the Premises in violation of any law or regulation that applies to health care facilities.

6.2. Insurance. Tenant shall not do or commit, or suffer or permit to be done or committed, any act or thing as a result of which any policy of insurance of any kind on or in connection with the Premises shall become void or suspended, or any insurance risk on or in connection with the Building or any other portion of the Premises shall (in the opinion of the insurer or any insurance organization) be rendered more hazardous. Without limitation of all other rights and remedies of Landlord, Tenant shall

promptly upon written demand pay as Additional Rent the amount of any increase of premiums for such insurance, resulting from any breach of this provision.

6.3. Access. Tenant shall have access to and the right to use the Premises 24 hours a day, seven days a week.

6.4. Equal Employment Opportunity.

6.4.1. Tenant. Tenant shall not discriminate on the basis of sex, race, religion, age, creed, color or national origin with respect to the performance of services pursuant to this Sublease, or with respect to the hiring, placement, and management of its personnel.

6.4.2. Landlord. Landlord shall not discriminate on the basis of sex, race, religion, age, creed, color or national origin with respect to the performance of services pursuant to this Sublease, or with respect to the hiring, placement, and management of its personnel.

6.5. Representations and Warranties by Landlord. Landlord makes the following representations and warranties to Tenant:

6.5.1 Medicare and Medicaid Participation. The LTAC is now and, until the Commencement Date, will remain certified by Medicare as long-term acute care hospital exempt from the hospital inpatient prospective payment system ("PPS"), and certified as a Medicaid hospital provider in the TennCare program. At Tenant's sole discretion, the LTAC will elect to transition to the new Medicare prospective payment system for LTACs ("LTCH-PPS") at the full federal PPS rate at the earliest time possible;

6.5.2. Right to Sublease LTAC Assets. Landlord is the true and lawful owner of the LTAC Assets, or prior to the date this Sublease is executed by the parties Landlord shall have obtained the full right and authority of the true and lawful owner of the Hospital to sublease the LTAC Assets to Tenant under the terms of this Sublease. For purposes of this Section, the term "LTAC Assets" shall mean all permits, licenses, structures and fixtures constituting the LTAC, and all medical and other equipment, inventory, furniture and furnishings owned or used by Landlord and located in the Premises.

7. Utilities, Services, Common Areas, Parking and Security.

7.1. Utilities. Landlord shall provide to the Premises 24 hours a day, seven days a week and shall pay all charges for the following:

(a) Heat and air conditioning in such amounts and at such temperatures as may be necessary to establish the interior temperatures of the Premises at such levels as may be selected by Tenant from time to time, consistent with the design specifications of the existing heating and cooling system in place for the Premises and any modifications made thereto due to any Pre-operation Improvements allowed under Section 8.1;

(b) Hot and cold water in such amounts and at such temperatures as Tenant may reasonably require for its use of the Premises, consistent with the design specifications of the existing hot and cold water systems in place for the Premises and any modifications made thereto due to any Pre-operation Improvements allowed under Section 8.1;

(c) Electric current in such amounts as Tenant may reasonably require for its use of the Premises, including adequate emergency power supply and emergency electrical service to accommodate each patient bed of Tenant in accordance with applicable safety and health requirements for an LTAC, consistent with the design specifications of the existing electrical wiring for the Premises and any modifications made thereto due to any Pre-operation Improvements allowed under Section 8.1; and

(d) Telephone service for the Premises, consistent with the existing telecommunications wiring of the Premises, including paging service throughout the Premises, and any modifications made thereto due to any Pre-operation Improvements allowed under Section 8.1.

7.2. Common Area. Landlord grants to Tenant, its employees, patients, suppliers, contractors, providers, customers, agents, representatives, licensees, guests and invitees the nonexclusive right to use the areas, facilities, fixtures and equipment outside the Premises in and around the Building including, without limitation, all common entrances, lobbies, corridors, stairwells, public restrooms, elevators, parking areas and the cafeteria, necessary or convenient for access to and use of the Premises by Tenant, its employees, patients, suppliers, contractors, providers, customers, agents, representatives, licensees, guests and invitees (the "Common Area") with others who are also entitled to use them. Tenant shall not authorize or permit its employees, agents, patients, suppliers, customers, licensees or invitees to have access to areas of the Building other than the Common Areas. Tenant shall not authorize or permit its agents, patients, suppliers, customers, licensees or invitees to have access to the cafeteria whenever Landlord informs Tenant that usage of the cafeteria is temporarily at or near capacity; however, this restriction shall not apply to Tenant's employees. Tenant covenants and agrees not to disturb Landlord's use of the Building, with any of its activities beyond the Premises. Landlord shall maintain the Common Area in good condition at all times, and it shall be open for use 24 hours a day, seven days a week, except as may be reasonably necessary for security, maintenance, cleaning and other operational needs, and Landlord shall pay for all utilities and services furnished to the Common Area or necessary for its operation and use, including, without limitation, heating and air conditioning, electricity, hot and cold water, janitorial services, trash collection (including any biohazardous or infectious materials), and elevator service.

7.3. Parking. Tenant shall be entitled to the exclusive use of twelve (12) parking spaces near the entrance to the Premises and nonexclusive use of other parking areas, as specified on Exhibit C.

7.4. Security. Landlord shall be responsible for providing 24-hour security for the Premises as well as the rest of Building, including the parking lot. Landlord's security personnel will coordinate and cooperate with Tenant's administrators and will accommodate Tenant's reasonable requests. Landlord shall not authorize or permit its employees, agents, patients, suppliers, customers, licensees or invitees to have access to the Premises, except for Landlord's security, maintenance personnel, agents, and Landlord's personnel and agents providing support services to Tenant pursuant to the Ancillary and Support Services Agreement, or in the case of an "emergency" as defined in Section 19.3.2. Permission for any other access, including access for any of the non-emergency purposes identified in Section 19.3, must first be obtained from Tenant, whose permission shall not be unreasonably withheld, conditioned or delayed. Landlord covenants and agrees not to disturb Tenant's use of the Premises with any of its activities outside the Premises within the Hospital.

7.5. Pest Control Services. Landlord shall provide pest control services to the Premises on an as needed basis, when Tenant notifies Landlord that such services are needed.

7.6. Shipping and Receiving Services. Landlord shall provide shipping and receiving services to Tenant, in connection with Tenant's operation of the LTAC at the Premises.

8. Tenant Rights to Make Improvements, etc.: Ownership of Improvements and Personalty.

8.1. Improvements and Alterations. Tenant shall have the right to make improvements and alterations of the Premises and to install furniture, furnishings and equipment therein on the following terms:

8.1.1. Initial Improvements. Beginning on the Occupancy Date specified in Section J of the Basic Sublease Provisions, subject to Landlord's and the Metropolitan Government's prior written approval as stated below, Tenant shall have the right to install and construct the improvements and alterations reasonably necessary for its use of the Premises, hereinafter called the "Pre-operation Improvements" (see Exhibit F). The Pre-operation Improvements shall be made at Tenant's sole cost and expense. Once the Landlord has approved said documents as described in Section 8.1.2, Tenant shall not make any additional Pre-operation Improvements (other than minor modifications relating to field conditions discovered during construction), without Landlord's and the Metropolitan Government's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed. Pursuant to Section 5(f) of the Lease, if the contract for the Pre-operation Improvements exceeds One Hundred Thousand dollars (\$100,000.00), a bond shall be secured equal to one hundred percent (100%) of the contract price by a company licensed to do business in the State of Tennessee. Tenant shall have all reasonable access to and from the Premises and the Building necessary to complete such Pre-operation Improvements in an orderly fashion and Landlord shall make available parking for Tenant's contractor use. Tenant shall cooperate fully with Landlord during construction to ensure the safety of the building's residents and to minimize noise.

8.1.2. Landlord Approvals. Landlord's approval of Pre-operation Improvements and alterations required by Section 8.1.1 shall not be unreasonably withheld, delayed or conditioned. If Landlord's written disapproval is not received by Tenant within ten (10) days after submission to Landlord of the plans for such Pre-operation Improvements and a request to make Pre-operation Improvements and alterations or of any modification or amendment of those plans, then Landlord shall be deemed to have approved such plans. If Landlord rejects the plans submitted by Tenant, such rejection shall identify, with specificity, the deficiencies in the plans and suggest modifications that will render the plans acceptable to Landlord. Landlord acknowledges that the governing agencies may make requests for changes and that compliance with such requests will be necessary to secure licensure and occupancy of Tenant space and agrees that approval will not be unreasonably withheld, conditioned or delayed for modifications necessary to secure licensure and occupancy of the Premises.

8.1.3. Other Improvements and Alterations. Except as otherwise provided in this Section 8.1 and as may be required by any regulatory body having authority over Tenant's operation of the Premises, Tenant shall make no alterations, additions, or improvements to the Premises, other than usual maintenance, decoration and non-structural, non-mechanical and non-electrical alterations of the interior of the Premises at Tenant's sole cost and expense that are necessary or appropriate to the conduct of Tenant's business, without the prior written consent of Landlord and the Metropolitan Government, which approval shall not be unreasonably withheld, delayed or conditioned. Pursuant to Section 5(f) of the Lease, if the contract for such alterations, additions, or improvements to the Premises exceeds One Hundred Thousand dollars (\$100,000.00), a bond shall be secured equal to one hundred percent (100%) of the contract price by a company licensed to do business in the State of Tennessee.

