

Master Lease  
Addendum  
Section 232

U.S. Department of Housing  
and Urban Development  
Office of Residential  
Care Facilities

OMB Approval No. 2502-0605  
(exp. mm/dd/yyyy)

1

2 **Public reporting** burden for this collection of information is estimated to average 1 hour(s). This includes the time for collecting,  
3 reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which must be  
4 submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will  
5 use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset  
6 management, as well as ensuring the continued marketability of the properties. This agency may not collect this information, and  
7 you are not required to complete this form, unless it displays a currently valid OMB control number.

8  
9 **Warning:** Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of  
10 the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions.  
11

12

13 THIS HUD ADDENDUM TO MASTER LEASE (this “**Addendum**”), dated as of  
14 \_\_\_\_\_20\_\_ is attached to and made a part of that certain Master Lease Agreement (the  
15 “**Master Lease**”), dated as of \_\_\_\_\_20\_\_ entered into by *those entities identified as*  
16 *Landlords on Schedule 1* (each, individually, a “**Landlord**”, and collectively, the “**Landlords**”,  
17 provided that, where the context allows, a singular reference to Landlord in this Addendum shall  
18 refer jointly, severally and collectively to the Landlords as set forth herein); and [INSERT  
19 NAME OF MASTER TENANT] (“**Master Tenant**”), and amends and/or supplements the  
20 Master Lease. For so long as HUD is the holder or insurer of any indebtedness secured by one or  
21 more of the Healthcare Facilities (as defined herein), the provisions of this Addendum shall  
22 apply to the Master Lease. In the event of any conflict between the terms of this Addendum and  
23 the Master Lease, the terms of this Addendum shall govern and control.

24 1. **Definitions.** The following terms shall have the meanings specified below:

25 “**Approved Use**” means the use of each Healthcare Facility, as set forth on  
26 Schedule 1, and such other uses as may be approved in writing from time to time by HUD based  
27 upon a request made by a Landlord, Master Tenant or an Operator, but excluding any uses that  
28 are discontinued with the written approval of the HUD.

29 “**Borrower-Operator Agreement**” means any agreement relating to the  
30 management and operation of the Healthcare Facility by and between [*or Master Tenant*] and  
31 Operator, including any Operator Lease.

32 “**CON**” means collectively all Certificates of Need and Certificate of Need rights  
33 under Healthcare Requirements authorizing and permitting the use of each Healthcare Facility as  
34 a skilled nursing or long-term care facility, as applicable.

35 “**Cross Guaranty**” has the meaning set forth in Section 5.

36 “**FF&E**” means furnishings, fixtures and equipment of all kinds used in  
37 connection with the Healthcare Facility, including additions, substitutions and replacements  
38 thereto.

39 “FHA” means the Federal Housing Administration.

40 “Healthcare Facilities” means the healthcare facilities listed on [*Schedule 1 –*  
41 *insert reference to healthcare facility schedule, which schedule shall be attached to this Master*  
42 *Lease Addendum and shall include at least the following information for each facility: name of*  
43 *landlord, name of facility, address of facility, operator name, type of facility, number of licensed*  
44 *units/beds, and the county and state where the facility is located,*] as the same may be amended  
45 from time to time. Each facility listed on such schedule is a “Healthcare Facility.”

46 “Healthcare Requirements” shall mean, relating to each Healthcare Facility, all  
47 federal, state, county, municipal and other governmental statutes, laws, rules, orders, regulations,  
48 ordinances, judgments, decrees and injunctions or agreements, in each case, pertaining to or  
49 concerned with the establishment, construction, ownership, operation, use or occupancy of the  
50 Healthcare Facility or any part thereof as a healthcare facility, and all material permits, licenses,  
51 authorizations and regulations relating thereto, including all material rules, orders, regulations  
52 and decrees of and agreements with healthcare authorities pertaining to the Healthcare Facility.

53 “HUD” means the U.S. Department of Housing and Urban Development.

54 “Landlord Regulatory Agreement” means each Healthcare Regulatory  
55 Agreement–Borrower entered into by and between each Landlord and HUD, acting by and  
56 through the Secretary, his or her successors, assigns or designates with respect to each  
57 Healthcare Facility and any riders, amendments and supplements thereto.

