

Regulatory Agreement for Multifamily Housing Projects

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

20060517000233050 1/17 \$65.00
Shelby Cnty Judge of Probate, AL
05/17/2006 11:51:42AM FILED/CERT

Under Sections 207, 220, 221(d)(4), 231 and 232, Except Nonprofits

Project Number 062-22022	Mortgagee Wachovia Multifamily Capital, Inc.
Amount of Mortgage Note \$3,644,600.00	Date as of even date herewith
Mortgage Recorded State Alabama Book	County Shelby Page
Date contemporaneously herewith	Originally endorsed for insurance under Section 232 pursuant to Section 223(f)

This Agreement entered into this as of the 1st day of May, 20 06 between The Cottage at Riverchase, LLC, an Alabama limited liability company whose address is c/o Paragon Properties, LLC, 2634 Valleydale Road, Birmingham, AL 35244

their successors, heirs, and assigns (jointly and severally, hereinafter referred to as Owners) and the undersigned Secretary of Housing and Urban Development and his successors (hereinafter referred to as Secretary).

In consideration of the endorsement for insurance by the Secretary of the above described note or in consideration of the consent of the Secretary to the transfer of the mortgaged property or the sale and conveyance of the mortgaged property by the Secretary, and in order to comply with the requirements of the National Housing Act, as amended, and the Regulations adopted by the Secretary pursuant thereto, Owners agree for themselves, their successors, heirs and assigns, that in connection with the mortgaged property and the project operated thereon and so long as the contract of mortgage insurance continues in effect, and during such further period of time as the Secretary shall be the owner, holder or reinsurer of the mortgage, or during any time the Secretary is obligated to insure a mortgage on the mortgage property:

1. Owners, except as limited by paragraph 17 hereof, assume and agree to make promptly all payments due under the note and mortgage.
2. (a) Owners shall establish or continue to maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the mortgagee or in a safe and responsible depository designated by the mortgagee, concurrently with the beginning of payments towards amortization of the principal of the mortgage insured or held by the Secretary of an amount equal to \$ \$1864.25* per month unless a different date or amount is approved in writing by the Secretary.

Such fund, whether in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America shall at all times be under the control of the Mortgagee. Disbursements from such fund, whether for the purpose of effecting replacement of structural elements and mechanical equipment of the project or for any other purpose, may be made only after receiving the consent in writing of the Secretary. In the event that the owner is unable to make a mortgage note payment on the due date and that payment cannot be made prior to the due day of the next such installment or when the mortgagee has agreed to forgo making an election to assign the mortgage to the Secretary based on a monetary default, or to withdraw an election already made, the Secretary is authorized to instruct the mortgagee to withdraw funds from the reserve fund for replacements to be applied to the mortgage payment in order to prevent or cure the default. In addition, in the event of a default in the terms of the mortgage, pursuant to which the loan has been accelerated, the Secretary may apply or authorize the application of the balance in such fund to the amount due on the mortgage debt as accelerated.

- (b) Where Owners are acquiring a project already subject to an insured mortgage, the reserve fund for replacements to be established will be equal to the amount due to be in such fund under existing agreements or charter provisions at the time Owners acquire such project, and payments hereunder shall begin with the first payment due on the mortgage after acquisition, unless some other method of establishing and maintaining the fund is approved in writing by the Secretary.

3. Real property covered by the mortgage and this agreement is described in Schedule A attached hereto.

(This paragraph 4 is not applicable to cases insured under Section 232.)

4. (a) Owners shall make dwelling accommodation and services of the project available to occupants at charges not exceeding those established in accordance with a rental schedule approved in writing by the Secretary, for any project subject to regulation of rent by the Secretary. Accommodations shall not be rented for a period of less than thirty (30) days, or, unless the mortgage is insured under Section 231, for more than three years. Commercial facilities shall be rented for such use and upon such terms as approved by the Secretary. Subleasing of dwelling accommodations, except for subleases of single dwelling accommodations by the tenant thereof, shall be prohibited without prior written approval of Owners and the Secretary and any lease shall so provide. Upon discovery of any unapproved sublease, Owners shall immediately demand cancellation and notify the Secretary thereof.
- (b) Upon prior written approval by the Secretary, Owners may charge to and receive from any tenant such amounts as from time to time may be mutually agreed upon between the tenant and the Owners for any facilities and/or services which may be furnished by the Owners or others to such tenant upon his request, in addition to the facilities and services included in the approved rental schedule. Approval of charges for facilities and services is not required for any project not subject to regulation of rent by the Secretary.
- (c) For any project subject to regulation of rent by the Secretary, the Secretary will at any time entertain a written request for a rent increase properly supported by substantiating evidence and within a reasonable time shall:

*Comprised of \$1,345.00 for realty and \$519.25 for non-realty items. In addition, the Mortgagee shall make an initial deposit of \$50,000.00 (\$36,000.00 for realty and \$14,000.00 for non-realty).

