Chapter 7
Change in of Participants:
Ownership: Change Transfer of Physical Assets

7.1 Introduction

A full Change of Participant transactions (also called CHOPs in ORCF) encompass three types of application submissions: Change of Ownership (formerly known as a Transfer of Physical Assets ("or TPA")) is a sale or conveyance by deed of a property that has a mortgage insured or held by HUD. A modified TPA is a conveyance of certain interests in entities owning an FHA-insured project. Change of Operator, and Change of Management Agent. This chapter will cover the procedures for processing changes in all three entity types.

This chapter applies to all transactions involving the transfer of all proposals to change existing Borrower, Operator and/or Management Agent entities as well as to certain transfers of financial or part operational control of an interest in the ownership of such properties—existing Borrower, Operator or Management Agent entity.

This chapter in the application for Change of Participants, Lenders should disclose matter that could be of reputational risk (financial or other material risk) for any participant in the project whether they are controlling or no. Additionally, this lays out the procedures that all parties will follow to ensure that new participants are appropriately vetted and obligated to perform the duties and responsibilities required by HUD. The chapter will also outline the applicability requirements of HUD’s programs and outline the delegation of responsibilities for HUD’s staff. The criteria to determine a project’s and Borrower’s eligibility for a transfer of assets is outlined in detail and directions are provided for certain relationships involving multiple commitments.

The removal of an entity/participant with financial or operational control also requires HUD review and approval.

In certain limited circumstances, it may prove necessary for the Borrower (or Master Tenant or Operator, if applicable) to approve an emergency replacement Operator or Management agent. In such circumstances, the Borrower shall be required to immediately notify ORCF and the Mortgagee/Servicer of such exigent circumstances, and within five (5) business days of such emergency replacement, shall submit all the documents required by this Chapter for the review and approval of the new Operator and/or Management Agent as set forth herein.
Submissions herein must be assembled, reviewed for completeness, accuracy and eligibility, and submitted by the Mortgagee/Servicer to ORCF with a recommendation for approval. A checklist of the required application exhibits, which include a Lender Narrative – Change of Ownership Review, as well as the instructions for submitting the application is posted on the Section 232 Program website.

7.2 Applicability – RESERVED

A. Transactions requiring HUD’s full review of a project, its current Borrower, and the qualifications of the new controlling entity include, but are not limited to, projects demonstrating the following characteristics:

1. Transfer of title from the Borrower entity to a buyer, including conveyance by installment sales contract, land contract, or wrap-around mortgage;

2. Transfer of any interest in a partnership Borrower that causes a dissolution of the partnership under applicable state law;

3. Transfer of the beneficial interest in a passive trust that results in a change in control and management of the asset, although legal title remains in the trustee.

B. HUD requires a modified review of certain transactions involving transfers of interests in entities owning properties with the following characteristics:

1. Any transfer of partnership interests in excess of 50% that do not cause a dissolution of the existing partnership under applicable law, as certified by an attorney who has no identity-of-interest with the partnership and is licensed to practice law in the state where the partnership is organized;

2. Addition or substitution of a managing or controlling member in a Limited Liability Company (LLC);

3. The substitution of one or more of the general partner(s) of a limited partnership Borrower that does not cause a dissolution of the existing partnership under applicable law, as certified by an attorney who has no identity-of-interest with the partnership and is licensed to practice law in the state where the project is located;

4. A transfer of stock of a corporate general partner of a partnership where such transfer results in one person or entity controlling in excess of 50% of the stock of a publicly traded entity or closely held corporation, where such transfer results in a change of control of the corporate general partner;

5. A transfer of stock of a corporate Borrower where such transfer results in one person or entity, other than the original controlling entity, controlling stock in excess of 50%,
or an amount less than 50% where such a transfer results in a change of control of the corporate Borrower; and

6. Transfer of a beneficial interest in a passive trust that does not result in a change in control of the property.

7. Other entities not falling into categories above, where the managing control is changing (for example, a change to a corporate officer or voting board member of a non-profit corporation).

C. TPA Light Reviews include, but are not limited to, transactions with the following characteristic:

Change of Internal Revenue Services (IRS) Reporting Structure, i.e. when a Borrower(s) changes from Limited Partner (LP) to LLC but all principals remain the same and the Tax Identification Number is not changing.

