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BURRILLVILLE HEALTH CENTER ASSOCIATES

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AMENDED AND RESTATED AGREEMENT AND
CERTIFICATE OF LIMITED PARTNERSHIP

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EXHIBIT

A. Project Description

BURRILLVILLE HEALTH CENTER ASSOCIATES

* * * * *

AMENDED AND RESTATED AGREEMENT AND
CERTIFICATE OF LIMITED PARTNERSHIP

* * * * *

THIS AGREEMENT AND CERTIFICATE is made as of the 28th day of December, 1984, by and among T. LLOYD RYAN, as General Partner and HEALTH FACILITIES ASSOCIATES, a Limited Partnership, a Rhode Island limited partnership, as the sole Limited Partner.

RECITALS:

WHEREAS, "Burrillville Health Center Associates" was formed as a Rhode Island limited partnership (the "Partnership") by an Agreement and Certificate of Limited Partnership that was filed with the Secretary of State of Rhode Island on September 27, 1983;

WHEREAS, the purpose of the Partnership is to own, construct, finance, develop, operate and manage a health care facility on real estate located in Burrillville, Rhode Island ("Project");

WHEREAS, the parties hereto desire to amend and restate the aforementioned Agreement and Certificate of Limited Partnership in order to (i) admit the Limited Partner, (ii) provide for the withdrawal of the Withdrawing Partners and (iii) otherwise set forth more fully the rights, obligations and duties of the General Partner and the Limited Partner and to amend and restate the Agreement and Certificate of Limited Partnership in its the entirety.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto, intending to be legally bound hereby amend and restate the Agreement and Certificate of Limited Partnership of the Partnership in its entirety and agree, swear and certify as follows:

ARTICLE I

FORMATION AND CONTINUATION

1.01 Continuation. The parties hereto hereby continue the Partnership as a limited partnership under the Act. Upon the execution of this Agreement by all parties hereto, the General Partner shall promptly record this Agreement as required by the Act. The General Partner shall take all other action required by law to perfect and maintain the Partnership as a limited partnership under the Act and under the laws of all other

jurisdictions in which the Partnership may elect to conduct business. The General Partner shall also promptly register the Partnership under applicable assumed or fictitious name statutes or similar laws.

1.02 Name. The name of the Partnership shall be "BURRILLVILLE HEALTH CENTER ASSOCIATES", which name may be changed by the General Partner after Notice to all of the Partners.

1.03 Place of Business. The principal office and place of business of the Partnership shall be located at South Main Street, Burrillville, Rhode Island. The General Partner may change the location of the Partnership's principal office and may establish such additional offices of the Partnership as the General Partner may from time to time determine after Notice to all of the Partners.

ARTICLE II

CERTAIN DEFINITIONS

The following terms have the definitions hereinafter indicated whenever used in this Agreement with initial capital letters:

Accountants: Laventhol & Horwath, or any of such other firm of independent certified public accountants as may be engaged by the General Partner with the Consent of the Limited Partner provided, however, that no such Consent of the Limited Partner shall be required if such firm is a nationally recognized accounting firm provided such firm has agreed in writing to continue to prepare and file the Partnership's tax returns and financial statements in accordance with the Forecasts as the same may be revised as a result of an audit.

Act: The Rhode Island Uniform Limited Partnership Act, as it may be amended from time to time.

Admission Date: The date on which the Limited Partner is admitted to the Partnership in accordance with Article 5.02 hereof.

Affiliated Person or Affiliates: Any (i) General Partner, (ii) member of the Immediate Family of any General Partner, (iii) legal representative, successor or assignee of any Person referred to in the preceding clauses (i) and (ii), (iv) trustee of a trust for the benefit of any Person referred to in the preceding clauses (i) and (ii), (v) Entity of which a majority of the voting interests is owned by any one or more of the

Persons referred to in the preceding clauses (i) through (iv), (vi) Person who owns 15% or more of the common stock of any corporate General Partner, or (vii) Person who is an officer, director, trustee, employee, stockholder (15% or more) or partner of any Entity or Person referred to in the preceding clauses (i), (iii), (v) and (vi).

Agreement: This Amended and Restated Agreement and Certificate of Limited Partnership, as it may be amended and/or restated from time to time.

Architect: Robinson Myrick & Associates, Inc., as supervisory architect.

Associates: Health Facilities Associates, a Limited Partnership, a Rhode Island limited partnership, which is being admitted as the sole Limited Partner of the Partnership pursuant to the terms of this Agreement.

Bankruptcy: Either (i) the initiation by a referenced Person of a proceeding, or initiation of any proceeding against a referenced Person which has not been vacated, discharged or bonded within thirty (30) days of initiation, under a Federal, state or local bankruptcy or insolvency law, (ii) an assignment by a referenced Person of all or substantially all of such Person's property for the benefit of creditors, (iii) the admission by a referenced Person in writing of such Person's inability to pay such Person's debts as they become due, or (iv) the Consent of a referenced Person to appointment of a receiver or trustee for all or a substantial part of such Person's property, or court appointment of such receiver or trustee which is not suspended or terminated within thirty (30) days after appointment.

Blue Cross/Blue Shield: Blue Cross/Blue Shield of Rhode Island.

Capital Account: The account maintained by the Partnership for each Partner which, as of any given date, reflects the Partner's actual Capital Contributions paid to the Partnership, (i) increased to reflect the Partner's allocable share of Partnership profits for each Fiscal Year (or fraction thereof), and (ii) decreased to reflect the Partner's allocable share of Partnership losses for each Fiscal Year (or fraction thereof) and distributions of cash or property by the Partnership to the Partner.

Capital Contribution: The total amount of money or other property contributed or agreed to be contributed, as the context requires, by each Partner to the Partnership pursuant to the terms of this Agreement, including the Capital Contribution made by a predecessor holder(s) of the Interest of such Partner, unless the context requires otherwise.

Capital Transaction: Any of the following items or transactions: a sale, exchange, transfer or casualty or other disposition of all or substantially all of the assets of the Partnership; a condemnation or similar eminent domain taking of the Project; net insurance recoveries (other than for temporary loss of use or immaterial property losses); the refinancing of indebtedness of the Partnership and any similar item or transaction the proceeds of which, in the opinion of the General Partner, is deemed attributable to capital; provided, however, that neither distributions which are deemed returns of capital for Federal income tax purposes nor the payment of Capital Contributions by the Partners shall be included within the meaning of the term "Capital Transaction."

Certificate: This Agreement, as it may be amended from time to time, or a short-form version hereof acceptable to all Partners.

Class Contribution: The aggregate capital contributions of all members of a particular class of Partner.

Code: The Internal Revenue Code of 1954, as amended from time to time, and all published rules, rulings and regulations thereunder.

Consent: The written consent or approval of Limited Partners whose aggregate Capital Contributions represent more than 50% of the Limited Partner Class Contribution. A Limited Partner shall be deemed to have consented in writing to any proposed action by the General Partner if such Limited Partner fails to respond to a notice from the General Partner requesting the Limited Partner's consent thereto within thirty days of the mailing of such notice.

Construction Contract: The "cost plus, maximum upset fixed price" contract, any amendments or supplements thereto, entered into between the Partnership and the General Contractor at Initial Endorsement in a form and secured in a manner satisfactory to HUD and the Mortgagee pursuant to which the Project shall be constructed for the amount set forth in Article 3 thereof.

Construction Loan: The construction and interim financing funds advanced by the Mortgagee thereof from and after Initial Endorsement in the estimated maximum principal amount of \$4,034,700 and repayable interest only at the rate of 12% per annum until Final Endorsement.

Counsel: The attorneys selected for the Partnership pursuant to Article 9.03.

Developer's Notes: Promissory notes with an aggregate principal amount of \$225,456 issued to Consultants Incorporated

and Mast Construction, Inc. for their services in developing the Project and referred to in the Memorandum as the Other Construction Loans with respect to the Partnership.

Entity: Any general partnership, limited partnership, corporation, joint venture, trust, business trust, cooperative or association.

Extraordinary Expense: Any (a) loss or expense incurred by the Partnership as a result of any act of malpractice or negligence or as a result of any personal or other injury to the extent such loss or expense exceeds any liability insurance proceeds available to the Partnership or (b) depreciation reimbursement due on a sale or foreclosure of the Project under the Medicaid Program and/or Medicare Program where the net proceeds from such sale or foreclosure that are available to the Partnership are less than the amount of such reimbursement.

Final Endorsement: The latest date on which the Mortgagee provides the Permanent Loan and HUD finally endorses the Permanent Loan documents for mortgage insurance.

Fiscal Year: The calendar year.

Foreclosure Proceedings: Any proceedings under applicable law by any Person to foreclose on the Project which have not been vacated, discharged, bonded or otherwise insured within forty five (45) days of initiation; or negotiations or an agreement by the Partnership to provide a deed in lieu of foreclosure.

Forecasts: The Forecasts attached are Exhibit A to the Memorandum.

General Contractor: Mast Construction, Inc.

General Partner: T. Lloyd Ryan, and all other Persons who become General Partner in accordance with the provisions of this Agreement.

HUD: The United States Department of Housing and Urban Development.

HUD Regulatory Agreement: The agreement between HUD and the Partnership executed at Initial Endorsement which regulates operation of the Project during the term of the HUD mortgage insurance on the Construction Loan and the Permanent Loan.