- (i) Approve a rental schedule that is necessary to compensate for any net increase, occurring since the last approved rental schedule, in taxes (other than income taxes) and operating and maintenance cost over which Owners have no effective control or;
 - (ii) Deny the increase stating the reasons therefor.
5. (a) If the mortgage is originally a Secretary-held purchase money mortgage, or is originally endorsed for insurance under any Section other than Sections 231 or 232 and is not designed primarily for occupancy by elderly persons, Owners shall not in selecting tenants discriminate against any person or persons by reason of the fact that there are children in the family.
- (b) If the mortgage is originally endorsed for insurance under Section 221, Owners shall in selecting tenants give to displaced persons or families an absolute preference or priority of occupancy which shall be accomplished as follows:
- (1) For a period of sixty (60) days from the date of original offering, unless a shorter period of time is approved in writing by the Secretary, all units shall be held for such preferred applicants, after which time any remaining unrented units may be rented to non-preferred applicants;
 - (2) Thereafter, and on a continuing basis, such preferred applicants shall be given preference over nonpreferred applicants in their placement on a waiting list to be maintained by the Owners; and
 - (3) Through such further provisions agreed to in writing by the parties.
- (c) Without the prior written approval of the Secretary not more than 25% of the number of units in a project insured under Section 231 shall be occupied by persons other than elderly persons.
- (d) All advertising or efforts to rent a project insured under Section 231 shall reflect a bona fide effort of the Owners to obtain occupancy by elderly persons.
6. Owners shall not without the prior written approval of the Secretary:
- (a) Convey, transfer, or encumber any of the mortgaged property, or permit the conveyance, transfer or encumbrance of such property.
 - (b) Assign, transfer, dispose of, or encumber any personal property of the project, including rents, nursing home revenues and healthcare receivables and shall not disburse or pay out any funds except for usual operating expenses and necessary repairs.
 - (c) Convey, assign, or transfer any beneficial interest in any trust holding title to the property, or the interest of any general partner in a partnership owning the property, or any right to manage or receive the rents and profits from the mortgaged property.
 - (d) Remodel, add to, reconstruct, or demolish any part of the mortgaged property or subtract from any real or personal property of the project.
 - (e) Make, or receive and retain, any distribution of assets or any income of any kind of the project except surplus cash and except on the following conditions:
 - (1) All distributions shall be made only as of and after the end of a semiannual or annual fiscal period, and only as permitted by the law of the applicable jurisdiction;
 - (2) No distribution shall be made from borrowed funds, prior to the completion of the project or when there is any default under this Agreement or under the note or mortgage;
- (3) Any distribution of any funds of the project, which the party receiving such funds is not entitled to retain hereunder, shall be held in trust separate and apart from any other funds; and
 - (4) There shall have been compliance with all outstanding notices of requirements for proper maintenance of the project.
- (f) Engage, except for natural persons, in any other business or activity, including the operation of any other rental project, or incur any liability or obligation not in connection with the project.
- (g) Require, as a condition of the occupancy or leasing of any unit in the project, any consideration or deposit other than the prepayment of the first month's rent plus a security deposit in an amount not in excess of one month's rent to guarantee the performance of the covenants of the lease. Any funds collected as security deposits shall be kept separate and apart from all other funds of the project in a trust account the amount of which shall at all times equal or exceed the aggregate of all outstanding obligations under said account.
- (h) Permit the use of the dwelling accommodations or nursing facilities of the project for any purpose except the use which was originally intended, or permit commercial use greater than that originally approved by the Secretary.
7. Owners shall maintain the mortgaged premises, accommodations and the grounds and equipment appurtenant thereto, in good repair and condition. In the event all or any of the buildings covered by the mortgage shall be destroyed or damaged by fire or other casualty, the money derived from any insurance on the property shall be applied in accordance with the terms of the mortgage.
8. Owners shall not file any petition in bankruptcy or for a receiver or in insolvency or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors, or permit an adjudication in bankruptcy or the taking possession of the mortgaged property or any part thereof by a receiver or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale, and fail to have such adverse actions set aside within forty-five (45) days.
9. (a) Any management contract entered into by Owners or any of them involving the project shall contain a provision that, in the event of default hereunder, it shall be subject to termination without penalty upon written request by the Secretary. Upon such request Owners shall immediately arrange to terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Secretary for continuing proper management of the project.
- (b) Payment for services, supplies, or materials shall not exceed the amount ordinarily paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.
- (c) The mortgaged property, equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents, and other papers relating thereto shall at all times be maintained in reasonable condition for proper audit and subject to examination and inspection at any reasonable time by the Secretary or his duly authorized agents. Owners shall keep copies of all written contracts or other instruments which affect the mortgaged property, all or any of which may be subject to inspection and examination by the Secretary or his duly authorized agents.



