

PROJECT NO.

**Operator Security Agreement Section 232**

**U.S. Department of Housing and Urban Development**  
**Office of Healthcare Programs**

OMB Approval No. 9999-9999  
(exp. mm/dd/yyyy)

Public reporting burden for this collection of information is estimated to average 2 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. Response to this request for information is required in order to receive the benefits to be derived. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number. No confidentiality is assured.

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Recording requested by:

\_\_\_\_\_  
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After recording return to:

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**[PROJECT NAME: \_\_\_\_\_]**

**LESSEE/FHA Project No. \_\_\_\_\_**

**THIS OPERATOR SECURITY AGREEMENT**

~~THIS LESSEE SECURITY AGREEMENT (the "Agreement") is made, entered into and dated as of \_\_\_\_\_, 2008, the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and among \_\_\_\_\_, between [OPERATOR] \_\_\_\_\_, a \_\_\_\_\_, having an address at \_\_\_\_\_ (hereinafter referred to as the "Grantor"), \_\_\_\_\_, a \_\_\_\_\_, having an address at \_\_\_\_\_ (as hereinafter referred to as "Borrower" or "Landlord"); \_\_\_\_\_ organized and \_\_\_\_\_, having an address and existing under the laws of \_\_\_\_\_, whose principal place of business at \_\_\_\_\_ (hereinafter referred to as "Secured Party"). Secured Party and The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary"), and their respective heirs and assigns, as their interests may appear, are hereinafter collectively referred to as the "Secured Party".~~

~~Whereas, the Borrower is the owner located at \_\_\_\_\_ (the "Operator"); and \_\_\_\_\_, a \_\_\_\_\_ organized and existing under the laws of the real and personal property that comprises State of \_\_\_\_\_ and having an address at \_\_\_\_\_ (the nursing home project ("Secured Party" or the "Project") situated on the property described in Exhibit A attached hereto and made a part hereof (the "Premises"); and Lender"), as follows:~~

~~Whereas, the Borrower intends to accept a loan (the "Loan") in the sum of \_\_\_\_\_ and \_\_\_\_\_/100 Dollars (\$ \_\_\_\_\_) from Secured Party, pursuant to the terms and conditions set forth in that certain Promissory Note in said sum, dated as of \_\_\_\_\_, 2008, in favor of Secured Party, as mortgagee (the "Note"); and~~

~~Whereas, the Borrower has leased the Project to the Grantor pursuant to the terms of that certain Lease, dated as of \_\_\_\_\_ (as thereafter amended from time to time, the "Lease"); and~~

~~Whereas, the Secured Party has requested that Grantor give to Secured Party a security interest in the Collateral (as hereinafter defined) as a condition of Secured Party making the Loan to the Borrower evidenced by the Note in order to secure Grantor's obligations and performance under the Lease.~~

~~WITNESSETH THAT:~~

~~For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and subject to the terms hereof, the Grantor hereby grants to the Secured Party, a security interest in, and the Grantor hereby mortgages to the Secured Party, the property described in the attached Exhibit B, hereinafter collectively referred to as the "Collateral", it being the intention of the parties hereto that: (a) the security interest of the Secured Party shall attach to the Collateral (i) as soon as the Grantor obtains any interest~~

~~in any Collateral (ii) before the Collateral becomes a fixture; (iii) before the Collateral is installed or affixed to any other collateral; and, (b) the security interest held by the Secured Party shall cover cash and non-cash proceeds of the Collateral.~~

~~Notwithstanding the foregoing, nothing contained herein shall be construed as authorizing, either expressly or by implication, the sale or other disposition of the Collateral by the Grantor, which sale or other disposition is hereby expressly prohibited without the Secured Party's prior written consent. Notwithstanding the foregoing (i) Collateral does not include anything which is not owned by Grantor (i.e. leased items or items located on property but owned by a contractor) and (ii) Grantor shall not be prohibited from selling or replacing Collateral in the ordinary course of business.~~

~~The security interest hereby granted in the Collateral is delivered to secure payment of the Grantor's rent payments (including all tax, insurance or other capital, repair or impound reserve payments required under the Lease) and the performance by the Grantor of its obligations under the Lease and also to secure all obligations of the Grantor to the Secured Party under this Security Agreement (all of which obligations for which this Security Agreement is secured being hereinafter referred to as the "Obligations").~~

~~Incident thereto, the Grantor agrees with the Secured Party as follows:~~

~~1. Grantor warrants and represents that:~~

~~(a) Subject to the terms of the Intercreditor Agreement (as hereafter defined), the security interest granted to the Secured Party in the Collateral shall constitute a first lien as to the Collateral, and that the Grantor is the lawful owner of such Collateral and has good right to pledge, sell, consign, assign, transfer and create a security interest in the same;~~

~~(b) The Collateral shall continue to be free from all pledges, liens, encumbrances and security interests or other claims in favor of others, except for the security interests of the AR Lender (as hereinafter defined) previously disclosed in writing to Secured Party; and the Grantor will warrant and, at the Secured Party's request, defend the same from all claims and demands of all persons;~~

~~(c) The Collateral shall only be used by the Grantor in the maintenance and/or operation of the Project, and shall not be held for sale or leased to others, or otherwise disposed of by the Grantor without the prior written consent of the Secured Party, except for dispositions in the ordinary course of business and as permitted under the Lease;~~

~~(d) **The Recitals**~~

~~**A.** Contemporaneously with this Agreement, the Secured Party has made a loan to \_\_\_\_\_ (the "Borrower") in the maximum principal amount of \$ \_\_\_\_\_ .00 (the "Loan"). The Loan is evidenced by the Healthcare Facility Note made by the Borrower in favor of the Secured Party, dated as of even date herewith (the "Note") in connection with the operation of a healthcare facility~~

commonly known as [ \_\_\_\_\_ ] (the "Healthcare Facility"), authorized to receive mortgage insurance pursuant to Section 232 of the National Housing Act, as amended, or any subsequent legislation, and located on the real property legally described on Exhibit A attached hereto and incorporated herein by reference (the "Land") (the Healthcare Facility and any other improvements situated on the Land are referred to herein as the "Improvements") (the Land, the Healthcare Facility, and any other Improvements, together with any and all assets of whatever nature or wherever situated related to the Loan, are hereinafter sometimes referred to as the "Project"). The Operator operates the Healthcare Facility, pursuant to that certain [title of Operator's Lease or Agreement with Borrower or Master Tenant] ("Operator Agreement"), and Operator is subject to that certain Regulatory Agreement (Operator) for Healthcare, relating to the Healthcare Facility and made as of substantially even date herewith, as the same may be amended from time to time ("Operator's Regulatory Agreement").

**B.** As security for the Obligations (as defined below), the Borrower (i) granted to the Secured Party the Healthcare [*Mortgage, Deed of Trust, Deed to Secure Debt, Security Deed or other Designation as appropriate in Jurisdiction*], Assignment of Leases and Revenue and Security Agreement, dated as of even date herewith, encumbering the Project, which has been or is concurrently herewith being recorded in the real estate records of the jurisdiction in which the Land are located (the "Security Instrument"), and (ii) entered into a Regulatory Agreement (Owner) with the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner ("HUD"), dated as of even date herewith (the "Borrower's Regulatory Agreement"). The Operator expects to benefit from the operation of the Healthcare Facility and has agreed to enter into this Agreement with the Secured Party as additional security for the Obligations. The Note, the Security Instrument, the Borrower's Regulatory Agreement, this Agreement, the Operator's Regulatory Agreement, and all other agreements, instruments, and documents which are now existing or are in the future required by and/or delivered to Secured Party and/or HUD in connection with or related to the Loan or the Obligations, whether executed or delivered by or on behalf of Borrower or Operator [or [*Master Tenant* ("Master Tenant")], as the same may be amended from time to time, are sometimes collectively referred to as the "Loan Documents."

**C.** As the operator of the Healthcare Facility, Operator acknowledges and believes that it shall benefit directly from the making of the Loan. **[If applicable, include the following sentence:** Further, the Operator acknowledges that it is affiliated with, shares common ownership with, and/or has an identity of interest with the Borrower.] \_\_\_\_\_

**D.** As used herein, "Healthcare Assets" means (i) any and all licenses, permits and/or approvals issued by any governmental authority with respect to the use or operation of the Healthcare Facility as [**an assisted living or a nursing home**], (ii) any and all Medicare and Medicaid provider agreements and (iii) any and all "Government Accounts" (as defined below) and "Government Payments" (as defined below).

