FHA/HUD 232: NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF HEALTHCARE FACILITIES

GENERAL TERMS

Eligible Properties
Skilled nursing, assisted living, memory care, or board and care properties that:
- Provide continuous protective oversight
- Offer three meals per day
- Are licensed by the state
- Have non-resident day care less than 20% of gross area and 20% of gross income
- Has 25% or less non-licensed independent living units

Eligible Borrowers
Single-asset, special purpose entity (for profit or not-for-profit)

Term and Amortization
Interest-only during construction followed by 40 years fully-amortizing

Maximum Loan Amount
For new construction, the lesser of:

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Minimum Debt Service</th>
<th>Maximum Loan to Eligible Cost</th>
<th>Maximum Loan to Value (For profit)</th>
<th>Maximum Loan to Value (Not-for-profit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assisted Living</td>
<td>1.45x</td>
<td>90%</td>
<td>75%</td>
<td>80%</td>
</tr>
<tr>
<td>Skilled Nursing</td>
<td>1.45x</td>
<td>90%</td>
<td>80%</td>
<td>85%</td>
</tr>
</tbody>
</table>

For substantial rehabilitation, the following additional limitation applies:
- 100% of the rehabilitation costs plus the lesser of: 95% of the property’s as-is market value or 100% existing indebtedness (if owned) / 85% eligible acquisition cost (if to be purchased)

Prepayment options
Negotiable with best pricing for 10 years of call protection (can be a combination of lockout and/or penalty)

Assumability
Yes, subject to FHA/HUD approval

Personal Liability
Non-recourse loan subject to carve-outs for fraud and misrepresentation

ADDITIONAL PARAMETERS

Rehab Limitations
Must meet the following criteria:
1. The hard costs of repairs, replacements, and improvements exceeds 15% of the project’s value after completion; or
2. Two or more major building components are being substantially replaced (>50%)

Commercial Space
Limited to 10% of gross floor area and 15% of gross project income

Third Party Reports
Market Study, Appraisal, Phase I ESA, and Architectural Plans, Specifications and Cost Review

Davis Bacon Wages
Payment of prevailing wages is required for all contractors and subcontractors

Cost Certification
The borrower must submit a cost certification prepared by an independent CPA upon completion
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Escrows</td>
<td>Property taxes, insurance, HUD mortgage insurance premium and replacement reserves</td>
</tr>
<tr>
<td>Additional Escrows</td>
<td>Working Capital (4% of the loan amount) - Balances will be released to the borrower 12 months after final closing and after six consecutive months of break-even operations</td>
</tr>
<tr>
<td></td>
<td>Initial Operating Deficit - Balances will be released to the borrower 12 months after final closing and after three consecutive months of at least 1.45x debt service cover</td>
</tr>
<tr>
<td>HUD Application Fee</td>
<td>0.30% of the mortgage amount</td>
</tr>
<tr>
<td>HUD MIP</td>
<td>The initial mortgage insurance premium 0.77% per year of construction, or part thereof. Thereafter, 0.77% annually, payable in monthly installments</td>
</tr>
<tr>
<td>HUD Inspection Fee</td>
<td>0.50% of the mortgage amount for new construction or 0.50% of improvement costs for substantial rehabilitation</td>
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</tbody>
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