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Skagit County Auditor

8/16/2010 Page

1 of

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Prepared by, and after recording
return to:

Thomas A. Hauser, Esquire
Ballard Spahr LLP
300 E. Lombard Street
Baltimore, Maryland 21202-3268

GUARDIAN NORTHWEST TITLE CO.

99827-3

SUBORDINATION, ASSIGNMENT AND SECURITY AGREEMENT

UNRECORDED MANAGEMENT AGREEMENT
DT# 201008160147

Grantor/Borrower: HP Heart Partners, LLC

Grantee/Lender: Red Mortgage Capital, LLC

Legal Description

Abbreviated: Ptn. Tract 50, "Plat of The Burlington Acreage Property"

Additional legal description is on page A-1 of this document.

Assessor's Tax Parcel ID #: 3867-000-050-2300 (P109 266)

SUBORDINATION, ASSIGNMENT AND SECURITY AGREEMENT

THIS SUBORDINATION, ASSIGNMENT AND SECURITY AGREEMENT (this "Assignment") is made and entered into as of the 16th day of August, 2010, by and among (i) HP HEART PARTNERS, LLC, a Washington limited liability company (the "Borrower"), (ii) RED MORTGAGE CAPITAL, LLC, a Delaware limited liability company (the "Lender"), and (iii) FRONTIER MANAGEMENT, LLC, an Oregon limited liability company (the "Manager").

Recitals

- A. Borrower is the owner of a Seniors Housing Facility known as Where the Heart Is and located in Burlington, Skagit County, Washington (the "Mortgaged Property"). A legal description of the Mortgaged Property is attached hereto as Exhibit A.
- B. Manager is the manager of the Mortgaged Property pursuant to that certain Management Agreement dated June 21, 2006, between Borrower, HP Oak Harbor Partners, LLC, a Washington limited liability company, HP Burlington Partners, LLC, a Washington limited liability company and Manager (the "Management Agreement").
- C. Lender is about to make a loan to Borrower in the amount of \$7,904,500.00 (the "Loan"). The Loan will be evidenced by a Multifamily Note and will be secured by a Multifamily Deed of Trust, Assignment of Rents and Security Agreement (the "Instrument") of even date herewith executed by the Borrower in favor of Lender which encumbers the Mortgaged Property.
- D. Lender requires and Manager is willing to subordinate its right, title and interest to and under the Management Agreement to the Instrument and to assign all Contracts to Lender as additional security for the Loan.
- E. Manager is willing to attorn to Lender, upon a default by Borrower under the Loan Documents, to perform its obligations under the Management Agreement and this Assignment for Lender, or its successors and assigns in interest, and to permit Lender to terminate the Management Agreement without liability.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, Borrower, Lender and Manager agree as follows:

1. **DEFINITIONS.** Capitalized terms used in this Assignment and not otherwise defined shall have the meanings assigned to them in the Instrument. All terms used herein which are defined in the Uniform Commercial Code, as in effect from time to time in the jurisdiction in

Subordination, Assignment and Security Agreement
(Seniors Housing) (HomePlace-Heart Partners)

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201008160149
Skagit County Auditor

8/16/2010 Page 2 of 19 3:29PM

which the Mortgaged Property is located, shall have the same meanings when used herein. The following terms, when used in this Assignment, shall have the following meanings:

(a) **"Contracts"** means any contract or other agreement for the provision of goods or services at or otherwise in connection with the operation, use or management of the Mortgaged Property, including cash deposited to secure performance by parties of their obligations.

(b) **"Event of Default"** means the occurrence of any event listed in Section 22 of the Instrument or a default by Borrower or Manager of any representation, warranty or covenant under this Assignment or the Management Agreement.

(c) **"Improvements"** means the buildings, structures, improvements and alterations now constructed or at any time in the future constructed or placed upon the Land, including any future replacements and additions, which may now or hereafter constitute the Mortgaged Property.

(d) **"Indebtedness"** means the principal of, interest on, and all other amounts due at any time under, the Note (as hereinafter defined), the Instrument or any other Loan Documents (as hereinafter defined), including prepayment premiums, late charges, default interest.