Immediate Family: With respect to any Person, his spouse, parents, parents-in-law, descendents, nephews, nieces, brothers, sisters, brothers-in-law, sisters-in-law, children-in-law and grandchildren-in-law.

Incentive Management Agreement: An agreement to be entered with the General Partner to provide for the payment of a fee for supervising the overall management of the Project.

Initial Endorsement: The latest date on which the Partnership and the Mortgagee executed the Construction Loan documents and HUD initially endorsed the Construction Loan documents for mortgage insurance.

Interest: The percentage of ownership interest of a Partner in the Partnership at any particular time specified in Article V.

Investors: The Persons admitted or to be admitted as investor limited partners to Associates.

IRS: The United States Internal Revenue Service.

Limited Partner: Associates and any Substitute Limited Partners.

Liquidator: The General Partner or, if there is none at the time in question, such other Person who may be appointed in accordance with applicable law, who shall be responsible for taking all action necessary or appropriate to wind up the affairs of, and distribute the assets of, the Partnership upon its dissolution in accordance with this Agreement.

Management Agreement: The agreement to be entered into between the Partnership and the Manager for the management of the Project.

Manager: Any Person, including an Affiliated Person, selected by the General Partner pursuant to Article 7.05 to manage the Project.

Material Default: The occurrence of (i) Foreclosure Proceedings, (ii) termination of any HUD or mortgage commitment or agreement which is not timely replaced with a comparable one, (iii) violation or termination of any commitment, contract, agreement, permit, license or significant governmental requirement which materially adversely affects the Partnership or Project, (iv) Bankruptcy of the Partnership and/or (v) failure to achieve Final Endorsement within the time (including extensions) provided by HUD.

Medicaid Program: The health and medical care program administered by RIDSRS pursuant to Title 19 of the Social Security Act and Chapter 40-8-1 of the Rhode Island General Laws, or any successor program.

Medicare Program: The health and medical care program administered by Blue Cross/Blue Shield pursuant to Title 18 of the Social Security Act, or any successor program.

Memorandum: The Confidential Private Placement Memorandum, dated as of November 15, 1984, pursuant to which the Units were

sold to Investors including all of the exhibits thereto as the same may from time to time be amended and/or supplemented.

Mortgagee: Rhode Island Housing and Mortgage Finance Corporation.

Notice: A writing containing the information required by this Agreement to be communicated to a Person and personally delivered to such Person or sent by registered or certified mail, postage prepaid, return receipt requested to such Person at the last known address of such Person as shown on the books of the Partnership, the date of personal delivery, registry or of the certification receipt, as the case may be, being deemed the date of such Notice; provided, however, that any written communication containing such information actually received by a Person shall constitute Notice for all purposes of this Agreement.

Operating Deficit Loans: The loans made to the Partnership pursuant to Article 7.09.

Operating Deficits: The excess of Operating Expenses over actual collected Operating Revenues determined on a monthly basis.

Operating Expenses: All current costs and expenses of operation and ownership of the Project, including, without limitation, all operating expenses, taxes, insurance, and reserves required by HUD or the Mortgagee; any expenses of the Project which create a lien, charge or encumbrance on the Project; any amounts necessary to avoid draws against any letters of credit, or to repay any such drawn down amounts (including interest, penalties and all other charges); and reasonable reserves to meet anticipated expenses.

Operating Revenues: For any Fiscal Year or other accounting period designated by the General Partner, the sum of (i) all cash receipts from rents, lease payments and all other sources, other than Capital Contributions, (ii) the net proceeds of any insurance and (iii) any other funds deemed available for distribution, including any amounts previously set aside as reserves or escrows from Operating Revenues.

Partner(s): The General Partner and Limited Partners.

Partnership: The Rhode Island limited partnership referred to herein as "Burrillville Health Center Associates," as said limited partnership may from time to time be constituted.

Partnership Investment Recovery: The point in time when the Limited Partner has recovered in the aggregate 136% of its paid in Capital Contribution from the proceeds of Capital Transactions.

Partnership Preferred Return: A preferred, cumulative distribution to be made to the Limited Partner as set forth in Article 6.02(C) hereof which is to be computed at the rate of 11% simple interest per annum on an amount equal to the portion of the Limited Partner's Capital Contribution (as adjusted for distributions pursuant to Article 6.02(C) hereof) which has been paid in cash to the Partnership from the date received by the Partnership less all prior distributions to the Limited Partner pursuant to Article 6.02(A) hereof.

Permanent Loan: The permanent financing funds advanced by the Mortgagee thereof in the estimated amount of \$4,034,700 for a term ending on July 1, 2025 with interest at the rate of 10.25% per annum from and after Final Endorsement.

Person: Any individual, partnership, corporation, trust or other entity.

Project: The tract of land described in Exhibit A attached hereto and made a part hereof on Davis Drive, Burrillville, Rhode Island, and the nursing home facility constructed thereon.

Retirement (including the verb form Retire and the adjective form Retiring): As to a Partner, this shall include the occurrence of death, adjudication of insanity or incompetence or Bankruptcy (which shall be deemed to be involuntary acts) or the dissolution of the Partner (which shall be deemed to be a voluntary act).

RIDSRS: The Rhode Island Department of Social and Rehabilitative Services.

Section 232 Program: The mortgage insurance program administered by HUD pursuant to Section 232 of the National Housing Act, or any successor program.

Securities Act: The Securities Act of 1933, as amended, and all rules, rulings and regulations thereunder.

State: The State of Rhode Island.

Substitute Limited Partner: Any Person who is an assignee or successor of a Limited Partner and is admitted to the Partnership pursuant to Article X.

Unit: A fractional interest in Associates sold to investors pursuant to the Memorandum.

Withdrawing Partners: T. Lloyd Ryan and Consultants Incorporated, who are transferring the interest set forth on such Exhibit to the Partnership by their execution of this Agreement which transfer shall be made without the requirement of any payment by the Partnership or its Partners.

ARTICLE III

BUSINESS PURPOSE

3.01 Business: Subject to Article 3.03, the business of the Partnership shall be to own, construct, finance, develop and operate the Project; to dispose of the Project in appropriate circumstances; and to engage in any other kind of lawful activity for profit related to the foregoing and permitted by this Agreement and the HUD Regulatory Agreement.

3.02 Authorized Activities: In carrying out the purposes of the Partnership, but subject to all other provisions of this Agreement, the Partnership is authorized to

(A) Own the Project for the purpose of providing nursing and health care facilities;

(B) Acquire by purchase, lease or otherwise any real or personal property which may be necessary, convenient or incidental to the accomplishment of the purposes of the Partnership;

(C) Construct, rehabilitate, develop, operate, maintain, finance, improve, buy, own, sell, convey, assign, mortgage, pledge, hypothecate or lease any real estate and any personal property necessary, convenient or incidental to the accomplishment of the purpose of the Partnership;

(D) Borrow money, issue evidences of indebtedness, secure and guarantee repayment of indebtedness and obtain letters of credit in furtherance of any or all of the purposes of the Partnership, except purposes for which a Person is required to lend or provide funds to the Partnership pursuant to Article 7.09 hereof, and to secure the same by mortgage, pledge or other lien on the Project or any other assets of the Partnership;

(E) Prepay in whole or part, refinance, recast, increase, modify, or extend mortgages affecting the Project, and in connection therewith to execute any extensions, renewals or modifications of any mortgage or deed of trust on the Project;

(F) Construct and operate the Project with financing from HUD and the Mortgagee;

(G) Apply to the Mortgagee and enter into such contracts with the Mortgagee as may be required to obtain the Construction Loan and Permanent Loan;

(H) Apply to HUD and enter into such contracts with HUD as may be required to obtain mortgage insurance pursuant to the Section 232 Program or any other applicable program;

(I) Execute (i) the credit and security instruments evidencing the Construction Loan and Permanent Loan, (ii) the HUD Regulatory Agreement and (iii) all other documents reasonably required by the Mortgagee or HUD;

(J) Enter into the Construction Contract and other agreements with the General Contractor and others as may be required to develop and construct the Project;

(K) Enter into the Incentive Management Agreement with the General Partner, the Management Agreement and other agreements with the Manager and others as may be required to operate the Project;

(L) Provide all services ancillary to the operation of a nursing home and health care facility;

(M) Apply to RIDSRS, Blue Cross/Blue Shield and other appropriate government agencies for reimbursements under the Medicare Program, Medicaid Program and all other similar governmental programs applicable to the Project;

(N) Enter into, perform and carry out contracts of any kind, including contracts with Affiliates of the General Partner pursuant to Article 7.07, necessary or incidental to the accomplishment of the purposes of the Partnership;

(O) Sell, exchange, dispose of or refinance mortgages on all or part of the Partnership property;

(P) Bring and defend actions at law or in equity;

(Q) Establish bank, escrow, reserve and similar accounts necessary for the conduct of the Partnership's business, and make deposits thereto and withdrawals therefrom on such signatures as the General Partner may determine;

(R) Make prudent interim investments in government obligations, insured obligations, certificate of deposit and bankers' acceptances;

(S) Lend money (but not to any Partner or Affiliated Person) in furtherance of the Partnership's business and

(T) Engage in any kind of lawful activity, and perform and carry out contracts of any kind, necessary or advisable in connection with the accomplishment of the purposes of the Partnership.