8.1.4. Metropolitan Government's Approvals. Landlord agrees to obtain the prior written approval of the Metropolitan Government, as necessary, before Landlord approves the Pre-operation Improvements described on Exhibit F hereto or any additional alterations, additions, or improvements to the Premises that Tenant desires to make, as further described in Section 8.1.3.

8.2. Ownership of Improvements and Personal Property.

8.2.1. By Landlord. In the event that Landlord terminates this Sublease in accordance with Section 16.3.1, all alterations, additions or improvements constructed on or installed permanently in the Premises by Tenant shall become the property of Landlord.

8.2.2. By Tenant. All personal property, trade fixtures, machinery and equipment, furniture, furnishings and moveable partitions owned or installed by Tenant (other than the Equipment leased to Tenant hereunder) shall remain the property of Tenant and may be removed by Tenant at any time during or at the end of the Term if Tenant repairs any damage to the Hospital or the Building caused by such removal. Tenant shall remove all such personal property, trade fixtures,

machinery and equipment, furniture, furnishings and moveable partitions at the end of the Term if requested to do so by Landlord.

9. Liens and Encumbrances. Tenant shall pay for all labor, materials and services used or furnished by or to Tenant or any contractor employed by Tenant for the improvement or alteration of the Premises. Tenant shall keep the Hospital and the Building free from all claims, liens and encumbrances, including, without limitation, mechanics' liens, all of which are hereinafter called "Encumbrances," arising out of any work performed, materials furnished or obligations incurred by Tenant, or which are alleged to have arisen, been furnished or incurred, and agrees to indemnify, defend, and hold Landlord harmless from any Encumbrance together with costs of suit and reasonable attorneys' fees incurred by Landlord in connection with any such claim or actions.

9.1. Notice to Landlord. Tenant shall give Landlord written notice ten (10) days (or, in the event of an emergency not permitting such delay, as early as possible) prior to employing or hiring any laborer or contractor to perform any work or services relating to, or receiving materials for, improvements or alterations of the Premises, if the cost of such work, services or materials exceed \$100,000.00, and shall give Landlord notice by telephone immediately upon the commencement of any such work or services on the Premises.

9.2. Lien Contest. Tenant may, in good faith, contest by any and all appropriate proceedings the validity and amount of any Encumbrance, provided that Tenant indemnifies and saves Landlord harmless from all claims, liabilities, loss or expense, including attorneys' fees, arising from any such contest.

10. Real and Personal Property Taxes.

10.1. Tenant's Obligations Tenant shall be liable for and shall pay any real estate taxes, assessments or similar impositions levied on the Hospital and/or the Building, or directly on Tenant, solely as a result of Tenant's use, occupancy and/or sublease of the Premises or as a result of any improvements or alterations made by Tenant to the Premises, and any taxes, assessments or similar impositions levied on the furniture, furnishings, equipment, trade fixtures and other personal property installed or placed by Tenant in the Premises; provided, however, that Tenant shall only be liable for and pay its pro rata share of such taxes, assessments or similar impositions that are directly allocable to the Premises and the furniture, furnishings, equipment, trade fixtures and other personal property installed or placed by Tenant in the Premises. Landlord shall supply Tenant with a copy of any bill reflecting such levy upon Landlord's receipt of the same.

10.2. Landlord's Obligations Except as provided under Section 10.1, Landlord shall be liable for and shall pay all real property taxes, assessments or similar impositions levied on the Hospital and/or the Building, and any taxes, assessments or similar impositions levied on the Equipment.

10.3. Contest. Tenant shall have the right to contest, at its own expense but in Landlord's name if necessary or appropriate, any tax or assessment described in

Section 10.1, and Tenant shall indemnify the Landlord from all claims, liabilities, loss or expense, including attorneys' fees, arising from any such contest.

11. Maintenance and Repair.

11.1. By Landlord.

11.1.1. Maintenance of Premises. Landlord shall maintain the Premises in good condition and repair, at its sole cost and expense.

11.1.2. Maintenance of Operating Systems and Common Area. Landlord shall maintain, repair and, if necessary, replace the heating, ventilating, and air conditioning ("HVAC") systems and the plumbing, electrical and lighting facilities and equipment connecting to and serving the Premises, and shall maintain the Common Area, including the parking facilities, and the structural portions and the roof of the Building in good condition and repair. Landlord's obligations shall include, without limitation, reasonably prompt removal of snow, ice and debris from the Common Area, including all parking areas. Notwithstanding anything contained in this Sublease to the contrary, Landlord hereby covenants and agrees that it shall (a) regularly inspect, clean, adjust and maintain the heating, ventilation and air conditioning systems servicing the Premises, including, but not limited to, all pumps, fans, motors, air intakes, thermostats, filters, vents, dampers, pipes, conduits and drains, in accordance with all applicable health and safety requirements for such facilities; and (b) comply with all applicable Federal, State, county and city laws, ordinances, regulations, rules and guidelines governing indoor air quality, whether now or hereafter enacted or adopted; provided, however, that any change in such laws, ordinances, regulations, rules and guidelines that materially and adversely affects either party's ability to comply with its obligations under this Sublease shall, at such party's option, be deemed a Legal Event pursuant to Section 5.1 and such party may give the other party notice in accordance with Section 5.2.

11.2. Landlord's Liability for Disruption of Services.

(a) Tenant agrees that Landlord shall not be liable for damages (by abatement of rent or otherwise) for failure to furnish or delay in furnishing any service, or for any diminution in the quantity thereof, when such failure or delay or diminution is occasioned, in whole or in significant part, by a Force Majeure; and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of the Tenant's use and possession of the Premises or relieve the Tenant from paying Rent or performing any of its obligations under this Sublease, unless such failure or delay: (i) is caused by the negligence or willful misconduct of Landlord, its agents, employees or contractors; (ii) continues for seven (7) consecutive days; and (iii) renders any material portion of the Premises uninhabitable, in which event the Base Rent and any Additional Rent for such portion of the Premises shall abate until such service is restored. As used in this Section, a "Force Majeure" is defined as causes beyond the reasonable control of Landlord, including acts of God; civil commotion; strikes; destruction of the Hospital and/or Building facilities or service materials by fire, earthquake or storm; and imposition of new or revised acts, regulations, or laws of any government, or interpretations thereof by judicial or regulatory authority, that

significantly diminish Landlord's ability to provide any service to Tenant. Landlord agrees to promptly provide written notice to Tenant of any Force Majeure under this Section 11.2(a), and to employ all reasonable efforts towards prompt resumption of its performance hereunder when possible if such performance is delayed or interrupted by reason of such event. In the event of a Force Majeure that continues for more than sixty (60) days, Tenant shall have the option to terminate this Sublease without penalty.

(b) Should any of the Building equipment or machinery break down or cease to function properly, Landlord shall use its best efforts to repair or replace same as promptly as possible, but no more than thirty (30) days thereafter.

12. Indemnity, Liability and Insurance.

12.1. Indemnity. Tenant and Landlord shall indemnify each other as provided in this Section 12.1.

12.1.1. Indemnity by Tenant. To the extent permitted by law, Tenant agrees to defend, protect, indemnify and hold Landlord harmless from and against Claims which Landlord may suffer, sustain or become subject to as a result of or arising out of (i) any material misrepresentation by Tenant in or in connection with this Sublease or in any exhibit hereto; (ii) any breach of any covenant or agreement of Tenant contained in this Sublease or in any certificate, instrument of transfer, or other document or agreement executed by Tenant in connection with this Sublease; and (iii) any liability or obligation of Tenant which accrues or arises out of the operation of the LTAC, except as to such portion of any such Claims that arise out of or are in any way connected with the negligence or willful misconduct of Landlord or Landlord's breach of its obligations under this Sublease. For purposes of this Section 12.1.1(a), the term "Landlord" includes any parent, subsidiary or affiliate of Landlord, Landlord's insurance carrier, and the officers, directors, employees, agents and contractors of each of the foregoing. For purposes of this Sublease, the term "Claims" shall mean any and all claims, demands, losses, damages, liabilities, obligations, costs, including, but not limited to reasonable attorneys' fees, expenses, fines and sanctions whatsoever.

12.1.2. Indemnity by Landlord. Tenant understands that, as of the date first above written, Landlord does not have the authority under current law to indemnify private parties, including Tenant. However, to the extent permitted by law after the date first above written, Landlord agrees to defend, protect, indemnify and hold Tenant harmless from and against Claims which Tenant may suffer, sustain or become subject to as a result of or arising out of (i) any material misrepresentation by Landlord in or in connection with this Sublease or in any exhibit hereto; (ii) any breach of any covenant or agreement of Landlord contained in this Sublease or in any certificate, instrument of transfer, or other document or agreement executed by Landlord in connection with this Sublease; (iii) any liability or obligation of Landlord which accrues or arises out of the operation of the LTAC, except as to such portion of any such Claims that arise out of or are in any way connected with the negligence or willful misconduct of Tenant or Tenant's breach of its obligations under this Sublease; and (iv) any liability or obligation of Landlord which accrues or arises out of Landlord's operation of the Hospital, except as to such portion of any such Claims that arise out of or are in any way connected with the negligence or willful misconduct of Tenant or Tenant's breach

of its obligations under this Sublease. For purposes of this Section 12.1.2, the term "Tenant" includes its parent corporation, any subsidiary or affiliate of Tenant, Tenant's insurance carrier, and any provider under contract with Tenant, and the officers, directors, employees, agents and contractors of each of the foregoing.