D. When faced with a transaction that does not fall clearly into the definition of a TPA, but ORCF believes warrants HUD review, a TPA Application may be required. After addressing the following questions, ORCF will determine whether or not a modified review or full review will be performed.

1. Will there be a change in the control of the project ownership?

2. Will a significant sum of money (any amount that exceeds 10% of the original insured loan amount), change hands in conjunction with the transaction?

Note that a change to ownership entities/structure can be done in conjunction with a Section 232 refinance under Section 223(a)(7) of the National Housing Act. In this situation, the required exhibits for the processing of this change are listed on the Section 223(a)(7) Firm Application Checklist posted on the Section 232 Program website.

E. A change to ownership entities/structure is also possible prior to the final closing of an insured Note for new FHA mortgage insurance. Such situations should be discussed with the ORCF Closer; ORCF may choose to re-process the application for Mortgage Insurance or require a TPA (depending upon the extent of the change).

F. On occasion, there will be changes within the second, third or even higher levels of an FHA project owner; these various levels of ownership are referred to as “tiers.” These changes need to be reviewed with the Account Executive (AE) to determine if the transaction is considered a TPA and falls into one of the categories above or if another form of review is required. Any changes in the higher levels of ownership (tiers) must be reported to HUD, along with a summary of the transaction and organizational charts (please reference Housing Notice H 2016-15 or successors thereto). HUD will determine what will be required in these situations, as well as the type of review.
7.3 Transfer Fees

For a Change of Ownership transaction, the Department imposes a fee of $0.50 per $1,000 of the original face amount of the mortgage to cover the costs of administrative, legal, and fiscal actions that a review entails. Substitution of principals that result in a change in control of the project (regardless of whether a change in ownership will occur (i.e., the single asset entity Borrower remains the same)) will be subject to the application fee. Applications received for a full review that are not accompanied by the proper fee will be returned without review. For applications that are reviewed by HUD and subsequently withdrawn, the fee paid to HUD will be considered earned and non-refundable.

A. Transactions Not Requiring a Transfer Fee:

1. Substitution of principals, if the assignment does not result in a change in the control of the project;

2. Transactions where both parties to the transfer are non-profit purchasers;

3. Assignment of the beneficial interest in a trust that holds title to the project if the assignment does not result in a change in the control of the project; and

A. A TPA Application Fee transaction fee is not required when for all Changes of Ownership unless the new owner is obtaining a new FHA-insured mortgage at the time of the transfer, or both parties of the transaction are non-profit purchasers.

B. Certain complex transactions involving multiple transfers impacting a single project may be subject to more than one TPA application fee:

1. With transactions involving two transfers of title by deed, the Director of Asset Management will determine whether a second fee is required after consulting with Field Counsel.

2. If the Director of Asset Management determines that a transaction or series of transactions have been structured to avoid paying the application fee, the TPA application will be rejected and new application(s) will not be accepted until the required application fee(s) have been paid.

B. The same application fee is required for a transfer of interest requiring a modified review if the proposed transaction involves: (a) a transfer of more than fifty percent (50%) of the partnership (or limited partnership) interests of a Borrower; (b) a transfer of more than fifty percent (50%) of the corporate stock (or shares) of a Borrower; or (c) a transfer of the corporate stock (or shares) of a Borrower that constitutes a change in control of such entity.
7.4 Approval Authority

A full TPA Change of Participant entity (Owner, Operator, or Management Agent) transaction includes an initial (sometimes referred to as a preliminary) and a final approval stage. The initial preliminary approval of a full TPA provides the assignee with all HUD approvals needed for the deed to be transferred and the transaction to be completed. ORCF will not grant approvals that are conditioned upon commitments being issued from other sources. In limited circumstances, HUD has the discretion to issue a letter that acknowledges (if required by a third party) that once all TPA requirements Participant have been satisfied, a preliminary approval letter will be issued.

7.5 Initial and Final Approval Actions

A. Initial Preliminary and final approval authority rests with the ORCF.

B. ORCF will review the Application for Transfer Change of Physical Assets (TPA) (Form HUD-92266-ORCF) and Participant application which includes the appropriate Lender Narrative, Review Checklist, and all accompanying documentation. For Ownership changes, utilize the Lender Narrative—Change of Ownership Review (Form HUD-92266-ORCF) and Change of Ownership Review Checklist, Section 232 (available on Residential Care Facilities Loan Servicing Homepage). For Operator changes, utilize the Lender Narrative—Change of Operator/Lessee (Form HUD-92266A-ORCF) and Change of Operator Checklist, Section 232 (available on Residential Care Facilities Loan Servicing Homepage). For Management Agent changes, utilize the Lender Narrative – Change of Management Agent (Form-92266B-ORCF) and Change of Management Agent Checklist, Section 232 (available on Residential Care Facilities Loan Servicing website).