3.03 HUD Restrictions.

(A) The Partnership has executed a note and mortgage in order to secure the Construction Loan and Permanent Loan

insured by HUD, and has executed the HUD Regulatory Agreement and other documents required by HUD with respect to the Construction Loan and Permanent Loan. All incoming Partners as a condition to receiving Interests shall agree to be bound by such note, mortgage, HUD Regulatory Agreement and other documents in the same manner and on the same terms as the other Partners.

(B) Upon the Partnership's dissolution, no title or right to possession and control of the Project, and no right to collect the rents therefrom, shall pass to any Person not bound by the HUD Regulatory Agreement in the same manner as the Partners.

(C) If there is any inconsistency between this Agreement and the HUD Regulatory Agreement, the HUD Regulatory Agreement shall prevail.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

4.01 General Partner. In addition to the covenants and guarantees contained elsewhere in this Agreement, the General Partner hereby represents, warrants and covenants to the Partnership and the Partners that:

(A) The Mortgagee has agreed to provide the Construction Loan and Permanent Loan and the General Partner will ensure that all requirements to obtain and maintain such Construction Loan and Permanent Loan will be met;

(B) HUD has issued a firm commitment pursuant to the Section 232 Program to insure by endorsement the Construction Loan and Permanent Loan, and the General Partner will ensure that all requirements to maintain such HUD mortgage insurance will be met;

(C) Initial Endorsement occurred on or about November 9, 1983, and construction of the Project commenced prior thereto pursuant to an approval of early construction start issued by HUD;

(D) To the best of the General Partner's knowledge,
(i) there is no litigation pending against the General Partner or the General Partner's Affiliates with respect to the Partnership or the Project and/or any of their respective operations, licenses, permits, authorizations or approvals, and
(ii) none of them are in violation of any Federal or state securities laws;

(E) All appropriate roadways and public utilities, including sanitary and storm sewers, water and electricity, are

or will be timely available to, and the General Partner will keep such utilities operating properly for the Project and easements required in connection therewith have been obtained and filed of record;

(F) The Partnership owns the fee simple interest in and marketable title to the Project, subject to no material liens, charges or encumbrances other than those which (i) are permitted by HUD and the Mortgagee, including without limitation, that securing the Construction Loan and to secure the Permanent Loan and are insured against under the title insurance policies issued at Initial Endorsement pursuant to Article 4.01(G) or (ii) are incurred subsequent to Initial Endorsement in furtherance of Project construction, are permitted by HUD and the Mortgagee and are insured against under the title insurance policies issued at Final Endorsement pursuant to Article 4.01(G);

(G) A title insurance policy (or policies) for the Project is in force and effect in favor of (i) the Mortgagee and HUD in the amount of the Construction Loan, subject to a pending disbursements clause limiting coverage to the amount of Construction Loan proceeds actually disbursed and (ii) the Partnership insuring loss (in excess of losses incurred by the Mortgagee) in the amount of \$4,034,700, which policy (or policies) will continue in full force and effect from and after Final Endorsement;

(H) The construction and operation of the Project will conform to all applicable laws, including zoning laws, local ordinances and regulations, and there are no density restrictions, building or use laws, planning rules, regulations, ordinances or requirements or environmental laws, regulations or procedures applicable to the Project which would materially inhibit or materially adversely affect the development of the Project;

(I) The General Partner will cause the construction and development of the Project to be completed in a timely and workman-like manner in accordance with (i) the Construction Contract, (ii) applicable requirements of the Construction Loan, Permanent Loan, HUD and all other appropriate governmental entities, including all requirements to qualify for reimbursements under the Medicare Program, Medicaid Program and all other similar governmental programs applicable to the Project, (iii) the plans and specifications of the Project, including changes thereto approved by HUD and the Mortgagee, and (iv) the cost to complete the Project in excess of the amount provided for such purpose in the Memorandum shall be borne by the General Partner;

(J) The Partnership and/or the General Contractor has provided payment and performance bonds, cash deposits and/or letters of credit to satisfy working capital, offsite utility

and completion of construction assurance requirements of HUD, which will remain in full force and effect as required by HUD;

(K) All insurance required by HUD in connection with the Project and any other insurance coverage normally in effect for the operation of a skilled nursing facility, including, but not limited to, fire and extended coverage, workers compensation, malpractice and umbrella coverage for public liability and malpractice of at least \$10,000,000, is in full force and effect in favor of the Partnership, and the General Partner will keep such insurance in full force and effect during the term of the Partnership;

(L) The Partnership is a duly organized limited partnership validly existing under the laws of the State of Rhode Island, and the Partnership has complied and will continue to comply with all filing requirements necessary under the Act for the preservation of the limited liability of the Limited Partner;

(M) The General Partner shall be responsible for (i) completing the Project in substantial conformity with HUD requirements and the requirements to qualify for reimbursements under the Medicare Program, Medicaid Program and all other similar governmental programs applicable to the Project, (ii) obtaining and maintaining certificates of occupancy, certificates of need, licenses and all other governmental approvals without any notation or indication of any written waiver of the terms and/or conditions thereof to permit occupancy and use of the Project as a nursing home and health care facility and (iii) achieving Final Endorsement;

(N) No Material Default exists;

(O) Neither the Partnership nor any Partner has or will have any personal liability as maker, guarantor, surety or otherwise for the payment of principal or interest on the Construction Loan or Permanent Loan or any other mortgage loan or deed of trust secured by the Project, and in the event of default thereon, the sole recourse of any mortgage lender shall be to the property of the Partnership;

(P) The General Partner has an aggregate net worth computed on a market value basis in excess of \$500,000, which net worth is sufficient in amount and liquidity to satisfy all of their obligations under this Agreement, and the General Partner will use the General Partner's best efforts to maintain such net worth;

(Q) Final Endorsement is expected to occur by April 1985 and the Project is expected to be placed in service by December 28, 1984;

(R) On the date of execution of this Agreement, the Partnership is not liable for any expenses, debts, costs, liabilities or other charges which are not covered by the Construction Loan or Construction Contract or disclosed in the Memorandum;

(S) To the best of the General Partner's knowledge, no event has occurred which has caused, and the General Partner will not act in any manner which will cause (i) the Partnership to be treated for Federal income tax purposes as an association taxable as a corporation, (ii) the Partnership to fail to qualify as a limited partnership under the Act, (iii) the Limited Partner to lose its status as a limited partner under the Act, or (iv) following the admission of the Limited Partner pursuant to this Agreement, the Partnership to terminate for federal income tax purposes;

(T) The execution of this Agreement or any other document with respect to the Project or the Partnership does not and will not violate or constitute a default under any provision of law, any order of court, any indenture or agreement or any other instrument affecting the General Partner, the Partnership or the Project, or result in the creation or imposition of any lien, charge or encumbrance on the Project, except as expressly permitted by this Agreement; and

(U) The General Partner will exercise good faith in all activities relating to the conduct of the business of the Partnership, including the development, operation and maintenance of the Project, and will take no action with respect to the business and property of the Partnership which is not reasonably related to the achievement of the purposes of the Partnership or which is in violation of the HUD Regulatory Agreement, the Construction Loan, the Permanent Loan, all agreements with HUD and the Mortgagee, and all regulations of HUD and other governmental authorities.

4.02 Partnership Work Product. The General Partner, Withdrawing Partners and their Affiliates have transferred or do hereby transfer to the Partnership all of their ownership right, title and interest in all Project matters and work product relating thereto, including, without limitation, the land underlying the Project, the HUD Regulatory Agreement, the Construction Contract, the Construction Loan and the Permanent Loan commitments and agreement, any licenses and permits, provider agreements, any agreements with contractors, the Architect, HUD, the Mortgagee and others with respect to the development, construction, financing and ownership of the Project, bank and escrow accounts and all Project site plans, architectural plans, working drawings and specifications, surveys, engineering reports and market surveys and any and all agreement and arrangements described in and/or contemplated by the Memorandum

and the documents and agreements referred to therein. The General Partner and the Withdrawing Partners represent that there are no material Project site plans, architectural plans, working drawings and specifications, surveys, engineering reports and market surveys which have not been transferred to the Partnership. The General Partner, Withdrawing Partners and their Affiliates shall execute all documents necessary to give effect to this Article 4.02 and pay the cost thereof. No Person shall receive compensation for any transfer pursuant to this Article 4.02 except as provided under the Construction Loan.