12.1.3. Notice; Duty to Defend; Settlement. The following provisions shall govern Sections 12.1.1 and 12.1.2. As soon as is reasonably practicable after Tenant or Landlord becomes aware of any Claims that it has which is covered under this Section 12.1, Tenant or Landlord, as the case may be ("Indemnified Party") shall notify the other respective party ("Indemnifying Party") in writing, which notice shall describe the Claims in reasonable detail, and shall indicate the amount (estimated, if necessary to the extent feasible) of the Claims. The failure of any Indemnified Party to promptly give any Indemnifying Party such notice shall not preclude such Indemnified Party from obtaining indemnification under this Section 12.1, except to the extent that such Indemnified Party's failure has prejudiced the Indemnifying Party's rights or increased its liabilities and obligations hereunder. In the event of third party Claims which are subject to indemnification under this Section 12.1, the Indemnifying Party shall promptly defend such Claims by counsel of its own choosing, subject to the approval of the Indemnified Party, which approval shall not unreasonably be withheld, and the Indemnified Party shall cooperate with the Indemnifying Party in the defense of such Claims including the settlement of the matter on the basis stipulated by the Indemnifying Party (with the Indemnifying Party being responsible for all costs and expenses of such settlement). Any such settlement shall include a complete and unconditional release of the Indemnified Party from the Claims. If the Indemnifying Party within a reasonable time after notice of Claims fails to defend the Indemnified Party, the Indemnified Party shall be entitled to undertake the defense, compromise or settlement of such Claims at the expense of and for the account and risk of the Indemnifying Party, except the Indemnified Party may not enter into a settlement without the written consent of the Indemnifying Party, such consent not to be unreasonably withheld. The Indemnified Party has the right to participate in the defense of any Claims (at its own expense) and approve any settlement, such approval not to be unreasonably withheld.

12.1.4. Survival. The Indemnifying Party's obligation to indemnify the Indemnified Party shall survive the termination of this Sublease, and shall continue until termination of any pending lawsuit or Claims or proceedings, including any appeals therefrom; and if there shall then be pending any Claim for indemnification hereunder previously asserted by the Indemnified Party, such Claim for indemnification shall continue to be subject to indemnification in accordance with the provisions of this Section 12.1.

12.2. Liability.

12.2.1. Representation and Warranty by Landlord. Landlord represents to Tenant that, as of the date first above written, it is not aware of any Pre-Commencement Date Claims or any past activities at the Hospital that are not in compliance with applicable laws and regulations regarding billing, reimbursement and related matters, and to the best knowledge of the Landlord the Hospital is in compliance with all applicable laws and regulations regarding billing, reimbursement and related

matters, and there is no existing government or private inquiry, audit, subpoena or investigation of, penalties imposed upon, or lawsuit against the Hospital, except for (1) the U.S. Department of Health and Human Services ("HHS"), Office of Inspector General ("OIG") audit of Medicaid payments to the Hospital as part of the OIG's multi-state review, and (2) the investigation by the U.S. Department of Justice ("DOJ") of resident care and treatment at the Hospital pursuant to DOJ's authority under the Civil Rights of Institutionalized Persons Act (42 U.S.C. § 1997). Landlord warrants to Tenant that it shall be solely responsible for and take any and all necessary action after the Commencement Date to resolve any Pre-Commencement Date Claims. If any Pre-Commencement Date Claims are brought against Tenant, Tenant shall promptly notify Landlord of such Pre-Commencement Date Claims in accordance with Section 12.2.3 and Landlord shall resolve such Pre-Commencement Date Claims expeditiously and with as minimal cost to Tenant as possible. For purposes of this Sublease, "Pre-Commencement Date Claims" shall mean any and all Claims whatsoever arising out of or related to the operation of the LTAC, or participation of the LTAC in a government health care program (including Medicare and Medicaid) or other health insurance plan, for the period prior to the Commencement Date.

12.2.2. Tennessee Government Tort Liability Act. Landlord is a governmental entity as defined in the Tennessee Governmental Tort Liability Act, Tennessee Code Annotated § 29-20-101 et seq. (the "GTLA"). Subject to the terms and exceptions of the GTLA, Landlord is immune from suit for any injury which may result from the activities of Landlord wherein Landlord is engaged in the exercise and discharge of any of its functions, governmental or proprietary. Notwithstanding any other provision of this Sublease to the contrary, in no event shall the provisions of this Sublease be construed in such a manner as to subject Landlord to liability, directly or indirectly, in excess of the limitations provided in the GTLA. Any Claims of Tenant against Landlord related to or arising out of this Sublease shall be governed by the provisions of this Sublease and applicable law, except for Claims that would be barred or limited by the GTLA.

12.2.3. Notice. Each party to this Sublease mutually agrees to provide timely notice to the other party of any knowledge of the existence of a third party claim against said party or the occurrence of an incident which is likely to lead to a third party claim against said party.

12.2.4. Survival. The parties obligations in this Section 12.2 shall survive the termination of this Sublease, and shall continue until any pending claims or liabilities have been resolved, including any appeals therefrom.

12.3. Insurance. Landlord and Tenant shall procure, at their sole cost and expense (except where otherwise noted) and keep in full force and effect from the Occupancy Date until the end of the Term, the following insurance:

12.3.1. Tenant Policies. Tenant shall obtain and maintain the following policies:

(a) Liability. Commercial general liability and professional liability insurance covering the use, occupancy and maintenance of the Premises. Such

insurance shall include broad form contractual liability coverage for all of Tenant's indemnity obligations under this Sublease and shall insure against all bodily injury, property damage, personal injury and professional liability claims. Tenant's policies shall each have a minimum combined single limit of liability of at least Five Million Dollars (\$5,000,000) and a general aggregate limit of Five Million Dollars (\$5,000,000). Tenant may provide such insurance through a combination of coverage provided by its captive insurer, Cornerstone Insurance Company, and excess coverage. Tenant agrees to notify Landlord if such insurance coverage provided by Cornerstone Insurance Company exceeds Three Million dollars (\$3,000,000.00). Tenant agrees to make available for Landlord's inspection, prior to the Occupancy Date and on an annual basis thereafter, as they become available to Tenant, the audited financial statements and report of Cornerstone Insurance Company prepared by an independent auditor. Landlord will not be permitted to make copies of these documents, remove them from the Premises, take notes, or otherwise reduce to writing the information contained in these documents. Tenant also agrees to provide Landlord, prior to the Occupancy Date and on an annual basis thereafter, a certificate of excess coverage. If coverage is through a "claims made" policy, Tenant shall maintain coverage for at least seven (7) years after termination of the Sublease or obtain tail coverage providing for the equivalent of occurrence coverage.

(b) Comprehensive, Fire and Extended Coverage. All risk insurance for Tenant's improvements to the Premises including, without limitation, coverage for loss from fire, theft, burglary, structural collapse, water damage, vandalism and malicious mischief, in an amount sufficient to cover the full cost of replacement of Tenant's improvements to the Premises, and all of Tenant's furniture, furnishings, equipment, trade fixtures and other personal property.

(c) Business Interruption. Business interruption insurance with the same coverage as the comprehensive insurance in an amount equal to the monthly Rent for a period of at least twelve (12) months commencing with the date of loss.

(d) Workers' Compensation. Workers' compensation insurance satisfying all applicable statutory requirements and employees' liability coverage in an amount of One Million Dollars (\$1,000,000), covering all employees working at the Premises.

(e) Fire Legal Liability. Fire legal liability insurance covering Tenant's liability in the amount of Two Million dollars (\$2,000,000).

12.3.2. Landlord Policies. Landlord participates in the insurance programs of the Metropolitan Government of Nashville and Davidson County pursuant to the terms of an Intergovernmental Agreement dated April 20, 1999. Pursuant to such agreement, Landlord currently has the following insurance coverage or risk management practices (with additional insurance coverage purchased by Landlord, as indicated below):

(a) Liability. As its liabilities are generally limited by the Governmental Tort Liability Act, Landlord carries no general liability insurance for the

operations of Bordeaux but participates in the Metropolitan Government's self insurance program.

(b) Professional Liability. Nurses (R.N. and L.P.N.) employed by Landlord at the Hospital, along with nurses employed elsewhere by Landlord and nurses employed by the Metropolitan Government, are insured against professional liability in the amount of One Million dollars (\$1,000,000) per medical incident and Three Million dollars (\$3,000,000) aggregate.

(c) Directors and Officers Liability. Directors and officers, committee members and department heads of the Landlord are insured for any actual or alleged Wrongful Act in his/her respective capacities, including employment practices with limits of Ten Million dollars (\$10,000,000) in the aggregate.

(d) Comprehensive, Fire and Extended Coverage. The property of the Landlord is insured against loss as part of the Metropolitan Government's overall property insurance program. This policy provides replacement cost "all-risk" coverage for the Building, contents exclusive of all improvements to them, and all of Tenant's furniture, furnishings, equipment, trade fixtures and other personal property. The Metropolitan Government's property insurance includes a Five Million dollar (\$5,000,000) self-insured retention ("SIR"). Landlord will obtain and maintain property insurance for the Hospital Building, that includes coverage for business interruption, for Three Million dollars (\$3,000,000) of this SIR. Tenant agrees to pay the premiums associated with this additional coverage during the Term, subject to Tenant's right to review any policy and/or premium changes and Tenant's right to obtain equivalent insurance directly if it so chooses with the prior approval of Landlord and the Metropolitan Government, which approval shall not be unreasonably withheld, conditioned or delayed.

