

FEB 27 10 00 AM '97

BK 73 PG 783
W.E. DAVIS CH. CLK.

This Instrument Was Prepared By:
A. Stuart Campbell
Farris, Warfield & Kanaday
Nineteenth Floor
Third National Financial Center
424 Church Street
Nashville, Tennessee 37219
(615) 244-5200

LEASE

THIS LEASE made and entered into as of the 27th day of February, 1997, by and between DESOTO COUNTY, MISSISSIPPI, a political subdivision of the State of Mississippi ("Lessor") and BEVERLY ENTERPRISES-MISSISSIPPI, INC. ("Lessee"), a California corporation authorized to transact business in the State of Mississippi.

W I T N E S S E T H:

1. LEASED PREMISES. The Lessor, for and in consideration of the rents, covenants, and agreements hereinafter specified to be paid, kept and performed by the Lessee, hereby leases to the Lessee premises located in Hernando, DeSoto County, Mississippi known as the Southaven Health Care Center, located at 1730 Dorchester Drive, Southaven, Mississippi (more particularly described in Exhibit A attached hereto and incorporated herein by reference), together with all improvements thereon, hereinafter referred to as the Leased Premises.

2. LESSORS' TITLE. The Lessor covenants and warrants that it has full right and lawful authority to enter into this Lease for the full term herein granted and any extensions hereof, and that it has good and marketable fee simple title to the Leased Premises.

The Lessee shall quietly enjoy the Leased Premises for the full term herein granted and for any extensions hereof.

3. TERM.

(a) The term of this Lease shall be thirty (30) years, commencing on February 27, 1997 and expiring February 27, 2027.

(b) Should the Lessee hold over and remain in possession of the Leased Premises or fail to surrender possession of the same after the expiration of the initial or extended term of this Lease without the Lessor's written consent, it shall not be deemed or construed to be a renewal or extension of this Lease but shall only operate to create a month-to-month tenancy which may be terminated by either party at the end of any month upon thirty (30) days prior written notice to the other party.

4. RENT. From February 27, 1997 through December 31, 1997, the Lessee shall pay monthly rent of \$1,000.00 per month, payable on the last day of the month. Commencing on January 1, 1998, and continuing for the term of this Lease, the Lessee shall pay annual rent of Twelve Thousand (\$12,000.00) Dollars per annum, payable on January 31 of each year for the preceding year.

5. INSURANCE, TAXES, REPAIRS AND MAINTENANCE. The Lessee shall keep the Leased Premises insured in accordance with its customary insurance practices.

The Lessee shall pay all real property taxes assessed with respect to the Leased Premises during the term of this Lease.

The Lessee shall, at its expense, make all necessary repairs and replacements to the Leased Premises.

6. CASUALTY. In the event of destruction or damage to the Leased Premises by fire, windstorm, or any other casualty, the Lessee shall, by giving sixty (60) days prior written notice to Lessor, be entitled to surrender possession of the Leased Premises and to terminate this Lease. In the event of any such destruction or damage, the Lessee also shall, at its option, be entitled to rebuild or repair the Leased Premises at its expense.

7. ASSIGNMENT AND SUBLEASING. The Lessee shall not assign or sublease the Leased Premises without the prior written consent of the Lessor, which consent shall not be unreasonably withheld.

8. EMINENT DOMAIN. If the whole of the Leased Premises, or a part thereof equal to or exceeding thirty (30%) percent of the surface area of said Leased Premises, is condemned for any public use or purpose by any legally constituted authority, this Lease shall, at the option of the Lessee, cease from the time when possession is taken by such public authority, and rental shall be accounted for between the Lessor and the Lessee as of the date of the surrender of possession. Such termination shall be without prejudice to the right of either the Lessor or the Lessee to recover compensation from the condemning authority for any loss or damage caused by such condemnation.

9. TERMINATION. In the event the Lessee is adjudicated a bankrupt, or in the event the Lessee fails to pay rent when due, and such default continues for a period of sixty (60) days after

notice thereof from the Lessor in writing, the Lessor may reenter and take possession of the Leased Premises, and the Lessee's right, title and interest under or by virtue of this Lease shall terminate and be of no further force and effect. In such event, any and all personal property of the Lessee on said Leased Premises may be removed by the Lessee at the Lessee's risk and expense.

10. MISCELLANEOUS PROVISIONS.

(a) The Lessor covenants to keep the Lessee in quiet and peaceful possession of the Leased Premises during the term of this Lease, as long as the Lessee makes payment of rents and performs the other terms and conditions of this Lease as herein set forth.

(b) This Lease shall be governed by, construed and enforced in accordance with the laws of the State of Mississippi.

(c) If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

(d) The covenants, terms, conditions, provisions and undertakings in this Lease or in any renewals thereof shall extend to and be binding upon the heirs, executors, administrators, successors, and assigns of the respective parties hereto, as if they were in every case named and expressed, and shall be construed

as covenants running with the land; and wherever reference is made to either of the parties hereto, it shall be held to include and apply also to the heirs, executors, administrators, successors and assigns of such party, as if in each and every case so expressed.