(e) **"Land"** means the land described in Exhibit A.

(f) **"Loan"** shall have the meaning as defined in Recital C above.

(g) **"Loan Documents"** means the Note, the Instrument, this Assignment, all guaranties and any other documents now or in the future executed by Borrower, Manager or any other person or entity in connection with the Loan, as such documents may be amended from time to time.

(h) **"Mortgaged Property"** shall have the meaning as defined in Recital A above.

(i) **"Note"** means that certain Multifamily Note in the original principal amount of \$7,904,500.00 executed by Borrower in favor of Lender, and more fully described in the Instrument.

(j) **"Taxes"** shall have the meaning as defined in Section 1(y) of the Instrument.



2. UNIFORM COMMERCIAL CODE SECURITY AGREEMENT.

(a) This Assignment is also a security agreement under the Uniform Commercial Code for any of the Contracts which, under applicable law, may be subject to a security interest under the Uniform Commercial Code, whether acquired now or in the future and all products and cash and non-cash proceeds thereof (collectively, "**UCC Collateral**"), and Manager hereby assigns and grants to Lender a security interest in the UCC Collateral. Manager hereby authorizes Lender to file financing statements, continuation statements and financing statement amendments in such form as Lender may require to perfect or continue the perfection of this security interest and Manager agrees, if Lender so requests, to execute and deliver to Lender such financing statements, continuation statements and amendments. Borrower shall pay all filing costs and all costs and expenses of any record searches for financing statements that Lender may require. Without the prior written consent of Lender, Manager shall not create or permit to exist any other lien or security interest in any of the UCC Collateral.

(b) If an Event of Default has occurred and is continuing, Lender shall have the remedies of a secured party under the Uniform Commercial Code, in addition to all remedies provided by this Assignment or existing under applicable law. In exercising any remedies, Lender may exercise its remedies against the UCC Collateral separately or together, and in any order, without in any way affecting the availability of Lender's other remedies.

3. INTENTIONALLY DELETED

4. INTENTIONALLY DELETED

5. ASSIGNMENT OF CONTRACTS; CONTRACTS AFFECTING THE MORTGAGED PROPERTY.

(a) Manager has entered into the Contracts identified on Exhibit B for the provision of goods or services, at or otherwise in connection with the operation, use or management of the Mortgaged Property. Manager may in the future enter into Contracts for the provision of additional goods or services at or otherwise in connection with the operation, use or management of the Mortgaged Property.

(b) As consideration for the material financial benefit to be derived by Manager from Lender's approval of the Management Agreement and providing the Loan, to the extent permitted by applicable law, Manager absolutely and unconditionally assigns and transfers to Lender all of Manager's right, title and interest in, to and under the Contracts, including Managers right, power and authority to modify the terms of, extend or terminate any such Contract. To the extent permitted by applicable law, it is the intention of Manager to establish a present, absolute and irrevocable transfer and assignment to Lender of all of Managers right, title and interest in, to and under the Contracts. To the extent permitted by applicable law, Manager and Lender intend this assignment of the Contracts to be immediately effective and to constitute



an absolute present assignment and not an assignment for additional security only. However, if this present, absolute and unconditional assignment of the Contracts is not enforceable by its terms under the laws of the Property Jurisdiction, then it is the intention of Manager that in this circumstance this Assignment create and perfect a lien on the Contracts in favor of Lender, which lien shall be effective as of the date of this Assignment. The acceptance by Lender of this assignment of the Contracts shall not at any time or in any event obligate Lender to take any action under this Assignment or to expend any money or to incur any expenses.

(c) Until Lender gives notice to Manager of Lender's exercise of its rights under this Section 5, Manager shall have all rights, power and authority granted to Manager under any Contract (except as otherwise limited by this Section or any other provision of this Assignment), including the right, power and authority to modify the terms of any Contract or extend or terminate any Contract, with the exception of the Management Agreement. Upon the occurrence of an Event of Default and at the option of Lender, the permission given to Manager pursuant to the preceding sentence to exercise all rights, power and authority under Contracts shall terminate.