### **Statement of Agreement**

## **1. SECURITY INTEREST; SETOFF.**

(a) To secure the full, prompt and complete payment and performance of all Obligations, the Operator hereby, to the fullest extent permitted by applicable law with respect to Healthcare Assets, grants to, and creates in favor of, the Secured Party a continuing security interest in all of Operator's right, title and interest in and to the property described on Exhibit B attached hereto and incorporated herein by reference (the "Collateral"). "Obligations" means: [(1),] as of any date, the Loan and all other indebtedness, liabilities, obligations, covenants, debts and amounts owing from the Borrower and/or the Operator to the Secured Party and/or HUD arising out of, in connection with, described in, or evidenced by the Loan Documents, whether direct or indirect, absolute or contingent, related or unrelated, now or in the future existing and whether consisting of principal, interest, fees, indemnities, expenses (including attorneys' fees), charges or other sums, however any of that indebtedness, obligations, or liabilities may be evidenced or acquired, all as now exist or may, after the date of this Agreement, be incurred, renewed, extended, consolidated, adjusted or amended; [use the following if the Operator Agreement is a lease: (2) Operator's rent payments (including all tax, insurance or other capital, repair or impound reserve payments required under the Operator Agreement) and the performance by [Operator of its obligations under the Operator Agreement.]

(b) In addition to (and without limitation of) any right of setoff, lien or counterclaim the Secured Party may otherwise have, the Secured Party may, at its option, setoff and retain, and may refuse to allow withdrawals by, or for the benefit of the Borrower and/or Operator of, any and all funds, monies, securities and other property held in escrow or for the account of the Borrower and/or the Operator pursuant to the Loan Documents, against any amount payable by the Borrower and/or the Operator under the Note, the Mortgage or any of the other Loan Documents which is not paid when due (whether or not any of the funds, monies, securities, or other property are then distributable to, or on behalf of, the Operator).

(c) Notwithstanding any provisions to the contrary contained in this Agreement, nothing set forth in this Agreement shall be construed as granting to Secured Party a security interest, assigning receivables, giving dominion and control or designating an attorney-in-fact with respect to Government Accounts or Government Payments in violation of any applicable law.

## **2. REPRESENTATIONS; GENERAL COVENANTS.**

(a) To induce the Secured Party to make the Loan, the Operator promises to the Secured Party that the following statements are, and will continue throughout the term of this Agreement to be, true: (i) except to the extent expressly permitted pursuant to Section 19 hereof, the security interest granted to the Secured Party in the Collateral constitutes a valid, first priority security interest; (ii) the Operator has good title to, and is the sole and lawful owner of, the Collateral; (iii) the Operator has full power and authority to enter into and perform its obligations under this Agreement; (iv) except to the extent expressly permitted pursuant to Section 19 hereof, rights granted

to the Borrower under the Operator Agreement, if any, which are subordinate to the liens in favor of the Secured Party ("Subordinate Agreement Rights") and taxes that are not yet due and payable, the Collateral is free and clear of any lien, security interest, claim, interest, pledge, assignment or other encumbrance (a "Lien"); (v) the Operator keeps all tangible Collateral at the Healthcare Facility; (vi) all trade names, assumed names, fictitious names and other names used by the Operator during the five year period preceding the date of this Agreement are set forth on Exhibit C, and the Operator has not, during the preceding five year period, except as may be set forth on Exhibit C, acquired any of its assets in any bulk transfer; (vii) Operator's chief executive office is as set forth in the first paragraph of this Agreement; (viii) Operator's jurisdiction of organization is as set forth in the first paragraph of this Agreement; (ix) Operator's exact legal name is as set forth in the first paragraph of this Agreement; (x) Operator's organizational number (if any) as assigned by the State in which Operator is organized is the number identified as Operator's organizational ID # on the financing statement(s) filed in connection with the closing of the Loan, and (xi) except as may be set forth on Exhibit C, the Operator has no rights, titles or interests in, or with respect to, any investment property, any letters of credit, any electronic chattel paper, any commercial tort claims, any instruments, including promissory notes, or any deposit accounts.

(b) The Operator will not grant, create or permit to exist any Lien on any of the Collateral except for the Liens in favor of the Secured Party and Subordinate Operator Agreement Rights, and except to the extent expressly permitted pursuant to Section 19 hereof. The Operator, at the Secured Party's request, will defend the Collateral against the claims and demands of any individual, unincorporated association, partnership, joint venture, trust, business trust, corporation, limited liability company, institution, entity or any governmental authority ("Persons") at any time claiming any interest in the Collateral.

(c) The Collateral will only be used by the Operator in the operation of the Project. Until an Event of Default (as defined below) occurs, the Operator may have possession of the Collateral and use it in any lawful manner not inconsistent with the Loan Documents and any policy of insurance thereon. The Operator will not sell, assign, lease, or otherwise dispose of any of the Collateral without the prior written consent of the Secured Party; however, the Operator will have the right, without the Secured Party's consent, to transfer, sell or dispose of any Collateral which is (i) tangible personal property and (ii) obsolete or worn out ("Consumed Property") if the Operator, concurrently with such transfer, sale or disposition, replaces the Consumed Property with replacement personal property which is free and clear of any Liens except for the Liens in favor of the Secured Party and Subordinate Operator Agreement Rights and has the same or greater value and utility as the Consumed Property originally had (any such replacement personal property will automatically become a part of the Collateral under this Agreement). The Secured Party's interests in the proceeds of the Collateral (or notification of its interests in the proceeds of the Collateral in financing statements or otherwise) will not be construed as modifying this Agreement or as the Secured Party's consent to the disposition of any Collateral other than as provided in this Agreement.

~~All tangible Collateral shall be located at the Premises, Healthcare Facility ("Collateral Location"), and shall not no tangible Collateral may be removed therefrom without the prior written consent of the Secured Party, except that removals and replacements in the ordinary course of business shall require no consent;~~

~~(d) \_\_\_\_\_ (e) \_\_\_\_\_ The Grantor shall, at its own cost and expense keep the Collateral in as good and substantial repair as the same is in at this date, or as the same is when acquired, only reasonable wear and tear excepted, and shall keep and maintain the Collateral in accordance with all applicable laws, rules, and regulations (governmental or otherwise), making replacements, repairs and improvements when and where necessary; and, in connection with the foregoing, of the Secured Party hereby consents to the removal by the Grantor of the same, or any part hereof, from said Premises only if and to the extent that unless the Collateral is (i) Consumed Property under the terms of Section 2(c) above or (ii) being removed in accordance with the terms of Section 2(e) below. Immediately on demand therefor by the Secured Party, the Operator will deliver to the Secured Party any and all evidences of ownership of the Collateral (including certificates of title and applications for title). The Operator will give the Secured Party not less than 30 days prior written notice of any change of (A) Operator's corporate, partnership, doing business, trade or legal name or (B) any Collateral Location.~~

~~(a)(c) The Operator will, at its own cost and expense, maintain all of the tangible Collateral in good working condition and make all necessary renewals, repairs, replacements, additions, betterments and improvements thereto, and, in this connection, the Operator may temporarily remove the same, or any part thereof, from the Project if such removal is necessary or advisable in connection with the Grantor's fulfillment Operator's fulfilling of its obligations under this Subparagraph Section 2(e); and does not affect the priority of the security interest created hereby; and.~~

~~(f) \_\_\_\_\_ Except in connection with the sale of stock of Grantor (which sale is subject to the prior written consent of Secured Party and HUD), Grantor will not sell, assign or otherwise transfer any document, instrument, or chattel paper in connection with the Collateral, except sales, assignments and transfers in the ordinary course of business as permitted under the Lease and will neither create nor suffer to be created any security interest, liens, encumbrances or claims in favor of others with respect thereto, except for the security interests to the AR Lender.~~

~~(f) \_\_\_\_\_ 2. \_\_\_\_\_ Grantor agrees to The Operator will operate the Healthcare Facility in accordance with, and in all other ways comply with, the Operator's Regulatory Agreement and Program Obligations (as such term is defined in the Loan Documents). In addition and without limiting the generality of the foregoing, the Operator will deliver to Secured Party copies of all reports, financial statements and other information which the Operator is obligated to provide to HUD pursuant to the Operator's Regulatory Agreement or otherwise pursuant to the Loan Documents or Program Obligations, not later than the earlier of (i) the delivery of such reports, financial statements and other information to HUD or (ii) ten (10) days after Secured Party makes such request.~~

(g) The Operator will not change (i) without thirty (30) days prior notice to the Secured Party, the location of its chief executive office or (ii) without the prior written consent of Secured Party, which shall not be unreasonably withheld, its jurisdiction of organization.