58 “Lender” means [ENTER NAME OF FHA LENDER], and any future holder of  
59 the Security Instrument(s).

60 “Loan” means the FHA-insured loans in the original principal amounts as set  
61 forth on Schedule 2 attached hereto and incorporated herein, each made by Lender to a Landlord,  
62 secured by one or more Healthcare Facility, as such Loan may be amended, increased or  
63 decreased.

64 “Loan Documents” means each Landlord Regulatory Agreement, Security  
65 Instrument, Note, Master Tenant Regulatory Agreement, Operator Regulatory Agreement,  
66 Operator Security Agreement, Master Tenant Security Agreement, Cross Guaranty,  
67 Subordination/Subordination, Non-Disturbance and Attornment Agreement, and any and all  
68 other documents now or in the future required by and/or assigned to HUD and/or the Lender in  
69 connection with any of the Loans, whether executed by or on behalf of any Landlord, Master  
70 Tenant, or Operator, as the same may be amended from time to time, provided that the Master  
71 Lease and any Borrower-Operator Agreement, and any amendments thereto, shall not be  
72 considered Loan Documents.

73 “Master Tenant Regulatory Agreement” means each Healthcare Regulatory  
74 Agreement–Master Tenant entered into by and between the Master Tenant and HUD, acting by  
75 and through the Secretary, his or her successors, assigns or designates with respect to each  
76 Healthcare Facility and any riders, amendments and supplements thereto.

77                   “**Operator**” means, any entity that has entered into a Sublease (or other  
78 equivalent agreement) as an Operator with the Master Tenant, and such entity’s successors and  
79 assigns.

80                   “**Operator Regulatory Agreement**” means each Healthcare Regulatory  
81 Agreement-Operator entered into by and between each Operator and HUD with respect to each  
82 Healthcare Facility and any riders, amendments and supplements thereto.

83                   “**Operator Security Agreement**” means each Operator Security Agreement  
84 between each Operator and Lender with respect to the Healthcare Facility and any amendments  
85 or supplements thereto.

86                   “**Program Obligations**” means (1) all applicable statutes and any regulations  
87 issued by HUD pursuant thereto that apply to the Project, including all amendments to such  
88 statutes and regulations, as they become effective, except that changes subject to notice and  
89 comment rulemaking shall become effective only upon completion of the rulemaking process,  
90 and (2) all current requirements in HUD handbooks and guides, notices, and mortgagee letters  
91 that apply to the Project, and all future updates, changes and amendments thereto, as they  
92 become effective, except that changes subject to notice and comment rulemaking shall become  
93 effective only upon completion of the rulemaking process, and provided that such future  
94 updates, changes and amendments shall be applicable to the Project only to the extent that they  
95 interpret, clarify and implement terms in this Addendum rather than add or delete provisions  
96 from such document. Handbooks, guides, notices, and mortgagee letters are available on  
97 HUD’s official website (<http://www.hud.gov/offices/adm/hudclips/index.cfm>), or a successor  
98 location to that site.

99                   “**Rent**” means any and all rent, including base rent, additional rent, and all other  
100 such charges paid by an Operator pursuant to its Borrower-Operator Agreement, and any such  
101 amounts payable by Master Tenant under the Master Lease to one or more Landlords, with  
102 respect to one or more Healthcare Facilities.

103                   “**Security Instrument(s)**” means those certain Healthcare [**Mortgage, Deed of**  
104 **Trust, Deed to Secure Debt, Security Deed or other Designation as appropriate in**  
105 **Jurisdiction**], Assignment of Leases, Rents and Revenue and Security Agreement, from the  
106 Landlords in favor of the Lender with respect to the Project securing the Loans, and any  
107 amendments and supplements thereto.

108                   “**Sublease(s)**” means those certain leases by which Master Tenant subleases one  
109 or more Healthcare Facilities subject to the Master Lease to an Operator, as now or hereafter  
110 amended, and/or renewed or extended.

111                   “**Subordination Agreement/SNDA**” means either the Subordination Agreement  
112 or the Subordination Non-Disturbance and Attornment Agreement (whichever is applicable)  
113 executed by Landlord, Lender, Master Tenant and Operator as to the Healthcare Facility  
114 subleased by that particular Operator from the Master Tenant.