(d) Upon Lender's delivery of notice to Manager of an Event of Default, Lender shall immediately have all rights, powers and authority granted to Manager under any Contract, including the right, power and authority to modify the terms of, extend or terminate any such Contract.

(e) Manager hereby represents and warrants and agrees with Lender that: (1) the Contracts are assignable and no previous assignment of Manager's interest in the Contracts has been made; (2) the Contracts are in full force and effect in accordance with their respective terms and there are no defaults thereunder; (3) Manager shall fully perform all of its obligations under the Contracts, and Manager agrees not to amend, modify, assign, sell, pledge, transfer, mortgage or otherwise encumber its interests in any of the Contracts so long as this Assignment is in effect, or consent to any transfer, assignment or other disposition thereof without the written approval of Lender; and (4) each Contract entered into by Manager subsequent to the date hereof, the average annual consideration of which, directly or indirectly, is at least \$20,000, shall provide: (i) that it shall be terminable for cause; and (ii) that it shall be terminable, at Lender's option, upon the occurrence of an Event of Default.

6. BORROWER ASSIGNMENT; BORROWER AND MANAGER REPRESENTATIONS, WARRANTIES AND AGREEMENTS.

(a) Borrower and Manager hereby transfer, assign and set over to Lender, its successors and assigns, all their right, title and interest in and to the Management Agreement. Manager and Borrower hereby consent to the foregoing assignment. The foregoing assignment is being made by Borrower and Manager to Lender as collateral security for the full payment and performance by Borrower of all of its obligations under the Loan Documents. However, until



the occurrence of an Event of Default (as such term is defined in the Loan Documents), Borrower may exercise all rights as owner of the Mortgaged Property under the Management Agreement and Manager may exercise all rights as manager of the Mortgaged Property under the Management Agreement, except as otherwise provided in this Assignment. The foregoing assignment shall remain in effect as long as the Loan, or any part thereof, remains unpaid, but shall automatically terminate upon the release of the Security Instrument as a lien on the Mortgaged Property.

(b) Borrower and Manager represent and warrant to Lender that (i) after the Loan is made, Borrower and/or Manager will have sufficient working capital, including cash flow from the Mortgaged Property or other assets, to adequately own and/or maintain the Mortgaged Property and pay all outstanding debts associated with the Mortgaged Property as they become due, (ii) the Management Agreement is unmodified and is in full force and effect, (iii) the Management Agreement is a valid and binding agreement enforceable against the parties in accordance with its terms, and (iv) neither party is in default in performing any of its obligations under the Management Agreement. Borrower and Manager hereby agree that any default by Borrower or Manager under this Assignment or the Management Agreement which continues beyond any applicable cure period shall at Lender's option, constitute an Event of Default under the Instrument.

7. **BORROWER COVENANTS.** Borrower hereby covenants with Lender that during the term of this Assignment: (a) Borrower shall not transfer the responsibility for the operation and management of the Mortgaged Property from Manager to any other person or entity without the prior written consent of Lender; (b) Borrower shall not terminate or amend any of the terms or provisions of the Management Agreement nor shall Borrower assign its rights under the Management Agreement without the prior written consent of Lender; (c) within 5 days of Borrower's receipt, Borrower shall give Lender written notice of any notice or information that Borrower receives which indicates that either Borrower or Manager is in default under the terms of the Management Agreement, Manager is terminating the Management Agreement or that Manager is otherwise discontinuing its operation and management of the Mortgaged Property; and (d) Borrower agrees that after Borrower receives notice (or otherwise has actual knowledge) of an Event of Default under the Instrument, it will not make any payment of fees under or pursuant to the Management Agreement without Lender's prior written consent.