(h) The Operator will not merge or consolidate with or into any other Person without the prior written consent of Secured Party.

(i) The Operator will not establish any deposit account unless (i) with respect to any proposed deposit account (other than those set forth on Exhibit C) at least thirty (30) days prior written notice of the name and address of the depository bank, the type of account and any other information reasonably requested by the Secured Party is provided to Secured Party and (ii) contemporaneously therewith, if requested by the Secured Party consistent with the Operator's obligations under Section 14, a control agreement in form and substance acceptable to the Secured Party is entered into among the Operator, the Secured Party and the depository bank where the deposit account would be maintained. Upon the Secured Party's request (which request need be made only once and not on a recurring basis), the Operator will take all reasonable steps to cause each of the Operator's depository banks to provide to the Secured Party, (A) whether by Internet access or otherwise, on-line screen access to daily activity in the Operator's deposit accounts, and (B) a copy of each periodic account statement relating to the Operator's deposit accounts ordinarily furnished by the depository bank to the Operator. The Operator authorizes and approves of the Secured Party communicating directly with each depository bank that maintains a deposit account for the Operator. The Operator will maintain one or more separate deposit account(s) into which only Government Payments are deposited (collectively, the "Government Accounts"), and the Operator will not commingle in any Government Account proceeds of accounts from non-governmental authorities with proceeds of accounts owing from governmental authorities, including Government Payments. The Operator shall cause all Government Payments to be paid directly into the Government Accounts. Prior to establishing any Government Account, the Operator shall cause a deposit account instruction services agreement in form and substance acceptable to the Secured Party to be entered into with respect to each Government Account by and among the Operator, the Secured Party and the depository bank that maintains such Government Account (each, a "DAISA") to initiate a funds transfer each business day, unless the Secured Party approves otherwise, of all available funds in the applicable Government Account to a non-Government Account of the Operator that is then subject to a control agreement among the Operator, the Secured Party and the depository bank. Not less than thirty (30) days prior to the effective date thereof, the Operator will provide to the Secured Party a copy of (1) any change to any DAISA, or (2) any new directions with respect to a Government Account issued to a depository bank maintaining such Government Account, in each case no later than providing the change or directions to the depository bank. Without limiting the generality of the foregoing, without the prior written consent of the Secured Party, neither a change to any DAISA nor any new directions shall instruct a depository bank to transfer funds from the Government Account to a deposit account that is not then subject to a control agreement among the Operator, the Secured Party and the depository bank that maintains such deposit account. Any change to or termination of any DAISA and any

new directions must be approved by the Secured Party. Failure to comply with any of the provisions of this Section 2(i) shall constitute an "Event of Default." Unless a default exists under this Agreement or any other Loan Document, the Secured Party will not provide notice to the depository bank that is party to a control agreement that Secured Party is exercising rights of control in the Operator's deposit accounts. As used herein, "Government Payment" means a payment from a governmental entity and shall include, without limitation, payments governed under the Social Security Act (42 U.S.C. §§ 1395 et seq.), including payments under Medicare, Medicaid and TRICARE/CHAMPUS, and payments administered or regulated by the Centers for Medicare and Medicaid Services of Department of Health and Human Services.

2.3. COMPLIANCE WITH LAWS. The Operator will comply with the requirements of all valid and applicable federal, state and federal/local laws in order to grant to the Secured Party a valid lien upon, and a security interest in, the Collateral described herein, or which may be described in any amendment supplementary hereto.

3.4. 3. Grantor TAXES; EXPENSES. The Operator will pay, when due, all taxes, assessments and other charges lawfully and validly levied or assessed upon the Collateral or any part thereof, and the Grantor. The Operator will pay and, as applicable, reimburse the Secured Party for (i) any and all fees, costs and expenses, of whatever kind and nature, including the fees, expenses and disbursements of the Secured Party's counsel (including but not limited to fees, expenses and disbursements for preparation of documents, making title examinations and rendering opinion letters) which the Secured Party may incur, including, reasonable attorneys' fees, in protecting, maintaining, preserving, enforcing connection with filing any financing statements or foreclosing the security interest granted to the Secured Party other public notices to protect its interests hereunder, the enforcement, preservation, foreclosure, and/or protection of the Secured Party's rights and/or remedies under the Loan Documents, whether incurred through judicial proceedings or otherwise, or in defending or prosecuting any actions or proceedings arising out of or relating to this transaction, promptly after the Grantor shall have been notified by the Secured Party of the amount of such fees, costs or expenses the Loan, and (ii) all filing and recording fees and taxes payable in connection with the transactions contemplated by the Loan Documents. All amounts payable by Operator to Secured Party under this Section 4 will be paid by the Operator upon the Secured Party's demand therefor.

4.5. 4. Grantor agrees that INSPECTION; NOTICES. Subject to resident privacy rights, the Secured Party, or its agents, may enter upon the premises of Grantor Project and any other Collateral Location at any time during normal business hours, and from time to time, for the purpose of inspecting the Collateral, and any Project and/or the Collateral and making copies or abstracts of all of the Operator's records pertaining thereto the Collateral. The Grantor agrees to notify Operator will keep accurate and complete records of the Collateral. The Operator will give the Secured Party promptly of any change in its mailing address or principal place of business, in order that a prompt refiling of any outstanding notices may be made, if necessary. The Grantor is

~~also to advise the Secured Party, within thirty (30) days, notice~~ of any new facts which, under the applicable provisions of law, would affect the priority of the security interest granted to the Secured Party ~~by this instrument~~ herein and of any Event of Default.

~~6. \_\_\_\_\_ 5. \_\_\_\_\_~~ At its option, **INSURANCE.** The Operator will purchase and maintain insurance at all times with respect to all tangible Collateral against risks of fire (including so-called extended coverage), theft, vandalism and such other risks as the Secured Party may, after notice and time to cure (i) require, in such form, for such periods and written by such companies as may be satisfactory to the Secured Party, such insurance to be payable to the Secured Party as its interests may appear. The Operator will purchase and maintain at all times liability insurance and business interruption insurance in such amounts and issued by such companies as may be required from time to time by the Secured Party. All policies of insurance will provide for thirty (30) days advance written notice to the Secured Party of cancellation or any material change in coverages of such insurance. The Operator will furnish the Secured Party with certificates or other evidence satisfactory to the Secured Party of compliance with the foregoing insurance provisions.

**7. DISCHARGE OF LIENS.** At its option but without any obligation to do so, the Secured Party may (a) discharge any taxes, liens or security interests or other encumbrances Liens at anytime any time levied or placed on the Collateral, ~~except for the security interests granted to the AR Lender, and/or~~ (ii) ~~(b) pay for insurance on or the Collateral, and/or~~ (c) pay for the maintenance and preservation of the Collateral, ~~if Grantor fails to do so. In such a case, the Grantor agrees to.~~ The Operator will reimburse the Secured Party on its demand for any payment made, or any expense incurred, by the Secured Party pursuant to the foregoing authorization. Until this Section 7. All of the foregoing sums paid or advanced by the Secured Party will constitute part of the Obligations and will be secured by the Collateral.