12.3.3. Deductibles and Co-insurance. Landlord and Tenant may elect to have reasonable deductibles and co-insurance in the policies of insurance required to be maintained by them under Sections 12.3.1 and 12.3.2 (except where otherwise stated) and may provide the required insurance through a blanket policy.

12.3.4. Certificates, Additional Insureds. Landlord and Tenant shall each deliver to the other at least five (5) days prior to the time any insurance is first required to be carried by Landlord or Tenant and thereafter within five (5) days after the expiration of each policy, certificates of insurance ("Certificates") evidencing coverage within the limits specified in Sections 12.3.1 and 12.3.2. Such Certificates, except for professional liability insurance and comprehensive, fire and extended coverage, shall name the other party and each of its partners, subsidiaries, affiliates, directors, agents, mortgagees and employees as additional insureds and shall expressly provide that their interests shall not be affected by any breach by Landlord or Tenant of any policy provision for which such Certificates evidence coverage. It is agreed that the inclusion of more than one insured under the policies required by Sections 12.3.1 and 12.3.2 shall not affect the rights of any insured with respect to any claim brought or recovered by or in favor of any other insured. The policy shall protect each insured, but nothing contained herein shall operate to increase the insurer's limit of liability. All Certificates shall provide that not less than thirty (30) days prior written

notice shall be given to the additional insureds in the event of material alteration to, or nonrenewal, or cancellation of the coverages evidenced by such Certificates.

Insurance required by this Section 12 may be brought within the coverage of a so called blanket policy or policies of insurance.

12.3.5. Primary Insurance. The insurance required by Sections 12.3.1 and 12.3.2 shall be the primary insurance as respects Landlord and Tenant and all additional insureds and shall not be contributory with any other insurance available to any of them. Certificates evidencing the liability insurance coverage required under Sections 12.3.1 and 12.3.2 shall contain an endorsement providing, in substance, that the insurance afforded thereby for the benefit of the additional insureds is primary and any insurance carried by the additional insureds is excess and not contributory. If, because of the failure of Landlord or Tenant to comply with this Section 12.3.5, Landlord or Tenant is adjudged a co-insurer by its insurance carrier, then any loss or damage sustained by reason thereof shall be borne by the defaulting party and shall be immediately paid by the defaulting party upon receipt of a bill therefor with evidence of such loss.

12.3.6. Adequacy of Coverage. Neither Landlord nor Tenant makes any representation that the coverage limits specified in Sections 12.3.1 or 12.3.2 are fully adequate to cover insured losses. If Landlord or Tenant believes that coverage is insufficient, Landlord or Tenant may provide, at its own expense, such additional insurance as it deems adequate. In no event shall the limits of any coverage maintained by Landlord or Tenant pursuant to Sections 12.3.1 or 12.3.2 limit Landlord's or Tenant's liability to each other under this Sublease.

12.3.7. Waiver of Subrogation. Landlord and Tenant release each other and their respective employees, agents and representatives to the extent of the releasing party's coverage under its insurance policies from any claims for damage to the Premises and the Hospital and the Building and to the fixtures, personal property, tenant's improvements and alterations of either Landlord or Tenant in or on the Premises and the Building and other improvements in which the Premises are located that are caused by or result from fire or any other risks insured against under any property, fire legal liability or business interruption insurance policies carried by them and in force at the time of any such damage; provided, however, that this release shall be effective with respect to those occurrences covered by insurance occurring only during such time as the appropriate policy of insurance of the party so releasing shall contain a clause to the effect that such release shall not affect the said policy or the right of the insured to recover thereunder. Such waiver shall not apply to any self-insured retention maintained by Landlord.

12.3.8. Rating. All insurance required by this Section 12.3 (except for insurance required under Section 12.3.1 that is provided by Cornerstone Insurance Company) shall be issued by insurance companies authorized to do insurance business in the State of Tennessee and having a financial rating of at least A.VIII. in the most recent edition of Best Key Rating Guide.

13. Assignment and Subletting. Tenant shall not voluntarily or involuntarily assign, sublet, mortgage or otherwise encumber all or any portion of its interest in the Premises, nor shall Tenant permit the Premises to be occupied by anyone other than Tenant's employees, patients, representatives, agents, contractors, licensees, guests and invitees without obtaining the prior written consent of Landlord. Notwithstanding the previous sentence or anything contained herein to the contrary, Tenant may assign or sublet its interest under this Sublease to an affiliate under the common control of Tenant or Tenant's parent company, Kindred Healthcare, Inc., or a subsidiary of Tenant or Tenant's parent company, or to a company directly or indirectly acquiring all or substantially all of the stock or assets of Tenant, without Landlord's prior consent, provided that Tenant continues to remain ultimately responsible for its obligations under this Sublease. Landlord may, at any time, assign its interest under the Sublease, without Tenant's consent or approval, to any other person or entity who purchases Hospital for continued use as a hospital in a manner that will not impair Tenant's ability to operate the LTAC.

14. Damage or Destruction. Notwithstanding any other provision in this Sublease, if, after the Occupancy Date, the Premises, the Hospital or the Building, including machinery or equipment used in the operation of the Hospital or the Building, are totally or partially destroyed from any cause which renders the Premises totally or partially unusable or inaccessible, Landlord shall restore the Premises, the Hospital and the Building within ninety (90) days to substantially the same condition as they were in immediately before such destruction, provided that the cost of such repair and restoration does not exceed Two Million Five Hundred Thousand dollars (\$2,500,000.00). If the cost of such repair and restoration is greater than Two Million Five Hundred Thousand dollars (\$2,500,000.00), Landlord shall have the option to restore the Premises, the Hospital and the Building. The Rent shall be abated to the extent that the Premises has been rendered untenable, from the date of such damage to the date Landlord completes its restoration obligations herein or Tenant terminates this Sublease as provided for in this Section. If Landlord decides not to restore all or any portion of the Premises, the Hospital and the Building, Tenant may terminate this Sublease effective as of the date the destruction occurred, and thereafter neither party shall have any rights or obligation to the other party under this Sublease, except for those rights and obligations that accrued prior to the destruction; provided, however, that if the Premises, the Hospital or the Building, including machinery or equipment used in the operation of the Hospital or the Building, are totally or partially destroyed due to the negligence or willful misconduct of Landlord, its agents, employees or contractors, which renders the Premises totally or partially unusable or inaccessible, and Landlord decides not to restore all or any portion of the Premises, the Hospital and the Building to substantially the same condition as they were in immediately before such destruction, it will be deemed an Event of Default by Landlord, and Tenant shall be afforded the remedies provided under Section 16.4.

15. Condemnation.

15.1. Definitions.

15.1.1. Condemnation. "Condemnation" means (i) the exercise of any governmental power, whether by legal proceedings or otherwise, by a

condemnor and (ii) a voluntary sale or transfer by Landlord to any condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

15.1.2. Date of Taking. "Date of Taking" means the date the Condemnor has the right to possession of the property being condemned.

15.1.3. Award. "Award" means all compensation, sums or anything of value awarded, paid or received on a total or partial condemnation.

15.1.4. Condemnor. "Condemnor" means any public or quasi-public authority, or private corporation or individual, having the power of condemnation.

15.2. Sublease to Govern. If, during the Term or between the execution of this Sublease by Landlord and Tenant and the Commencement Date, there is any taking of any part or all of the Premises, the Hospital or the Building or any interest in this Sublease by Condemnation, the rights and obligations of Landlord and Tenant shall be determined pursuant to this Section 15.

15.3. Total Taking. If the Premises are totally taken by Condemnation, this Sublease shall terminate on the Date of Taking.

15.4. Partial Taking. If any portion of the Premises, Hospital, Building or Common Area is taken by Condemnation, this Sublease shall remain in effect, except that Tenant can elect to terminate this Sublease if the Condemnation renders the Premises inaccessible or unsuitable for Tenant's continued use. Tenant must exercise its right to terminate pursuant to this Section by giving notice to Landlord within thirty (30) days after the nature and extent of the taking have been finally determined and provided to Tenant in writing. If Tenant elects to terminate this Sublease, it shall also notify Landlord of the date of termination, which shall not be earlier than thirty (30) days nor later than sixty (60) days after Tenant has notified Landlord of its election to terminate. If Tenant does not terminate this Sublease within the period specified in the preceding sentence, this Sublease shall continue in full force and effect except that the monthly Base Rent shall be reduced pursuant to Section 15.5.

15.5. Rent Abatement. If any portion of the Premises is taken by Condemnation and this Sublease remains in full force and effect, on and as of the Date of Taking, the monthly Base Rent shall be reduced by a fraction, the numerator of which is the value of the portion of the Premises taken, and the denominator of which is the total value of the Premises immediately before the Date of Taking.

15.6. Allocation of Award. Any Condemnation award shall belong to and be paid to Landlord, except that Tenant shall have the right to claim and receive from Condemnor such compensation as may be separately awarded to or recoverable by Tenant on account of any and all damage to Tenant's business by reason of such Condemnation and for or on account of any cost or loss which Tenant might incur in moving Tenant's merchandise, trade fixtures, furnishings and other personal property, or for any other damages compensable separately to Tenant.