8. **EVENT OF DEFAULT.** Upon receipt by Manager of written notice from Lender that an Event of Default has occurred and is continuing, Lender shall have the right to exercise all rights as owner of the Mortgaged Property under the Management Agreement and Manager shall pay to Lender directly all sums due under the Management Agreement. Lender shall be entitled to mandate the use of a lockbox bank account or other depository account, to be maintained under the control and supervision of Lender, for all income of the Mortgaged Property, including but not limited to service charges, insurance payments and Third Party Payments. In order to induce Lender to lend funds hereunder, Borrower and Manager hereby agree that upon the occurrence of an

Event of Default and at the option of Lender, Manager shall continue to provide all necessary services required under any applicable licensing or regulatory requirements and shall fully cooperate with Lender and any receiver as may be appointed by a court, in performing these services until such time as Lender has arranged for a replacement manager, and in arranging an orderly transition to a replacement manager or provider of the necessary services. Borrower and Manager agree to cooperate with Lender in arranging an orderly transfer to a replacement manager of all Licenses and governmental approvals necessary or reasonably required to operate the Mortgaged Property as a Seniors Housing Facility, and to execute promptly all applications, assignments, consents and documents requested by Lender to facilitate such transition.

9. **MANAGEMENT AGREEMENT TERMINATION.** After the occurrence of an Event of Default, Lender shall have the right any time thereafter to terminate the Management Agreement, without cause and without liability, by giving written notice to Manager of its election to do so. Lender's notice shall specify the date of termination, which shall not be less than 30 days after the date of such notice, except such lesser notice as appropriate in the event of an emergency.

10. **TURNOVER OF BOOKS AND RECORDS.** On the effective date of termination of the Management Agreement, Manager shall turn over to Lender all books and records relating to the Mortgaged Property and the residents and tenants (copies of which may be retained by Manager, at Manager's expense), together with such authorizations and letters of direction addressed to residents, tenants, suppliers, employees, banks and other parties as Lender may reasonably require. Manager shall cooperate with Lender in the transfer of operating and management responsibilities to Lender, any receiver, or their designees. A final accounting of unpaid fees (if any) due to Manager under the Management Agreement shall be made within 60 days after the effective date of termination, but Lender shall not have any liability or obligation to Manager for unpaid fees or other amounts payable under the Management Agreement which accrue before Lender acquires title to the Mortgaged Property, or before Lender becomes a mortgagee in possession.

11. **NOTICE.** Manager's address for notice is 17400 SW Upper Boones Ferry Road, Suite 230, Durham, Oregon 97224.

Borrower's address for notice is c/o Frontier Management, LLC, 17400 SW Upper Boones Ferry Road, Suite 230, Durham, Oregon 97224.

Lender's address for notice is Two Miranova Place, 12th Floor, Columbus, Ohio 43215.

All notices to be given by Lender to Manager shall be given in the same manner as notices to Borrower pursuant to the notice provisions contained in the Instrument.

12. **NO ASSUMPTION OF OBLIGATIONS.** The Borrower and Manager, by executing this Assignment, agree that Lender does not assume any obligations or duties of the



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Skagit County Auditor

Borrower and Manager concerning the Management Agreement until and unless Lender shall exercise its rights hereunder.

13. POWER OF ATTORNEY. Borrower and Manager hereby irrevocably constitute and appoint Lender as Borrower's and Manager's attorney-in-fact to demand, receive and enforce their rights with respect to the provisions set forth in this Assignment, to give appropriate receipts, releases and satisfactions for and on Borrower's and Manager's behalf and to do any and all acts in Borrower's or Manager's names or in the name of Lender with the same force and effect as Borrower or Manager could do if this Assignment had not been made. The foregoing appointment shall be deemed to be coupled with an interest and irrevocable.

14. MANAGER REPRESENTATIONS AND OBLIGATIONS. Manager represents, warrants and agrees to the following:

(a) Manager will use its best efforts to cooperate with Lender, including attendance at any meetings requested by Lender (after reasonable prior notice), furnishing financial statements of Manager and operating statements for the Mortgaged Property, and allowing Lender to undertake inspections of the Mortgaged Property. In addition, Manager acknowledges that it has received from Borrower and reviewed a fully executed copy of the Instrument and covenants therein and agrees to comply with all provisions and covenants therein applicable to the use and operation of the Mortgaged Property (the "**Operating Covenants**"), including without limitation, arranging for the escrow of Taxes and insurance with Lender and, if necessary, providing insurance coverage in accordance with Lender's requirements. In the event Manager fails to so use and operate the Mortgaged Property, Lender shall have the right to enforce the Operating Covenants directly against Manager upon Borrower's failure to do so, in accordance with the provisions of the Instrument and this Assignment. Manager's failure to comply with these obligations shall constitute a default under the Management Agreement, a default under this Assignment, and an Event of Default under the Loan Documents. Manager agrees to comply with all of its obligations under the Management Agreement pertaining to its payment and performance of any repairs and capital improvements at the Mortgaged Property;