**8. EVENTS OF DEFAULT.** Each of the following events or circumstances, whether or not caused by or within the control of the Operator, will be an "Event of Default" under this Agreement:

(a) The Operator does not pay when due any of the Obligations, subject to any grace period provided under the Loan Documents or Operator Agreement;

(b) The Operator does not observe, perform or comply with any of the terms or conditions of this Agreement;

~~(a)(c)~~ A default, the Grantor may have possession of the Collateral and use it in any lawful manner consistent with or breach of any of the Loan Documents (exclusive of this Agreement which is covered by the other subsections of this Section 8) has occurred, which default or breach is not cured within any applicable grace period; however, defaults or breaches of the Borrower's Regulatory Agreement, [Master Tenant's Regulatory Agreement,] or the Operator's Regulatory Agreement may only be treated as defaults under this Security Agreement and consistent with any policy of

~~insurance thereon; if HUD consents to such treatment or requests Secured Party to treat them as such;~~

~~6. The Grantor shall be in default under this Security Agreement upon the happening of any of the following events or conditions:~~

~~(a) Default in the payment or performance of any obligations, covenant or liability contained or referred to herein or in the Lease continuing beyond applicable periods of grace, if any; or~~

~~(b)(d) (b) Any warranty, representation or statement made or furnished to the Secured Party by, or on behalf of the Grantor in connection with the Collateral, the Operator proves to have been false in any material respect when made or furnished; or when treated as being made or furnished to the Secured Party;~~

~~(e) 7. Upon such default, and any time thereafter, the Secured Party may declare all Obligations secured hereby immediately due and payable, and shall have the remedies of a secured party under the Uniform Commercial Code. The Secured Party may require the Grantor does not have, for any reason, a perfected, first priority security interest in all of the Collateral except to the extent expressly permitted pursuant to Section 19 hereof;~~

~~(f) There occurs any actual or threatened demolition of or injury or waste to the Project premises, not covered by insurance, or not replaced or restored by the Operator[, Master Tenant,] or the Borrower, which may materially impair the value of the Collateral or the Project;~~

~~(g) Filing by or against the Operator of a petition in bankruptcy, for a reorganization, arrangement or debt adjustment, or for a receiver, trustee, or similar creditors' representative for Operator's property or any part thereof, or of any other proceeding under any federal or state insolvency or similar law (and if such petition or proceeding is an involuntary petition or proceeding filed against the Operator without its acquiescence therein or thereto at any time, the same is not promptly contested and, within 60 days of the filing of such involuntary petition or proceeding, dismissed or discharged), or the making of any general assignment by the Operator for the benefit of creditors, or the Operator dissolves or is the subject of any dissolution, winding up or liquidation;~~

~~(h) The Operator is dissolved and liquidation of the Operator is commenced in accordance with the Operator's organizational documents and/or the law of the jurisdiction of organization; or~~

(i) The Operator changes its name or the jurisdiction in which it is organized or merges or consolidates with or into another Person without the prior written consent of the Secured Party.

## **9. REMEDIES ON DEFAULT.**

(a) If an Event of Default occurs, the Secured Party shall deliver to Operator written Notice, as provided in paragraph 16, of the Event of Default, in order to provide Operator an opportunity to cure the Event of Default. The foregoing notwithstanding, if the Event of Default is a default pursuant to another document, Secured Party shall not treat such default as an Event of Default pursuant to this Agreement prior to the expiration of the applicable notice and cure periods pursuant to such other document, and shall give timely notice to Operator that such default constitutes an Event of Default pursuant to this Agreement, but shall not be required to provide additional cure periods or rights. Upon Operator's failure to cure the Event of Default within the applicable time period specified in the Notice, the Secured Party may then, or at any time after the failure to cure the Event of Default, (A) declare all Obligations immediately due and payable, and whereupon the Obligations will be due and payable automatically and immediately, without notice or demand, which the Operator expressly waives, and proceed to enforce payment of the Obligations; (B) exercise all of the rights and remedies afforded to the Secured Party (i) pursuant to the terms of this Agreement and/or any of the other Loan Documents, (ii) under the UCC (as defined in Section 12 below), and/or (iii) by law and/or in equity (subject, however, to any limitations imposed by applicable law with respect to Healthcare Assets); (C) collect and receive the proceeds of all Awards (as defined in Exhibit B), the rights of Operator thereto and shares of Operator therein being hereby assigned to the Secured Party, and give proper receipts and acquittances therefor and apply, at its option, the net proceeds thereof, after deducting expenses of collection, as a credit upon any portion, as selected by the Secured Party, of the Obligations; (D) require the Operator to assemble the Collateral and make it available to the Secured Party at a place to be designated by the Secured Party which is reasonably convenient to both parties. Unless, and (E) without limiting the Collateral is perishable provisions of Section 1(b), apply (or threatens instruct another Person to decline speedily in value or is of a type customarily sold on a recognized market apply) to the Obligations the balance of any deposit account that is part of the Collateral.

(b) Without limitation of those rights and remedies, the Secured Party will give the Grantor reasonable may, upon written notice of to the time Operator, take, and place of any public sale thereof, publicly or privately sell or of the time after which any private sale convey, full right, title and interest in and to the Collateral, or any part of it, in the name of the Secured Party and/or its designees. Subject to the terms of this Agreement the Operator hereby constitutes and appoints the Secured Party as its true and lawful attorney in fact to assign and transfer its interest in any or all of the Collateral if an Event of Default occurs.

(c) If any notice is required by law for the Secured Party to make a sale or other intended disposition thereof is to be made. The requirements of reasonable notice shall be met if such notice is mailed, postage prepaid, to the address of Collateral, the

~~Grantor shown at Secured Party and the beginning of Operator agree that notice will not be unreasonable as to time if given in compliance with this Security Agreement at least five (5) ten (10) days before the time of the any sale or other disposition. Expenses of retaking, holding, preparing for sale, selling or the like shall include the Secured Parties Collateral. All reasonable attorneys' attorneys' and paralegal fees and other legal expenses incurred by the Secured Party to collect the Obligations, to retake, hold, prepare for sale, and to dispose of the Collateral will be (i) payable to the Secured Party on its demand for payment, (ii) part of the Obligations, and (iii) secured by the Collateral.~~

~~8. No waiver by the Secured Party of any default shall operate as a waiver of any other default or of the same default on a future occasion. All rights of the Secured Party hereunder shall inure to the benefit of its successors and assigns; and all obligations of the Grantor shall bind its successors and assigns.~~

~~(d) 9. The Operator further specifically agrees that, in any exercise of the rights of the Secured Party under this Agreement or under any other Loan Document, (i) any combination of the Collateral and/or any other security for the Obligations may be offered for sale and (ii) all of the Collateral and/or any other security for the Obligations may be sold for one total price, and the proceeds of any such sale accounted for in one account without distinction among the items of security or without assigning to them any proportion of such proceeds, the Operator hereby waiving the application of any doctrine of marshaling.~~

~~(e) The Operator shall cooperate in any legal and lawful manner necessary or required, to permit the Secured Party or its successors and assigns to continue to operate and maintain the Healthcare Facility as a [nursing home // assisted living facility] in Operator's name, place and stead. For this purpose, and to the extent not prohibited by applicable law with respect to Healthcare Assets, Operator irrevocably appoints the Secured Party, its successors and assigns, as Operator's true and lawful attorney-in-fact, to do all things necessary or required by the state in which the Project is located or any other government entity with jurisdiction over the Project, including, but not limited to, the provision of any and all information and data, the payment of fees and other charges, and the execution of documents, all in the name of the Operator. This power is coupled with an interest.~~

#### **10. NO WAIVER BY SECURED PARTY; CUMULATIVE RIGHTS.**

~~(a) No waiver by the Secured Party of any Event of Default or default under this Agreement or any of the other Loan Documents will be effective unless such waiver is in writing and signed by duly authorized representatives of the Secured Party. No waiver by the Secured Party of any Event of Default or default under this Agreement or any of the other Loan Documents will operate as a waiver of any other Event of Default or default or of the same Event of Default or default on a future occasion. The Secured Party may delay in exercising or omit to exercise any right or remedy under this Agreement, any other Loan Document or by law or equity provided without waiving that or any past, present or future right or remedy. All rights and remedies of the Secured~~

Party in this Agreement and the other Loan Documents will be cumulative, and none of these rights or remedies will be exclusive of any other right or remedy allowed at law or in equity or in any other Loan Document, and all of these rights and remedies may be exercised and enforced concurrently.

(b) Neither the Operator nor any other Persons interested in the Collateral or the proceeds of the Collateral shall have any right to require the Secured Party first to resort to or proceed personally against any other Person or to proceed against any other collateral security, or to give priority or preference to any item of Collateral, or to proceed upon any guaranty, prior to exercising its rights hereunder. No renewal or extension of the Loan, no release or surrender of the Collateral and/or any other security for the Obligations, no release of any obligor with respect to the Obligations, and no delay by the Secured Party in enforcing the Obligations or exercising any right or power with respect to the Obligations shall affect the Secured Party's rights with respect to the Collateral.

**11. BINDING EFFECT.** All rights and remedies of the Secured Party under this Agreement will inure to the benefit of the Secured Party's successors and assigns; and all agreements, obligations, and duties of the Operator will bind its heirs, personal representatives and permitted successors and assigns; however, the Operator may not assign this Agreement or any of its rights under this Agreement or delegate any of its duties or obligations under this Agreement without the consent of the Secured Party.