20060517000233050 2/17 \$65.00
Shelby Cnty Judge of Probate, AL
05/17/2006 11:51:42AM FILED/CERT

HUD-92466 (11/2002)
ref Handbook 4571.1

- (d) The books and accounts of the operations of the mortgaged property and of the project shall be kept in accordance with the requirements of the Secretary.
- (e) Within sixty (60) days following the end of each fiscal year the Secretary shall be furnished with a complete annual financial report based upon an examination of the books and records of mortgagor prepared in accordance with the requirements of the Secretary, prepared and certified to by an officer or responsible Owner and, when required by the Secretary, prepared and certified by a Certified Public Accountant, or other person acceptable to the Secretary.
- (f) At request of the Secretary, his agents, employees, or attorneys, the Owners shall furnish monthly occupancy reports and shall give specific answers to questions upon which information is desired from time to time relative to income, assets, liabilities, contracts, operation, and condition of the property and the status of the insured mortgage.
- (g) All rents and other receipts of the project shall be deposited in the name of the project in a financial institution, whose deposits are insured by an agency of the Federal Government. Such funds shall be withdrawn only in accordance with the provisions of this Agreement for expenses of the project or for distributions of surplus cash as permitted by paragraph 6(e) above. Any Owner receiving funds of the project other than by such distribution of surplus cash shall immediately deposit such funds in the project bank account and failing so to do in violation of this Agreement shall hold such funds in trust. Any Owner receiving property of the project in violation of this Agreement shall hold such funds in trust. At such time as the Owners shall have lost control and/or possession of the project, all funds held in trust shall be delivered to the mortgagee to the extent that the mortgage indebtedness has not been satisfied.
- (h) If the mortgage is insured under Section 232:
 - (1) The Owners or lessees shall at all times maintain in full force and effect from the state or other licensing authority such license as may be required to operate the project as a 60 unit Assisted Living Facility and shall not lease all or part of the project except on terms approved by the Secretary.
 - (2) The Owners shall suitably equip the project for nursing home operations. *
 - (3) The Owners shall execute a Security Agreement and Financing Statement (or other form of chattel lien) upon all items of equipment, except as the Secretary may exempt, which are not incorporated as security for the insured mortgage. The Security Agreement and Financing Statement shall constitute a first lien upon such equipment and shall run in favor of the mortgagee as additional security for the insured mortgage.
 - (i) If the mortgage is insured under Section 231, Owners or lessees shall at all times maintain in full force and effect from the state or other licensing authority such license as may be required to operate the project as housing for the elderly.

10. Owners will comply with the provisions of any Federal, State, or local law prohibiting discrimination in housing on the grounds of race, color, religion or creed, sex, or national origin, including Title VIII of the Civil Rights Act of 1968 (Public Law 90-284; 82 Stat. 73), as amended, Executive Order 11063, and all requirements imposed by or pursuant to the regulations of the Department of Housing and Urban Development implementing these authorities (including 24 CFR Parts

100, 107 and 110, and Subparts I and M of Part 200).

- 11. Upon a violation of any of the above provisions of this Agreement by Owners, the Secretary may give written notice thereof, to Owners, by registered or certified mail, addressed to the addresses stated in this Agreement, or such other addresses as may subsequently, upon appropriate written notice thereof to the Secretary, be designated by the Owners as their legal business address. If such violation is not corrected to the satisfaction of the Secretary within thirty (30) days after the date such notice is mailed or within such further time as the Secretary determines is necessary to correct the violation, without further notice the Secretary may declare a default under this Agreement effective on the date of such declaration of default and upon such default the Secretary may:
 - (a) (i) If the Secretary holds the note - declare the whole of said indebtedness immediately due and payable and then proceed with the foreclosure of the mortgage;
 - (ii) If said note is not held by the Secretary - notify the holder of the note of such default and request holder to declare a default under the note and mortgage, and holder after receiving such notice and request, but not otherwise, at its option, may declare the whole indebtedness due, and thereupon proceed with foreclosure of the mortgage, or assign the note and mortgage to the Secretary as provided in the Regulations;
 - (b) Collect all rents, charges, nursing home revenues and healthcare receivables in connection with operation of the project and use such collections to pay the mortgagor's obligations under this agreement and under the note and mortgage, and the necessary expenses of preserving the property and operating the project.
 - (c) Take possession of the project, bring any action necessary to enforce any rights of the Owners growing out of the project operation, and operate the project in accordance with the terms of this Agreement until such time as the Secretary in his discretion determines that the Owners are again in a position to operate the project in accordance with the terms of this Agreement and in compliance with the requirements of the note and mortgage.
 - (d) Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the project in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Secretary arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain.
- 12. As security for the payment due under this Agreement to the reserve fund for replacements, and to secure the Secretary because of his liability under the endorsement of the note for insurance, and as security for the other obligations under this Agreement, the Owners respectively assign, pledge and mortgage to the Secretary their rights to the rents, profits, income and charges of whatsoever sort which they may receive or be entitled to receive from the operation of the mortgaged property, subject, however, to any assignment of rents in the insured mortgage referred to herein. Until a default is declared under this Agreement, however, permission is granted to Owners to collect and retain under the provisions of this Agreement such rents, profits, income, and charges, but upon default this permission is terminated as to all rents due or collected thereafter.