115           **2.       Compliance with Program Obligations.**

116           a.       The parties to this Addendum intend that the Master Lease comply with all  
117 Program Obligations. The Master Tenant agrees to comply, and to cause each Operator to  
118 comply, with all applicable Program Obligations and the Loan Documents. The Master Tenant  
119 further agrees that the Master Lease and all Subleases will be part of the collateral pledged by  
120 Landlords to Lender and HUD as security for the Loan. The Master Tenant agrees that it will  
121 not take any action which would violate any applicable Program Obligations or any of the Loan  
122 Documents.

123           b.       In the event of any conflict between the terms and provisions of this  
124 Master Lease and/or the Sublease and any applicable Program Obligations or the Loan  
125 Documents, the Program Obligations and Loan Documents shall control in all respects.  
126 Landlords and Master Tenant agree that no provision of this Master Lease and/or the Subleases  
127 shall modify any obligation of Landlords or Master Tenant or Operator under the Loan  
128 Documents. Landlords and Master Tenant acknowledge that HUD's acceptance of this Master  
129 Lease and/or any Subleases in connection with the closing of the Loans shall in no way  
130 constitute HUD's consent to arrangements which are inconsistent with Program Obligations.  
131 This Master Lease and any Subleases are subject to all Program Obligations.

132           **3.       Modification.** Neither the provisions of this Addendum nor the provisions of the  
133 Master Lease or any Sublease may be amended without the express prior written consent of  
134 HUD and the Lender. None of the Healthcare Facilities may be released from the Master Lease,  
135 nor may the Master Lease, or any of the Subleases, be terminated without the express prior  
136 written consent of HUD and the Lender, and in accordance with the provisions of the  
137 Subordination Agreement/SNDA, as applicable.

138           **4.       Single, Indivisible Lease.** The Master Lease constitutes one indivisible lease of  
139 the Healthcare Facilities and not separate leases governed by similar terms. The Healthcare  
140 Facilities constitute one economic unit, and the Rent and all other provisions have been  
141 negotiated and agreed to based on a demise of all of the Healthcare Facilities to Master Tenant as  
142 a single, composite, inseparable transaction, and the Rent and all other provisions would have  
143 been substantially different had separate leases or a divisible lease been intended. Except as  
144 expressly provided in this Master Lease for specific, isolated purposes (and then only to the  
145 extent expressly stated), all provisions of this Master Lease apply equally and uniformly to all of  
146 the Healthcare Facilities as one unit. An Event of Default with respect to any Healthcare Facility  
147 is an Event of Default as to all of the Healthcare Facilities. The parties intend that the provisions  
148 of this Master Lease shall at all times be construed, interpreted and applied so as to carry out  
149 their mutual objective to create an indivisible lease of all of the Healthcare Facilities, and in  
150 particular but without limitation, that for purposes of any assumption, rejection or assignment of  
151 this Master Lease under 11 U.S.C. § 365, this is one indivisible and non-severable lease and  
152 executory contract dealing with one legal and economic unit, and that this Master Lease must be  
153 assumed, rejected or assigned as a whole with respect to all (and only as to all) of the Healthcare  
154 Facilities. No Healthcare Facility may be released from the Master Lease except with the prior  
155 written approval of HUD.

156           **5.       Cross-Default Guaranty of Subtenants.** Master Tenant agrees to cause all  
157 Operators to execute a Cross-Default Guaranty of Subtenants (each, individually, a “**Cross**

158 **Guaranty**”, and collectively, the “**Cross Guaranties**”) in favor of Master Tenant, in the HUD-  
159 approved format, by which each Operator guarantees performance of all obligations of all other  
160 Operators under all of the Subleases. Master Tenant further agrees to assign and hereby assigns  
161 such Cross Guaranties to the Lender.