**12. GOVERNING LAW; CONSTRUCTION; WAIVER OF SECRETARY TRIAL BY JURY.**

(a) This Agreement and all rights and obligations under this Agreement, including matters of construction, validity and performance, will be governed by the laws of the State of [enter property or organizational jurisdiction] in which the Healthcare Facility is located (the "State"). If any term of this Agreement is found to be invalid by a court with jurisdiction under the laws of the State or laws of mandatory application, then the invalid term will be considered excluded from this Agreement and will not invalidate the remaining terms of this Agreement. All uncapitalized terms used herein which are now or hereafter defined in the Uniform Commercial Code, as now enacted in the State or as hereafter amended or superseded (the "UCC"), will have the same meaning herein as in the UCC unless the context indicates otherwise. Every power given herein is coupled with an interest and is irrevocable by death, dissolution or otherwise. The definition of any document includes all schedules, attachments and exhibits to that document, and all renewals, extensions, supplements, amendments, modifications, restatements and consolidations of that document, and any document given in substitution for or replacement of that document. The term "including" is used by way of example only and not by way of limitation, and the singular includes the plural and conversely. The captions or headings contained in this Agreement are for reference purposes only and will not affect or relate to the interpretation of this Agreement.

(b) AS Secured PartyA SPECIFICALLY BARGAINED INDUCEMENT FOR THE SECURED PARTY TO ENTER INTO THE AGREEMENT AND EXTEND

CREDIT TO BORROWER, SECURED PARTY AND OPERATOR EACH HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVES ANY AND ALL RIGHT(S) TO A TRIAL BY JURY FOR ANY CAUSE OF ACTION, CLAIM OR DEFENSE RELATING TO, RESULTING FROM OR ARISING OUT OF ANY OF THE LOAN AND/OR ANY TRANSACTIONS, RIGHTS AND/OR OBLIGATIONS CONTEMPLATED BY THIS AGREEMENT AND/OR ANY OF THE OTHER LOAN DOCUMENTS. OPERATOR FURTHER ACKNOWLEDGES THAT SUCH WAIVER OF THE RIGHT TO A TRIAL BY JURY IS MADE AFTER CONSULTATION WITH COUNSEL.

**13. Grantor TERM OF AGREEMENT.** The term of this Agreement will begin on the date of this Agreement and continue in full force and effect and be binding on the Operator until the date that all of the Obligations are fully and finally paid and satisfied.

**14. PERFECTION; FURTHER ASSURANCES.** The Operator agrees to comply with all applicable laws and requirements in order to grant to the Secured Party a valid, perfected first Lien on the Collateral except to the extent expressly permitted pursuant to Section 19 hereof. At any time and from time to time, the Operator, on request of the Secured Party, will give, execute, file and/or record any notice, financing statement, instrument, document or agreement that the Secured Party may consider necessary or desirable to create, preserve, continue, perfect or validate any security interest or other Lien granted under this Agreement or which the Secured Party may consider necessary or desirable to exercise or enforce its rights under this Agreement. Without limiting the generality of the foregoing, the Secured Party is authorized to file with respect to the Collateral one or more financing statements or other documents without the signature of the Operator and to name therein the Operator as debtor and the Secured Party and/or HUD as secured parties; and correct or complete, or cause to be corrected or completed, any financing statements or other such documents as have been filed naming the Operator as debtor and the Secured Party and/or HUD, as their interests may appear, as secured parties. The Operator hereby appoints the Secured Party as its attorney-in-fact and authorizes the Secured Party, acting alone on behalf of the Operator, to execute, acknowledge, deliver, file and/or record any and all documents requiring execution by the Operator and necessary or desirable to effectuate or facilitate the purposes of this Agreement and/or the obligations or covenants of the Operator under this Agreement. The power of attorney granted hereby is coupled with an interest and is irrevocable. The Secured Party is also authorized by the Operator to give notice to any Person that the Secured Party may consider necessary or desirable under applicable law to preserve, perfect or protect the Secured Party's and or HUD's interests in the Collateral. Without limiting the generality of the foregoing, with respect to any of the Collateral for which control of such Collateral is a method of perfection under the UCC, including all of the Operator's rights, titles and interests in deposit accounts, investment property, electronic chattel paper and letter-of-credit rights, the Operator will, on Secured Party's request, cause to be executed by each Person that the Secured Party determines is appropriate, a control agreement in a form acceptable to the Secured Party.

**15. INTEREST.** Any amounts payable by the Operator under this Agreement will bear interest at the rate of interest provided in the Note from the date on which such amounts are payable under this Agreement until the date on which such payments are made by the Operator to the Secured Party; however, nothing in this Agreement will be deemed to give to the Operator the right to withhold payment in consideration of the payment of such interest.

**16. DELIVERY OF NOTICES.** All notices must be in writing and sent (a) in person, (b) by certified or registered mail or (c) by overnight delivery carrier for next day delivery in each case to the address listed in the opening paragraph of this Agreement (or if notice of a new address is given in accordance with this Agreement, the new address). Notice given in any other manner will not be considered delivered or given unless and until actually received. A notice period will start (i) if mailed, three business days after notice was sent by certified or registered mail, (ii) the next business day after being sent by overnight delivery, and (iii) the day the notice was delivered in person.

**17. REVIVAL OF SECURITY INTEREST.** If the Operator makes a payment or payments to the Secured Party (or the Secured Party receives any payment or proceeds of the Collateral) that are subsequently voided, avoided, set aside, annulled, or disregarded under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of the payment or proceeds received, the Obligations or part intended to be satisfied will be revived and will continue in full force and effect as if these payment(s) or proceeds had not been received by the Secured Party, and the security interest granted herein shall be enforceable as to such Obligations as fully as if such payments had never been made.

**18. CLAIMS AGAINST SECURED PARTY.**

(a) Notification. The Secured Party shall not be in default under this Agreement, or under any of the other Loan Documents, unless a written notice specifically setting forth the claim of the Operator shall have been given to Secured Party within one hundred eighty (180) days after the occurrence of the event which the Operator alleges gave rise to such claim and the Secured Party does not remedy or cure the default, if any, with reasonable promptness thereafter.

(b) Remedies. If it is determined by the final, non-appealable order of a court of competent jurisdiction that the Secured Party has breached any of its obligations under the Loan Documents and has not remedied or cured same with reasonable promptness following receipt of notice thereof, the Secured Party's responsibilities shall be limited to the following: (i) where the breach consists of the failure to grant consent or give approval in violation of the terms and requirements of any of the Loan Documents, the obligation to grant such consent or give such approval; and (ii) where the breach involves any other violation of the Loan Documents, or where the Secured Party is determined to have acted in bad faith, the payment of any actual, direct, compensatory damages sustained by the Operator as a result thereof.

(c) Limitations. In no event, however, shall the Secured Party be liable to the Operator, or to any other party claiming through the Operator, for any other damages, including, without limitation, indirect, speculative, or punitive damages, whatever the nature of the breach by the Secured Party of its obligations under any of the Loan Documents. In no event shall the Secured Party be liable to the Operator, or to any other party claiming through the Operator, unless a written notice specifically setting forth the nature of the claim shall have been given to the Secured Party within the time period specified above.

## **19. PROVISIONS REGARDING ACCOUNTS RECEIVABLE LOANS.**

(a) Definitions. The following words and terms shall have the meanings hereinafter set forth:

"Accounts" shall mean all right, title and interest of the Operator in and to the following, in each case arising from the Operator's operation of the Healthcare Facility in the ordinary course of the Operator's business: (a) all rights to payment of a monetary obligation, whether or not earned by performance, including, but not limited to, accounts (including, but not limited to accounts receivable, health-care insurance receivables, Medicaid and Medicare receivables, Veterans Administration receivables, or other governmental receivables, private patient receivables, and HMO receivables), (b) payment intangibles, (c) guaranties, letter-of-credit rights and other supporting obligations relating to the property described in clauses (a) and (b), and (d) all of the proceeds of the property described in clauses (a), (b) and (c). Notwithstanding the foregoing, "Accounts" do not include accounts arising from the sale of the Operator's equipment, inventory or other goods, other than accounts arising from the sale of Operator's inventory in the ordinary course of the Operator's business.

"Eligible AR Lender" means a bank, financial institution or other institutional lender which is in the business of making loans to provide working capital to businesses and which is not affiliated with the Operator.

"Eligible AR Loan" means a loan or line of credit obtained by the Operator from an Eligible AR Lender (a) for the sole purpose of providing working capital for the operation of the Project and, with the approval of HUD and Secured Party, other projects that are encumbered by mortgage loans insured or held by HUD and (b) which satisfies all of the requirements of this Section 19.