* (2) (cont.) Any plan for the acquisition of equipment, other than by purchase by payment in full, must have the advance written approval of the Secretary.

13. As used in this Agreement the term:

- (a) "Mortgage" includes "Deed of Trust", "Chattel Mortgage", "Security Instrument", and any other security for the note identified herein, and endorsed for insurance or held by the Secretary;
- (b) "Mortgagee" refers to the holder of the mortgage identified herein, its successors and assigns;
- (c) "Owners" refers to the persons named in the first paragraph hereof and designated as Owners, their successors, heirs and assigns;
- (d) "Mortgaged Property" includes all property, real, personal or mixed, covered by the Mortgage(s) and Security Agreements securing the note endorsed for insurance or held by the Secretary;
- (e) "Project" includes the mortgaged property and all its other assets of whatsoever nature or wheresoever situate, used in or owned by the business conducted on said mortgaged property, which business is providing ~~housing~~ and other activities as are incidental thereto: assisted living facility
- (f) "Surplus Cash" means any cash remaining after:
 - (1) the payment of:
 - (i) All sums due or currently required to be paid under the terms of any mortgage or note insured or held by the Secretary;
 - (ii) All amounts required to be deposited in the reserve fund for replacements;
 - (iii) All obligations of the project other than the insured mortgage unless funds for payment are set aside or deferment of payment has been approved by the Secretary; and
 - (2) the segregation of:
 - (i) An amount equal to the aggregate of all special funds required to be maintained by the project; and
 - (ii) All tenant security deposits held.
- (g) "Distribution" means any withdrawal or taking of cash or any assets of the project, including the segregation of cash or assets for subsequent withdrawal within the limitations of Paragraph 6(e) hereof, and excluding payment for reasonable expenses incident to the operation and maintenance of the project.

See Rider II for Project Replacement Reserve Needs attached hereto and made a part hereof.

See Rider III for the Mortgagee's funding schedule and structure for the Replacement Reserve attached hereto and made a part hereof.

- (h) "Default" means a default declared by the Secretary when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Secretary after written notice;
- (i) "Section" refers to a Section of the National Housing Act, as amended.
- (j) "Displaced persons or families" shall mean a family or families, or a person, displaced from an urban renewal area, or as the result of government action, or as a result of a major disaster as determined by the President pursuant to the Disaster Relief Act of 1970.
- (k) "Elderly person" means any person, married or single, who is sixty-two years of age or over. ****continued below

14. This instrument shall bind, and the benefits shall inure to, the respective Owners, their heirs, legal representatives, executors, administrators, successors in office or interest, and assigns, and to the Secretary and his successors so long as the contract of mortgage insurance continues in effect, and during such further time as the Secretary shall be the owner, holder, or reinsurer of the mortgage, or obligated to reinsure the mortgage.

15. Owners warrant that they have not, and will not, execute any other agreement with provisions contradictory of, or in opposition to, the provisions hereof, and that, in any event, the requirements of this Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict therewith.

16. The invalidity of any clause, part or provisions of this Agreement shall not affect the validity or the remaining portions thereof.

17. The following Owners: *****

Do not assume personal liability for payments due under the note and mortgage, or for the payments to the reserve for replacements, or for matters not under their control, provided that said Owners shall remain liable under this Agreement only with respect to the matters hereinafter stated; namely:

- (a) for funds or property of the project coming into their hands which, by the provisions hereof, they are not entitled to retain; and
- (b) for their own acts and deeds or acts and deeds of others which they have authorized in violation of the provisions hereof.

(To be executed with formalities for recording a deed to real estate.)

***** The Cottage at Riverchase, LLC, an Alabama limited liability company and all present and future Members and Managers thereof.

****(1) "rents" and "profits" shall include: all nursing home revenues, charges, fees and assistance payments arising from the operation of the nursing home, and related facilities, including, but not limited to Medicare, Medicaid, social security and third party reimbursement payments, and all payments and income arising from the leasing of the nursing home, and/or related facilities.