At the end of the review process, if the attached instruments are found to be in order, and the transfer proposal is acceptable, HUD will issue a letter granting initial preliminary approval of the application. This approval may be conditioned upon any ORCF requirement plus necessary changes in the submitted documents, if any, and will authorize the execution of all remaining required instruments. It is at this point that the parties to the transaction are authorized to transfer possession of and beneficial interest in the project. The purchaser is not authorized to transfer any interest in, take possession of, or assume the burdens and benefits of ownership without the written approval of ORCF.

After the initial preliminary approval letter is issued, the real estate transaction can close, and all of the documents approved by HUD can be executed and recorded along with any additional items included in the initial approval letter. The TPA

B.C. For final approval, certified copies of all executed and/or recorded documents, along with any additional items required in the preliminary approval letter, together with the final documents that were reviewed by HUD prior to preliminary approval, must be provided to
the AE within 45 working days from the date of the letter of preliminary approval, unless additional time is granted by ORCF in writing. The Change of Participant transaction may be completed based upon a certification by the applicant's attorney that the documents to be executed and recorded are exactly as approved by HUD. The form of the required certification is “Attorney's Certification on Execution and Recordation” (See Appendix 7.1).

C. For final approval, certified copies of all executed and/or recorded documents, along with any additional items required in the initial approval letter, together with the final documents that were reviewed by HUD prior to initial approval, must be provided to the AE within 45 working days from the date of the letter of initial approval, unless additional time is granted by ORCF in writing.

D. ORCF may grant final approval of the TPACHange of Ownership transaction after it has approved the final documents and determined that any additional requirements included in the initialpreliminary approval letter have been met.

E. Records in HUD’s database-Historical records associated with the subject project will remain in HUD’s database and the project’s Property ID and FHA loan number will stay the same. There will also be no change in the FHA loan number.

F. The Financial Assessment System (FASS) date is the date of legal ownership change (which is either the date the deed is signed or recorded, as dictated by state law). This date mustwill be entered into FASS as soon as HUD is aware of the legal transfer. FASS will automatically calculate the reporting periods for old and new Borrowers. However, at the time of filing of the first financial return for the new Borrower, the auditor may need to call FASS Technical Assistance and request help with changing the reporting period in the filing template that they use. Please refer to the iREMS User Guide for complete details for transferring the property. After the transfer, the HUD database is required to be updated with the new Borrower information, Operator, and/or Management Agent information depending upon the transaction.

G. The requirement for filing an audited financial statement is regulatory in nature and the Department does not waive the requirement. However, there are times when a project is newly mortgaged close to the end of a fiscal year. In these circumstances, the Borrower may request that the audit for the end of the initial mortgage year be approved as a “stub period” report to be folded into the next full fiscal year audit. Thus, the waiver request for submitting an audit would depend on the individual project’s fiscal year end date. If the FASS date is within 120 days of the project’s fiscal year end, this is considered a “stub period” and the owner may request that the Department consider a deferral of the audit for this time period. The following fiscal year's audit would be performed on both the following fiscal year and this additional “stub period.” Guidance on how the owner may request a stub period deferral can be found in the Industry User Guide for the Financial Assessment Subsystem - Multifamily Housing (FASSUB 7.0), Chapter 9, Page 33, March 2013, revised January 2014.

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G.H. It should be noted that the previous Borrower is not relieved of the obligation to file a final financial statement from the start of their fiscal year to the day of legal ownership change. The recording of new documents shall not release sellers of liability for pre-transfer violations of their Regulatory Agreements or for (1) funds or property coming into their hands which, by the provisions thereof, they are not entitled to retain; and (2) for their own acts and deeds or acts and deeds of others that they have authorized in violation of the provisions thereof.

### 7.6 Procedures for Processing a Full TPA Review Change of Participants Application

After submission of the initial TPA application, as described above, the Mortgagee/Servicer shall contact HUD to schedule a conference call between the assigned AE, the prospective Borrower, and the Mortgagee/Servicer. Please see the TPA checklist on the Section 232 Program website.