ARTICLE V

PARTNERSHIP INTERESTS AND CAPITAL CONTRIBUTIONS

5.01 General Partner. The General Partner, the General Partner's address, Capital Contributions heretofore made in cash, and the General Partner's Interest in the allocations and distributions to the General Partner provided herein are as follows:

<u>Name</u>	<u>Address</u>	<u>Contribution</u>	<u>Interest</u>
T. Lloyd Ryan	130 Sunrise Terrace Chepachet, RI	\$1.00	1%

5.02 Limited Partner.

(A) The Limited Partner, its address, Capital Contribution heretofore made in cash, and its Interest in the allocations and distributions to the Limited Partner provided herein are as follows:

Health Facilities Associates, a Limited Partnership	359 Broad Street Providence, RI 02907	\$1,000	99%
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(B) Subject to the provisions of this Article 5.02, the Limited Partner shall make \$600,000 of Capital Contributions to the Partnership payable in installments (individually an "Installment" and collectively the "Installments") as follows (the "Payment Schedule"):

<u>Payment No.</u>	<u>Date of Payment</u>	<u>Amount</u>
1	December 1984	\$ 138,750
2	April 1985	108,500
3	April 1986	108,500
4	April 1987	93,750
5	April 1988	93,750
6	April 1989	56,750
	<u>TOTAL</u>	<u>\$ 600,000</u>

(C) The obligations of the Limited Partner to make the Installments of Capital Contributions to the Partnership in accordance with the Payment Schedule hereunder is subject to the condition that the General Partner shall have delivered a written certificate to the Limited Partner (the "Payment Certificate") that: (a) no Material Default has occurred and no event has occurred which with the passage of time or the giving of notice or both would be a Material Default, (b) all preconditions, representations, warranties, and agreements applicable to the payment of such Installment (including, without limitation, those set forth in Article 4.01 hereof) have been satisfied, or are true and correct, as the case may be, and (c) all conditions to the payment of the Installment have been met. If as of the date when any Installment would otherwise be due in accordance with the Payment Certificate required hereunder such Payment Certificate cannot truthfully be given because of a default of the provisions of Article 4.01, the Limited Partner shall not be required to make such Installment; provided, however, that if the General Partner shall have cured such default to such an extent, and shall deliver such Payment Certificate under such circumstances, that the Limited Partner, in the opinion of the Accountants acting in good faith, shall not have irrevocably lost any substantial part of the benefits of this Agreement and/or the Forecasts, and the General Partner shall not otherwise be in default hereunder, then the Limited Partner shall pay the amount of such Installment to the Partnership thirty days after the delivery of such Payment Certificate by the General Partner and shall thereafter pay all future Installments as otherwise required.

5.03 Defaults.

(A) If the Limited Partner fails to make a Capital Contribution to the Partnership as required by Article 5.02(B) hereof, the General Partner shall only have the remedies set forth in this Article 5.03.

(B) If the Limited Partner defaults in the payment of its Capital Contribution and fails to cure such default within thirty (30) days after Notice from the General Partner, the General Partner may remove the Limited Partner by making payment to it for its Interest equal to the lesser of (i) its Capital Contributions, less one hundred percent (100%) of any tax losses and tax credits allocated to the Limited Partner pursuant to Article VI, or (ii) Five Thousand (\$5,000) dollars.

5.04 Interest. Interest earned on Partnership funds shall inure to the benefit of the Partnership, and the Partners shall not receive interest on their Capital Contributions.

5.05 Withdrawal of Capital Contributions. Except as expressly provided otherwise in this Agreement, no Partner shall have the right to withdraw or reduce the Partner's Capital Contribution.

5.06 Withdrawing Partners: By their execution of this Agreement the Withdrawing Partners hereby transfer to the Partnership their interests set forth in Articles 5.01 and 5.02.

ARTICLE VI

PROFITS, LOSSES AND DISTRIBUTIONS

6.01 Profits and Losses

(A) Except as provided in Paragraph B hereof, for federal income tax purposes, all profits and losses of the Partnership for each Fiscal Year shall be allocated among, or be borne by the Partners as follows:

(i) Ninety-nine (99%) percent to the Limited Partner and one (1%) percent to the General Partner;

(ii) Notwithstanding any provision contained in this Article 6.01(A) to the contrary any Extraordinary Expense shall be allocated solely to the General Partner.

(B) The profit arising from a Capital Transaction or from the liquidation of all, or substantially all, of the assets of the Partnership (by reason of sale, exchange, condemnation, or similar eminent domain taking, casualty or other disposition), shall be allocated in the following order of priority:

(i) First, to each class of Partners (without preference as to class) having a negative balance in their Capital Accounts, in the proportion that such class of Partners' negative Capital Accounts bears to the total of all the Capital Accounts of Partners having negative Capital Accounts, until all such negative Capital Accounts equal zero;

(ii) Second, the balance of any such profit, shall be allocated (a) ninety-nine (99%) percent to the Limited Partner and one (1%) percent to the General Partner, up to Partnership Investment Recovery;

(iii) Third, any remaining net profits shall be allocated fifty percent (50%) to the Limited Partner and fifty percent (50%) to the General Partner.

If the amount of net profits available to be allocated pursuant to clauses (i), (ii) and (iii) above is less than the amount referred to in such clauses, the allocation of profit between the classes of Partners pursuant to such clauses shall be made on a pro rata basis, according to the amount which would have been allocated to such classes if the full amount were available to allocate.

All losses attributable to the sale or other disposition of all or a substantial part of the assets of the Partnership (other than any Extraordinary Expense which shall be allocated solely to the General Partner) shall be allocated to the Partners to the extent of their respective positive Capital Account balance. To the extent such losses are incurred in a final sale of the Partnership's assets, the losses shall not reduce the Capital Account of any Partner below zero.

(C) Except as otherwise provided herein, all income, profits, expenses and losses shared by a class of Partners shall be shared by the members of the class in the ratio of their Interest to the total Interests held by that class.

6.02 Distribution Prior to Dissolution

(A) Cash Flow. Cash Flow for each Fiscal Year (or fractional portion thereof) shall be distributed to the Partners as follows:

Ninety-nine (99%) percent to the Limited Partner and one (1%) percent to the General Partner.

Subject to any applicable restrictions, distributions of Cash Flow to the Partners shall be made at such reasonable intervals during the fiscal year as shall be determined by the General Partner, and in any event shall be made within 75 days after the close of each Fiscal Year.

Except as otherwise provided herein, all distributions to a class of Partners shall be shared by the Partners or the members of the class in the ratio of their Interest to the total Interests held by that class.

(B) Definition of Cash Flow. For all purposes of this Agreement, the term "Cash Flow" shall mean the profits or losses of the Partnership (as profits and losses are determined for Federal income tax purposes) but subject to the following modifications:

(a) Depreciation and cost recovery on improvements and personal property, amortization of any fee and other noncash charges utilized in computing the Partnership's taxable income shall not be deducted in determining Cash Flow.

(b) Mortgage amortization, repayment of the debts of the Partnership, including loans from Partners and any other cash expenditures not deductible in determining profits or losses shall be deducted from Cash Flow.

(c) If the General Partner shall so determine, reasonable reserves shall be established to provide for working capital needs, funds for improvements or

replacements or for any other contingencies of the Partnership and the amount allocated to such reserve or reserves from time to time shall be deducted from Cash Flow and, conversely, any amounts previously set aside as reserves shall be considered as added to Cash Flow (unless the General Partner has agreed to use such funds to pay specified debts, and interest on such debts, of the Partnership) when and to the extent the General Partner no longer regards such reserves as reasonably necessary in the efficient conduct of the affairs of the Partnership.

(d) Any amounts paid by the Partnership for capital expenditures shall be deducted from Cash Flow, unless paid by insurance proceeds or any replacement reserve for capital expenditures.

(e) Gain or loss from the sale, exchange, condemnation (or similar eminent domain taking), casualty or other disposition of all, or any substantial portion of, the assets of the Partnership (other than the proceeds of any business interruption insurance), or from the liquidation and distribution of the assets of the Partnership following a dissolution of the Partnership shall not be included in determining Cash Flow.

(f) Any amounts attributable to such period to the extent not previously deducted in computing Cash Flow for such period for fees under the Management Agreement and the Incentive Management Agreement shall be deducted.

Cash Flow shall be determined separately for each calendar year or portion thereof and shall not be cumulative.

(C) Distributions of Other Than Cash Flow. Prior to dissolution and termination of the Partnership and subject to the terms of any mortgage and any other applicable restrictions, if the General Partner determines there is cash available for distribution from sources other than Cash Flow (such as, for example, from a refinancing of a loan or a sale or disposition of any part of or all the assets of the Partnership or from any other transaction the proceeds of which do not constitute Cash Flow), such cash shall be distributed within a reasonable period of time after the event generating the cash occurs, as follows:

First, to the discharge of all debts and liabilities of the Partnership then due (or required by any lender or creditor or by the Medicaid Program and/or the Medicare Program or any successor thereof to be repaid on account of the event which makes such cash available);

Second, to fund reserves for contingent or unforeseen liabilities to the extent deemed reasonable by the General Partner;

Third, to the payment of any unpaid advances by the General Partner or others to fund operating deficits and/or Equity Loans and/or any unpaid Other Construction Loans and all accrued but unpaid interest on any of the foregoing;

Fourth, to the Limited Partner an amount equal to the Partnership Preferred Return;

Fifth, to each Partner with a positive balance in the Partner's Capital Account, after taking into account prior distributions pursuant to this Article 6.02(C), up to the amount of such positive balance;

Sixth, to the Limited Partner until Partnership Investment Recovery;

Seventh, to the General Partner until the General Partner has received an amount equal to the General Partner's original Capital Contributions; and

Eighth, the balance of any remaining cash proceeds shall be distributed fifty (50%) percent to the Limited Partner and fifty (50%) percent to the General Partner.

Except as otherwise provided herein, all distributions to a class of Partners shall be shared by the Partners or the members of the class in the ratio of their Interest to the total Interests held by that class.

6.03 Distributions Upon Dissolution.

Upon dissolution and termination of the Partnership, the assets of the Partnership shall be sold or otherwise disposed of by the Liquidator and the proceeds of such sale or other disposition shall be distributed as set forth in Article 6.02(C).