16. Defaults and Remedies.

16.1. Event of Default by Tenant. The occurrence of any of the following (each, an "Event of Default") shall constitute a default and breach of this Sublease by Tenant:

16.1.1. Failure to Pay. Any failure by Tenant to pay the Rent or to make any other payment required by this Sublease if such failure continues for ten (10) days after written notice from Landlord to Tenant;

16.1.2. Abandonment. Abandonment of the Premises by Tenant. Tenant shall not be deemed to have abandoned the Premises unless Tenant's use of the LTAC has voluntarily ceased for thirty (30) consecutive days;

16.1.3. Failure to Perform. Any failure by Tenant to perform or discharge any of its material duties or obligations in this Sublease, other than the failure to pay Rent, if such failure continues for thirty (30) days after written notice from Landlord to Tenant. If such default cannot reasonably be cured within thirty days, an Event of Default shall not be deemed to have occurred if Tenant diligently prosecutes the cure to completion with dispatch;

16.1.4. Warranties and Representations. Material breach or untruth of any warranty or representation made by Tenant in this Sublease; or

16.1.5. Assignment/Subletting. Any assignment, encumbrance or other transfer of this Sublease, or any subletting of the Premises or any portion thereof, except as expressly permitted hereunder.

16.2. Event of Default by Landlord. The occurrence of any of the following (each, an "Event of Default") shall constitute a default and breach of this Sublease by Landlord:

16.2.1. Failure to Perform. Any failure by Landlord to perform or discharge any of its material duties or obligations in this Sublease, if such failure continues for thirty (30) days after written notice from Tenant to Landlord. If such default cannot reasonably be cured within thirty days, an Event of Default shall not be deemed to have occurred if Landlord diligently prosecutes the cure to completion with dispatch;

16.2.2. Warranties and Representations. Material breach or untruth of any warranty or representation made by Landlord in this Sublease;

16.2.3. Assignment/Subletting. Any assignment, encumbrance or other transfer of this Sublease, or any subletting of the Premises or any portion thereof, except as expressly permitted hereunder; or

16.2.4. Lease Expiration, Termination or Default. The expiration or termination of the Lease, or any Event of Default under the Lease. Landlord shall provide at least 90 days prior written notice to Tenant of Lease expiration. Landlord

shall immediately provide written notice to Tenant if the Lease is terminated or Landlord has knowledge that either party to the Lease intends to terminate the Lease. Landlord shall immediately provide written notice to Tenant of the occurrence of an Event of Default under the Lease.

16.2.5. Intergovernmental Agreement Expiration, Termination or Default. The expiration or termination of the Intergovernmental Agreement (Hospital Authority) dated as of April 20, 1999, by and between Landlord and the Metropolitan Government, or any default under the Intergovernmental Agreement. Landlord shall provide at least 90 days prior written notice to Tenant of expiration of the Intergovernmental Agreement. Landlord shall immediately provide written notice to Tenant if the Intergovernmental Agreement is terminated or Landlord has knowledge that either party to the Intergovernmental Agreement intends to terminate the Intergovernmental Agreement. Landlord shall immediately provide written notice to Tenant of the occurrence of a default under the Intergovernmental Agreement.

16.3. Remedies of Landlord. If an Event of Default occurs under Section 16.1, in addition to any other remedies at law or in equity, Landlord shall have the following rights:

16.3.1. Termination. Terminate this Sublease at any time by giving Tenant thirty (30) days prior written notice. If Landlord so terminates this Sublease, Landlord may recover damages from Tenant:

(a) Rent Unpaid at Termination. Any Rent due and unpaid at the time of termination;

(b) Rent for Remainder of Term. The net present value of the amount by which the Rent which would have been earned for the balance of the applicable Term after the date of termination exceeds the Rent loss that Tenant proves could be reasonably avoided, which total amount shall not exceed the annual Rent in effect as of the date of termination;

(c) Compensatory Amounts. Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Sublease.

16.3.2. Reentry. Landlord shall also have the right in accordance with applicable law, after terminating this Sublease, to reenter the Premises and remove all persons from the Premises and all property from the Premises that is not removed by Tenant within ninety (90) days after the termination date. The property so removed by Landlord may be stored in a public warehouse or elsewhere at the cost of and for the account of Tenant.

16.4. Remedies of Tenant. If an Event of Default occurs under Section 16.2, in addition to any other remedies at law or in equity, Tenant shall have the following rights:

16.4.1. Termination. Terminate this Sublease at any time by giving Landlord thirty (30) days prior written notice. If Tenant so terminates this Sublease, Tenant may recover damages from Landlord:

(a) Improvement Costs. The total costs to Tenant for any and all improvements and alterations to the Premises, including all Pre-operation Improvements.

(b) Compensatory Amounts. Any other amount necessary to compensate Tenant for all the detriment proximately caused by Landlord's failure to perform its obligations under this Sublease.

16.4.2. Unpaid Rent. To discontinue payment and withhold all unpaid amounts of Rent to Landlord.

16.4.3. Reentry. Tenant shall also have the right in accordance with applicable law, after terminating this Sublease, to reenter the Premises and remove all persons from the Premises and all property belonging to Tenant from the Premises, at the reasonable cost and expense of Landlord.

16.5. Early Termination. Either party may terminate this Sublease without cause at any time after three (3) years from the Commencement Date with prior written notice of not less than two hundred seventy (270) days to the other party.

16.5.1. Termination by Landlord. In the event that Landlord terminates this Sublease in accordance with this Section 16.5, Landlord shall pay to Tenant within sixty (60) days: (i) the following costs related to Tenant's preparation and operation of the LTAC prior to termination: the historical costs less the amortized costs based on the useful life of all Pre-operation Improvements according to the schedule attached hereto as Exhibit G, which shall not exceed Five Hundred Thousand dollars (\$500,000.00); (ii) pre-operation salaries and operating expenses, operating losses during the data accumulation period for PPS exemption, operating losses after such data accumulation period until the revenues for the LTAC exceed expenses, the difference between the market value of equipment used in the LTAC and the historical costs less the amortized costs based on the useful life of such equipment, and management overhead costs, which shall not exceed One Million dollars (\$1,000,000.00); and (iii) interest on the amounts determined under clauses (i) and (ii) at Citibank's Prime Rate as of the date of termination plus three percent (3%).

16.5.2. Termination by Tenant. In the event that Tenant terminates this Sublease in accordance with this Section 16.5, Tenant shall pay to Landlord within sixty (60) days a total amount equal to the Base Rent for the Lease Year in which the Lease is terminated.

17. Surrender of Premises. Upon termination of this Sublease, Tenant shall quit and surrender possession of the Premises to Landlord in as good order and condition, reasonable wear and tear and repairs and any casualty which are Landlord's obligation excepted, and shall without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, all furniture, furnishings, equipment,

trade fixtures, and, subject to Section 8.2, other personal property owned by Tenant or installed or placed by Tenant in the Premises, and Tenant shall repair all damages to the Premises caused by it resulting from such removal.

18. Alternative Dispute Resolution.

18.1. Disputes Subject to Mediation. The parties shall submit to mediation any controversy, claim or dispute arising out of or relating to (a) the interpretation of this Sublease or the Ancillary and Support Service Agreement or (b) an alleged breach of this Sublease or the Ancillary and Support Services Agreement which has not been resolved within ten (10) business days after either party delivers a written request for mediation to the other party (the "Discussion Period"). During the Discussion Period, the parties shall meet and attempt to resolve the issue(s).

18.2. Commencement of Mediation. If the parties are unable to resolve the dispute within the Discussion Period, the mediation shall be commenced no later than thirty (30) days after the delivery of a request for mediation, and shall be conducted in Tennessee. Both parties shall attend and in good faith participate in the mediation, which shall be non-binding and without prejudice to any other rights or remedies that either party may have. The parties shall mutually agree upon a mediator. If the parties cannot agree on a mediator within ten (10) days after expiration of the Discussion Period, the matter shall be referred to the American Arbitration Association ("AAA") for the appointment of a mediator, in accordance with the AAA Commercial Mediation Rules. In no event shall the submission of a dispute to mediation be construed as an election to submit a dispute to binding arbitration.

18.3. Terms and Conditions. The mediation shall be subject to the following terms and conditions:

18.3.1. Location. The mediation shall take place in Nashville, Tennessee at such location as is selected by the mediator.

18.3.2. Submission of Issues. The parties shall promptly comply with the mediator's requirements as to the time and manner, including form and content, in which the issues to be resolved are to be submitted to the mediator.

18.3.3. Testimonial Evidence. Evidence of anything said or of any admission made in the course of the mediation shall not be admissible in evidence in any civil action or arbitration or other judicial proceeding, and disclosure of any such evidence shall not be compelled in any civil action or arbitration in which, pursuant to law, testimony can be compelled to be given.

18.3.4. Documentary Evidence. Unless the document otherwise expressly provides, no document prepared for the purpose of, or in the course of, or pursuant to the mediation, or any copy thereof, shall be admissible in evidence in any civil action or arbitration or other judicial proceeding, and disclosure of any such document shall not be compelled in any civil action or arbitration in which, pursuant to law, documents can be compelled to be produced.

18.3.5. Privileges. The presentation of any evidence, whether written or oral, by any expert or consultant shall not waive any attorney-client privilege, attorneys' work product protection, or any other exclusionary rule which a party may later seek to assert in another proceeding.