A. The following items need to be discussed in the initial conference call:

1. Nature of the transaction,
2. Organizational charts that describe the transaction (highly important),
3. Identification of the type of TPA transaction,
4. The applicable checklists and appendices to this chapter,
5. Application requirements,
6. The project’s current physical and financial condition,
7. Special considerations, such as accounts receivable financing and/or master lease requirements, and

Based on project data and history, the AE will review and assess each of the items in this section to determine the extent of review necessary provided in the application submission to achieve a thorough understanding of the Borrower's proposed transaction. All project files must be reviewed to evaluate the Borrower and proposed Lessee/Management Agent’s Participant’s previous performance and acceptability, the Lessee/Management Agent operations, financial compliance and performance and physical condition of the project using available data, such as Center for Medicare & Medicaid Services (CMS) star rating, and survey performance data. If
necessary, new or additional data must be gathered, being mindful that Lessee/Management
Agent, physical plant and financial operations are interrelated. If problems exist, they must be
identified in the application, along with proposals to adequately address the problems through the
TPA process.

Processing a. The review entails communications with buyers, sellers, counsel for buyers and
sellers, and the AE. It is imperative that replies are made as quickly as possible.

B. Project Records

The review and will include, but not be limited to, analysis begins with a thorough examination
of the project records and database information, including Center for Medicare & Medicaid
Services (CMS) and Nursing Survey Risk Reports, as applicable. If the physical condition data
is outdated, the star rating is less than two stars, the Survey Risk Reports rating is high, or there
is serious recurring or unresolved compliance or performance problems, a risk management plan
must be provided as an exhibit in the TPA application. Of the following:

1. The physical, financial and management operations must be fully acceptable, or
   immediate corrections must be proposed and funded that are acceptable to ORCF. The
   Evaluation of the Department new participants will follow the requirements outlined
   in Section II, Chapter 6.1 A-M of this handbook.

2. Capital improvement needs will be evaluated and conditions imposed by the ORCF to
   ensure all capital repairs, upgrades, and replacements are made. A Borrower
   Certification addressing when such work will be accomplished must be provided.

3. All known noncompliance and operating performance issues will be shared with the
   Borrower as soon as possible after the AE receives the transfer application. The
   Borrower must clearly understand that addressing each item to the ORCF’s
   satisfaction of the Department will be required for initial approval.

4. Center for Medicare & Medicaid Services (CMS) and Nursing Survey Risk Reports,
   as applicable, will be reviewed.

5. Legal Review of a Change of Ownership application by Office of General Counsel
   (OGC). The AE and the HUD field attorney shall simultaneously review the
   application based on the criteria set forth in this handbook. If the proposed
   transaction is deemed acceptable by ORCF, a preliminary approval letter shall be
   transmitted to the applicant. If the proposed transaction is unacceptable, the applicant
   shall be notified accordingly and provided the reasons for such rejection.

NOTE: If the TPA Change of Ownership includes a change in the Operator entity, then the
process will require the implementation of a new Healthcare Regulatory Agreement – Operator
(Form HUD-92466A-ORCF). This form includes requirements for a Risk Management Program
in Paragraph 7, and is applicable to all new Operators, irrespective of compliance or performance
risks detailed above.
C. Proposed Owner/Operator/Management Agent

1. Previous Participation Review. Controlling Participants, as defined in Housing Notice H 2016-15 (or successors thereto), must file a Previous Participation Certification either via the Active Partners Performance System (APPS) or via the Consolidated Certification. Detailed information on the Previous Participation Review process is found in the above CFR Subpart, and the associated Processing Guide.

2. Requisite Experience. Prospective owners must satisfy ORCF that they bring sufficient experience and lessee/management expertise to successfully operate the project. HUD requires that a minimum of three years of owning, and/or operating similar or relevant projects be demonstrated for each of these entities. For a troubled project, ORCF will require an experienced Owner/Operator who has demonstrated the ability to successfully own and manage troubled projects. In cases where there will be significant repairs and/or upgrades, the prospective owner/managing entity must have sufficient experience, capability and capacity to timely complete the rehabilitation requirements.

3. All organization documents that affect the transfer, including but not limited to the establishment of the new purchasing entity, alterations to existing ownership documents, lessee/management agreements, etc., must be reviewed to assure that none of the provisions of those documents conflict with HUD contracts, regulations or statutes.