"Required Intercreditor Agreement" means an Intercreditor Agreement executed by the Secured Party, the Eligible AR Lender, the Operator and the Borrower, in form and substance satisfactory to Secured Party and approved by HUD.

(b) Eligible AR Loan. Subject to the written approval of Secured Party and HUD, the Operator may obtain and maintain at any time one, and only one, Eligible AR Loan, which Eligible AR Loan may be secured by a first lien on the "AR Lender Priority Collateral" (composed of Accounts and as further defined in the Required Intercreditor Agreement), subject to the following limitations and requirements:

(i) in no event shall the principal amount of the AR Loan ever exceed such amount as may be approved in writing by Secured Party and HUD;

(ii) without the written approval of the Secured Party, none of the Collateral, except the AR Lender Priority Collateral, shall be given as security for any Eligible AR Loan;

(iii) with respect to any existing Eligible AR Loan, the Eligible AR Lender, Operator and Secured Party shall have executed, and HUD shall have approved, the Required Intercreditor Agreement prior to closing of the Loan. With respect to any other Eligible AR Loan, the Eligible AR Lender, Operator and Secured Party shall have executed, and HUD shall have approved, the Required Intercreditor Agreement before such Eligible AR Loan is closed, any funds are disbursed thereunder, any UCC financing statements are filed in connection therewith or any security interest in connection therewith is granted or perfected; and

(v) the Eligible AR Loan, the collateral therefor and all of the terms and conditions thereof shall at all times comply with all of the terms and conditions of the applicable Required Intercreditor Agreement.

(c) Required Intercreditor Agreement. Each Required Intercreditor Agreement shall be included in the definition of the Loan Documents while it is in effect. The Operator shall comply at all times with the Required Intercreditor Agreement then in effect.

(d) So long as the AR Loan is outstanding, or is replaced with one or more loans from another accounts receivable lender, whether before, concurrent with or at any time after the AR Loan is indefeasibly satisfied in full, the relative priorities of the Secured Party and the AR Lender in and to the Accounts and certain other assets of Operator shall be established and governed by the terms of the Required Intercreditor Agreement.

(e) Information. Operator shall, from time to time, promptly following a request by Secured Party or HUD, provide to Secured Party and/or HUD (i) any and all information and documents available to Operator regarding any Eligible AR Loan and/or AR Lender Priority Collateral (including, but not limited to histories of draws upon, payments on account of, and outstanding balances with respect to, the Eligible AR Loan) and (ii) copies of any and all documents evidencing, securing and/or related to any Eligible AR Loan and/or any amendments thereto.

## **20. ASSIGNMENT OF LEASES AND RENTS**

(a) Any provisions of this Section 20 shall be: (i) subject to the rights of any Eligible AR Lender, and (ii) granted to the fullest extent permitted by applicable law with respect to any Healthcare Assets.

(b) Operator absolutely and unconditionally assigns and transfers to Secured Party all of Operator's rights, title and interest in, to and under any leases or residential agreements by and between Operator and any resident in the Healthcare Facility (collectively referred to herein as the "Leases" and any one individually as a "Lease"), including Operator's right, power and authority to modify the terms of any such Lease, or extend or terminate any such Lease. It is the intention of Operator to establish a present, absolute and irrevocable transfer and assignment to Secured Party of all of Operator's right, title and interest in, to and under the Leases. Operator and Secured Party intend this assignment of the Leases to be immediately effective and to constitute an absolute present assignment and not an assignment for additional security only. For purposes of giving effect to this absolute assignment of the Leases, and for no other purpose, the Leases shall not be deemed to be a part of the collateral otherwise described in this Agreement. However, if this present, absolute and unconditional assignment of the Leases is not enforceable by its terms under the laws of the applicable jurisdiction, then the Leases shall be included as a part of the collateral and it is the intention of Operator that in this circumstance this Security Agreement create and perfect a lien on the Leases in favor of Secured Party, which lien shall be effective as of the date of this Security Agreement.

(c) Until Secured Party gives Notice to Operator of Secured Party's exercise of its rights under this assignment, Operator shall have all rights, power and authority granted to Operator under any Lease (except as otherwise limited by this Section or any other provision of this Security Agreement), including the right, power and authority to modify the terms of any Lease or extend or terminate any Lease as such rights are limited or affected by the terms of the Loan Documents and Program Obligations. Upon the occurrence of an Event of Default, the permission given to Operator pursuant to the preceding sentence to exercise its rights, power and authority under Leases shall automatically terminate. Operator agrees to comply with and observe Operator's obligations under all Leases, including Operator's obligations, if any, pertaining to the maintenance and disposition of security deposits, both prior to and after any such termination of the Operator's rights.

(d) Operator acknowledges and agrees that the exercise by Secured Party, either directly or by its designee, of any of the rights conferred under this assignment shall not be construed to make Secured Party a lender-in-possession of the Healthcare Facility so long as, and to the extent, Secured Party, or an authorized agent of Secured Party, has not entered into actual possession of the Healthcare Facility. The acceptance by Secured Party of the assignment of the Leases shall not at any time or in any event obligate Secured Party to take any action under this Security Agreement or to expend any money or to incur any expenses. Secured Party shall not be liable in any way for any injury or damage to person or property sustained by any person or persons, firm or corporation in or about the Healthcare Facility unless Secured Party is a lender-in-possession. Prior to Secured Party's actual entry into and taking possession of the Healthcare Facility, Secured Party shall not (1) be obligated to perform any of the terms, covenants and conditions contained in any Lease (or otherwise have any obligation with respect to any Lease); (2) be obligated to appear in or defend any action or proceeding relating to the Lease or the Healthcare Facility; or (3) be responsible for the operation,

control, care, management or repair of the Healthcare Facility or any portion of the Healthcare Facility. The execution of this Security Agreement by Operator shall constitute conclusive evidence that all responsibility for the operation, control, care, management and repair of the Healthcare Facility is and shall be that of Operator, prior to such actual entry and taking of possession.

(e) Upon delivery of Notice by Secured Party to Operator of Secured Party's exercise of Secured Party's rights under this assignment at any time after the occurrence of an Event of Default, and without the necessity of Secured Party entering upon and taking and maintaining control of the Healthcare Facility directly, by a receiver, or by any other manner or proceeding permitted by the laws of the applicable jurisdiction, Secured Party immediately shall have all rights, powers and authority granted to Operator under any Lease, including the right, power and authority to modify the terms of any such Lease, or extend or terminate any such Lease.

## **21. WAIVERS.**

(a) No act or thing need occur to establish the liability of the Operator hereunder, and no act or thing, except full payment and discharge of all of the Obligations, shall in any way exonerate the Operator or modify, reduce, limit or release the liability of the Operator hereunder.

(b) The Operator will not exercise or enforce any right of contribution, reimbursement, recourse or subrogation available to the Operator against any Person liable for payment of the Obligations, or as to any collateral security therefor, unless and until all of the Obligations shall have been fully paid and discharged.

(c) Whether or not any existing relationship between the Operator and the Borrower has been changed or ended and whether or not this Agreement has been terminated, the Secured Party may, but shall not be obligated to, enter into transactions resulting in the creation or continuance of Obligations without any consent or approval by the Operator and without any notice to the Operator. The liability of the Operator shall not be affected or impaired by any of the following acts or things (which the Secured Party is expressly authorized to do, omit or suffer from time to time, both before and after termination of this Agreement, without notice to or consent or approval by the Operator): (i) any acceptance of collateral security, guarantors, accommodation parties or sureties for any or all Obligations; (ii) any one or more extensions or renewals of Obligations (whether or not for longer than the original period) or any modification of the interest rates, maturities or other contractual terms applicable to any Obligations; (iii) any waiver or indulgence granted to Borrower, any delay or lack of diligence in the enforcement of Obligations, or any failure to institute proceedings, file a claim, give any required notices or otherwise protect any Obligations; (iv) any full or partial release of, settlement with, or agreement not to sue Borrower or any other Person liable in respect of any Obligations; (v) any discharge of any evidence of Obligations or the acceptance of any instrument in renewal thereof or substitution therefor; (vi) any failure to obtain collateral security (including rights of setoff) for Obligations, or to see to the proper or sufficient creation and perfection thereof, or to establish the priority thereof, or to

protect, insure, or enforce any collateral security; or any modification, substitution, discharge, impairment, or loss of any collateral security; (vii) any foreclosure or enforcement of any collateral security; (viii) any transfer of any Obligations or any evidence thereof; (ix) any order of application of any payments of credits upon Obligations; (x) any election by Secured Party under §1111(b)(2) of the United States Bankruptcy Code.

