§ 131E-241. Avoidance of preexisting leases, mortgages, and contracts.

(a) A temporary manager shall not be required to honor any lease, mortgage, secured transaction, or other wholly or partially executory contract entered into by the respondent, licensee, or administrator of the long-term care facility if the temporary manager demonstrates to the court that the rental price, rate of interest, or other compensation to be paid under the contract or agreement is unreasonable in light of conditions existing at the time the agreement was entered into by the parties or in light of the relationship of the parties.

(b) If the temporary manager is in possession of real estate or goods subject to a lease, mortgage, security interest, or other contract that the temporary manager is permitted to avoid under subsection (a) of this section, and if the real estate or goods are necessary for the continued operation of the long-term care facility, the temporary manager may apply to the court to set a reasonable rental price, rate of interest, or other compensation to be paid by the temporary manager during the duration of the temporary management. The court shall hold a hearing on the application within 15 days after receipt of the application. At least 10 days prior to the hearing, the temporary manager shall send notice of the application to any known person with any beneficial interest in the property involved.

(c) Payment by the temporary manager of the amount determined by the court to be reasonable is a defense to any action against the temporary manager for payment or for possession of the goods or real estate subject to the lease, mortgage, security interest, or other contract involved by any person who received such notice, but the payment does not relieve the obligee of liability for the difference between the amount paid by the temporary manager and the amount due under the original lease, mortgage, or security interest involved. (1993, c. 390, s. 1.)