SEE RIDER I ATTACHED HERETO AND MADE A PART HEREOF FOR ADDITIONAL PROVISIONS.

IN WITNESS WHEREOF, the said parties have executed this Regulatory Agreement as of the date first above written.

THE COTTAGE AT RIVERCHASE, LLC
an Alabama limited liability company

By: Gordon L. Smith
Gordon L. Smith
President

STATE OF ALABAMA]
]:ss
COUNTY OF ALABAMA]

I, J. Douglas Rogers, a Notary Public in and for said County in said State, hereby certify that GORDON L. SMITH, whose name as President of **THE COTTAGE AT RIVERCHASE, LLC**, an Alabama limited liability company, is signed to the foregoing mortgage, and who is known to me, acknowledged before me on this day that, being informed of the contents of the mortgage, he as such officer and with full authority, executed the same voluntarily and as the act of said corporation, acting in its capacity as aforesaid.

Given under my hand and official seal this 15th day of May, 2006.

J. Douglas Rogers
Notary Public

My Commission Expires: 9/9/2007

SECRETARY OF HOUSING AND URBAN
DEVELOPMENT ACTING BY AND
THROUGH THE FEDERAL HOUSING
COMMISSIONER

By: Donna J. Crane
Authorized Agent

STATE OF ALABAMA]
COUNTY OF Jefferson]:ss
]

I hereby certify that on this 16 day of May, in the year 2006, before me the subscriber, a notary public in and for the jurisdiction aforesaid, personally appeared Donna J. Crane, known to me and to me known to be the person who, as the duly Authorized Agent of the **SECRETARY OF HOUSING AND URBAN DEVELOPMENT ACTING BY AND THROUGH THE FEDERAL HOUSING COMMISSIONER**, executed the foregoing Regulatory Agreement on behalf of said **SECRETARY OF HOUSING AND URBAN DEVELOPMENT ACTING BY AND THROUGH THE FEDERAL HOUSING COMMISSIONER** by virtue of the authority vested in him/her as such Authorized Agent, and he/she did acknowledge the foregoing instrument to be the act and deed of said **SECRETARY OF HOUSING AND URBAN DEVELOPMENT ACTING BY AND THROUGH THE FEDERAL HOUSING COMMISSIONER** for the purposes therein contained.

[SEAL]

Barbara S. Andoleva
Notary Public

My Commission Expires: 8/21/07

Prepared by:

E. Joseph Knoll, Esq.
Krooth & Altman LLP
1850 M Street, NW, Suite 400
Washington, DC 20036

Upon Recording, Return to:

U.S. Department of Housing
and Urban Development
Birmingham Field Office
950 22nd St., North
Birmingham, AL 35203
Attn: Office of Chief Counsel

Exhibit A



20060517000233050 7/17 \$65.00
Shelby Cnty Judge of Probate, AL
05/17/2006 11:51:42AM FILED/CERT

Lot 3-B, Resurvey of Lots 2-B and 3, Revised Map of Wyatt's Subdivision No. 2, as recorded in Map Book 27, Page 45 in the Office of the Judge of Probate Shelby County, Alabama.

**RIDER I TO REGULATORY AGREEMENT FOR MULTIFAMILY HOUSING
PROJECTS BY AND BETWEEN THE COTTAGE AT RIVERCHASE, LLC AND
SECRETARY OF HOUSING AND URBAN DEVELOPMENT**