162 **6. Payments and Impounds.** Landlords and Master Tenant each acknowledges and  
163 agrees that the Rents and other amounts payable pursuant to this Master Lease or any Sublease  
164 are, and shall at all times be, sized so as to allow for proper maintenance of all of the  
165 Healthcare Facilities, and to enable each Landlord to meet its debt service obligations, and all  
166 related expenses, in connection with its Loan and the Healthcare Facilities. **[INCLUDE EACH**  
167 **AS APPLICABLE]**: Without limiting the generality of the foregoing, the Master Tenant agrees  
168 to pay, as additional rent, when due all premiums for (i) FHA mortgage insurance, (ii) liability  
169 insurance and full coverage property insurance on the Healthcare Facility, and (iii) all other  
170 insurance coverage required under the Loan Documents, and/or Program Obligations. Unless the  
171 Lender and the applicable Landlord agree otherwise in writing, the Master Tenant shall be  
172 responsible for funding all escrows and impounds for taxes, reserves for replacements, FHA  
173 mortgage insurance premiums, and other insurance premiums as may be required by the Lender  
174 and/or HUD.

175 **7. Rental Payments.** Subject to the rights of the Lender and to HUD consent  
176 thereto, Landlords reserve the right, as set forth herein, to adjust and reallocate the amount of  
177 Rent allocated to each Healthcare Facility covered by this Master Lease as set forth on Schedule  
178 2 to this Addendum, so long as the total aggregate amount of Rent for all of the Healthcare  
179 Facilities shown thereon is not changed. Landlords may adjust and reallocate the amounts of  
180 Rent for the purposes of maximizing reimbursements from the Medicaid or Medicare programs,  
181 and/or preventing a default under the Loan Documents, provided that Landlords obtain Master  
182 Tenant’s prior consent, which consent shall not be unreasonably withheld, and so long as the  
183 total amount of Rent for all of the Healthcare Facilities in the aggregate shall not be changed.

184 **8. Compliance with HUD Insurance Requirements.** The Master Tenant agrees to  
185 procure and maintain, and cause the Operators to procure and maintain, the insurance coverages  
186 required pursuant to the Loan Documents and Program Obligations. Annually, Master Tenant  
187 shall provide, or cause each Operator to provide, to Lender, a Certification of Compliance with  
188 HUD’s professional liability insurance requirements. Insurance proceeds and the proceeds of  
189 any condemnation award or other compensation paid by reason of a conveyance in lieu of the  
190 exercise of such power, with respect to a Healthcare Facility or any portion thereof shall be  
191 applied in accordance with the terms of the Loan Documents and Program Obligations. The  
192 decision to repair, reconstruct, restore or replace the Healthcare Facility following a casualty or  
193 condemnation shall be subject to the terms of the Loan Documents and Program Obligations.

194 **9. Ownership of the FF&E, and Transfer of Personal Property**

195 a. Master Tenant agrees that during the term of the Master Lease and/or Sublease, as  
196 applicable, Master Tenant shall not remove and shall not permit any Operator to remove, any  
197 FF&E from a Healthcare Facility, except in the ordinary course of business.

198 b. At the termination of the Master Lease and/or Sublease, as applicable, the  
199 Landlords shall have the right to purchase the Master Tenant’s or Operator’s personal property

200 located at the applicable Healthcare Facility at book value. To the extent any of the personal  
201 property is subject to an equipment lease, the Landlords shall have the right to cause Master  
202 Tenant or Operators to pay in full all obligations under such equipment leases, or to assume  
203 some or all of such equipment leases at Landlords' sole cost and expense and at no additional  
204 liability to Master Tenant. Master Tenant shall sign and deliver or cause Operator to sign or  
205 deliver, as applicable, to Landlords any document that may be reasonably necessary to transfer  
206 any leased property back to the Landlords.  
207

208 **10. Provider Agreements.** Master Tenant shall require that each Operator shall be  
209 responsible for obtaining and maintaining any necessary provider agreements with Medicaid,  
210 Medicare and other governmental third party payors. Master Tenant shall ensure that each  
211 Operator agrees to furnish HUD and Lender with copies of all such provider agreements and any  
212 and all amendments promptly after execution, and additionally, promptly upon request.  
213