(d) The Operator waives any and all defenses, claims and discharges of Borrower, or any other obligor, pertaining to Obligations, except the defense of discharge by payment in full. Without limiting the generality of the foregoing, the Operator will not assert, plead or enforce against Secured Party any defense of waiver, release, discharge in bankruptcy, statute of limitations, res judicata, statute of frauds, anti-deficiency statute, fraud, incapacity, minority, usury, illegality or unenforceability which may be available to Borrower or any other Person liable in respect of any indebtedness, or any setoff available against Secured Party to Borrower or any such other Person, whether or not on account of a related transaction. The Operator expressly agrees that the Operator shall be and remain liable, to the extent of the Collateral, for any deficiency remaining after foreclosure of any security interest securing the Obligations, whether or not the liability of Borrower or any other obligor for such deficiency is discharged pursuant to statute or judicial decision.

(e) The Operator waives presentment, demand for payment, notice of dishonor or nonpayment, and protest of any instrument evidencing the Obligations. To the extent of the Collateral, this Agreement constitutes an absolute, unlimited, unconditional and continuing guaranty of payment, not collection. The Secured Party shall not be required first to resort for payment of the Obligations to Borrower, or any other Persons or their properties, or first to enforce, realize upon or exhaust any collateral security for Obligations, before enforcing this Agreement.

(f) The liability of the Operator under this Agreement is in addition to and shall be cumulative with all other liabilities of the Operator to Secured Party as obligor or otherwise, without any limitation as to amount, and all other liabilities of any other Person who guarantees all or any portion of the Obligations, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

(g) This Agreement shall be effective upon delivery to Secured Party, without further act, condition or acceptance by Secured Party. Any invalidity or unenforceability of any provision of application of this Agreement shall not affect other lawful provisions and application hereof, and to this end the provisions of this Agreement are declared to be severable.

(h) Operator hereby covenants that this Agreement will not be discharged except by complete performance of the obligations contained in this Agreement. Operator waives all setoffs and counterclaims and all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of, and reliance on, this Agreement. Operator further waives

all (i) notices of the existence, creation or incurring of new or additional indebtedness, arising either from additional loans extended to Operator or Borrower, or otherwise, (ii) notices that the principal amount, or any portion thereof (and any interest thereon), of the Loan or any of the other Obligations is due, (iii) notices of any and all proceedings to collect from Operator and/or Borrower of all or any part of the Obligations, or from anyone else, (iv), to the extent permitted by law, notices of exchange, sale, surrender or other handling of any security or collateral given to Secured Party to secure payment of all or any part of the Obligations, and (v) defenses based on suretyship or impairment of collateral.

## **22. MISCELLANEOUS.**

(a) This Agreement is intended to be supplemental to and not in substitution or in derogation of any security agreement contained in any other Loan Document.

(b) In any instance where the consent or approval of the Secured Party may be given or is required or any determination is to be rendered by the Secured Party hereunder, the granting, withholding or denial of such consent or approval and the rendering of such determination shall be made or exercised by the Secured Party at its sole and exclusive option.

(c) It is understood and agreed that no judgment or decree which may be entered on any debt secured or intended to be secured by the Mortgage shall operate to abrogate or lessen the effect of this Agreement, but that this Agreement shall continue in full force and effect until the payment and discharge of the Obligations.

(d) This Agreement, any Required Intercreditor Agreement and the other Loan Documents represent the entire agreement between the Secured Party and the Operator with respect to the subject matter of this Agreement and supersede all previous agreements, negotiations, and understandings with respect to the subject matter of this Agreement. Neither this Agreement nor any of the other Loan Documents may be amended, altered or changed other than in a writing signed by the Secured Party and the Operator. The Operator's warranties and representations in this Agreement will be treated as being continuing warranties and representations, made by the Operator with the same effect as though the representations and warranties had been made again on, and as of, each day of the term of this Agreement.

(e) This Agreement may be executed in several counterparts and each counterpart will be considered an original of this Agreement.

## **23. RIGHTS OF HUD.**

(a) Operator and Secured Party hereby agree that SecretaryHUD shall be an additional secured party under this Security Agreement together with Secured Party, as their interests may appear, and that SecretaryHUD shall be listed on the Uniform Commercial Code Financing Statements to be filed contemporaneously herewith; provided, however, that nothing herein or in the Uniform Commercial Code

Financing Statements shall require the execution, now or any future time, of any amendment, extension, or other document by Secretary HUD.

(b) To the extent any party herein is required or desires to give notice to Secretary HUD hereunder, such notice shall be delivered in accordance with the provisions hereof, as follows: U.S. Department of Housing and Urban Development, c/o Legal Department, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, Office of Healthcare Programs, 451 7th Street S.W., Washington, DC 20410.

~~(b) For the term of this Security Agreement, Grantor continuously warrants to Secured Party that, except as provided in the Intercreditor Agreement referred to in Section 11 hereof, as follows:~~

~~(1) The Collateral as described herein is free from all encumbrances and no financing statements covering any of said Collateral, or proceeds thereof, is on file in any public office.~~

~~(2) Grantor is the right and lawful owner of each and every item of Collateral as described herein.~~

~~(3) All Collateral mentioned in this Security Agreement is located on the premises of the above referenced FHA project and is being used for a legitimate business purpose.~~

~~(4) All information given to Secured Party is true and correct.~~

~~(5) Grantor has the right to make and execute this Security Agreement.~~

~~10. The Grantor further specifically agrees that, in any exercise of the rights of the Secured Party under this or any other instrument, any combination of all of the property, rights or security given to secure the Grantor's indebtedness to the Secured Party may be offered for sale for one total price, and the proceeds of any such sale accounted for in one account without distinction between the items of security or without assigning to them any proportion of such proceeds, the Grantor hereby waiving the application of any doctrine of marshaling.~~

~~11. ADDITIONAL TERMS REGARDING ACCOUNTS RECEIVABLE OF GRANTOR.~~

~~Throughout the term of the Security Agreement, Grantor shall not pledge or otherwise grant a security interest in any of the Collateral to a third party without the prior written consent of the Secured Party (including HUD). Notwithstanding the foregoing or anything in this Agreement to the contrary, the parties hereby acknowledge~~

~~that Grantor has an accounts receivable line of credit (the “AR Loan”) with \_\_\_\_\_, a \_\_\_\_\_ (hereinafter the “AR Lender”). In connection with the making of the Loan [and the AR Loan], Secured Party and AR Lender have entered into an Intercreditor Agreement and a Rider thereto (collectively, the “Intercreditor Agreement”). The parties hereto agree that the security interest of the Secured Party hereunder in the portion of the Collateral consisting of all healthcare insurance receivables of Grantor including, but not limited to, Medicaid and Medicare receivables, Veterans Administration or other governmental receivables, private patient receivables, and HMO receivables (collectively “Accounts Receivable”) will be junior to the security interest of the AR Lender in such Accounts Receivable; provided however, that upon indefeasible payment in full of the AR Loan, the Secured Party shall have a first priority lien in all Accounts Receivable of Grantor subject to the terms and conditions of the Intercreditor Agreement. So long as the AR Loan is outstanding, or is replaced with one or more loans from another accounts receivable lender, whether before, concurrent with or at any time after indefeasible payment in full of the AR Loan, the relative priorities of the Secured Party and the AR Lender in and to the Accounts Receivable and certain other assets of Grantor shall be established and governed by the terms of the Intercreditor Agreement.~~

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**{SIGNATURES APPEAR ON FOLLOWING PAGE}**



\_\_\_\_\_  
ACKNOWLEDGED AND CONSENTED TO BY:

\_\_\_\_\_  
LANDLORD:

\_\_\_\_\_  
\_\_\_\_\_;

a \_\_\_\_\_

\_\_\_\_\_  
By: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_

\_\_\_\_\_  
Its: \_\_\_\_\_

**Exhibit A**

**Legal Description**

**{insert}**

Title:

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**EXHIBIT "B" A TO LESSEE OPERATOR SECURITY AGREEMENT**

**Collateral**

~~This Exhibit "B" is attached to, incorporated by reference in, and forms a part of the Lessee Security Agreement (the "Lessee Security Agreement"), executed and delivered by \_\_\_\_\_ ("Grantor"), to the Secured Party (as defined in the Lessee Security Agreement), in connection with the financing of the Project (hereinafter defined), and constitutes the "Collateral" referred to in the Lessee Security Agreement.~~

Legal Description

## EXHIBIT B TO OPERATOR SECURITY AGREEMENT

All of the following described property and interests in property, whether now in existence or hereafter arising ~~of Grantor, to the extent (but only to the extent) owned by Grantor,~~ and relating to, situated or located on or used or usable in connection with the maintenance and/or operation of a \_\_\_\_\_ located at \_\_\_\_\_, the legal description of which is attached hereto as the property described in Exhibit A (hereinafter, the “Premises” or the “Project”), which nursing home and related facilities have been designated as Project No. \_\_\_\_\_: hereafter referred to as the “Land”):

~~1. All right, title and interest in and to [Nursing Home] License No. \_\_\_\_\_ for the Project, heretofore issued and/or granted by the State of \_\_\_\_\_, Department of \_\_\_\_\_, and any Medicaid/Medicare provider agreements for the Project held in the name of Grantor.~~

~~2. Hospital beds and equipment, physiotherapy equipment, medical equipment and apparatus, all other equipment, goods, inventory, and personal property as are commonly used in this full furnishing and equipping of a \_\_\_\_\_ facility, whether personal property or inventory, whether now owned or hereafter from time to time acquired by the Grantor, together with all substitutions, replacements, additions, attachments, accessories, accretions, their component parts thereto or thereof, all other items of like property and all accounts and contract rights covering or relating to any or all thereof, whether now in existence or hereafter arising, and relating to, situated on, or used or usable in connection with the maintenance and/or operation of the Project.~~

~~3. The term “Collateral” as used and defined herein and in the Lessee Security Agreement specifically includes the Medicare/Medicaid provider agreements for the \_\_\_\_\_ facility upon the Premises, and the payments Grantor is entitled to thereunder, and the bed authority allocated to the Project by applicable federal, state and local governmental authorities.~~

~~4. All of the records and books of account now or hereafter maintained by or on behalf of the Grantor and/or their agents and employees in connection with the Project.~~

~~5. All names now or hereafter used in connection with the Project and the goodwill associated therewith.~~

~~6. All other licenses, certificates of need, permits and approvals issued by any federal, state or local governmental entity relating to the operation, management, use and occupancy of the Project.~~

All receipts, (a) All fixtures, furniture, equipment and other goods and tangible personal property of every kind and description whatsoever now or hereafter located on, in or at the Land, including, but not limited to, all lighting, laundry, incinerating and power equipment; all engines, boilers, machines, radiators, motors, furnaces, compressors and transformers; all power generating equipment; all pumps, tanks, ducts, conduits, wire, switches, electrical equipment,

and fixtures, fans and switchboards; all telephone equipment; all piping, tubing and plumbing equipment and fixtures; all heating, refrigeration, air-conditioning, cooling, ventilating, sprinkling, water, power, waste disposal and communications equipment, systems and apparatus; all water coolers and water heaters; all fire prevention, alarm and extinguishing systems and apparatus; all cleaning equipment; all lift, elevator and escalator equipment and apparatus; all partitions, shades, blinds, awnings, screens, screen doors, storm doors, exterior and interior signs, gas fixtures, stoves, ovens, refrigerators, garbage disposals, dishwashers, kitchen and laundry fixtures, utensils, appliances and equipment, cabinets, mirrors, mantles, floor coverings, carpets, rugs, draperies and other furnishings and furniture now or hereafter installed or used or usable in the operation of any part of the buildings, structures or improvements erected or to be erected in or upon the Land and every replacement thereof, accession thereto, or substitution therefor, whether or not all of the above are now or hereafter acquired or attached to the Land in any manner;

(b) All articles of tangible personal property not otherwise described herein which are now or hereafter located in, attached to or used in, on or about the buildings, structures or improvements now or hereafter located, placed, erected, constructed or built on the Land and all replacements thereof, accessions thereto, or substitution therefor, whether or not the same are, or will be, attached to such buildings, structures or improvements in any manner;

(c) All rents, leases, income, revenues, ~~income~~ issues, profits, ~~proceeds~~ royalties and other benefits arising or derived or to be derived from, or related to, directly or indirectly, the Land, whether or not any of the property described in this item (c) constitutes accounts, chattel paper, documents, general intangibles, instruments or money;

(d) All awards now or hereafter made ("Awards") with respect to the Land as a result of (i) the exercise of the power of condemnation or eminent domain, or the police power, (ii) the alteration of the grade of any street, or (iii) any other injury or decrease in the value of the Land (including but not limited to any destruction or decrease in the value by fire or other casualty), whether or not any of the property described in this item (d) constitutes accounts, chattel paper, documents, general intangibles, instruments, investment property, deposit accounts, ~~all accounts~~, including, but not limited to Medicaid and Medicare receivables or money;

(e) All land surveys, plans and specifications, drawings, briefs and other work product and other papers and records now or hereafter used in the construction, reconstruction, alteration, repair or operation of the Land;

(f) All licenses, permits, certificates and agreements for the provision of property or services to or in connection with, or otherwise benefiting, the Land, any nursing home license, assisted living facility license, any and all Medicaid/Medicare Provider Agreements, and any other license necessary for the provision of services at the Land; however, the Secured Party disclaims a security interest in such of the property described in this item (f) to the extent that a security interest in such property may not be granted to the Secured Party without the forfeiture of the rights of the Operator (or any assignee of the Operator) or a default resulting thereunder.

(g) All funds, monies, securities and other property held in escrow, lock boxes, depository or blocked accounts or as reserves and all rights to receive (or to have distributed to the Operator) any funds, monies, securities or property held in escrow, lock boxes, depository or blocked accounts or as reserves including but not limited to all of Operator's rights (if any) to any funds or amounts in that certain reserve funds and/or residual receipts accounts receivable and unrestricted created under any regulatory agreement required by the Secretary of Housing and Urban Development or the Federal Housing Administration Commissioner;

(h) All accounts, accounts receivable, general intangibles, chattel paper, instruments, documents, inventory, goods, cash and investments derived from the Project, bank accounts, certificates of deposits, securities, insurance policies, letters of credit, deposits, judgments, liens, causes of action, warranties, guaranties and all other properties and assets of the Operator, tangible or intangible, whether or not similar to the property described in this item (h). As used herein, the term "accounts receivable" shall include (i) all healthcare insurance receivables, including, but not limited to Medicaid and Medicare receivables, Veterans Administration or other governmental receivables, private patient receivables, and HMO 10 receivables; (ii) any payments due or to be made to the Operator relating to the Land or (iii) all other rights of the Operator to receive payment of any kind with respect to the Land;

7. — Proceeds, products, returns, additions, accessions, replacements and substitutions or and to any and all of the above.

(i) All books, records and files of whatever type or nature relating to any or all of the property or interests in property described herein or the proceeds thereof, whether or not written, stored electronically or electromagnetically or in any other form, and whether or not such books, records, or files constitute accounts, equipment or general intangibles.

(j) Any and all security or other deposits which have not been forfeited by any tenant under any lease; and

(k) All products and proceeds of any and all of the property (and interests in property) described herein including but not limited to proceeds of any insurance, whether or not in the form of original collateral, accounts, contract rights, chattel paper, general intangibles, equipment, fixtures, goods, securities, leases, instruments, inventory, documents, deposit accounts or cash.

## **EXHIBIT C TO OPERATOR SECURITY AGREEMENT**

**Other Names Used by Operator in Previous Five Years (see Section 2(a) of Agreement):**

**Assets Acquired in Bulk Transfer in Previous Five Years (see Section 2(a) of Agreement):**

**Operator's Rights in the Following** (see Section 2(a) of Agreement):

Investment property:

Letters of Credit:

Electronic Chattel Paper:

Commercial Tort Claims:

Instruments (including promissory notes):

Deposit Accounts:

<u>Account Number</u>	<u>Depository Bank</u>	<u>Account Type</u>	<u>Government Accounts</u>
		(e.g., operating or payroll)	(see note below)

Note: Designate if deposit account receives deposits of proceeds of accounts from federal, state or local governments (e.g., Medicare and Medicaid), and if so, whether such deposit account is solely for such deposits or whether the deposit account commingles other non-governmental deposits. See Section 2(i) of the Agreement for the Operator's obligations in this regard.