- (18) The Project is being and shall continue to be operated as an assisted living facility for the frail elderly (62 years or older and require assistance with three or more activities of daily living).
- (19) The Owners will not alter, or suffer or permit alteration of, the assisted living facility license, bed authority or other operating authority of the Project without the advance written approval of the Secretary. In the event that any such alteration is proposed, upon learning of that event the Owners will advise the Secretary promptly. The Owners will insert the foregoing requirements into any operating lease for the project.
- (20) The Mortgagor and/or Management Agent, as applicable, shall maintain the requisite level of professional liability insurance as determined by the Secretary. Annually, the mortgagor shall ensure that the Lessee/Operator/Management Agency, as applicable, provides to HUD a certification of compliance with HUD's professional liability insurance requirements.
- (21) Owner shall cause any Certificate of Need and/or operating license for the project and all "bed authority" with respect to the project to remain with the project until the later of (a) payment in full of all amounts due under the HUD-insured note and mortgage secured by the project or (b) expiration of the term of the lease. Without limiting the generality of the foregoing, Owner shall not relocate, or cause to be relocated, any nursing home facility beds from the project to any other location during the term of the note, mortgage and/or lease. In addition, Owner or its successors and/or assigns shall not, without the prior written consent of the Mortgagee, transfer, assign, encumber, or alienate from the project in any manner whatsoever any Certificate of Need (CON), Nursing Home License (NHL), or any Medicaid/Medicare Provider Agreement (PA) granted by the Alabama Agency of Health (AAH), nor any of them. With respect to any CON, NHL, and PA, it is understood that AAH administers the laws governing these matters and will require compliance therewith. The Security Agreement and Financing Statement referred to in paragraph 9(h)(3) above and incorporated herein by reference, shall constitute, to the extent permitted by law, a first lien upon all of the Owner's rights, titles, and interest, if any, in said CON, HNL and PA.
- (22) For so long as any mortgage on the mortgaged property is insured or held by the Secretary, any and all future owners of the mortgaged property must execute a Regulatory Agreement with the Secretary identical in form and substance to this Agreement.
- (23) For so long as any mortgage on the mortgaged property is insured or held by the Secretary, the Owner and any and all future owners of the mortgaged property shall submit copies of its financial statements to the Commissioner within sixty days after the close of the project's fiscal year.
- (24) In the event the mortgaged property is transferred by the Owner as result of a default under the HUD-insured mortgage, Owner shall take all steps and cooperate in any



20060517000233050 9/17 \$65.00
Shelby Cnty Judge of Probate, AL
05/17/2006 11:51:42AM FILED/CERT

manner with the successor owner of the mortgaged property as may be necessary to maintain the project as a fully-licensed nursing home facility following such transfer.

- (25) For the intents and purposes herein, Owner hereby irrevocably nominates and appoints the Secretary, his/her successors and assigns and appoints the Secretary, his/her successors and assigns, as its attorney-in-fact coupled with an interest to do all things necessary, including but not limited to, provide any and all information and data, pay such fees as may be required, and execute and sign in the name of the Owner, its successors or assigns, required by AAH or any other government entity exercising jurisdiction over nursing home facilities, any and all documents necessary to operate the mortgaged property as a nursing home facility under any CON, NHL and PA.
- (26) The Owner will not enter into, amend, or agree to the assignment of, any operating lease for all or part of the project without the advance written approval of, and on terms satisfactory to, the Secretary.

Rider II

Initial Deposit Reserve for Replacement - Annual Deposit Per Unit/Per Year (Building Components)

Item	Cost	Qty Unit	Econ. Life	Actual Age	% Depleted	0	1	2	3	4	5	6	7	8	9	10
1. Vinyl composition tile	\$ 17,921	7,965 SF	19	4	21											
2. Carpet	31,848	2,654 SY	7	4	57					31,848						
3. Ceramic tile	0	0	40	0	0											
4. Glazed tile	0	0	40	0	0											
5. Quarry tile	0	0	40	0	0											
6. Acoustical tile ceiling (panels only)	0	0	15	0	0											
7. Window treatment drapes	4,800	48 RM	10	4	40								4,800			
8. Mini-blinds	3,600	48 RM	12	4	33										3,600	
9. Cubicle curtains	0	0	10	0	0											
10. Fire alarm system	15,928	31,855 SF	25	4	16											
11. Fire alarm system, gen. maint.	4,778	31,855 SF	5	4	80									4,778		
12. Nurse call system	8,400	48 EA	25	4	16											
13. Nurse call system, gen. maint.	1,200	48 EA	5	4	80			4,778							1,200	
14. Telephonelocker system	35,041	31,855 SF	20	4	20											
15. Telephonelocker, gen. maint.	2,000	1 LS	5	4	80			1,200						2,000		
16. Door alarm system	4,500	10 EA	15	4	27											
17. CM, 4 pipe system	0	0	15	0	0			2,000								
18. Boiler, H.W. heating	0	0	15	0	0											
19. A.H.U., H.W.C.W. coils	0	0	15	0	0											
20. Boilers, domestic hot water	0	0	15	0	0											
21. Heat pump, total tons	52,500	35 TON	15	4	40											
22. thru wall units	52,800	48 EA	10	4	40								52,800			
23. thru wall units	0	0	10	0	0											
24. Cooler/freezer compressor	0	0	15	0	0											
25. Water heater	7,500	3 EA	15	4	27											
26. Water heater	0	0	15	0	0											
27. Water heater	0	0	15	0	0											
28. H.W. boiler	0	0	15	0	0											
29. Exterior paint (trim only)	0	0	7	0	0											
30. Pailbo covers	0	0	20	0	0											
31. Roofing	62,250	415 SQ	30	4	13											
32. Lawn sprinkler, gen. maint.	0	0	3	0	0											
33. Wood fence, gen. maint.	513	205 LF	5	4	80			513							513	
34. Chain link fence, gen. maint.	0	0	6	0	0											