214 **11. Subletting and Assignment.**  
215

216 a. Neither the Master Lease nor any sublease shall be assigned or  
217 subleased in whole or in part (including any transfer of title or right to possession and  
218 control of any Healthcare Facility, or of any right to collect fees or Rents), without the prior  
219 written approval of HUD. The prior written approval of HUD shall be required for (a) any  
220 change in or transfer of the management, operation, or control of any of the Healthcare  
221 Facilities or (b) any change in the ownership of the Master Tenant that requires HUD  
222 approval under HUD's Program Obligations. Landlords and Master Tenant acknowledge  
223 that any proposed assignee or sublessee will be required to execute, as applicable, a Master  
224 Tenant Regulatory Agreement or Operator Regulatory Agreement and a Master Tenant  
225 Security Agreement or Operator Security Agreement, each in form and substance  
226 satisfactory to HUD, as a prerequisite to any such approval. Any assignment or subletting  
227 of any Healthcare Facility made without such prior approval shall be null and void.  
228

229 b. Master Tenant acknowledges that each Landlord is assigning the Master  
230 Lease to the Lender, to further secure that Landlord's obligations to Lender under the  
231 applicable Loan Documents. Master Tenant acknowledges that Lender is authorized to  
232 exercise all rights and remedies available to Landlord as Lender may determine are  
233 reasonably necessary to cure a default by Landlord under any Loan Documents.  
234

235 **12. HUD/FHA Not Subject to Indemnification Requirements.** Notwithstanding  
236 any other provision or term contained in this Master Lease, in the event of an assignment of the  
237 Master Lease to HUD or FHA, neither HUD nor FHA shall have any indemnification obligations  
238 under this Master Lease or any of the Subleases. In addition, any payment obligations of HUD  
239 or FHA pursuant to this Master Lease shall be limited to actual amounts received by HUD or  
240 FHA, and otherwise not prohibited by applicable law or regulation, including without limitation,  
241 the Anti-Deficiency Act, 31 U.S.C. § 1341 et seq.  
242

243 **13. Notices to Lender and HUD of Default by Landlord.** Master Tenant and  
244 Landlords agree to copy Lender and HUD on all notices of default. Such copies shall be  
245 provided to Lender and HUD at the same time and in the same manner as provided by Master

246 Tenant or Landlords to the other party. Lender shall have the right, but not the obligation, to  
247 cure (or cause to be cured) any default by Landlords under this Master Lease. For the purpose of  
248 effecting such cure, Master Tenant grants the Lender such period of time as may be reasonable to  
249 enable Lender to cure (or cause to be cured) any default, in addition to the time given to  
250 Landlords to cure the default. In the event of any act or omission of Landlords which would give  
251 Master Tenant the right, immediately or after lapse of a period of time, to cancel or terminate this  
252 Master Lease, or to claim a partial or total eviction, Master Tenant shall not exercise such right  
253 (i) until it has given written notice of such act or omission to Lender and HUD, and (ii) unless  
254 such act or omission shall be one which is not capable of being remedied by Landlords or Lender  
255 within a reasonable period of time, until a reasonable period for remedying such act or omission  
256 shall have elapsed following the giving of such notice and following the time when Lender shall  
257 have become entitled under the Loan Documents in connection therewith, as the case may be, to  
258 remedy the same (which reasonable period shall in no event be less than the period to which  
259 Landlords would be entitled under this Master Lease or otherwise, after similar notice, to effect  
260 such remedy).

261 **14. Transfer of Operations.** Upon the expiration or earlier termination of the Master  
262 Lease for any reason whatsoever, the Master Lease shall become and be construed as an absolute  
263 assignment for purposes of vesting in Landlords (or Landlords' designees) all of Master Tenant's  
264 right, title, and interest in and to the following, to the extent assignable by law: (A) the licenses,  
265 any Medicare or Medicaid provider agreements and any CON, (B) all documents, charts,  
266 personnel records, patient records, and other documents relating to the Healthcare Facilities or  
267 operations at the Healthcare Facilities, (C) all existing agreements with residents of the  
268 Healthcare Facilities, and any guarantors of such agreements, and any and all patient trust fund  
269 accounts and (D) all other assignable intangible property not enumerated above that is now or in  
270 the future used in connection with the operation of the Healthcare Facilities. Master Tenant shall  
271 sign and deliver to Landlords any documents that may be reasonably necessary to transfer the  
272 foregoing to Landlords.