(e) Any and all notices, requests, demands and other communications (sometimes referred to in this Lease as a "Notice") required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when received, either by personal delivery, or deemed delivered if mailed by mail, first class, postage prepaid, registered, return receipt requested, addressed as follows or to such other address as either party may substitute by notice.

If to Lessor: DeSoto County, Mississippi
c/o William Austin, Jr., Esq.
Austin Law Firm, P.A.
316 West Commerce Street
Hernando, MS 38632

If to Lessee: Mr. Schuyler Hollingsworth
Beverly Enterprises, Inc.
5111 Rogers Avenue, Suite 40-A
Fort Smith, Arkansas 72913

(f) Whenever used, the singular number shall include the plural, the plural the singular, and the use of and gender shall be applicable to all gender.

EXECUTED as of the day and year first above written.

LESSOR:
DESOTO COUNTY, MISSISSIPPI

ATTEST:

Title: _____

By: _____
Title: _____

LESSEE:
BEVERLY ENTERPRISES -
MISSISSIPPI, INC.

By: Shirley Hollingsworth Jr.
Title: SVP and Treasurer

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me by _____, who is the _____ of DESOTO COUNTY, MISSISSIPPI, a political subdivision of the State of Mississippi, on behalf of the County, on this ____ day of _____, 1997.

Signature of Notary Public-State of _____

Print, type or stamp commissioned name of Notary Public;
Personally known _____ OR Produced Identification _____
Type of Identification Produced _____

State of Arkansas
County of Sebastian

The foregoing instrument was acknowledged before me by Schuyler Hollingsworth, Jr., who is the SVP and Treasurer of BEVERLY ENTERPRISES-MISSISSIPPI, INC., California corporation, on behalf of the corporation, on this 13th day of February, 1997.

Cynthia Lynn Rogers
Signature of Notary Public - State of Arkansas



Cynthia Lynn Rogers

Print, type or stamp commissioned name of Notary Public;

Personally known

EXECUTED as of the day and year first above written.

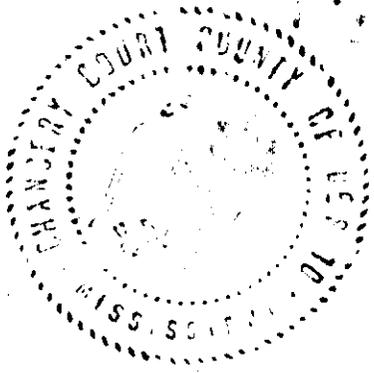
LESSOR:

DESOTO COUNTY, MISSISSIPPI

ATTEST:

W. D. Dawkins
Title: Chancery Clerk

By: [Signature]
Title: President



LESSEE:

BEVERLY ENTERPRISES - MISSISSIPPI, INC.

By: _____

Title: _____

STATE OF Miss.
COUNTY OF Desoto

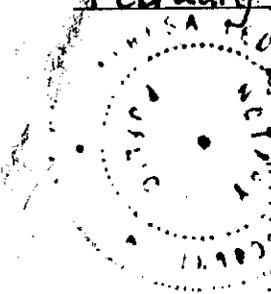
The foregoing instrument was acknowledged before me by John M. M. Caldwell, Sr., who is the President of DESOTO COUNTY, MISSISSIPPI, a political subdivision of the State of Mississippi, on behalf of the County, on this 18th day of February, 1997.

[Signature] - My Commission Expires 10-4-97
Signature of Notary Public-State of Miss.

Teresa Tedford
Print, type or stamp commissioned name of Notary Public;
Personally known X OR Produced Identification _____
Type of Identification Produced _____

STATE OF Miss.
COUNTY OF Desoto

The foregoing instrument was acknowledged before me by W.E. Davis, who is the Chancery Clerk of DESO TO COUNTY, MISSISSIPPI, a political subdivision of the State of Mississippi, on behalf of the County, on this 18th day of February, 1997.



Tereba Tedford My Commission Expires: 10-4-97
Signature of Notary Public-State of Miss.

Tereba Tedford
Print, type or stamp commissioned name of Notary Public;
Personally known X OR Produced Identification _____
Type of Identification Produced _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me by _____, who is the _____ of BEVERLY ENTERPRISES-MISSISSIPPI, INC., a California corporation, on behalf of the corporation, on this _____ day of _____, 1997.

Signature of Notary Public-State of _____

Print, type or stamp commissioned name of Notary Public;
Personally known _____ OR Produced Identification _____
Type of Identification Produced _____

EXHIBIT A

A part of the Cobb Estate 51.34 acres more or less located in Section 26, Township 1 South, Range 8 West, DeSoto County, Mississippi and being more specifically described as follows:

Begin at a stake at the Southeast corner of Lot 2937, Section "N," Southaven West Subdivision, as recorded in Plat Book 5, pages 8 and 9, Register's Office, Hernando, DeSoto County, Mississippi; thence North 00° 29' West 165.00 feet to a stake; thence South 89° 10' East 337.64 feet to a stake; thence South 03° East 653.24 feet to a stake in the South line of a 200 foot power line easement; thence South 81° 03' West 517.13 feet to a stake in the East line of Dorchester Drive; thence North 03° 09' West 568.08 feet to a stake in the South line of said Southaven West subdivision; thence North 88° 10' East 171.74 feet to the point of beginning and containing 7.6 acres of land.