Ashton Estates, ALF



20060517000233050 10/17 \$65.00
Shelby Cnty Judge of Probate, AL
05/17/2006 11:51:42AM FILED/CERT

Initial Deposit Reserve for Replacement - Annual Deposit Per Unit/Per Year (Building Components)

Item	Cost	Qty/ Unit	Econ. Life	Actual Age	% Depleted	0	1	2	3	4	5	6	7	8	9	10
35. Lawn, gen. maint.	\$ 2,500	1 LS	10	4	40								2,500			
36. Sealcreek, parking/driveways	6,176	2,745 SY	5	0	0							6,176				
37. Overlay asphalt, 1-1/2"	43,234	2,745 SY	20	4	20											
38. Parking stall striping	580	29 EA	5	4	80			580						580		
39. Sewer, general maintenance	1,500	1 LS	7	4	57					1,500						
40. Sewer, replacement	7,595	217 LF	30	4	13											
41. Interior water pipe, gen. maint.	2,200	1 LS	5	4	80			2,200								
42. Interior water pipe, replacement	31,855	31,855 SF	36	4	11									2,200		
43. Washer/detractor	7,500	1 EA	15	4	27											
44. Washer/detractor	0	0	15	0	0											
45. Dryer, commercial	4,500	1 EA	12	4	33										4,500	
46. Dryer, washer residential	2,100	6 EA	12	4	33										2,100	
47. Coodler, mach-h	9,000	2 EA	25	4	16											
48. Freezer, mach-in	4,750	1 EA	25	4	16											
49. Commercial dishwasher	18,000	1 EA	20	4	20											
50. Hood fire extinguisher	4,750	1 EA	10	4	40								4,750			
51. Rangehood	3,500	1 EA	30	4	13											
52. Deep fat fryer	0	0	10	0	0											
53. Kitchenhood, S.S.	4,200	1 EA	30	4	13											
54. Misc. S.S. sinks	2,500	1 LS	40	4	10											
55. Double convection oven	1,250	1 EA	10	4	40								1,250			
56. Emergency generator 50KW	32,000	1 EA	30	4	13											
57. Sprinkler, fire, gen. maint.	2,000	1 LS	5	4	80			2,000						2,000		
58. Forced main pumps	0	0	20	4	20											
59. Elevator	0	0	30	0	0											
60. Elevator, gen. maint.	0	0	3	0	0											
61. Total Building Components	487,283															
62. Initial Deposit Reserve for Replacement						0										
63. Total							0	13,271	0	33,348	0	6,176	66,100	13,271	10,200	0
64. Inflation Factor 2.5%							1,000	1,025	1,051	1,077	1,104	1,132	1,160	1,189	1,219	1,249
65. Inflation Total							0	13,603	0	35,916	0	6,991	76,876	15,778	12,434	0
66. Per Unit/Per Year (48 beds)							0	283	0	748	0	146	1,597	329	329	0
67. Total Inflation 10-Year Replacements																161,399
68. Per Unit Average (48 beds)																336



20060517000233050 11/17 \$65.00
Shelby Cnty Judge of Probate, AL
05/17/2006 11:51:42AM FILED/CERT

[illegible]

384



20060517000233050 12/17 \$65.00
Shelby Cnty Judge of Probate,AL
05/17/2006 11:51:42AM FILED/CERT

4 of 4



20060517000233050 13/17 \$65.00
Shelby Cnty Judge of Probate, AL
05/17/2006 11:51:42AM FILED/CERT

Rider III

Initial Deposit Reserve for Replacement - Annual Deposit Per Unit/Per Year (Major Movables)