18.3.6. Common Questions of Fact or Law. The mediation must include all parties and claims involving common questions of fact or law whose presence is required to resolve the dispute.

18.3.7. Briefs. The parties shall exchange with each other any memoranda submitted to the mediator setting forth their respective positions and/or arguments with regard to the issues that need to be resolved.

18.3.8. Mediator's Consultant. The mediator may retain an expert or consultant to assist in the mediation but only with the express agreement of the parties and only upon such terms and conditions, and for such fees as are agreed upon by the parties.

18.3.9. Mediator's Fees and Expenses. The parties shall each pay one-half (1/2) of the mediator's fee and any other out-of-pocket expense incurred by the mediator in connection therewith.

19. Miscellaneous.

19.1. Books, Documents and Records Access. The parties agree that pursuant to 42 U.S.C. § 1395x(v)(1)(I) and 42 C.F.R. §§ 420.301 to 420.304, until the expiration of four years after the furnishing of services pursuant to this Sublease, Landlord shall make available, upon written request from the United States Comptroller General or United States Department of Health and Human Services ("HHS") or any of their duly authorized representatives, this Sublease and all books, documents and records necessary to verify the nature and extent of the costs incurred or the value of the services rendered by Landlord under this Sublease. If Landlord carries out any of the duties required of it under this Sublease through a subcontract worth \$10,000.00 or more over a twelve month period with a related organization, the subcontract will also contain a clause permitting access, until the expiration of four years after the furnishing of services pursuant to the subcontract, upon written request from the United States Comptroller General or HHS or any of their duly authorized representatives, to the subcontract and the related organization's books, documents and records necessary to verify the nature and extent of the costs incurred or the value of the services rendered by the related organization under the subcontract.

19.2. [Intentionally Omitted].

19.3. Entry and Inspection. Subject to Section 7.4, Tenant will permit Landlord's agents and any third party regulators to enter the Premises at all reasonable times during normal business hours and with prior notice (except for reasons specified in Section 19.3.4), and at any time in case of emergency, in such manner as to cause as little disturbance to Tenant as reasonably practicable, and as not to interfere with the treatment, health or safety of Tenant's patients for the following purposes:

19.3.1. Work. Performing required maintenance or other work on the Premises.

19.3.2. Emergency. In an emergency. For purposes of this Section, an "emergency" shall be a situation involving manifest danger to life or property, or requiring immediate attention for the preservation and/or safety of the Premises or the Building of which the Premises are a part, or for the safety of Tenant and/or its employees, patients, suppliers, contractors, providers, customers, agents, representatives, licensees, guests or invitees or to prevent the suspension of any service vital to the occupancy of the Premises.

19.3.3. JCAHO Surveys. Landlord and Tenant shall each use its best efforts to have the first JCAHO surveys, after the date hereof, of the LTAC and Metropolitan General Hospital performed by the same JCAHO team and thereafter to schedule their surveys for the same time to ensure that the same JCAHO team conducts each survey. Landlord agrees that the ancillary and support services provided at the Hospital shall meet applicable JCAHO standards for contracted services.

19.3.4. Electrical Room. Landlord's agents shall be permitted to enter the Premises at any time to obtain access to the electrical room in the Premises, without prior notice to Tenant.

19.3.5. Access to Stairwell. Landlord's agents shall be permitted to enter the Premises at any time when it is necessary to obtain access to the stairwell in the Premises for purposes of accessing the other floors, without prior notice to Tenant.

19.4. Cost of Suit. If any proceeding is commenced under this Sublease, the parties agree to pay for their own costs and expenses associated with such proceeding (including, but not limited to, attorneys' fees).

19.5. Waiver. The waiver by Landlord or Tenant of any breach of any term, covenant or condition of this Sublease shall not be deemed to be a waiver as to any subsequent breach or of such term, covenant or condition or of any other term, covenant or condition. The subsequent acceptance of performance by Landlord or Tenant shall not be deemed to be a waiver of any preceding breach by the defaulting party of any other term, covenant or condition of this Sublease, regardless of Landlord's or Tenant's knowledge of such preceding breach at the time of acceptance of such performance. Landlord or Tenant shall not be deemed to have waived any term, covenant or condition of this Sublease unless one party gives the other party written notice of such waiver.

19.6. Confidential Information.

19.6.1. Definition. For purposes of this Sublease, the term "confidential information" shall include the following items relating to Tenant, the LTAC and Landlord: (a) all documents and other materials, including, but not limited to, all

agreements, memoranda, clinical manuals, handbooks, administrative, operations or procedural manuals, relating to the operation of the LTAC, Landlord, and Tenant; (b) all methods, techniques and procedures utilized in providing services to patients not readily available through sources in the public domain; (c) all information concerning the identity, location and qualifications of staff members, professionals and employees, existing and prospective; (d) all information concerning referral sources; (e) information concerning reimbursement sources, insurers and other third-party payors such as, but not limited to, preferred provider organizations ("PPOs"), health maintenance organizations ("HMOs") and other contractual arrangements with health care providers; (f) all medical and personnel records; (g) all financial and statistical records, and other books, accounts, records and information provided under this Sublease; (h) all existing and prospective patient lists, names and addresses; and (i) all data, reports, records, agreements and other information (whether written, electronic, magnetic, digital or other form) furnished pursuant to this Sublease.

19.6.2. Strictest Confidence. The parties hereto acknowledge and agree that the disclosure of confidential information will be in reliance upon the representations and covenants contained in this Section 19.6, and that they shall hold all confidential information in strictest confidence. As used herein, "strictest confidence" means that the parties shall not, under any circumstances without the other party's prior written consent, which such other party shall be under no obligation to grant, communicate, transmit, distribute, disseminate or disclose any of the confidential information, either in writing or orally, directly or indirectly, individually or through an agent, employee, representative or other person, to any other person, firm or entity.

(a) Notwithstanding the foregoing, the following shall not be considered confidential information:

(i) information that is generally known to the public at the time of disclosure or becomes generally known through no wrongful act on the part of the recipient;

(ii) information that is in the recipient's possession at the time of disclosure other than as a result of the recipient's breach of any legal obligation to the disclosing party;

(iii) information that becomes known to the recipient through disclosure by sources other than the disclosing party having the legal right to disclose such information;

(iv) information that is independently developed by the recipient without reference to or reliance upon the confidential information.

(b) Notwithstanding the foregoing, the following disclosures of confidential information shall not be prohibited:

(i) information that is required to be disclosed by the recipient to comply with applicable laws or governmental regulations, including any information that Landlord is required to make available to the public under the

Tennessee Public Records Act (Tenn. Code Ann. §§ 10-7-503 to 10-7-505), provided that the recipient provides prior notice, whenever possible, of such disclosure to the disclosing party and takes reasonable and lawful actions, to the extent permitted by law, to avoid and/or minimize the extent of such disclosure; or

(ii) information that is disclosed to either party's attorney(s), accountant(s) or employee(s) who have a specific need to know such information and who are expressly obligated themselves to hold the confidential information in trust and confidence.

19.6.3. Actions Upon Termination. Upon termination of this Sublease by either party for any reason whatsoever, each party shall immediately return to the other party all materials, originals and all copies constituting or containing confidential information and shall thereafter continue to hold such confidential information in strictest confidence, as that term is defined in Section 19.6.2 hereof.

19.6.4. Remedies. In the event of a breach by either party of the provisions of this Section 19.6, the non-breaching party shall be entitled to a non-exclusive equitable remedy prohibiting the breaching party from disclosing, in whole or in part, any confidential information. Nothing contained herein shall be construed as prohibiting the non-breaching party from pursuing any other remedies available to it, including the recovery of damages for any such breach.

19.6.5. Survival. The provisions of this Section 19.6 shall survive the termination of this Sublease.

19.7. Signage. Tenant, at its sole expense, subject to Landlord's prior approval, which shall not be unreasonably withheld or delayed, shall be entitled to signage outside the entrances to the Premises and the Hospital in accordance with applicable municipal ordinances and governmental rules and regulations and to separate directional and elevator signage inside the Hospital. All such signage shall be consistent with Landlord's signage at the Hospital and Tenant will cooperate with Landlord in updating Tenant's signage whenever Landlord updates the signage for the Building.

19.8. Exclusive Use. Landlord warrants and represents to Tenant that no other tenant or other occupant of the Hospital or Building is presently authorized to operate an LTAC, as hereinabove defined in Section 19.2.

19.9. Notices. Any notice provided for in this Sublease and any other notice, demand or communication required or permitted to be given hereunder or which any party may wish to send to the other party ("Notice" or "Notices") shall be in writing and shall be deemed to have been properly given if served by (i) personal delivery (including service by overnight courier service) or (ii) registered or certified U.S. mail, or by comparable private carrier, First Class, return receipt requested in a sealed envelope, postage or other charges prepaid, or (iii) telegram, telecopy, facsimile, telex or other similar form of communication with confirmation of receipt, addressed to the party for whom the Notice is intended as specified in Section M of the Basic Sublease Provisions.

19.9.1. Change of Address. Any party to this Sublease may change its address for Notice from time to time by Notice given in accordance with the foregoing provisions.

19.9.2. Effective Time. All Notices given pursuant to this Section 19.9 shall be deemed given and effective when received if personally delivered or sent by telegram, telecopy, telex or similar form of communication, or if mailed on the date shown on the return receipt, or if a receipt has not been received three (3) days following deposit in the mail.