273 **15. Master Tenant and Operator Regulatory Agreements; Master Tenant and**  
274 **Operator Security Agreements.** At the time of the closing of each Loan, the Master Tenant  
275 agrees to execute a Master Tenant Regulatory Agreement and a Master Tenant Security  
276 Agreement, and to cause each Operator to execute the applicable Operator Regulatory  
277 Agreement and the applicable Operator Security Agreement, and other applicable documents  
278 evidencing the Lender's security interest in the collateral of the Master Tenant and each  
279 Operator. The Master Tenant agrees to comply with its obligations under the Master Tenant  
280 Regulatory Agreement and the Master Tenant Security Agreement, and agrees that a default by  
281 the Master Tenant under the Master Tenant Regulatory Agreement or Master Tenant Security  
282 Agreement shall be deemed to be a default of this Master Lease. Therefore, pursuant to Program  
283 Obligations and the terms of the Master Tenant Regulatory Agreement, upon any event of  
284 default of the Master Tenant Regulatory Agreement or any event of default of any Operator  
285 Regulatory Agreement relating to any Healthcare Facility, upon the completion of any applicable  
286 notice and cure periods, Landlords shall immediately upon written request from HUD terminate  
287 this Master Lease without any penalty to Landlords.

288 **16. Master Tenant Cooperation.** Master Tenant agrees to cooperate with  
289 Landlords in providing, and upon request by Landlords, Lender, or HUD, Master Tenant shall

290 provide or cause its Operators to provide, such documents, information, financial reports, and  
291 other items as may be required by Lender or HUD. When applicable, Master Tenant agrees to  
292 execute, and cause the Operators to execute, subordination agreements in form and  
293 substance required by Lender or HUD. Master Tenant further agrees to cooperate with  
294 Landlords and with its lender(s) who are processing and will be making Loans to Landlords.

295 **17. Compliance with Healthcare Requirements.** Master Tenant shall use, or shall  
296 cause the Operators to use, the Healthcare Facilities solely for Approved Uses and for no other  
297 purposes . On or before the master lease commencement date, Master Tenant or Operators shall  
298 have acquired, and thereafter Master Tenant or Operators, shall maintain all licenses, certificates,  
299 accreditations, approvals, permits, variances, waivers, provider agreements and other  
300 authorizations needed to operate the Healthcare Facilities for Approved Uses.

301 **18. Counterpart Signatures.** This Addendum may be executed in counterparts.

302 **19.** The parties hereto agreecknowledge that, subject to the terms of the Subordination  
303 Agreements, HUD may exercise the rights of the Lender, Landlord or Master Tenant under this  
304 Master Lease at any time if HUD determines that the exercise of such rights is necessary to avoid  
305 a mortgage insurance claim and, therefore, in the best interest of the Federal Government.

306  
307 **20.** This Addendum shall be governed by the laws of the State of **[Insert governing**  
308 **law from Master Lease]** without giving effect to conflicts of laws principles.

309  
310 **21. Third Party Beneficiaries.** HUD and Lender are not parties to this Addendum  
311 and have no obligations hereunder; however, HUD and Lender are third party beneficiaries for  
312 the sole purpose of enforcing their rights hereunder.

313  
314



315 IN WITNESS WHEREOF, the parties hereto have executed this Addendum effective as  
316 of the date first herein above written.

317

318

319

320 MASTER TENANT:

321 *[insert appropriate signature block]*

322

323

324

325

326

327

328 LANDLORDS:

329 *[insert appropriate signature block]*

330

331

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333

**Schedule 1**

334

**LIST OF HEALTHCARE FACILITIES AND APPROVED USES.**

335

*Insert schedule of Healthcare Facilities, which schedule shall include at least the following information for each Healthcare Facility: name of landlord, name of Healthcare Facility,*

336

*address of Healthcare Facility, operator name, type of Healthcare Facility, number of licensed units/beds, and the county and state where the Healthcare Facility is located.*

337

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**Schedule 2**

341

**LOANS**

342 *(Insert description of each Loan- for each Healthcare Facility: name of Healthcare Facility,*  
343 *name of Landlord, principal loan amount, Rent attributable to Healthcare Facility.)*

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