C. Procedures and Requirements for:

Additionally, as applicable, procedures and requirements for the following will also be reviewed:

1. Accounts Receivable Financing, see Production, Chapter 15 and Asset Management, Chapter 10;

2. Master Lease, (new, modified, or rleases/terminations), see Production, Chapter 13 and Asset Management, Chapter 9.

3. Operating Lease and/or Management Agreement, see Asset Management, Chapter 8;

4. Project Capital Needs Assessment (PCNA), see Asset Management, Chapter 3.

4.1 Legal Review of TPA Proposals by Office of General Counsel (OGC). The AE and the HUD Attorney shall simultaneously review the application based on the criteria set forth in this handbook. If the proposed transaction is deemed acceptable by HUD, a preliminary approval letter shall be transmitted to the applicant. If the proposed transaction is unacceptable, the applicant shall be notified accordingly and provided the reasons for such rejection.
D. Opportunity for Update to Affirmative Fair Housing Marketing Plan (AFHMP). HUD requires a Borrower to review a project’s AFHMP (where AFHMP was required during the firm application process of the existing loan) every five years. The TPA application review process provides the Office of Healthcare Programs an opportunity to inquire of the proposed Purchaser whether such reviews were performed and the results of such reviews. Any updated AFHMPs should be obtained for HUD’s records. HUD may recommend that the AFHMP be updated to reflect changes in demographics or other relevant changes in the project’s marketing area.

7.7 Procedures for Processing a Modified Review TPA

A. Routine minimum documentation that must be submitted by the Borrower to the Lender when a modified review is required may be found on the Submission Checklist—Section 232, Transfer of Physical Assets (TPA) Checklist for Full or Modified TPA (see Section 232 Program website).

B. Opportunity for Update to Affirmative Fair Housing Marketing Plan (AFHMP). HUD requires a Borrower to review a project’s AFHMP every five years. The TPA application review process provides the Office of Healthcare Programs and the Office of Fair Housing and Equal Opportunity an opportunity to inquire of the Borrower whether such reviews were performed and the results of such reviews. HUD may recommend that the AFHMP be updated to reflect changes in demographics or other relevant changes in the project’s marketing area.

7.8 Procedures for Processing a Light Review

Types of transfer requiring a Light Review include, but are not limited to, transactions with the following characteristics:

A. Change of Internal Revenue Services (IRS) Reporting Structure (i.e., when a Borrower converts from a limited partnership to a limited liability company, but all principals remain the same and the Tax Identification Number is not changing).
B. **Opportunity for Update to Affirmative Fair Housing Marketing Plan.** HUD requires a Borrower to review a project’s AFHMP every five years. The TPA application review process provides the Office of Healthcare Programs and the Office of Fair Housing and Equal Opportunity an opportunity to inquire of the Borrower whether such reviews were performed and the results of such reviews. HUD may recommend that the AFHMP be updated to reflect changes in demographics or other relevant changes in the project’s marketing area.

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### 7.8 **RESERVED**

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### 7.9 **Special Consideration**

**Secondary Financing.** Any portion of the purchase price that is not paid in cash at the time of purchase is considered to be secondary financing. Secondary financing must be junior (subordinate) to the FHA-insured mortgage or deed of trust and can be recorded or unrecorded. Secondary financing includes all deferred financing, financing secured by the project, financing secured by collateral other than the project, or unsecured financing. Please see Production, Chapter 3.15.

ORCF must make certain specific determinations when secondary financing is an element of the TPA.

1. HUD policy permits the use of secondary financing in connection with transfers of projects in those situations that the ORCF determines that the proposal does not jeopardize HUD's security, does not conflict with HUD's legal or programmatic interests, and will not unduly burden the project with financial debt.