19.9.3. Notice of Lease Changes. Landlord agrees to immediately provide written notice to Tenant of any amendment, addendum, change or other alteration of the Lease or Landlord's knowledge that the parties to the Lease intend to execute an amendment, addendum, change or other alteration of the Lease.

19.10. Quiet Enjoyment. Landlord covenants and agrees that Tenant shall lawfully and quietly hold, occupy and enjoy the Premises during the Term without hindrance or molestation of anyone lawfully claiming by, through or under Landlord, subject to any encumbrance now or hereafter existing on the Hospital, the Hospital property, the Building or the Premises. Tenant covenants and agrees that neither Tenant's use or occupancy of the Premises, nor its construction or installation of any tenant improvements or modification of the Premises will unreasonably interfere with Landlord's use and enjoyment of the Building. Landlord acknowledges that Tenant's contemplated use of the Premises will not unduly interfere with Landlord's use and enjoyment of the Building.

19.11. Estoppel Certificates.

19.11.1. Tenant. Tenant agrees at any time and from time to time upon not less than ten (10) business days' prior written notice by Landlord to execute, acknowledge and deliver to Landlord a standard and customary statement in writing certifying that this Sublease is unmodified and in full force and effect, or if there have been modifications, that the Sublease is in full force and effect as modified and stating the modifications, and the dates to which Rent and other charges have been paid in advance, if any, and stating whether or not to the knowledge of the signer of such certificate, Landlord is in default in its performance under in this Sublease and, if so, specifying each such default of which the signer may have knowledge, it being intended that such statement may be relied upon by Landlord, any prospective purchaser of the Hospital or Building; any encumbrancers or any assignee of any encumbrancer. Tenant's failure to deliver such statement within such time shall be conclusive upon Tenant that (i) this Sublease is in full force and effect, without modification, (ii) there are no uncured defaults by Landlord, and (iii) not more than one month's Rent has been paid in advance.

19.11.2. Landlord. Landlord agrees at any time and from time to time upon not less than ten (10) business days' prior written notice by Tenant to execute, acknowledge and deliver to Tenant a standard and customary statement in writing certifying that this Sublease is unmodified and in full force and effect (or if there

shall have been modifications that the same is in full force and effect as modified and stating the modifications), and the dates to which the basic rent, additional rent and other charges have been paid in advance, if any, and stating whether or not, to the knowledge of the signer of such certificate, Tenant is in default in the performance of any covenant, agreement or condition contained in this Sublease and, if so, specifying each such default of which the signer may have knowledge, it being intended that any such statement delivered pursuant to this Section may be relied upon by any prospective assignee of the Tenant's interest in this Sublease. Landlord's failure to deliver such statement within such time shall be conclusive upon Landlord that (i) this Sublease is in full force and effect, without modification, and (ii) there are no uncured defaults by Tenant.

19.12. Acceptance. Within sixty (60) days after the Commencement Date, Tenant shall deliver to Landlord a statement describing any deficiencies in the Premises which Tenant claims to exist at that time and that were not reasonably identifiable to Tenant prior to the Commencement Date. Landlord shall correct any such deficiencies within sixty (60) days after receipt of such statement. Failure of Tenant to execute and deliver such statement within such time period shall constitute an acceptance of the Premises by Tenant as being in good and proper order.

19.13. Gender and Number. When required by the context of this Sublease, (i) the singular shall include the plural and vice versa, and (ii) words used in neuter gender include the masculine and feminine and words used in the masculine and feminine gender include the neuter.

19.14. Time of Essence. Time is of the essence of this Sublease.

19.15. Severability. The unenforceability, invalidity or illegality of any provision of this Sublease shall not render the balance of it unenforceable, invalid or illegal.

19.16. Arm's Length. This Sublease has been negotiated in good faith at arm's length and between persons sophisticated and knowledgeable in the matters dealt with in this Sublease. In addition, each party has been represented by experienced and knowledgeable legal counsel. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Sublease against the party that has drafted it, is not applicable and is hereby waived. The provisions of this Sublease shall be interpreted in a reasonable manner to effect the purpose of the parties to this Sublease.

19.17. Counterparts. This Sublease may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one instrument.

19.18. Applicable Law. This Sublease shall be governed by and construed in accordance with the laws of the State of Tennessee.

19.19. Finders and Brokers. Landlord and Tenant each represent to the other that it has not had dealings with any real estate or other broker, finder or other person with respect to this Sublease.

19.20. Incorporation of Exhibits. All exhibits referred to in this Sublease are incorporated in it in full by reference.

19.21. Covenants and Conditions. All provisions of this Sublease, whether covenants or conditions, shall be deemed to be both.

19.22. Corporate Authority; No Conflict. Each party (the "Representing Party") hereby represents and warrants to the other that the execution and delivery of this Sublease and the performance by the Representing Party of its obligations hereunder will not violate or conflict with, or constitute a default or breach (either alone or with the giving of notice and/or the passage of time) under or accelerate or permit the acceleration of the performance required by, any of the terms or provisions of (i) the articles of incorporation or bylaws of the Representing Party, (ii) any contract, agreement, lease, indenture, or mortgage (including but not limited to any bond financing), written or oral, judgment, order, decree or other restriction to which the Representing Party is a party or by which the Representing Party or any of its assets or properties is bound, or (iii) any applicable statute, law, ruling, ordinance, rule, requirement, decree, order or regulation of any Governmental Authority (as hereinafter defined), whether federal, state, or local, at law or in equity (collectively, "Laws"), applicable to the Representing Party or any of its properties or assets. Each Representing Party further represents and warrants that it is duly authorized by its Board of Directors to enter into this Sublease, or otherwise has all requisite power and authority to execute, deliver and perform its obligations under this Sublease, and that the individual signing this Sublease on its behalf is authorized to do so. Except for such (i) approval of this Sublease by the Metropolitan Council (this Sublease is of no effect unless and until such approval is given); (ii) licenses and certifications to be obtained by Tenant to permit operation of the LTAC, (iii) approval to be obtained by Hospital to reduce the number of beds under its licenses (if applicable) and (iv) permits and approvals necessary to install and construct the Pre-operation Improvements in accordance with Section 8.1.1, no filing with or approval, consent or authorization of any federal, state, municipal or other governmental body, court, department, commission, board, bureau, agency or instrumentality ("Governmental Authority") or third party is required for the Representing Party to enter into and to perform its obligations under this Sublease.

19.23. Entire Agreement. This Sublease, together with the Ancillary and Support Services Agreement between the parties executed herewith, constitutes the entire agreement between the parties, and there are no other representations, warranties or commitments, except as are specifically set forth herein and therein. This Sublease supersedes any and all prior or contemporaneous representations, negotiations, promises, covenants or discussions, whether oral or written, if any, among the parties relating to the subject matter of this Sublease. No course of prior dealing among the parties, no usage of trade, and no parol or extrinsic evidence of any kind or nature shall be used to supplement, modify or vary any of the terms hereof. This

Sublease may be modified, altered or amended only by a writing signed and approved by all of the parties hereto, including approval by the Metropolitan Council.

19.24. Binding Effect. Each of the provisions of this Sublease shall extend to and shall, as the case may require, bind or inure to the benefit not only of the Landlord and of Tenant, but also of their respective successors or assigns.

19.25. Tenant's Compliance Program. Tenant shall operate the LTAC in accordance with Kindred Healthcare's corporate compliance program, Code of Conduct and corporate integrity agreement ("CIA"). Tenant has received a copy of Landlord's Code of Conduct and acknowledges that Tenant has read it and understands it.

19.26. Employee Background Checks. Tenant shall conduct background checks on all employees of the LTAC prior to the commencement of their employment, including, at a minimum, a criminal background check (including disposition of case, if warranted), Tennessee abuse registry and the U.S. Department of Health and Human Services, Office of Inspector General ("OIG") list of excluded individuals.

19.27. Non-Solicitation Agreement.

(a) During the term of this Sublease, and for a period of one (1) year following the termination or expiration of this Sublease for any reason, Landlord shall not, directly or indirectly, for itself or on behalf of any other person or business entity, solicit, recruit, entice or persuade any employee of Tenant or its affiliates to leave the employ of Tenant or its affiliates or to contract with Landlord or any other person.

(b) During the term of this Sublease, and for a period of one (1) year following the termination or expiration of this Sublease for any reason, Tenant shall not, directly or indirectly, for itself or on behalf of any other person or business entity, solicit, recruit, entice or persuade any employee of Landlord or its affiliates to leave the employ of Landlord or its affiliates or to contract with Tenant or any other person. Notwithstanding the foregoing, (i) Tenant will make every effort to transition respiratory therapists currently employed by Landlord who will not be retained by Landlord to employment by Kindred; and (ii) Tenant may engage in the following limited activities without being in violation of the foregoing: Tenant may post notices in the Premises and in general publications (i.e., newspapers and trade magazines) regarding job opportunities in the LTAC and may interview and hire current employees of Landlord who respond to such postings or publications.

19.28. Charity Care. Tenant agrees to endeavor in good faith to adopt and implement policies and procedures applicable to the provision of charity care at Tenant's LTAC unit in a manner, and based on such criteria, that is in compliance with all applicable federal, state and local health care regulatory and other laws, rules and regulations.