(b) the Management Agreement is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the Instrument and the other Loan Documents, and to all renewals, modifications, consolidations, replacements and extensions thereof, and to all advances heretofore made or which may hereafter be made pursuant to the Instrument (including all sums advanced for the purposes of (x) protecting or further securing the lien of the Instrument, curing defaults by Borrower under the Loan Documents or for any other purposes expressly permitted by the Instrument, or (y) constructing, renovating, repairing, furnishing, fixturing or equipping the Mortgaged Property);



(c) Any fees payable to Manager by Borrower pursuant to the Management Agreement are and shall be subordinated in right of payment to the prior payment in full of the Indebtedness;

(d) if, by reason of its exercise of any other right or remedy under the Management Agreement, Manager acquires by right of subrogation or otherwise a lien on the Mortgaged Property which (but for this subsection) would be senior to the lien of the Instrument, then, in that event, such lien shall be subject and subordinate to the lien of the Instrument;

(e) until Manager or Borrower receives notice (or otherwise acquires actual knowledge) of an Event of Default, Manager shall be entitled to retain for its own account all payments made under or pursuant to the Management Agreement, subject to the terms of this Assignment;

(f) after Manager or Borrower receives notice (or otherwise acquires actual knowledge) of an Event of Default, Manager will not accept or retain any payment of fees under or pursuant to the Management Agreement without Lender's prior written consent;

(g) if, after Manager or Borrower receives notice (or otherwise acquires actual knowledge) of an Event of Default, Manager receives any payment of fees under the Management Agreement other than from Lender, or if Manager receives any other payment or distribution of any kind from Borrower or from any other person or entity other than from Lender in connection with the Management Agreement which Manager is not permitted by this Assignment to retain for its own account, such payment or other distribution will be received and held in trust for Lender and unless Lender otherwise notifies Manager, will be promptly remitted, in cash or readily available funds, to Lender, properly endorsed to Lender, to be applied to the principal of, interest on and other amounts due under the Loan Documents in such order and in such manner as Lender shall determine in its sole and absolute discretion. Manager hereby irrevocably designates, makes, constitutes and appoints Lender (and all persons or entities designated by Lender) as Manager's true and lawful attorney in fact with power to endorse the name of Manager upon any checks representing payments referred to in this subsection;

(h) during the term of this Assignment, Manager will not commence, or join with any other creditor in commencing any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings with respect to Borrower, without Lender's prior written consent, and Manager has not filed and is not subject to any filing for bankruptcy or reorganization under any applicable bankruptcy or insolvency laws;

(i) Manager will deliver to Lender at the address indicated above and at the same time as such notice is given to Borrower, any notice of default under the Management Agreement;



(j) Manager will not seek to terminate the Management Agreement by reason of any default of Borrower without prior written notice thereof to Lender and the lapse thereafter of such time as under the Management Agreement was offered to Borrower in which to remedy the default, and the lapse of 30 days after the expiration of such time as Borrower was permitted to cure such default; provided, however, that with respect to any default of Borrower under the Management Agreement which cannot be remedied within such time, if Lender commences to cure such default within such time and thereafter diligently proceeds with such efforts and pursues the same to completion, Lender shall have such time as is reasonably necessary to complete curing such default. Notwithstanding the foregoing, in the event either Lender or Borrower do not cure or commence curing such default within the time provided to Borrower under the Management Agreement and the nature of the default threatens Manager's ability to conduct its daily business or threatens to materially or adversely damage its property located on the Mortgaged Property, Manager shall be permitted to exercise its rights under the Management Agreement;

(k) Manager will certify promptly in writing to Lender in connection with any proposed assignment of the Instrument, whether or not any default on the part of Borrower then exists under the Management Agreement, and will execute such estoppel certificates and subordination agreements as Lender shall reasonably require.