6.04 Priority of Allocations

All income, profits, expenses, losses and distributions to the Partners shall be credited or charged, as the case may be, to their Capital Accounts as of the date at which income, profits, expenses and losses are determined. All distributions made to the Partners pursuant to the provisions of Article 6.02(A) and (C) shall be treated as having been made subsequent to the allocation of income, profits, expenses and losses pursuant to Article 6.01. Income, profits, expenses and losses of the Partnership allocated among the Partners pursuant to Article 6.01(A) shall be credited or charged to their respective Capital Accounts prior to the allocation of profits

and losses pursuant to Article 6.01(B). Notwithstanding anything contained in this Article VI to the contrary, the General Partner shall at all times maintain a 1% interest in all Partnership income, profit, gain, loss, expense and credit and the allocations to the Limited Partner shall be reduced whenever necessary to give effect to the provisions hereof.

6.05 Distributions And Transfers.

Any distributions of property to the Partners other than cash and cash equivalents shall be valued at their fair market value for purposes of determining the adjustments to the Partners' Capital Accounts and for purposes of determining when Partnership Investment Recovery has been achieved and any transfer of property to a creditor of the Partnership which is not treated as a sale or exchange for federal income tax purposes shall be treated as though a sale or exchange occurred for purposes of adjusting the Partners' Capital Accounts.

6.06 Negative Capital Accounts

No Partner with a negative balance in the Partner's Capital Account shall be obligated to restore such negative balance or to make a contribution to the capital of the Partnership solely by reason thereof; provided, however, that any Partner with a negative balance in the Partner's Capital Account following (i) the expiration of the term or the dissolution and termination of the Partnership, (ii) the completion of all of the adjustments to the Partner's Capital Account required to reflect the dissolution and termination of the Partnership and the allocations and distributions to the Partners pursuant to Article VI hereof, and (iii) the delivery to the Partner of a certificate from the Accountants, prepared in good faith and at the expense of the Partnership, setting forth the calculation of such Partner's negative Capital Account balance, such Partner shall be obligated to pay the Liquidator, solely for the account of the other partners (within thirty (30) days after the receipt of such certificate) an amount equal to the lesser of (x) the negative balance in such Partner's Capital Account or (y) such Partner's share (based on the negative balance in his Capital Account and its relationship to the aggregate of all Partners' negative Capital Account balances) of the amount that would have to be distributed to those Partners with a positive balance in their Capital Accounts so that all Partners would have a zero balance in their Capital Account. This obligation is being imposed solely for the benefit of the Partners and not for the benefit of the creditors of the Partnership and shall not arise until all of the adjustments and events described herein have occurred.

ARTICLE VII

PARTNERSHIP MANAGEMENT

7.01 General Partner.

(A) Subject to and limited by the express provisions of this Agreement, the General Partner shall have full, exclusive and complete authority, discretion, obligation and responsibility with respect to the business of the Partnership. The General Partner shall manage and control the affairs of the Partnership to the best of the General Partner's ability and shall use the Partner's best efforts to carry out the business of the Partnership.

(B) The General Partner is hereby authorized, constituted and appointed to execute and deliver on behalf of the Partnership and in the name of the Partnership all documents required by the Mortgagee and HUD to achieve Final Endorsement including, without limitation, the HUD Regulatory Agreement, deeds, deeds of trust, security agreements, financing statements, the Construction Contract the Construction Loan and the Permanent Loan.

7.02 Delegation of Authority. The General Partner may delegate all or any of the General Partner's powers, rights and obligations hereunder, and may appoint, employ, contract or otherwise deal with any Person for the transaction of the business of the Partnership, which Person may, under supervision of the General Partner, perform any acts or services for the Partnership as the General Partner may approve.

7.03 Net Worth Requirement. The General Partner shall maintain such net worth and comply with all other requirements that may from time to time be necessary to assure the Partnership is classified as a partnership for Federal income tax purposes under the Code.

7.04 Limitations on General Partner.

(A) The General Partner and the General Partner's Affiliates shall not have any authority to perform (i) any act in violation of any applicable law or regulation thereunder or any agreement or contract to which any of them is a party including without limitation, the HUD Regulation Agreement, the Construction Loan and the Permanent Loan and/or those contemplated by the Memorandum and the documents referred to therein or (ii) any act without any Consent or ratification which is required to be consented to or ratified by the Limited Partner pursuant to any provision of this Agreement or the Act.

(B) No action shall be taken by the General Partner if it would change the Partnership to a general partnership or to an association taxable as a corporation for Federal income

tax purposes, or allow the Limited Partner to take part in the control of the business of the Partnership.

(C) The Consent of the Limited Partner shall be required prior to any action by the General Partner with respect to the following matters:

(1) The sale, lease, exchange, other disposition, pledge or other financing of all or substantially all of the assets of the Partnership;

(2) The substantial alteration, demolition or reconstruction of the Project;

(3) Causing the Partnership to engage in any business other than that specified in this Agreement;

(4) Entering into agreements restricting the use of Partnership property including, without limitation, deeds and easements, except for agreements in furtherance of the development of the Project; or

(5) The refinancing, recasting, increase, modification or extension of the Permanent Loan after Final Endorsement.

7.05 Manager and Management Agreement.

(A) The Partnership shall enter into a Management Agreement satisfactory to the General Partner for the management of the Project. The Management Agreement may not take a form which jeopardizes the Partnership's right to claim tax deductions as owner of the Project under the Code, including limitations imposed by Section 163(d) of the Code (or any successor provision).

(B) The General Partner shall dismiss the Manager if (i) the Manager is declared Bankrupt, (ii) there is any intentional misconduct or gross negligence by the Manager, (iii) if the General Partner or an Affiliate is the Manager and is removed pursuant to Article 11.03(A), (iv) the Manager takes any action or fails to take any action which violates in any material respect any provision of the Construction Loan, the Permanent Loan, the HUD Regulatory Agreement, the Management Agreement, this Agreement, or governmental law, rule or regulation applicable to the Partnership or the Project and/or its operations or (v) results in the loss of any licenses, permits or provider agreements.

(C) Upon the removal of the Manager pursuant to Article 7.05(B) or upon the voluntary termination of the Manager in accordance with the Management Agreement, a substitute Manager shall be named with the approval of HUD by the General Partner.

7.06 General Contractor: The Partnership has entered into the Construction Contract with the General Contractor pursuant to which the General Contractor shall construct the Project in accordance with HUD and Mortgagee specifications. The General Contractor shall receive payment from the Partnership for such services only in the amount provided in the Construction Contract and as may otherwise be agreed to in writing by the parties and the approval of the Mortgagee and/or HUD if such approval is required.

7.07 Business with Affiliates: A General Partner may cause the Partnership to transact business with the General Partner or any Affiliate for goods or services reasonably required in the conduct of the Partnership's business, provided that any such transaction shall be effected only on terms competitive with those that may be obtained from unaffiliated Persons and shall be disclosed to all Partners pursuant to Article 9.04(C).

7.08 Liability for Acts and Omissions.

(A) No General Partner shall be liable, responsible or accountable in damages or otherwise to any of the Partners for any act or omission performed or omitted in good faith on behalf of the Partnership and in a manner reasonably believed to be within the scope of the authority granted by this Agreement and in the best interests of the Partnership, but shall be so liable, responsible or accountable for gross negligence, willful misconduct or any breach of the General Partner's fiduciary duty with respect to such acts or omissions.

(B) Any loss or damage incurred by the General Partner by reason of any act or omission performed or omitted by the General Partner (or any Affiliate of the General Partner or the General Partner's (or their directors, officers, employees or agents if the General Partner is a corporation) in good faith on behalf of the Partnership and in a manner reasonably believed by the General Partner to be within the scope of the authority granted to the General Partner by this Agreement and in the best interests of the Partnership (but not, in any event, any loss or damage incurred by reason of gross negligence or willful misconduct with respect to such act or omission and no Limited Partner shall have any personal liability on account thereof) shall be paid only from Partnership assets to the extent available

(C) The General Partner shall indemnify and hold harmless the Partnership and the Partners against any damage or loss incurred by the Partnership or the Partners by reason of a General Partner's gross negligence or willful misconduct.

7.09 Operating Deficit Loans: The General Partner shall loan or cause to be loaned to the Partnership such amounts, but

not in excess of \$300,000 at any time through December 31, 1987, as may be needed to cover Operating Deficits and are not otherwise available to the Partnership. Any such loan shall be an Operating Deficit Loan which will bear interest at then current market rates and will be repayable from operations and upon the dissolution and termination of the Partnership and the General Partner shall at all times from the date hereof through December 31, 1987 provide in favor of the Partnership irrevocable letters of credit to secure the General Partner's obligations under this Article 7.09.

ARTICLE VIII

COMPENSATION AND FEES

8.01 Management Fees: The Partnership is authorized to enter into the Management Agreement with the Manager and the Incentive Management Agreement with the General Partner and to pay all applicable fees pursuant to the terms thereof and to pay all other fees and expenses described in the Memorandum.