2. If FHA-insured secondary financing is proposed as part of the TPA or Section 232/223(a)(7) refinance, it must meet the underwriting criteria of the applicable Section of the Act. The proposed documents must not conflict with a HUD-held or FHA-insured first mortgage or the Regulatory Agreement, or the language of any subsidy agreement. ORCF will approve the use of secondary financing in a TPA only when the following conditions are met:
   a. ORCF will not approve any transfer that includes a lien against the project without the written approval of the first Lender;
   b. Where the consent of the first Lender to allow secondary financing is obtained, the original signed consent document must be transmitted immediately to the Office of Asset Management at HUD Headquarters for inclusion in the project's safe instruments file;
   c. Approval of the secondary financing will not increase HUD's exposure to financial risk or loss; and
   d. Approval of the proposal would not violate the Department's obligation to provide housing at the least cost to the Federal government.
3. **Subordination of Secondary Financing.** The second mortgage or security agreement must be subordinate to any HUD-held or FHA-insured mortgage, and comply with Production, Chapter 3.15. The following language, as appropriate, must be included:

a. **Security Agreement.** Secured Party, for itself and its successors and assigns, covenants and agrees that all of its rights and powers under this security agreement are subordinate and subject to the rights of [identify mortgagee] under that certain [mortgage or deed of trust] dated [date] and recorded [date], office of recordation, and under that certain Security Agreement dated [closing date], and the rights of the Secretary of Housing and Urban Development under that certain Regulatory Agreement dated [original closing date] and incorporated by reference in the above described mortgage.

b. **Second or Wrap-Around Mortgages.** Mortgagee, for itself and its successors and assigns, covenants and agrees that all of its rights and powers under this mortgage are subordinate and subject to the rights of [identify first mortgagee] under that certain [mortgage or deed of trust] dated [original closing date] and recorded [date], [office of recordation], and under that certain Security Agreement dated [original closing date], and the rights of the Secretary of Housing and Urban Development under that certain Regulatory Agreement dated [original closing date] and incorporated by reference in the above described mortgage.

**Payment Only from Surplus Cash.** Notes evidencing secondary financing subordinate to FHA-insured or HUD-held financing must provide that any payments from project income can only be made from permissible distributions from surplus cash.

### 7.10 Monitoring

ORCF must ensure that each project is monitored after initial/preliminary approval or final approval where applicable, to ensure that the conditions of approval are satisfied.

Monitoring should begin at the point when initial approval is issued and continue until such time as all of the terms and conditions of the transfer have been satisfied. All required documents, including the Regulatory Agreements, Riders, and/or Assumption/Assignment documents, if any, must be executed in the form as reviewed and approved and conform to the terms and conditions of initial approval within 45 business days, or with approved extensions of time.

### 7.11 Non-Compliance with Transfer

HUD/ORCF will use the TPA/Change of Participants process as an opportunity to enforce compliance with regulatory agreement requirements that are not being followed and will not grant final approval of the transfer until all financial, physical, and legal requirements are met.
A. If a scheduled payment, repair, or other requirement of the TPA
transaction, is not made as agreed under the terms of the transfer, the AE assigned to monitor
the transfer must provide the Borrower with written notice of non-compliance and direct that
appropriate corrective action be taken within the reasonable period of time specified in the
written notice of non-compliance.

B. If the deficiency is not corrected within the period of time specified in the written notice
of non-compliance, the situation should be reported to the Workload Manager. The
Workload Manager should immediately consider all available options to enforce compliance.
Field and Regional Counsel may be consulted and, if necessary, OGC and/or the
Departmental Enforcement Center (DEC) may be requested to participate in developing a
plan of enforcement. The available remedies and Administrative Sanctions include: Civil
Money Penalty (as expressly authorized by 12 U.S.C. Sections 1735f-15(b)(1)), Limited
Denial of Participation (LDP), suspension, debarment, etc., as well as suit for specific
performance to enforce the conditions of the TPA transaction.

7.12 Project Capital Needs Assessment (PCNA)

A PCNA (in accordance with the Statement of Work as set forth in the Section 232 Handbook,
Production, Chapter 4, for a Limited Scope PCNA) and Reserve for Replacement (R4R)
Analysis are required with a TPA in Change of Ownership transaction in the following situations:

- A PCNA or comparable reserve analysis has not been submitted to HUD in the previous
  10 years; or
- If the Borrower wishes to halt R4R Deposits

7.13 Financial Statement Requirements

When a Full Transfer of Physical Assets occurs, new Owner entity is approved by HUD, the
old Borrower (former Owner entity) is not relieved of filing a final financial statement from the
beginning of their fiscal year until the legal ownership change. A final financial statement must
be filed within 90 days from the date of the actual Transfer of Physical Assets entity change, and
if not timely filed, will be subject to Civil Money penalties of $42,500 (or the amount in effect at
the time of the failure to file) for each return not filed.