15. **MANAGER CERTIFICATIONS.** Manager certifies as follows:

(a) Manager is operating the Mortgaged Property as a Seniors Housing Facility;

(b) the primary term of the Management Agreement commenced on July 1, 2006, and automatically renews for annual one year contracts. Manager has no rights or options of purchase or first refusal under the Management Agreement or with respect to the Mortgaged Property or any part thereof;

(c) as of the date of this Assignment, to the best of Manager's knowledge, neither the Borrower nor Manager is in default under any of the terms, conditions, provisions or agreements of the Management Agreement and Manager has no offsets, claims or defenses against the Borrower with respect to the Management Agreement;

(d) Manager does not, has not and will not use the Mortgaged Property for the storage, treatment, manufacturing, generation, disposal or release into the environment of any petroleum product or substance which is classified as a hazardous substance, pollutant or contaminant under the Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or other applicable federal, state and local laws and regulations except for the safe and lawful use and storage of quantities of pre-packaged supplies, cleaning



materials and petroleum products customarily used in the operation and maintenance of comparable Senior Housing Facilities;

(e) the Mortgaged Property is operated as a Boarding Home pursuant to its Licenses. The Certificate of Occupancy and Licenses are current and there are no violations of record. The operations at the Mortgaged Property comply with the terms and conditions of the Certificate of Occupancy and the Licenses. The Certificate of Occupancy has no termination date. The Licenses must be renewed every year;

(f) renewal of the Licenses must be applied for no later than thirty (30) days prior to the expiration of the Licenses;

(g) foreclosure of the Mortgaged Property by Lender or any other transfer of the Mortgaged Property as a result of an Event of Default by Borrower under the Instrument will not result in a revocation, suspension or limitation of the Licenses; and

(h) to the best of Manager's knowledge, there currently exist no grounds for the revocation, suspension or limitation of the Certificate of Occupancy or any of the Licenses for the Mortgaged Property.

16. INTENTIONALLY DELETED.

17. CONSIDERATION. The Borrower and Manager acknowledge that Manager is owned by parties who directly or indirectly have an ownership interest in the Borrower, are under common management and control and that the Borrower and Manager will benefit from the Loan. Accordingly, the Borrower and Manager both acknowledge receipt of good and valuable consideration for Manager's and Borrower's entry into this Assignment.

18. COLLECTIONS. Manager agrees that all monies collected on behalf of the Borrower shall be deposited in one or more bank accounts in the name of Manager and Manager hereby pledges a security interest in the bank accounts to Lender, so that such bank accounts are security for the Loan and shall be subject to the terms of the Instrument and other Loan Documents.

19. MODIFICATIONS TO LOAN DOCUMENTS. Any amendments heretofore or hereafter made to any of the Loan Documents, other than this Assignment, shall not require the consent of Manager.

20. LENDER REQUESTS. Within 10 days of written request of Lender, Manager will promptly furnish to Lender copies of all Leases, Contracts, Licenses, books, records, monthly reports, statements of account, budgets, third party payment documentation including but not limited to reimbursement agreements, surveys, statements of deficiencies and plans of correction, and cost reports related to any payments or the right to receive payments from federal, state or local programs, boards, bureaus or agencies, and other items which Manager is required to maintain or



otherwise maintains under the Management Agreement or which Manager maintains for its own purposes with respect to the Mortgaged Property. Upon an Event of Default under the Instrument, Manager will furnish promptly to Lender evidence of deposits and withdrawals from any account held or controlled by Manager relating to the Mortgaged Property.

21. MANAGER ASSIGNMENT. As additional collateral security for the Loan and the observance and performance by Borrower of the terms, covenants and conditions of the Loan Documents, Manager to the extent permissible under applicable law and regulations, hereby transfers, sets over and assigns to Lender all of Manager's right, title and interest in and to all Licenses and any other agreements or permits of any nature whatsoever now or hereafter obtained or entered into by Manager with respect to the occupancy, use, operation, maintenance and administration of the Mortgaged Property as a Seniors Housing Facility.