ARTICLE IX

ACCOUNTING AND REPORTS

9.01 Books and Records. The General Partner shall maintain at the office of the Partnership full and accurate books and records of the Partnership showing all receipts and expenditures, assets and liabilities, profits and losses, names and current addresses of Partners and all other records necessary for recording the Partnership's business and affairs. The Limited Partner, the Investors, the Investor Communications Agent pursuant to that certain Investor Organization and Communication Agreement dated the date hereof between Associates and Billings & Co., Inc., and their duly authorized representatives shall have the right to inspect and copy any or all of the Partnership's books and records, including books and records necessary to enable a Limited Partner or an Investor to defend any tax audit or related proceeding, during reasonable business hours upon three (3) days Notice to the General Partner, and shall have, on demand, true and full information of all matters affecting the Partnership.

9.02 Annual Audit and Tax Matters.

(A) The books and records of the Partnership shall be kept on the accrual basis. The accounts of the Partnership shall be audited by the Accountants as of the end of each Fiscal Year and at any other time that the General Partner may deem it necessary or desirable. The General Partner shall advance necessary funds to the Partnership pursuant to Article

7.09 to pay for such audits if Partnership funds are not available.

(B) The General Partner shall prepare or cause to be prepared, all tax returns required of the Partnership at the Partnership's expense. The General Partner shall advance necessary funds to the Partnership pursuant to Article 7.09 to pay for the preparation of tax returns if Partnership funds are not available.

(C) The General Partner shall have the right to control all tax matters concerning the Partnership, including without limitation, elections under the Code, preparation of tax returns and supervision of tax audits and litigation relating thereto.

9.03 Counsel and Accountants. The Counsel and Accountants for (i) all Partnership tax and securities law matters and (ii) all other purposes of this Agreement and all other Partnership matters shall be changed from those identified in the Memorandum only with the Consent of the Limited Partner.

9.04. Reports and Notices. The General Partner shall provide all Partners with the following:

(A) By March 15, a written certification that as of the end of the prior Fiscal Year (i) a Material Default does not exist, and (ii) the representations, warranties, covenants and guarantees of the General Partner and the General Partner's Affiliates under this Agreement which are applicable at that time have not been breached and are true and correct;

(B) By March 15, a written certification that as of the end of the prior Fiscal Year (i) all Construction Loan, Permanent Loan, and real estate tax and insurance premium payments are current, (ii) no notice has been received of any defaults under the Construction Loan, Permanent Loan, HUD Regulatory Agreement, Management Agreement or this Agreement, (iii) no notice has been received of any building, health or fire code violation or similar violation of a law, regulation or ordinance of a material nature with respect to the Project and/or its operations or, if there has been any such notice, a description of the violation and the steps taken to cure it, and (iv) a summary of all reports of inspections of the Project by any federal, state or local agency having jurisdiction over the Project and a summary of the corrective action, if any, taken as a result of such inspection;

(C) By March 15, a written certification summarizing all transactions during the prior Fiscal Year between the Partnership and any Affiliate of a General Partner, including the nature of the transaction and the payments involved except those transactions expressly disclosed in this Agreement;

(D) Within thirty (30) days before the date that a payment is due pursuant to Article 5.02, a written certification that all applicable conditions to such payment have been met;

(E) Within ten (10) days of learning of such an event, written Notice of any material event which adversely affects the Project and/or its operations or any defaults or arrearages in the payment of any Partnership debt or obligation of over thirty (30) days duration, including the steps taken to cure any such default or arrearage;

(F) As soon as reasonably possible after request from a Partner, an Investor or the Investor Communication and Organization Agent, all available information necessary to comply with any Federal or state reporting requirement, including applicable tax and securities law requirements.

(G) By March 15, IRS Form 1065 and K-1, or similar forms as may be required by the IRS, stating each Partner's allocable share of income, gain, loss, deduction or credit for the prior Fiscal Year; and

(H) By April 30, a balance sheet and the related statements of income and Partners' capital and changes in financial position, accompanied by a report of the Accountants stating that an audit of such financial statement has been made in accordance with generally accepted auditing standards and containing the opinion of the Accountants with respect to the financial statements and the accounting principles and practices reflected therein and as to the consistency of the application of the accounting principles and practices, and identifying any matters to which the Accountants take exception and stating, to the extent practicable, the effect of each such exception on such financial statement.

9.05 Partnership Funds. The General Partner shall have total fiduciary responsibility for the safekeeping and use of all funds and assets of the Partnership, whether or not in the General Partner's direct or indirect possession or control. The funds of the Partnership shall not be commingled with the funds of any other Person and the General Partner shall not employ such funds in any manner except for the benefit of the Partnership. All funds of the Partnership not otherwise invested shall be deposited in one or more accounts maintained in such banking institutions as the General Partner shall determine, and withdrawals shall be made only in the regular course of Partnership business on such signatures as the General Partner may, from time to time, determine.

9.06 Partnership Reserves. The General Partner shall set aside from Partnership funds necessary reserves for required replacements or as may otherwise be required by HUD and/or the Mortgagee. The General Partner shall manage all Partnership

reserves and shall make all decisions with respect thereto which are in furtherance of the business purposes of the Partnership.

ARTICLE X

TRANSFER OF PARTNERSHIP INTERESTS

10.01 Assignment by General Partner. A General Partner may not assign the General Partner's Interest as a General Partner, in whole or in part, except as permitted by Article 11.04.

10.02 Assignment by Limited Partner. A Limited Partner may assign, transfer, alienate, hypothecate, bequeath, give or otherwise dispose of the Limited Partner's Interest, in whole or in part, by an executed and acknowledged written instrument, but such assignee or successor may become a Substitute Limited Partner only upon satisfaction of the requirements of Article 10.03.

10.03 Substitute Limited Partner.

(A) Subject to the provisions of Article 10.05, an assignee or successor of the whole or any portion of an Interest of a Limited Partner pursuant to Article 10.02 shall have the right to become a Substitute Limited Partner in place of the Limited Partner's assignor only if all of the following conditions are satisfied:

(1) The fully executed and acknowledged written instrument of assignment which has been filed with the Partnership sets forth a statement of the intention of the assignor and assignee that the assignee become a Substitute Limited Partner;

(2) The assignee executes, adopts and acknowledges this Agreement, or a counterpart hereto;

(3) The assignor or assignee pays the reasonable costs and fees incurred by the General Partner to effect the transfer;

(4) The General Partner shall have consented to the assignment, which consent may only be conditioned on an opinion of Counsel with respect to the satisfaction of the requirements of Article 10.05; and

(5) A certificate evidencing the admission of such Person as a Limited Partner shall have been filed for recording, although the General Partner shall not be required to amend the Certificate to reflect the substitution of Limited Partners more often than once every three (3) months.

(B) The General Partner may elect to treat an assignee who has not become a substitute limited partner as a Substitute Limited Partner in the place of the Successor Limited Partner's assignor should the General Partner deem, in the General Partner's sole discretion, that such treatment is in the best interest of the Partnership.

(C) For the purpose of allocating and distributing profits, losses, income or gain, a Substitute Limited Partner may be treated as having become a Partner upon the successor Limited Partner's signing of this Agreement.

(D) If an assignee of a Limited Partner pursuant to Article 10.02 does not become a Substitute Limited Partner pursuant to this Article 10.03, the Partnership shall not recognize the assignment, and the assignee shall have no right to require any information on account of the Partnership's business or to inspect the Partnership's books.

10.04 Dissolution of Limited Partner. Upon the Bankruptcy, insolvency, dissolution or other cessation to exist as a legal entity of a Limited Partner which is a trust, corporation, partnership or other entity, the authorized representative of such entity shall have all the rights of a Limited Partner for the purpose of effecting the orderly winding up and disposition of the business of such entity and such power as such entity possessed to constitute a successor as a proposed assignee of its Interest and to join with such proposed assignee in making application to substitute such proposed assignee as a Substitute Limited Partner.

10.05 Restrictions on Transfers. No assignment, transfer, sale, exchange or other disposition of the Interest of a Limited Partner shall be made to a minor or incompetent, or if such disposition would cause the Partnership to be treated as an association taxable as a corporation rather than a partnership for Federal income tax purposes, or cause the termination of the Partnership for Federal income tax purposes, or violate the provisions of any Federal or state securities laws.

ARTICLE XI

TENURE OF GENERAL PARTNER

11.01 Voluntary Withdrawal of a General Partner.

(A) A General Partner may not voluntarily withdraw or transfer the General Partner's Interest as General Partner prior to the appointment of a successor General Partner that meets the requirements of Article 11.06, unless all Partners agree otherwise.

11.02 Involuntary Withdrawal of a General Partner.

(A) In the event of the involuntary withdrawal of a General Partner due to death or adjudication of insanity or incompetence such General Partner shall immediately cease to be a General Partner and the General Partner's Interest shall be treated in accordance with Article 11.04(B).

(B) In the event of the involuntary withdrawal of a General Partner due to Bankruptcy or dissolution, such General Partner shall immediately cease to be a General Partner and the General Partner's Interest shall be treated in accordance with Article 11.04(C).

11.03 Removal of a General Partner.

(A) The Limited Partner shall have the right to remove a General Partner for any of the following reasons:

(1) Any actual fraud, willful misconduct, gross negligence or the breach of fiduciary duty in the performance of the General Partner's duties and obligations as General Partner;

(2) Failure in any material respect to meet the General Partner's obligations, representations, warranties, covenants and guarantees under this Agreement, including, without limitation, Article 7.09, or violation in any other material respect of any other provision of this Agreement or any provisions of the Act which has a material adverse effect on the Partnership or the Project;

(3) Violation in any material respect of any provision of any document or agreement with the Mortgagee or HUD, or any HUD or other governmental regulation, which has a material adverse effect on the Partnership or the Project;

(4) If the General Partner or an Affiliate is the Management Agent and is removed as set forth in Article 7.05;

(5) Any action by the General Partner not permitted by this Agreement which would (i) cause the Partnership to be treated for Federal income tax purposes as an association taxable as a corporation, or (ii) violate any Federal or state securities laws with a materially adverse effect on the Partnership which has a material adverse effect on the Partnership or the Project; or

(6) The General Partner dissolves, becomes bankrupt or is adjudicated incompetent.