19.29. Meetings and reports. Tenant agrees that it will require its hospital administrator or his/her designee to meet with a senior operating officer of Landlord or his/her designee on at least a quarterly basis at a mutually agreeable time scheduled by

Landlord to discuss information concerning the quality of care and operations at the LTAC that Tenant has made available to the public voluntarily or by operation of law (the "Public Information"). Tenant will discuss the following information with Landlord if it is Public Information: (i) the results of regulatory inspections, surveys, or reviews of the LTAC conducted by federal or state agencies; (ii) the results of surveys or reviews by the LTAC's accrediting body; and (iii) financial information for the LTAC, where such information concerns LTAC safety issues, security issues, patient-related incidents, abuse or neglect, outbreaks of infection, threats or assaults made against LTAC patients or staff, or restraining orders involving LTAC patients or staff. Landlord agrees that, to the extent permitted by law, any and all information provided by Tenant to Landlord pursuant to this section shall be held in confidence by Landlord and shall not be disclosed, communicated, transmitted, or distributed by Landlord to any other person, agency, firm, or entity without Tenant's prior written consent, and further that Landlord shall not use such information for the benefit of Landlord or the detriment of Tenant.

In addition, should Tenant establish a local facility level governing or operations board or advisory committee (the "Board") in connection with the LTAC, Landlord may appoint a representative ("Landlord's Representative") to serve as a non-voting member of such Board, and Landlord's Representative shall have the right to attend Board meetings where the information being discussed or provided in writing is Public Information, or non-Public Information that the other members of the Board determine, in their sole discretion, may be discussed or shown to Landlord's Representative provided that Landlord's Representative does not take notes, retain copies, or otherwise remove such non-Public Information from the Board meetings.

[The balance of this page has been intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Sublease as of the date and year first above written.

LANDLORD:

Hospital Authority of the Metropolitan Government of Nashville and Davidson County

By: _____

Its: _____



May Bennett, COO
Nashville Metropolitan
Bordeaux Hospital

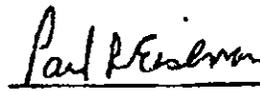


Roxane Spitzer, Ph.D., CEO
Hospital Authority and
Authorized Purchasing Agent

TENANT:

Kindred Hospitals Limited Partnership

By: Kindred Healthcare Operating, Inc.,
its General Partner

By: 

V.P. BUSINESS DEVELOPMENT



Richard Ragsdale, Chair
Metropolitan Hospital Authority
Board of Trustees

EXHIBIT A

Floor Plans Showing Premises Leased

EXHIBIT B

List of Equipment Leased

Telephone Systems as described in Section 7.1(d)

ITEM	TOTAL QUANTITY
BED-ELECTRIC	53
BEDSIDE CABINET	53
MATTRESS	60
OVERBED TABLE	53
PRIVACY CURTAIN	50
BULLETIN BOARD	53
ROOM WASTE CAN	44
NURSE CALL CORDS	49
GLOVE BOX DISPENSER	37
SHARPS CONTAINER	37
WALL MOUNTED SPHYGMO	35
SOAP DISPENSER	44
PAPER TOWEL DISP	37
PILLOW	32
LINENS	16
WARDROBE/CLOSET	58
BATHROOM WASTE CAN	1
DEFIBRILLATOR	2
DEFIBRILLATOR STAND	1
EYE WASH	1
FIRE EXTINGUISHER	2
ICE MAKER	1
PAY PHONE	1
RESPIRATOR	1
CRASH CART	1

EXHIBIT C

Parking Areas

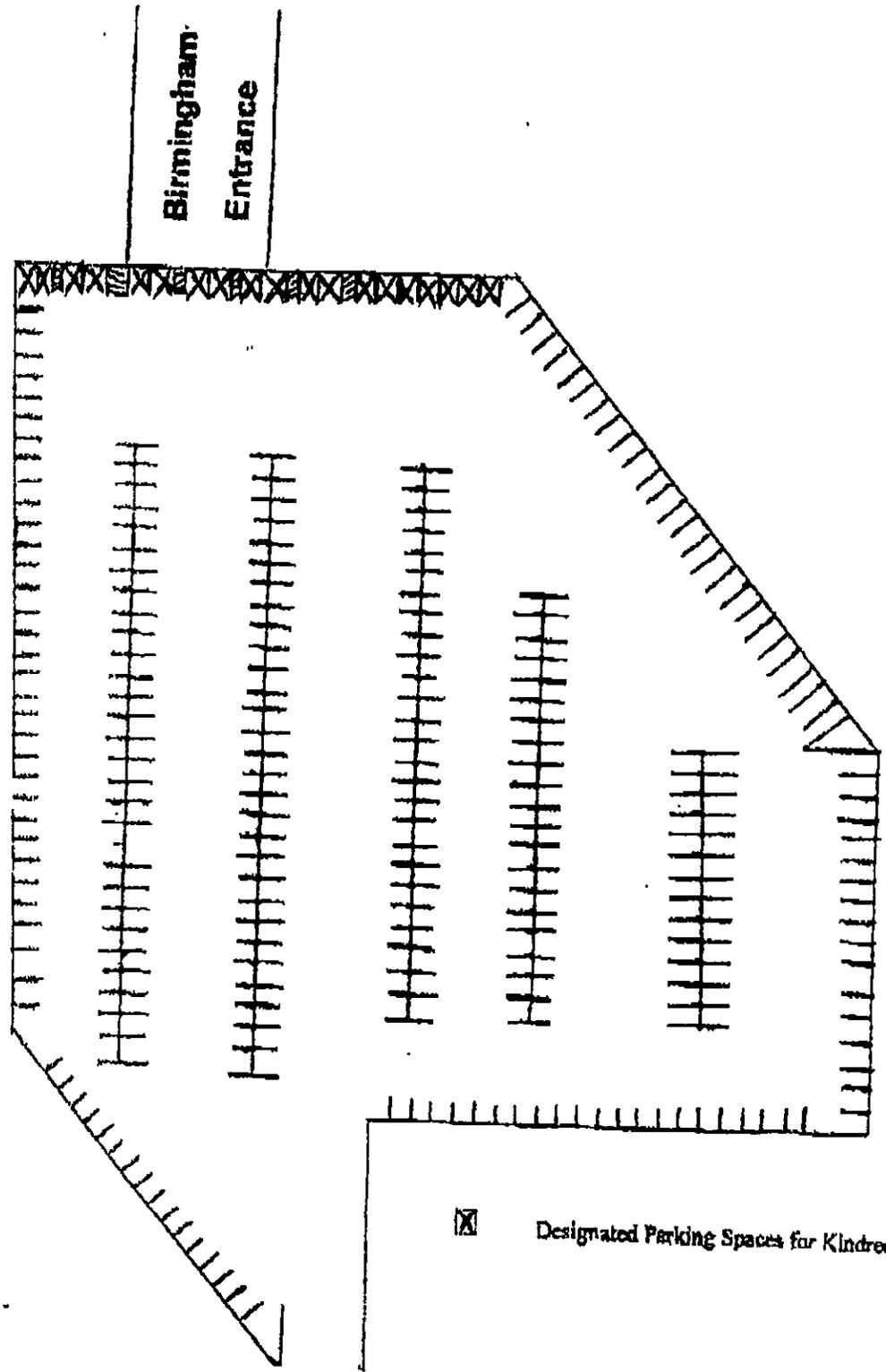


EXHIBIT D

Signage

[Intentionally Omitted]

EXHIBIT E

Adjusted Base Rent

Landlord and Tenant acknowledge and agree that the Base Rent for the
Sublease Year beginning _____ and ending
_____ as adjusted pursuant to Section 4.2 of the Sublease is
_____ Dollars (\$_____).

LANDLORD:

Hospital Authority of the Metropolitan
Government of Nashville and Davidson
County

By _____
Its _____

TENANT:

Kindred Hospitals Limited Partnership

By: Kindred Healthcare Operating, Inc.,
its General Partner

By _____

EXHIBIT F

Pre-operation Improvements

Scope of Work by Kindred:

Ground Floor:

- Convert Patient Activity 1-14 space to administrative offices, RT clean, small lab, and expanded nurse station.
- Install computer server in Electrical 1-47.
- Convert Tub Room 1-48 to Men's and Women's ADA toilets.
- Convert Tub Room 1-11 to Waiting.
- Convert Physician Office 1-73 to Admitting office.
- Convert Janitor's Closet 1-58 to RT Soiled.
- Convert Janitor's Closet 1-35 to Storage.
- Convert Patient Storage 1-2 to Equipment Storage.
- Install dedicated 20 amp duplex electrical outlets at each bed.
- Patch/repair/touch up paint in Patient Rooms.
- Add vent alarms to nurse call system for each bed.
- Install wall protection at the head of each bed.
- Install televisions, power, and signal outlet for each bed.
- Install duplex electrical outlet on emergency power in the corridor for crash cart.
- Install new emergency distribution panel in the corridor to serve new electrical outlets.
- Test and certify the medgas system.

Basement Floor (approx. 1,975 sq. ft. existing shelled-in space):

- Renovate to provide for administrative offices and approximately 900 sq. ft. of storage.

EXHIBIT G

Reimbursement Schedule for Pre-operation Improvements

Reimbursement for Tenant improvements shall be defined as the total cost of the Pre-operation Improvements identified in Exhibit F (the "Depreciable Cost") subject to the following formula:

Applicable Reimbursement to Tenant = {Depreciable Cost – [number of months elapsed since the Commencement Date through the Termination Date x (Depreciable Cost / 180)]}