22. COUNTERPARTS. This Assignment may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall constitute one and the same instrument.

23. GOVERNING LAW.

(a) This Assignment shall be governed by and construed in accordance with the laws of the Property Jurisdiction, and applicable federal law.

(b) Manager agrees that any controversy arising under or in relation to this Assignment shall be litigated exclusively in the Property Jurisdiction and Manager and Borrower irrevocably consent to service, jurisdiction, and venue of such course for any such litigation and waive any other venue to which Manager or Borrower might be entitled by virtue of domicile, habitual residence or otherwise.

24. SUCCESSORS AND ASSIGNS. This Assignment shall be binding upon Borrower, Manager and Lender and their respective successors, transferees and assigns, and shall inure to the benefit of and may be enforced by Lender and its successors, transferees and assigns. Borrower and Manager shall not assign any of their respective rights and obligations under this Assignment without the prior written consent of Lender.

25. ENTIRE AGREEMENT; AMENDMENTS AND WAIVERS. This Assignment contains the complete and entire understanding of the parties as to its subject matter. No amendment to this Assignment will be valid unless it is made in writing and executed by the parties to this Assignment. No specific waiver or forbearance for any breach of any of the terms of this Assignment shall be considered as a general waiver of that or any other term of this Assignment.

26. RELATIONSHIP OF PARTIES. Nothing contained in this Assignment shall constitute Lender as a joint venturer, partner or agent of Borrower or Manager, or render Lender



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Skagit County Auditor

liable for any debts, obligations, acts, omissions or representations of Borrower or Manager except as provided herein.

27. ENFORCEABILITY. The determination of invalidity, illegality, or unenforceability of any provision of this Assignment, pursuant to judicial decree, shall not affect the validity or enforceability of any other provision of this Assignment, each of which shall remain in full force and effect.

28. ASSIGNMENT TO FANNIE MAE. If Lender assigns its rights under this Assignment to Fannie Mae, all references in this Assignment to Lender shall be deemed to be references to FannieMae.

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IN WITNESS WHEREOF, Borrower, Lender and Manager have executed this Assignment as of the day and year first above written.

BORROWER:

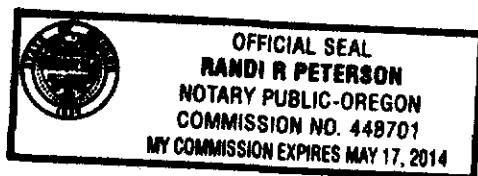
HP HEART PARTNERS, LLC,
a Washington limited liability company

By: [Signature]
Name: Gregory A. Roderick
Title: Manager

STATE OF Oregon)
COUNTY OF Washington) ss:

I certify that I know or have satisfactory evidence that Gregory A. Roderick is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he authorized to execute the instrument and acknowledged it as the Manager of HP HEART PARTNERS, LLC, to the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

DATED: 8/11/10



Randi Peterson
Name (typed or printed):
[Signature]
NOTARY PUBLIC in and for the State of Oregon
Residing at Tualatin

My appointment expires: May 17, 2014

Subordination, Assignment and Security Agreement
(Seniors Housing) (HomePlace-Heart Partners)

DMEAST #12722420 v1

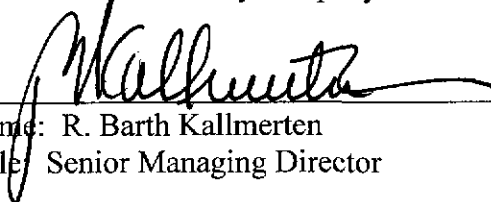


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Skagit County Auditor

LENDER:

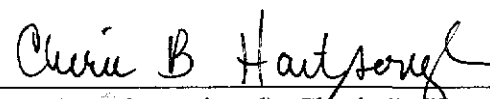
RED MORTGAGE CAPITAL, LLC,
a Delaware limited liability company

By: 
Name: R. Barth Kallmerten
Title: Senior Managing Director

STATE OF OHIO)
) ss:
COUNTY OF FRANKLIN)