(B) Upon receipt of Notice from the Limited Partner seeking the removal of a General Partner pursuant to Article 11.03(A), and specifying the cause for such removal, such General Partner shall have the right within forty five (45) days after receipt of such Notice to cure the alleged default. Should such cure not be so made so as to remove or obviate the material adverse effect thereof on the Partnership and neither the Accountants nor counsel to the Partnership are able to give their opinion that such failure to cure will not result in an irrevocable loss to the Investor Limited Partners of a substantial part of the benefits set forth in this Agreement and/or the Forecasts, such General Partner shall immediately cease to be a General Partner and to have the rights previously conferred as General Partner as to the operation of the Partnership business, and the powers and authorities conferred on the General Partner as General Partner under this Agreement shall terminate and the General Partner shall forfeit the General Partner's Interest pursuant to Article 11.04(C). The General Partner hereby appoints the Limited Partner as the General Partner's agent and attorney-in-fact to execute and record all documents necessary to give effect to this Article 11.03(B). The election to remove under this Article 11.03 shall not limit or restrict the availability and use of any other remedy which any Partner might have with respect to such General Partner in connection with the General Partner's undertakings and responsibilities under this Agreement.

11.04 Interest of a Prior General Partner.

(A) Upon the voluntary withdrawal of a General Partner pursuant to Article 11.01, the General Partner shall offer to sell the General Partner's Interest to the designee of the Limited Partner for an amount equal to the lesser of (i) its fair market value as determined by three (3) appraisers--one selected by such General Partner, one selected by the Limited Partner, and a third selected by the others so chosen, or (ii) the price offered in a bona fide offer received in writing from an unaffiliated Person. If such Interest is not purchased by the designee of the Limited Partner within thirty (30) days after the voluntary withdrawal of the General Partner, the voluntarily withdrawn General Partner may transfer it to a successor General Partner that meets the requirements of Article 11.06.

(B) Upon the involuntary withdrawal of a General Partner pursuant to Article 11.02(A) the General Partner or the General Partner's successor or legal representative shall have thirty (30) days to appoint a successor General Partner which meets the requirements set forth in Article 11.06. Such successor General Partner shall receive from the deceased or incompetent General Partner all of the General Partner's rights to such portion of the General Partner's Interest, including the General Partner's rights pursuant to Article VI as the General Partner or the General Partner's successor shall

determine. Any Interest of a deceased or incompetent General Partner which is not transferred to a successor General Partner shall be retained by such deceased or incompetent General Partner or the General Partner's successor or legal representatives as the Interest of a Substitute Limited Partner.

(C) Upon the involuntary withdrawal of a General Partner pursuant to Article 11.02(B), or if a General Partner is removed pursuant to Article 11.03(A), it shall immediately sell to the Partnership for a price determined in accordance with Article 11.04(A)(i) hereof less such amounts as are provided in Article 11.05 hereof the General Partner's Interest, including all of the General Partner's rights pursuant to Article VI.

(D) Notwithstanding any other provision of this Agreement to the contrary, in no event shall the General Partner have an aggregate Interest of less than one percent (1%).

11.05 Obligations of a Prior General Partner. If a General Partner withdraws or is removed from the Partnership under Articles 11.01, 11.02 or 11.03, the General Partner shall (i) remain liable for all obligations and liabilities incurred by the General Partner as General Partner before the effective date of such event, (ii) pay all costs associated with the admission of a successor General Partner and (iii) with respect to a removed, Bankrupt or dissolved General Partner, shall be liable for all damages and costs to the Partnership as a result of such removal. However, any such General Partner that withdraws or is removed shall be free of any obligation or liability incurred on account of the activities of the Partnership from and after the effective date of such event (as set forth in Articles 11.02 and 11.03), unless this Agreement expressly provides otherwise.

11.06 Successor General Partner. A Person shall be admitted as a General Partner only if all of the following conditions are satisfied:

(A) The admission of such Person shall have been Consented to by the General Partner, the Limited Partner, and, if required, the consent of HUD and/or the Mortgagee;

(B) The Person shall have accepted and agreed to be bound by all the terms and provisions of this Agreement and all agreements to which the Partnership and/or by which the Project may be bound, by executing a counterpart thereof and such other documents or instruments as may be required or appropriate in order to effect the admission of such Person as a General Partner;

(C) A Certificate evidencing the admission of such Person as a General Partner shall have been filed for recordation; and

(D) Such Person has the necessary authority and experience to act as General Partner and agrees to be bound by this Agreement.

11.07 Remaining General Partner.

(A) Upon the Bankruptcy, dissolution, removal, death or adjudication of incompetence of a General Partner that is not the sole General Partner, the remaining General Partner(s) shall immediately (i) give Notice to the Limited Partner of such Bankruptcy, death, dissolution or adjudication of incompetence, (ii) make such amendments of this Agreement and execute and file for recordation such amendments or documents or other instruments as are necessary to reflect the termination of such General Partner and (iii) continue the business of the Partnership (and, the General Partner expressly agrees to so continue the business of the Partnership).

(B) Upon the Bankruptcy, dissolution, removal, death or adjudication of incompetence of a General Partner and no other General Partner remains, the Partnership shall be dissolved unless the Limited Partner unanimously consent within sixty (60) days after Notice of such event, to continue the Partnership and appoint a successor General Partner that meets the requirements of Article 11.06; provided, however, that in the event of the Bankruptcy, removal, death, dissolution or adjudication of incompetence of a sole General Partner, the Limited Partner (notwithstanding any provision contained herein to the contrary) hereby consents to the admission of Rita M. Ryan, as a successor General Partner and to the continuation of the Partnership.

ARTICLE XII

DISSOLUTION AND TERMINATION

12.01 Term and Dissolution. The Partnership commenced on September 27, 1983 and shall continue until December 31, 2030, or until dissolution and termination occurs prior to that date for any one of the following reasons:

(A) An election to dissolve and terminate the Partnership is made in writing by the General Partner and the Limited Partner with the approval of HUD and/or the Mortgagee, if required;

(B) The sale, exchange or other disposition of the Project or all or substantially all of the other property of the Partnership; provided, however, that if the Partnership receives a purchase money mortgage in connection with such sale, the Partnership will continue until such mortgage is satisfied, sold or otherwise disposed of;

(C) Subject to the provisions of Article 11.07, the Bankruptcy, dissolution, removal, death or adjudication of incompetence of a General Partner who is the sole remaining General Partner; or

(D) Any other event causing dissolution and termination of the Partnership under the Act.

12.02 Liquidation of Partnership Assets.

(A) In the event of dissolution and final termination of the Partnership, a full accounting of the assets and liabilities shall be taken, and the assets shall either be (i) distributed in kind or (ii) liquidated, with the proceeds thereof applied in the manner set forth in Article 6.03 within twelve (12) months after such liquidation.

(B) The Liquidator shall file all certificates and notices of the dissolution and termination of the Partnership required by law. The Liquidator shall proceed without any unnecessary delay to sell and otherwise liquidate the Partnership's assets; provided, however, that if the Liquidator shall determine that an immediate sale of part or all of the Partnership property would cause undue loss to the Partners, the Liquidator may defer the liquidation except (i) to the extent provided by the Act, (ii) as required by Article 12.02(A) or (iii) as may be necessary to satisfy the debts and liabilities of the Partnership to Persons other than the Partners. Upon the complete liquidation and distribution of the Partnership assets, the Partners shall cease to be Partners of the Partnership, and the Liquidator shall execute, acknowledge and cause to be filed all certificates and notices required by the law to terminate the Partnership.

(C) Upon the dissolution of the Partnership pursuant to Article 12.01, the Accountants shall promptly prepare, and the Liquidator shall furnish to each Partner, a statement setting forth the assets and liabilities of the Partnership. Promptly following the complete liquidation and distribution of the Partnership's assets, the Accountants shall prepare, and the Liquidator shall furnish to each Partner, a statement showing the manner in which the Partnership's assets were liquidated and distributed.

ARTICLE XIII

AMENDMENTS AND MEETINGS

13.01 Amendment Procedure.

(A) Amendments to this Agreement may be proposed by a General Partner, or by the Limited Partner. A proposed

amendment will be adopted and effective only if it receives the Consent of the Limited Partner.

(B) The General Partner shall give the Limited Partner Notice of any of the General Partner's proposals to amend this Agreement (along with the text of the proposed amendment and a statement of its purposes). Any matter requiring the Consent of the Limited Partner may be considered at a meeting of the Partners, or by written ballot in lieu of such meeting, held not less than fifteen (15) nor more than thirty (30) days after Notice from the General Partner to the Limited Partner of any proposal. Any Consent required by this Agreement shall be deemed to have been given only when the General Partner has actually received the required Consents to the act or thing for which the Consent was solicited or after the required affirmative vote for the act or thing at a meeting called to consider the same. Any Consent so given will be nullified if a written nullification by a Partner of such Consent is actually received by the General Partner prior to the time such proposed act or thing is actually done.