Item	Cost	Qty/ Unit	Estor. Life	Actual Age	% Depreciated	0	1	2	3	4	5	6	7	8	9	10
1. Sofas	\$ 3,000	8 EA	12	4	33										3,000	
2. Wing back chairs	2,500	20 EA	12	4	33										2,500	
3. Office desk/chairs	4,500	6 EA	15	4	27											
4. Dining tables/chairs	6,900	12 EA	15	4	27											
5. End tables	1,500	10 EA	15	4	27											
6. Lamps	1,100	22 EA	15	4	27											
7. TV's misc.	7,200	8 EA	7	4	57					7,200						
8. Computer/printers	8,458	6 EA	7	4	57					8,458						
9. Fax	356	1 EA	7	4	57					356						
10. Copiers	4,632	2 EA	10	4	40											
11. File cabinets	583	2 EA	20	4	20								4,632			
12. Camera	432	1 EA	7	4	57					432						
13. Misc. outdoor furniture	1,260	1 LS	15	4	27											
14. Design plans, misc.	4,335	1 LS	15	4	27											
15. Ellis player piano	15,750	1 EA	30	4	13											
16. Sun dial clock	1,230	1 EA	10	4	40								1,230			
17. Computer desk	324	2 EA	15	4	20											
18. Piano, standard	1,800	2 EA	30	4	13											
19. High back chairs	995	2 EA	12	4	33										995	
20. Desk/dining cabinet	887	1 EA	20	4	20											
21. Plastic table	275	1 EA	20	4	20											
22. Ice cream machine	6,887	1 EA	15	4	27											
23. Food processor/mixer	929	2 EA	10	4	40								929			
24. Stainless steel table	150	1 EA	25	4	16											
25. Carpet cleaner	2,500	1 EA	10	4	40								2,500			
26. Stereo	205	1 EA	7	4	57					205						
27. Wheelchair scale	438	1 EA	15	4	27											
28. Janitor carts	930	3 EA	20	4	20											
29. Commercial vacuum	806	1 EA	7	4	57					806						
30. Hot food unit	2,750	1 EA	12	4	33										2,750	
31. Seated porch furniture	850	1 LS	20	4	20											
32. Antiques, pictures	3,500	1 LS	15	4	27											
33. Coffee tables	825	4 EA	15	4	27											
34. Bookshelves	800	2 EA	15	4	27											

Auction Dates, ALF



20060517000233050 14/17 \$65.00
Shelby Cnty Judge of Probate, AL
05/17/2006 11:51:42AM FILED/CERT

Initial Deposit Reserve for Replacement - Annual Deposit Per Unit/Per Year (Major Moveables)

Item	Cost	Qty/ Unit	Econ. Life	Actual Age	% Depreciated	0	1	2	3	4	5	6	7	8	9	10
35. Unit undercounter refrigerators	\$ 4,600	24 EA	15	4	27											
36. Unit microwaves	2,400	24 EA	10	4	40								2,400			
37. Hair dryer chair units	3,300	3 EA	20	4	20											
38. Salon chair	3,250	1 EA	20	4	20											
39. Floor lamps	1,350	9 EA	15	4	27											
40. Facility drapes/blinds	8,500	1 LS	10	4	40								8,500			
41. Unit drapes	9,600	48 EA	10	4	40								9,600			
42. Unit blinds	3,800	48 EA	15	4	27											
43. Misc. metal beds, major items	2,500	1 LS	15	4	27											
44. Miscellaneous items: work tables, portable shelves, cabinets,																
45. med. cabinets, etc.	75,000	1 LS	15	4	27											
46.																
47.																
48.																
49.																
50.																
51.																
52.																
53.																
54.																
55.																
56.																
57.																
58.																
59.																
60.																
61.																
62. Total Major Moveables	201,477															
63. Initial Deposit Reserve for Replacement						0	0	0	0	17,457	0	0	27,791	0	9,245	0
64. Total						1,000	1,025	1,051	1,077	1,104	1,132	1,160	1,189	1,219	1,248	0
65. Inflation Factor 2.5%						0	0	0	0	18,002	0	0	32,238	0	11,270	0
66. Inflation Total										292			672		205	
67. Per Unit/Per Year (48 units)																
68. Total Inflation 30-Year Replacements															62,310	130

Ashton Galtner, ALF



[illegible]

उत्तर ४



20060517000233050 16/17 \$65.00
Shelby Cnty Judge of Probate,AL
05/17/2006 11:51:42AM FILED/CERT

Initial Deposit Reserve for Replacement - Annual Deposit Per Unit/Per Year (Major Moves)																											Arthur Gibbs, ALF	
	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	
35		4,800																4,800										
36								2,400											2,400									
37		3,300																					3,300					
38		3,250																					3,250					
39		1,350																1,350										
40								6,500											6,500									
41								9,600											9,600									
42		3,600																3,600										
43		2,500																2,500										
44																												
45																												
46		75,000																75,000										
47																												
48																												
49																												
50																												
51																												
52																												
53																												
54																												
55																												
56																												
57																												
58																												
59																												
60																												
61																												
62																												
63	0	14,416	0	0	0	0	3,525	27,791	0	16,051	0	9,385	0	0	0	0	17,350	35,086	27,791	0	0	0	6,550	0	9,245	16,651	0	
64	1,280	1,313	1,345	1,379	1,413	1,440	1,485	1,522	1,560	1,608	1,639	1,679	1,722	1,765	1,809	1,854	1,900	1,948	1,996	2,046	2,096	2,151	2,204	2,259	2,315	2,373	2,433	
65	0	186,206	0	0	0	0	5,236	42,298	0	25,625	0	15,774	0	0	0	0	32,866	206,515	55,471	0	0	0	14,436	0	21,402	39,513	0	
66																												
67										262,463																	446,176	
68										548																	547	