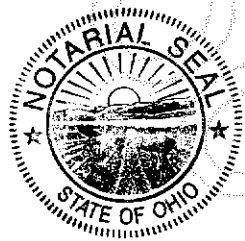
I certify that I know or have satisfactory evidence that R. Barth Kallmerten is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledged it as the Senior Managing Director of RED MORTGAGE CAPITAL, LLC, to the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

DATED: Aug 10, 2010


Name (typed or printed): Cherie B. Hartsough

NOTARY PUBLIC in and for the State of Ohio
Residing at Franklin County

My appointment expires: 3/6/2011



CHERIE B. HARTSOUGH
Notary Public, State of Ohio
My Commission Expires 03-06-11

Subordination, Assignment and Security Agreement
(Seniors Housing) (HomePlace-Heart Partners)

DMEAST #12722420 v1

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201008160149
Skagit County Auditor

8/16/2010 Page 15 of 19 3:29PM

MANAGER:

FRONTIER MANAGEMENT, LLC,
an Oregon limited liability company

By: _____

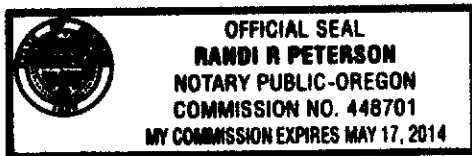
Name: Gregory A. Rodenick

Title: Manager

STATE OF Oregon)
COUNTY OF Washington) ss:

I certify that I know or have satisfactory evidence that Gregory Rodenick are the person(s) who appeared before me, and said person(s) acknowledged that he/she/they signed this instrument, on oath stated that he is/she is /they are authorized to execute the instrument and acknowledged it as the manager of FRONTIER MANAGEMENT, LLC, to the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

DATED: 8/16/10



Randi Peterson

Name (typed or printed): _____

Randi Peterson

NOTARY PUBLIC in and for the State of Oregon
Residing at Twain

My appointment expires: May 17, 2014



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Skagit County Auditor

EXHIBIT A

Legal Description

[See Attached]

**Subordination, Assignment and Security Agreement
(Seniors Housing) (HomePlace-Heart Partners)**

DMEAST #12722420 v1

Form 4079
DE DE

Page A-1
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8/16/2010 Page 17 of 19 3:29PM

EXHIBIT "A"

LOT 1, OF BURLINGTON SHORT PLAT NO. BURL-1-95, AS APPROVED MARCH 28, 1995, AND RECORDED APRIL 20, 1995, IN VOLUME 11 OF SHORT PLATS, PAGES 194 AND 195, UNDER AUDITOR'S FILE NO. 9504200032, RECORDS OF SKAGIT COUNTY, WASHINGTON, BEING A PORTION OF THE NORTH ½ OF THE WEST ½ OF TRACT 50, "PLAT OF THE BURLINGTON ACREAGE PROPERTY", ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 1 OF PLATS, PAGE 49, RECORDS OF SKAGIT COUNTY, WASHINGTON.

TOGETHER WITH AN EASEMENT FOR INGRESS, EGRESS, UTILITIES AND PARKING AS ESTABLISHED BY INSTRUMENT RECORDED UNDER AUDITOR'S FILE NO. 9903020075 AND AMENDED BY INSTRUMENT RECORDED ON AUGUST 16, 2006 UNDER AUDITOR'S FILE NO. 200608160154.

ALSO TOGETHER WITH AN EASEMENT FOR LANDSCAPING AND UTILITIES AS ESTABLISHED BY INSTRUMENT RECORDED UNDER AUDITOR'S FILE NO. 200005180001, RECORDS OF SKAGIT COUNTY, WASHINGTON.

Where the Heart Is



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EXHIBIT B

Contracts

Vendor Name

Panasonic Finance Solutions

Bayshore Office Products, Inc.

Evergreen Sanitation, Inc.

Contract Term

Commenced March 31, 2007, 3 year term with monthly automatically renewing terms, between 90 and 180 days written termination notice

Commenced March 13, 2007, one year term with monthly automatically renewing terms, 30 days written termination notice

Commenced March 10, 2010, six month term



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