13.02 Exceptions. Notwithstanding the provisions of Article 13.01;

(A) No Amendment shall alter the purpose of the Partnership, or amend Article 13.01, without the consent in writing of all of the Partners;

(B) Except as expressly provided otherwise in this Agreement, no amendment shall increase the liability or change the Capital Contributions required of a Partner, increase the responsibilities of any Partner, decrease the rights or Interest of a Partner in the income, losses, income or proceeds of the Partnership, or affect voting rights of a Partner without the consent of the Partner affected;

(C) No amendment shall be adopted which will directly or indirectly affect or jeopardize the status of the Partnership as a partnership for Federal income tax purposes without the consent in writing of all of the Partners; and

(D) Subject to the requirements of Article 13.02(B), the Partners agree to amend this Agreement to comply with Federal and State security laws, rules and regulations, including requirements applicable to the sale of securities by the Limited Partner to Investors.

13.03 Meetings: Meetings of Partners may be called by any General Partner or Limited Partner for informational purposes or for any purpose permitted by this Agreement. The General Partner shall give all Partners a Notice of the purpose of such proposed meeting not less than fifteen (15) days nor more than sixty (60) days before the meeting. Meetings shall be held at a reasonable time and place selected by the General Partner.

ARTICLE XIV

STATUS OF LIMITED PARTNERS

14.01 Management Restrictions. No Limited Partner shall take part in the management or control of the business of the Partnership or transact any business in the name of the Partnership. No Limited Partner shall have the power or authority to bind the Partnership or to sign any agreement or document in the name of the Partnership. No Limited Partner shall have any power or authority with respect to the Partnership except insofar as the Consent of the Limited Partner shall be expressly required by this Agreement. Notwithstanding any other provision of this Agreement, the Limited Partner shall take no action pursuant to this Agreement without prior receipt of an opinion of Counsel that such action will not jeopardize the status of the Limited Partner as a limited partner under the Act. In the absence of such an opinion, such actions shall, instead, be taken by the General Partner.

14.02 Limitation of Liability. The liability of a Limited Partner shall be limited to the Limited Partner's Capital Contribution as and when it is payable under the provisions of this Agreement. No Limited Partner shall have any other liability to contribute money to the Partnership, except as otherwise provided in Article 6.06 hereof or by the laws of the State, nor shall any Limited Partner be personally liable for any debts, liabilities, contracts or obligations of the Partnership. No Limited Partner shall be obligated to make loans to the Partnership.

ARTICLE XV

MISCELLANEOUS

15.01 Title to Property. All property owned by the Partnership, whether real or personal, tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually, shall have any ownership of such property. The Partnership may hold any of its assets in its own name or in the name of its nominee which nominee may be one or more individuals, corporations, partnerships, trusts or other entities.

15.02 Other Activities. Except as expressly provided otherwise in this Agreement, any of the Partners or their Affiliates may engage in, or possess an interest in, other business ventures of every nature and description, independently or with others, including, without limitation, real estate business ventures, whether or not such other

enterprises shall be in competition with any activities of the Partnership; and neither the Partnership nor the other Partners shall have any right by virtue of this Agreement in and to such independent ventures or to the income or profits derived therefrom.

15.03 Applicable Law. This Agreement, and the application or interpretation thereof, shall be governed exclusively by its terms and by the law of the State.

15.04 Binding Agreement. This Agreement shall be binding upon the parties hereto, their heirs, executors, personal representatives, successors and assigns.

15.05 Waiver of Partition. Each of the parties hereto irrevocably waives during the term of the Partnership any right that it may have to maintain any action for partition with respect to any property of the Partnership.

15.06 Headings. All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

15.07 Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

15.08 Counterparts. This Agreement may be executed in several counterparts, which shall be treated as originals for all purposes and all so executed shall constitute one agreement, binding on all of the parties hereto, notwithstanding that all the parties are not signatory to the original or the same counterpart. Any such counterpart shall be admissible into evidence as an original hereof against the Person who executed it.

15.09 Severability of Provisions. Each provision of this Agreement shall be considered severable from the rest and if any provision of this Agreement or its application to any Person or circumstances shall be held invalid and contrary to any existing or future law or unenforceable to any extent, the remainder of this Agreement and the application of any other provision to any Person or circumstances shall not be affected thereby and shall be interpreted and enforced to the greatest extent permitted by law so as to give effect to the original intent of the parties hereto.

15.10 Entire Agreement. This Agreement (and each Exhibit which is incorporated herein by reference) contains the entire understanding among the parties hereto and supersedes all prior written or oral agreements among them respecting the within subject matter, unless otherwise provided herein. There are no representations, agreements, arrangements or understandings,

oral or written, among the Partners hereto relating to the subject matter of this Agreement which are not fully expressed herein and in said Exhibits.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above written.

* * BURRILLVILLE HEALTH CENTER ASSOCIATES * *

AMENDED AND RESTATED
AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP

* * *

WITHDRAWING LIMITED PARTNER
AND WITHDRAWING GENERAL
PARTNER SIGNATURE PAGE

Name and Address: Consultants Incorporated
190 Broad Street
Providence, RI

Consultants Incorporated

By: *Antonio L. Giordano*
Antonio L. Giordano,
President

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

On this 28th day of December, 1984, before me personally appeared Antonio L. Giordano, President of Consultants Incorporated, to me known to be the person described in and who executed the foregoing instrument and acknowledged same to be his free act and deed and the free act and deed of Consultants Incorporated.

Norma J. Ryan
Notary Public

Norma J. Ryan
Notary Public

My Commission Expires 6/30/86

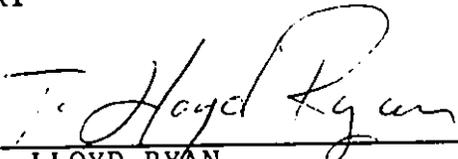
* * BURRILLVILLE HEALTH CENTER ASSOCIATES * *

AMENDED AND RESTATED
AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP

* * *

REMAINING GENERAL PARTNER AND WITHDRAWING
LIMITED PARTNER SIGNATURE PAGE

Name and Address: T. Lloyd Ryan
150 Sunrise Terrace
Chepachet, RI



T. LLOYD RYAN

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

On this 28th day of December, 1984, before me personally appeared T. Lloyd Ryan, to me known to be the person described in and who executed the foregoing instrument and acknowledged same to be his free act and deed.



Notary Public
Owen Foster (Reilly)
Notary Public

* * BURRILLVILLE HEALTH CENTER ASSOCIATES * *

AMENDED AND RESTATED AGREEMENT
AND CERTIFICATE OF LIMITED PARTNERSHIP

* * *

LIMITED PARTNER SIGNATURE PAGE

Name and Address: Health Facilities Associates,
a Limited Partnership
The Potter House
359 Broad Street
Providence, RI

Health Facilities Associates,
a Limited Partnership

By: *David M. Ryan*
David M. Ryan, General Partner

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

On this 28th day of December, 1984, before me personally appeared David M. Ryan, General Partner of Health Facilities Associates, a Limited Partnership, to me known to be the person described in and who executed the foregoing instrument, and acknowledged same to be his free act and deed and the free act and deed of Health Facilities Associates, a Limited Partnership.

William Foster (Feilly)
Notary Public
William Foster (Feilly)

EXHIBIT A

That certain lot or parcel of land situated on the southwesterly side of South Main Street and on the southerly side of Davis Drive in the Town of Burrillville, County of Providence and State of Rhode Island bounded and described as follows, viz.:

Beginning at a point on the southwesterly side of said South Main Street, which point is the most easterly corner of land now or lately of T. Lloyd Ryan and being the most easterly corner of the lot hereby described; thence S. 65°-49'-10" W. three hundred fifty-two and eight tenths (352.80) feet; thence S. 24°-10'-50" E. one hundred fifty (150.00) feet to a granite bound at land, now or formerly, of Edward P. & Norita A. Schobel, the last two (2) lines bounded by said Ryan land; thence S. 65°-02'-38" W. seven hundred twenty-four and fifty-six one hundredths (724.56) feet to a granite bound at land of the Rhode Island Port Authority and Economic Development Corporation; thence N. 23°-48'-25" W., with said land of the Rhode Island Port Authority and Economic Development Corporation, five hundred twelve and sixty-three one hundredths (512.63) feet to a granite bound at a point of curve on the aforesaid Davis Drive; thence southeasterly on a curved line having a radius of one hundred forty (140.00) feet for a distance of two hundred nineteen and ninety-one one hundredths (219.91) feet to a point of tangent; thence N. 66°-27'-00" E. nine hundred twenty-six and two tenths (926.20) feet to a point of curve; thence southeasterly on a curved line having a radius of twenty-five (25.00) feet for a distance of thirty-nine and ninety-eight one hundredths (39.98) feet to a point of tangent at the aforesaid South Main, the last three (3) lines bounded by said Davis Drive; thence southerly, with said South Main Street, and on a curved line having a radius of one thousand, eight hundred twenty-six and three tenths (1,826.30) feet for a distance of one hundred seventy-five and eighty-four one hundredths (175.84) feet to the point of beginning.

Containing 7.821 acres, more or less.



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Rec'd. & Filed DEC 28 1994